



SD GOLD

山東黃金礦業股份有限公司 SHANDONG GOLD MINING CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

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

A Share Stock Code A股份代號：600547 H Share Stock Code H股份代號：1787

2022 ANNUAL REPORT
年度報告

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Liu Qin
Mr. Wang Shuhai
Mr. Tang Qi

NON-EXECUTIVE DIRECTORS

Mr. Li Hang
Mr. Wang Lijun
Ms. Wang Xiaoling

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yunmin
Mr. Liew Fui Kiang
Ms. Zhao Feng

SUPERVISORS

Mr. Li Xiaoping
Ms. Liu Yanfen
Mr. Luan Bo

AUDIT COMMITTEE

Ms. Zhao Feng (*Chairman*)
Mr. Li Hang
Ms. Wang Xiaoling
Mr. Wang Yunmin
Mr. Liew Fui Kiang

NOMINATION COMMITTEE

Mr. Wang Yunmin (*Chairman*)
Mr. Wang Lijun
Mr. Liu Qin
Mr. Liew Fui Kiang
Ms. Zhao Feng

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Liew Fui Kiang (*Chairman*)
Mr. Wang Shuhai
Mr. Tang Qi
Mr. Wang Yunmin
Ms. Zhao Feng

STRATEGY COMMITTEE

Mr. Li Hang (*Chairman*)
Mr. Wang Lijun
Ms. Wang Xiaoling
Mr. Wang Yunmin
Mr. Liew Fui Kiang

JOINT COMPANY SECRETARIES

Mr. Tang Qi
Ms. Ng Sau Mei (*FCG, HKFCG*)

HONG KONG LEGAL ADVISER

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PRC LEGAL ADVISER

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the PRC
Zip Code: 100125

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

DOMESTIC AUDITOR

ShineWing Certified Public Accountants
(Special General Partnership)

H SHARE REGISTRAR

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 01787
Shanghai Stock Exchange: 600547

WEBSITE

<http://www.sdhjgf.com.cn>

FINANCIAL HIGHLIGHTS

2018-2022 FINANCIAL INFORMATION AS EXTRACTED FROM CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS:

	2022 RMB'000	For the year ended 31 December				2018 RMB'000
		2021 RMB'000	2020 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000	
Revenue	50,305,754	33,932,646	63,689,514	62,613,141	56,250,494	
Cost of sales	(44,138,322)	(31,557,552)	(56,956,948)	(57,601,794)	(52,213,915)	
Gross profit	6,167,432	2,375,094	6,732,566	5,011,347	4,036,579	
Selling expenses	(176,421)	(361,149)	(107,147)	(188,120)	(126,995)	
General and administrative expenses	(2,465,844)	(2,409,669)	(2,831,702)	(1,768,667)	(1,445,860)	
Research and development expenses	(399,567)	(345,606)	(390,492)	(333,050)	(321,041)	
Other income	26,070	21,104	27,183	37,704	14,398	
Other gains and (losses), net	(318,771)	1,347,506	143,773	107,585	253,554	
Finance income	85,147	71,645	73,714	71,466	67,646	
Finance costs	(1,051,000)	(732,639)	(832,827)	(866,894)	(936,319)	
Share of results of associates	35,273	21,820	10,669	1,319	38,066	
Profit/(loss) before tax	1,902,319	(11,894)	2,825,737	2,072,690	1,580,028	
Income tax expenses	(550,856)	(217,620)	(574,202)	(660,376)	(559,231)	
Profit/(loss) for the year	1,351,463	(229,514)	2,251,535	1,412,314	1,020,797	
Profit/(loss) for the year attributable to:						
Owners of the Company	1,191,359	(221,301)	1,998,918	1,290,503	964,411	
Non-controlling interests	160,104	(8,213)	252,617	121,811	56,386	
	1,351,463	(229,514)	2,251,535	1,412,314	1,020,797	
			(restated)	(restated)	(restated)	
Basic and diluted earnings/(loss) per share (RMB) (Note)	0.19	(0.10)	0.46	0.30	0.25	

Note: During the Reporting Period, the profit for the year attributable to the holders of the Company's equity instruments included the interest attributable to the holders of the perpetual bonds of RMB353,096,000 during the Reporting Period. After deducting the perpetual bond interest, the profit for the year attributable to ordinary shareholders of the listed company during the Reporting Period was RMB838,263,000. The effect of interest on perpetual bonds is deducted in the calculation of basic and diluted earnings/(loss) per share.

The calculation of basic and diluted earnings per share has been retrospectively adjusted for the bonus issue on 20 August 2019 and 19 August 2020.

	2022 RMB'000	2021 RMB'000	2020 RMB'000 (restated)	2019 RMB'000	2018 RMB'000
Assets and liabilities					
Total assets	91,216,092	79,036,550	70,105,973	58,848,726	54,560,477
Total liabilities	54,413,924	47,075,671	34,437,650	32,780,401	28,886,040
Non-controlling interests	3,870,781	2,632,225	4,644,236	2,860,413	1,943,845
Perpetual bonds	9,937,528	6,249,387	3,999,387	–	–
Total equity attributable to owners of the Company	32,931,387	29,328,654	31,024,088	23,207,912	23,730,592

CHAIRMAN'S STATEMENT

To all shareholders,

I wish to take this opportunity to express my sincere gratitude for your trust and support to Shandong Gold Mining Co., Ltd.

On behalf of the Board, I am delighted to present the 2022 annual report of Shandong Gold and to report on the Company's performance for the period to all shareholders.

OVERVIEW OF THE COMPANY'S OPERATION

The Company's main business, operating model and conditions of the industry during the Reporting Period

The core business operations of the Company during the Reporting Period

During the Reporting Period, the Company's approved business scope was mainly: mining and beneficiation of gold, production and sales of specialized equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations). The Company mainly produces standard gold bullions and investment gold bars and silver ingots and other products of various specifications.

The mining enterprises under the Company's management are located in Shandong, Fujian, Inner Mongolia, Gansu, Xinjiang and other regions in the PRC, and overseas countries in Argentina, South America and Ghana, Africa, forming an integrated industry chain covering exploration, design, research and development, mining, beneficiation, smelting of gold, deep processing and sales of gold products, as well as the manufacture of mining equipment, with an industry-leading scientific and technological research and development system, and a mining finance business and capital investment and financing support platform.

Operating Model

Large-scale production and operation

The Company focuses on the development and utilization of gold mineral resources. By adopting the gold production model of scattered mining and beneficiation and centralized smelting, the Company has utilized the mechanized and large-scale mining equipment, the automated transportation and lifting system, and the advanced and intelligent beneficiation technology to realize the large-scale, intensive and mechanized mining of gold resources. The Company has made full use of its resource advantages in gold-rich areas in the northwest of Jiaodong Peninsula, insisted on optimizing the existing products and extending products range, and accelerated the construction of key projects such as the auxiliary shaft of Sanshandao Gold Mine, the "deepest well in Asia" at a depth of 1,915 meters, and the open mixed well of Jiaojia Gold Mine, rapidly promoting the construction of a world-class gold production base. Mining enterprises have accelerated the expansion of capacity and boundary, the integration of exploration and mining, and the increase of reserves by exploration, so as to integrate surrounding mining rights resources and extend the service life of existing mines.

CHAIRMAN'S STATEMENT

Lean operation and control

As the Company has opened up the whole industrial chain of resource acquisition, geological exploration, mine production, engineering construction and industrial finance, the organizational structure and control system of “group control – professional management – intensive operation” has become smoother and more efficient. In 2022, the Company formulated the implementation plan for benchmarking the first-class quality and efficiency improvement project, optimized and improved the assessment system, revised and added new management systems, and comprehensively strengthened the level of modernized governance of enterprise. Sanshandao Gold Mine was successfully selected as a benchmark enterprise for management improvement of state-owned enterprises in Shandong Province. Through strengthening technical management and on-site management, the Company's subsidiaries comprehensively enhanced the level of lean management, and achieved a feed grade of 1.84g/t of raw ore in underground mines, representing a year-on-year increase of 5.43%; a mining loss rate of 5.18%, representing a decrease of 0.47 percentage point; an ore dilution rate of 5.79%, representing a decrease of 0.71 percentage point during the Reporting Period.

Technology and innovation-driven model

The Company continues to increase its investment in science and technology, and accelerates the transformation and application of scientific and technological achievements. The Company focuses on research in the fields of deep resource development and green and intelligent mining technology, and speeds up the transformation of cutting-edge technologies such as 5G, which further provides technical support and reserves for the high-quality development of enterprises. The intelligent mining of deep resources project in Sanshandao Gold Mine won the first prize in Shandong Province for scientific and technological progress, and Jiaojia Gold Mine completed the first trial of the application of WiFi6Mesh-based underground remote control load-haul-dump. The Company continues to promote efficiency creation projects by means of technology to serve front-line production. During the Reporting Period, by adhering to efficiency improvement by means of technology, Gold Smelting Company reduced the comprehensive cyanide residue gold grade by 6% year-on-year; the mechanized cluster operation in the whole process of “mining branch” of Jiaojia Gold Mine accounted for 43%. The Company continues to promote mechanization and automation to increase the automation rate of major fixed facilities. The percentage of mining and support mechanization in mining enterprises continued to increase; the automation control rate of fixed equipment such as lifting and transportation, drainage, power supply and ventilation reached 85%.

Safe and green development

The Company has made precise efforts in improving the institutional system, strengthening education and training, upgrading equipment level and strictly rewarding and punishing assessment to strengthen the foundation of safety production and comprehensively improve the intrinsic safety level. The Company thoroughly implements the concept of green development, and in order to fully improve the efficiency of resource utilization, has vigorously built a demonstration project for the construction of tailing-free mines, and innovatively proposed the idea of “underground filling as the main method, tailing reservoir discharge as a supplement, and multiple utilization methods in parallel”, solving the problems of environmental protection, safety and land occupation caused by the large amount of tailing stockpiles. This marks an effort to explore and make fruitful attempts towards less and zero emissions from tailings, reducing the large amount of land occupation, eliminating to a certain extent the safety and environmental hazards brought about by the tailings pond, and embarking on a path of high-quality development that maximizes the efficient use of resources and minimizes damage to the ecological environment.

CHAIRMAN'S STATEMENT

Industry Development and the Position of the Company in the Industry

The development of the gold industry is closely intertwined with the global economic development trend and geopolitical landscape. In recent years, against the backdrop of accelerating evolution of the world's unprecedented changes in a century, affected by the increasingly complex international environment and the sharp rise in geopolitical risks and other factors, the risk aversion in the global financial market has heightened. Therefore, the value of gold in asset allocation has increased significantly, and the gold industry is facing a new round of development opportunities.

During the Reporting Period, the international political and macroeconomic landscape were complex. At the beginning of 2022, the outbreak of Russia-Ukraine conflict triggered changes in the world's political and economic landscape, including the deterioration of the trade environment, the surge in energy prices, and the sharp rise in inflation in economies mainly represented by the United States and Europe. The central banks of major economies, caught in a hyper-inflationary environment, raised interest rates in succession, which not only increased the risk of global recession, but also exacerbated financial market turbulence, resulting in high and wide fluctuations in commodity and gold prices.

During the Reporting Period, the gold price performance was strong in the domestic market but weak in overseas market. Influenced by the complex and volatile international environment, the tightening monetary policies in the United States and Europe and the expected weakening of the global economic situation, the international spot gold price ranged from the highest of US\$2,070/ounce to the lowest of US\$1,614/ounce, with a maximum volatility of US\$456/ounce. As at the end of 2022, the London international spot gold price closed at US\$1,823/ounce, which remained stable as compared to the closing price as at the end of last year. The domestic RMB gold price was significantly stronger than the international gold price due to the significant depreciation of the RMB against the USD. In 2022, the contract price of Shanghai Gold Exchange gold Au9999 reached the highest of RMB418/g and the lowest of RMB275.05/g, and closed at RMB410.49/g, representing an increase of approximately 9.8% over the closing price of RMB373.85/g last year.

During the Reporting Period, global gold demand increased year-on-year but domestic gold consumption declined year-on-year. In 2022, global gold demand increased by 18% year-on-year to 4,741 tonnes, the highest annual total demand since 2011, while global central banks' annual gold purchase demand reached 1,136 tonnes, a new high in nearly 55 years. Domestic gold consumption was 1,001.74 tonnes in 2022, representing a decrease of 10.63% as compared with the same period of 2021, which included: gold jewelry of 654.32 tonnes, representing a year-on-year decrease of 8.01%; gold bars and gold coins of 258.94 tonnes, representing a year-on-year decrease of 17.23%; and industrial and other gold products of 88.48 tonnes, representing a year-on-year decrease of 8.55%.

During the Reporting Period, 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 (unilateral: 19,400 tonnes), representing a year-on-year increase of 11.31%, with a bilateral turnover of RMB15.18 trillion (unilateral: RMB7.59 trillion), representing a year-on-year increase of 16.04%.

During the Reporting Period, domestic gold production rose year-on-year. According to the China Gold Association, the gold produced with domestic raw materials was 372.048 tonnes, representing an increase of 43.065 tonnes or 13.09% compared to the same period in 2021. Among them, the gold mine-produced gold was 295.423 tonnes, and the non-ferrous by-products was 76.625 tonnes. In addition, the gold produced from imported raw materials was 125.784 tonnes in 2022, representing a year-on-year increase of 9.78%.

CHAIRMAN'S STATEMENT

In 2022, Shandong Gold focused on the annual target of “Stabilizing External Development, Expanding Internal Development, and Making New Records”, actively promoted the processing of certificates, resource integration and project construction, and comprehensively increased production capacity. In 2022, the production of the Company's seven mines hit a new high, among which the annual gold production of Jiaojia Gold Mine exceeded 10 tonnes, making it the number one gold producing mine in the country.

In 2022, the Company had the gold mine production volume of 38.673 tonnes, representing 13.09% of the total production volume in the PRC in 2022. 50.12% of gold production of domestic mines in the PRC was attributable to large gold companies (groups). Shandong Gold's domestic mines produced 32.616 tonnes of gold, accounting for 22% and boasting of the listed company with the highest gold production of domestic mines in the PRC. Shandong Gold continues to maintain its leading position in the domestic gold industry.

Analysis on the Core Competitiveness During the Reporting Period

Strategic Advantage

The Company always insists on strategic thinking and seeks new leaps in long-term development. Focusing closely on the development concept of “Safe Shandong Gold, Ecological Shandong Gold, Vibrant Shandong Gold and Humanistic Shandong Gold”, the Company regarded “Technology Development, Resource Exploration, M&A Integration and Industry Chain Extension” as its four key business areas. Adhering to the philosophy that “technology is the primary productive force and innovation is the first driving force”, the Company continued to increase investment in research and development, strengthened platform construction and cultivated a team of talents. Adhering to concept of “resource first, efficiency focused, innovation centered”, the Company internally increased our exploration efforts to accelerate prospecting, and externally focused on key resource areas to actively acquire resources. Adhering to the direction of “ecology first, green development”, the Company carried out carbon peaking and carbon neutral work in a scientific and orderly manner to promote green and low-carbon transformation and high-quality development of the mining industry. Adhering to the principle that “safety input represents safety investment”, the Company promoted comprehensive upgrading of mining enterprises in terms of management reform, technological innovation and process optimization. Stabilizing the operational management of existing overseas enterprises, and further enhancing the Company's ability and level of resilience to risks.

Advantage in Resource Superiority

The Company has been upholding the concept of “resource first, efficiency focused, innovation centered”, further consolidating its resource base, building up its core competitiveness, cultivating its resource advantages and enhancing its resource reserves. In line with the direction of “internal and external expansion to grow stronger and wider”, the Company continuously increased our internal exploration efforts, and actively carried out external resource mergers and acquisitions. In Shandong Province, the Company actively integrated resources and accelerated the construction of major projects to actively build a world-class gold production base in the Jiaodong region. The Company also conducted in-depth research on the deep and surrounding parts of the mines outside the province and overseas, continuously optimizing the geological prospecting model and achieving new breakthroughs in prospecting to provide a solid resource base for the sustainable development of the mines. As at the end of 2022, the Company entered into an agreement with the controlling shareholder and the de facto controller of Yintai Gold to acquire 20.93% of shares in Yintai Gold, which ranked in the top 10 in the domestic gold industry, so as to obtain control of Yintai Gold. Upon completion of the transaction, it will further enhance Shandong Gold's resource reserves and strengthen Shandong Gold's leading position in the domestic gold industry.

CHAIRMAN'S STATEMENT

Advantage in the Company's Scale

The Company is mainly engaged in the development and utilization of gold mineral resources, and has always been in a leading position in the domestic mining industry in terms of equipment level and degree of mechanization of mines. The construction of an “international first-class exemplary mine” at Sanshandao Gold Mine has led the pace of mechanization, automation and intelligent construction of large and medium-sized mines of the Company. Through solidly promoting the project of replacing workers with machineries, the mechanization rate of mining operations of several enterprises, such as Xincheng Gold Mine and Jiaojia Gold Mine, has reached over 50% and the automation control rate of auxiliary production systems in mines has reached 80%, gradually improving the level of mechanization and automation. Shandong Gold Smelting Co., Ltd. has enjoyed a leading position in terms of national mine-produced gold processing and trading volume for many years. Jiaojia Gold Mine, Sanshandao Gold Mine, Xincheng Gold Mine and Linglong Gold Mine have been on the list of “China Top Ten Gold Mines in terms of Production Output” for several consecutive years, with the cumulative gold production all exceeding 100 tonnes, making the Company the only domestic listed company which owns four mine enterprises each with cumulative gold production exceeding 100 tonnes. During the Reporting Period, Jiaojia Gold Mine achieved an annual gold production of more than 10 tonnes, becoming the first single mining enterprise in China to produce more than 10 tonnes of gold annually.

Advantage in Scientific and Technological Innovation

The Company adhered to the whole-chain linkage scientific and technological innovation management concept of “demands from enterprises – resources allocation on platform – collaboration to promote research and development”, closely followed the theme of ecological protection and high-quality development, and conformed to the development direction of “intelligent mine” and “ecological mining”. The Company, by focusing on mastering cutting-edge and core mining technologies, increased investment in scientific and technological research and development, actively undertook and participated in key research and development projects at provincial and ministerial levels. In 2022, an academician workstation led by academicians of the Chinese Academy of Sciences, the Russian Academy of Engineering and Deng Jun, the former chancellor of China University of Geosciences (Beijing), was established by SDG Group, the controlling shareholder of the Company, achieving a “zero breakthrough” in Shandong Gold’s provincial-level research and development platform. The academician workstation focuses on the scientific and technological frontier of “deep earth” resource exploration and exploitation, and carries out in-depth cooperation in the research and development of “bottleneck” technologies, talent cultivation, achievements transformation and industrial application, which will provide technical support for the short-term resource continuity and long-term strategic reserve of the Company’s mines. In 2022, the Company focused its efforts on overcoming a number of technical problems and received more than 30 scientific and technological awards at the provincial and ministerial levels and from industry associations, accounting for one-third of the total number of scientific and technological awards from the national gold industry associations. In particular, the project of “Key Technology and Equipment for Intelligent Mining of Deep Metal Mineral Resources in Binhai (《濱海深部金屬礦產資源智能開採關鍵技術與裝備》)” applied by Sanshandao Gold Mine won the First Prize of Shandong Province for Scientific and Technological Progress, and the project of “Research and Application of Key Technology for Safe, Green and Intelligent Mining of Deep, Gentle-inclined and Thick Gold Deposits (《深部緩傾斜厚大金礦床安全綠色智能化開採關鍵技術研究與應用》)” applied by Jiaojia Gold Mine won the Second Prize of Shandong Province for Scientific and Technological Progress. These independent innovation achievements provided strong support for the high-quality development of the Company.

CHAIRMAN'S STATEMENT

Talent Advantage

The Company has firmly established the candidate selection and appointment direction of “morality first, equal stress on integrity and ability, emphasis on actual performance and public recognition”, and built three talent teams in “management, technology and skill” to create a talent platform, stress on talent cultivation, deepen the talent development mechanism, and optimize the talent development ecology. The Company scientifically planned the team construction of young cadres, determined the allocation and improvement plan for young cadres, and increased efforts on the selection and training of young cadres, therefore the proportion of young cadres has been rising. The Company gradually improved the professional and technical engineering position system and evaluation system, broadened the growth potential of technical personnel, and created an innovative and growing technical team with reasonable structure, solid professionalism and active thinking. The Company gave full play to the role of its vocational skills appraisal platform and jointly organized the 2022 Shandong Province “Rejuvenation of Shandong by Skills” Vocational Skills Competition – Shandong Province Gold Industry Vocational Skills Competition with the Human Resources and Social Security Department of Shandong Province, to identify excellent skilled talents through the competition. One individual was awarded as the “National Technical Expert”, and five individuals passed the assessment of the Qilu Chief Technician. The Company actively conducted all-round and in-depth cooperation between universities and enterprises, giving full play to the platform of “Shandong Gold – Dongbei University Mining Technology Innovation Research Institute”. We also attached importance to the role of Shandong Gold’s “think tank”, post-doctoral workstation and other talent resources platforms, strengthening external exchanges and cooperation, and broadening channels for the introduction of talents.

Brand Advantage

Based in China, Shandong Gold optimized and expanded its principal gold business with an international vision. The Company was included into the Shanghai Stock Exchange 50 Index, the Shanghai Stock Exchange 180 Index, as well as three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices for many times. In 2022, the Company was successively granted the “Golden Round Table” – Outstanding Contribution in Corporate Governance Award at the 17th Session of Board of Directors of China Listed Companies, the China Corporate ESG “Golden Responsibility Award” for Annual Excellent Enterprise of Sustainable Development, and the 20th China Top 100 Listed Companies Summit Forum – the China Top 100 Best Management and Operation Award. The Company was rated A Grade for Information Disclosure for 2021-2022 by the SSE, which has been awarded for five consecutive years. The Company has always insisted on thoroughly implementing the thought of ecological civilization and the “Two Mountains” development concept put forward by General Secretary Xi Jinping, and the ecological and environmental protection situation has continued to maintain a stable and positive trend. By continuously increasing the investment in environmental protection and strengthening the investigation and rectification of hidden pollution dangers, the total emission of major pollutants from all enterprises has been continuously reduced. Through the establishment of a long-term management mechanism for the construction of green mines and the implementation of a project to continuously consolidate and upgrade the construction of green mines, the Company successfully passed the on-site verification of green mines by the Ministry of Natural Resources. Promoting the goal of “carbon peaking and carbon neutrality” in a scientific and orderly manner, we vigorously advanced the application and promotion of clean energy and green and low-carbon technologies, constantly improving the level of green and low-carbon development, and continuously consolidating the brand image of “Shandong Gold, Ecological Mining”.

By order of the Board of Directors

Li Hang
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group's:

- **revenue** increased by 48.25% to approximately RMB50,305.8 million from approximately RMB33,932.6 million for the same period in 2021, which was mainly due to the increase in sales volume and sales price of self-produced gold, externally procured alloy gold and finished gold during the Reporting Period.
- **cost of sales** increased by 39.87% to approximately RMB44,138.3 million from approximately RMB31,557.6 million for the same period in 2021, which was mainly due to the increase in costs of self-produced gold, externally procured gold and alloy gold during the Reporting Period.
- **gross profit** increased by 159.67% to approximately RMB6,167.4 million from approximately RMB2,375.1 million for the same period in 2021, which was mainly due to the increase in sales volume and sales price of self-produced gold and the decrease in unit sales cost during the Reporting Period.
- **selling expenses** decreased by 51.15% to approximately RMB176.4 million from approximately RMB361.1 million for the same period in 2021, which was mainly due to the decrease in sales commission during the Reporting Period.
- **other gains and losses, net** decreased by 123.66% to a loss of approximately RMB318.8 million from a gain of approximately RMB1,347.5 million for the same period in 2021, which was mainly due to the decrease in profit from financial products during the Reporting Period.
- **finance costs** increased by 43.45% to RMB1,051.0 million from approximately RMB732.6 million for the corresponding period of 2021, which was mainly due to the expansion of financing scale during the Reporting Period.

LIQUIDITY AND CAPITAL RESOURCES

The Group operates in a capital-intensive industry. The Group requires liquidity for expansion of its mining and processing businesses, exploration activities and acquisition of exploration and mining permits. Major sources of capital of the Group are, including but not limited to, cash generated from operating activities, bank financing, bonds issued or to be issued, and private placement of share capital. The liquidity of the Group depends, to a large extent, on the cash generated from its operating activities, its ability to repay debts as and when the debts fall due, and its requirements for future operating and capital expenditure.

As at 31 December 2022, the Group's reserves amounted to approximately RMB18,520 million and short-term borrowings amounted to approximately RMB9,781 million. The bank balances and cash of the Group as at 31 December 2022 were approximately RMB7,753 million. Based on the following factors for consideration, the Directors were of the opinions that the Group will be able to have sufficient working capital to provide capital sources for future needs of financing and working capital: (a) the Group is expected to be profitable continually, and thus will continue to generate operating cash flows from future business operations; (b) the Group has been maintaining long-term business relationships with its principal bankers.

MANAGEMENT DISCUSSION AND ANALYSIS

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Group include short-term loans due to related parties in an aggregate amount of approximately RMB666 million from SDG Group Finance at an interest rate ranging from 2.55% to 4.00% per annum. The Company has issued two tranches of renewable corporate bonds. Please refer to “Information of Corporate Bonds” below for details.

On 13 August 2018, the Shareholders approved our proposal to issue green bonds in accordance with the relevant CSRC laws and regulations. The fixed-rate (3.85%) green bonds with a term of three years totally amounting to RMB1.0 billion were issued on 22 March 2019. For further details, please refer to the Company’s announcements published on 4, 19, 21 and 22 March 2019. As at the date of this annual report, such bonds were fully repaid by the Company.

CASH FLOWS

The Group’s bank balances and cash have increased from approximately RMB4,525 million as at 31 December 2021 to approximately RMB7,753 million as at 31 December 2022.

ASSETS AND LIABILITIES

As at 31 December 2022, the Group’s:

- **prepayment, trade and other receivables** increased by 30.85% to approximately RMB4,683.6 million from approximately RMB3,579.4 million as at 31 December 2021, which was mainly due to the increase in prepayment made by subsidiaries for purchase of gold for the Reporting Period.
- **deferred income tax assets** decreased by 39.17% to RMB289.5 million from approximately RMB475.9 million as at 31 December 2021, mainly due to the decrease in accrued expenses that have not been paid yet.
- **inventory** increased by 30.40% to RMB5,508.1 million from approximately RMB4,224.1 million as at 31 December 2021, mainly due to the increase in unsold externally procured alloy gold and gold leasing at the end of the Reporting Period.
- **prepaid income tax** increased by 563.38% to RMB105.1 million from approximately RMB15.9 million as at 31 December 2021, mainly due to the increase in profitability and prepaid income tax for the Reporting Period.
- **restricted bank deposits** increased by 289.93% to RMB1,880.8 million from approximately RMB482.4 million as at 31 December 2021, mainly due to the prepayment of earnest money for mergers and acquisitions for the Reporting Period.
- **lease liabilities** increased by 58.35% to RMB208.2 million from approximately RMB131.5 million as at 31 December 2021, mainly due to the increase in operating leases for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

- **current income tax liabilities** increased by 35.05% to RMB303.4 million from approximately RMB224.7 million as at 31 December 2021, mainly due to increased profitability and an increase in income tax payable for the Reporting Period.
- **borrowings (including current and non-current liabilities)** increased by 54.04% from approximately RMB15,144.9 million as at 31 December 2021 to approximately RMB23,328.9 million, mainly due to the increase in the amount of long-term borrowings by the Company and its subsidiaries.

CAPITAL EXPENDITURE

The capital expenditure of the Group mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. For the year ended 31 December 2022, in the contracted but not incurred capital expenditure of the Group, the total amount for the acquisition of mining and exploration permits, property, plant and equipment, was RMB1,281.52 million.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022, the Group recorded financial assets at fair value through profit or loss (“**FVTPL**”) amounting to approximately RMB8,119.98 million (31 December 2021: approximately RMB8,334.94 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits. As at 31 December 2022, the Group, through its subsidiaries, held securities of Donghai Securities Co., Ltd. (“**Donghai Securities**”), a company listed on national equities exchange and quotations of the PRC which conducts principal business of brokerage business, online trading and investment consultation. The Group held 347,169,166 shares of Donghai Securities in aggregate, representing 18.71% of the total issued shares of Donghai Securities. According to the evaluation report issued by Shangdong Zhongxin Assets Appraisal Company Limited, an independent valuer engaged by the Group, the fair value of the investment in Donghai Securities as at 31 December 2022 was approximately RMB5,012.68 million, which was approximately 5.50% of the Group’s total assets as at 31 December 2022. For the year ended 31 December 2022, there is a fair value gain of RMB48.33 million from the securities of Donghai Securities held by the Group and Donghai Securities distributed a dividend of RMB6.55 million. We are optimistic about the on-going performance of Donghai Securities. Nevertheless, we will closely monitor the performance of Donghai Securities on an on-going basis.

The Group considers that, save for the investments in Donghai Securities, no other single investment that was designated as financial assets at FVTPL in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2022.

The Group adopts prudent and pragmatic investment strategies over its investments. Significant investments as well as investments in other financial products are made with a purpose of maximizing the Group’s return after taking into account the level of risk, return on investment and the term to maturity. The Group’s investment strategy is to select financial products with relatively low risk in order to secure a stable investment income with relatively low risk. Prior to entering into any investment, the Group will also ensure that sufficient working capital will remain for the Group’s business, operating activities and capital expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this annual report, for the year ended 31 December 2022, the Group had no major investments nor major acquisitions or disposals of subsidiaries, associates and joint ventures.

The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities and expand its mineral resources in order to broaden the revenue base of the Group, enhance its future financial performance and profitability. We are confident in the future and committed to continuous growth of the Group.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

The year 2022 was the second year for the Company's implementation of the "14th Five-Year Plan" strategic objectives, and also an extraordinary, challenging and fruitful year in the Company's development history. The Company insisted on taking the spirit of the 20th CPC National Congress as its guide, focused on the annual target of "Stabilizing External Development, Expanding Internal Development, and Making New Records", undertook the responsibility of "stabilising the growth and making contribution", and made concerted and dedicated efforts to fully accomplish the annual goals and tasks. The Company continued to consolidate the upward sound development trend, laying a solid foundation for the realisation of the "14th Five-Year Plan" strategic objectives.

In 2022, the gold mine production volume of the Company amounted to 38.673 tonnes, representing a year-on-year increase of 13.892 tonnes or 56.06%. The Company's total assets reached RMB91,216 million, representing an increase of RMB12,180 million or 15.41% over the beginning of the period; the Company's total liabilities were RMB54,414 million, representing an increase of RMB7,338 million or 15.59% over the beginning of the period; the Company's total equities amounted to RMB36,802 million, representing an increase of RMB4,841 million or 15.15% over the beginning of the period. The debt-to-asset ratio was 59.65%, representing an increase of 0.09 percentage point over the beginning of the period. In 2022, the Company achieved revenue of RMB50,306 million, representing a year-on-year increase of RMB16,373 million or 48.25%; the profit for the year was RMB1,351 million, representing a year-on-year increase of RMB1,581 million; earnings per share was RMB0.19, representing a year-on-year increase of RMB0.29.

During the Reporting Period, the Company carried out the following major works:

(I) Focusing on production operations. Focusing on the key indicators such as output, revenue and profit, and seizing the difficult problems, pain points and bottlenecks that restrict production and operation, the Company regularly convened key work promotion meetings and special work meetings, coordinated the stabilization of production, increase of production and resumption of production together, and coordinated the joint efforts inside and outside the province and overseas, innovated incentive mechanisms, scientific and precise implementation of policies and strengthened scheduling assessment to encourage all units to make every effort to increase production capacity and realize increased production and revenue. The output of seven mines reached a new high, of which the annual gold output of Jiaojia Gold Mine exceeded 10 tonnes, making it the largest gold production mine in China. Adhering to the principle that "resources are the fundamental interests that cannot be shaken", the Company internally increased our geological exploration and prospection efforts, and externally focused on key resource areas to actively acquire resources, with the amount of retained gold resources reaching 1,318.6 tonnes based on its equity, further enhancing our ability to support resource security.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Focusing on speeding up the processing of certificates. Tracking and grasping the policy trend in a timely manner, and actively exploring the way and path of certificate processing, the Jiaojia Gold Mine and the Xincheng Gold Mine have overcome the difficulties of integrating the large number of mining rights and the large number of units involved in the ownership, and successfully obtained the mining licenses of Jiaojia Gold Mine and Xincheng Gold Mine after integration issued by the Department of Natural Resources of Shandong Province, and became the first batch of mines in the province to obtain approval from the Shandong Provincial Development and Reform Commission for resource integration projects. After the approval of the ecological red line plan, Linglong Gold Mine obtained the “first batch” of extension of mining permit in the province. Chifengchai Mine has successfully obtained the approval of the 2,000t/d capacity expansion project and the approval of the environmental impact report for the expansion of the supporting tailings reservoir, which has created conditions for the smooth implementation of the project.

(III) Focusing on strengthening reform and innovation. We continued to increase investment in scientific research. In 2022, we added 142 new scientific and technological projects, 251 scientific and technological projects under research throughout the year, won 1 first and second prizes of provincial scientific and technological progress awards, 31 science and technology awards of China Gold Association, and obtained 234 authorized patents. With the continuous promotion of the construction of intelligent mine, Sanshandao Gold Mine relied on 5G technology to realize the integrated management and control of ramp 5G+UWB voice communication, personnel positioning and signal control. Jiaojia Gold Mine has completed the first application test of underground remote control scraper based on WiFi6Mesh network in China. The Company formulated the implementation plan and work list for benchmarking the first-class quality and efficiency improvement project, optimized and improved the assessment system, and the first phase of the equipment lifecycle system was successfully put into operation.

(IV) Focusing on speeding up project construction. Strengthening project management, implementing the construction of large mining projects in a scientific manner and accelerating the construction of the world-class gold base of Shandong Gold. The main control project of the Jiaojia Gold Mine, Jiaojia Ming mixed shaft and Zhuguolijia main and auxiliary shaft projects have commenced construction in 2022. The Sanshandao auxiliary shaft project, the “deepest well in Asia” with a depth of 1,915 meters, commenced construction in 2022, and as of the end of 2022, a total of 758m of shaft boring was completed. Xincheng Gold Mine continuously optimized the construction organization, and completed the installation and commissioning of the lifting system of Tengjia shaft project in June, which has the lifting capacity. The preliminary formalities for the expansion project of 2,000t/d of mining and beneficiation in Chifengchai Mine were smoothly carried out, and the auxiliary shaft project was officially started at the end of 2022. The Namdini Gold Mine project of Cardinal Resource Company in Ghana has completed the first stage contract signing of EPCM general contracting of the concentrator, and the ordering of certain long-term equipment. Preliminary site formation works are underway, the tender documents for the mining projects have been issued and the mine ancillary projects such as camps, water intake facilities, safety fencing, power lines and the first phase of the tailings storage are progressing well.

(V) Focusing on deepening cost reduction and efficiency increase. We gradually implemented the “four complete requirements” of the whole staff, the whole process, all nodes and all directions, improved the management and control system of reducing costs and increasing efficiency, and implemented the key tasks of reducing costs and increasing efficiency. We insisted on strengthening capital control, continuously optimizing the ratio of debt instruments and equity instruments, and keeping the gearing ratio at a reasonable level. In accordance with the principle of “collect as much as you can”, we have continuously broadened the scope of centralized procurement and organized and completed more than 500 tenders throughout the year, continuously enhancing the ability of centralized procurement to create efficiency. The Company has promoted “full staff, full process and full coverage” risk management, and fully utilized the functions of value-added audit, efficiency creation and legal compliance protection.

MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Focusing on capital operation. Based on the development plan to build a world-class gold base in the Jiaodong region, the Company has confirmed a plan on the non-public offering of A shares to raise a total amount of not more than RMB9.9 billion, which is mainly used in the Jiaojia mining area (integration) gold resources development project. The plan has completed the first opinion feedback submitted to the CSRC and the relevant materials have been submitted to the SSE in accordance with the relevant laws and regulations of the registration system, and have been accepted by the SSE and are under review. The Company signed an agreement with the controlling shareholder and the de facto controller of Yintai Gold to acquire 20.93% of Yintai Gold to obtain its control. At present, the acquisition project is actively advancing. The combination of Shandong Gold and Yintai Gold will further lay the Company's leading position in the domestic gold industry.

(VII) Focusing on safety and environmental protection. The Company paid close attention to safety production, carried out in-depth development of safety risks and hidden dangers comprehensive investigation and rectification, external team special rectification and mining top help full support rectification and other activities, determined to achieve no production without safety, safe production foundation has been effectively consolidated. Combined with the current national "carbon peaking and carbon neutrality" work requirements, the Company actively carried out green low-carbon development layout, and actively promoted the use of photovoltaic, geothermal energy and other clean energy, built a long-term mechanism for the construction and management of green mines, constantly improved the quality and effectiveness of ecological and environmental protection work, and continuously consolidating the brand image of "Shandong Gold, Ecological Mining".

(VIII) Focusing on strengthening party building. Party organizations at all levels of the Company actively carried out learning conferences, centralized training and publicity activities, and deeply studied, publicized and implemented the spirit of the 20th National Congress of the CPC and the spirit of the 12th Party Congress of Shandong Province. We insisted on grasping the grassroots and grasping the branches, and continued to deepen the creation of excellent party branches and star-rating management of party branches to effectively improve the standardization and normalization of grassroots party construction. We have pushed forward in depth to administer the party strictly in an all-round way, give full play to the role of the sword of inspection, and complete a new round of routine inspections of some of the Company's subsidiaries.

MAJOR OPERATIONS DURING THE REPORTING PERIOD

In 2022, the Company produced 38.673 tonnes of mine-produced gold, an increase of 13.892 tonnes or 56.06% compared to 2021. In 2022, the feed grade of raw ore was 1.23g/t, an increase of 0.11 g/t year-on-year. Among them, the feed grade of raw ore in underground mines was 1.84 g/t, an increase of 0.09 g/t year-on-year, or 5.43%. The main reason was that the production capacity of each mine was quickly restored and high-grade resources were effectively utilized; the feed grade of raw ore of the open-pit mine was 0.74 g/t, down 0.03 g/t year-on-year, or 3.89%. The main reason was that the grade of geological resources in Xinjiang Jinchuan Mining and Veladero Mine in Argentina has decreased.

Due to the new round of ecological protection red line delineation in Shandong Province affecting the Company's progress of the processing of certificates, the Linglong mining area of Linglong Gold Mine obtained an extended mining permit in December 2022 after the ecological protection red line scheme was approved. As of the date of this annual report, the Linglong mining area is still applying for a safety production permit and has not yet resumed production; the Dongfeng mining area obtained an extended mining permit and safety production permit in December 2022 and resumed production in January 2023. Penglai Mining resumed production at the end of April 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

ANNUAL PRODUCTION DATA AND ANALYSIS

The following table sets forth the gold production volume of our mines for the periods indicated:

Name of organization	For the year ended 31 December				Proportion of ownership	Mine-produced gold on equity basis in 2022	
	2021		2022			Gold production volume (kg)	Gold production volume (koz) ⁽²⁾
	Gold production volume (kg)	Gold production volume (koz) ⁽²⁾	Gold production volume (kg)	Gold production volume (koz) ⁽²⁾			
Sanshandao Gold Mine	2,671.4	85.89	5,459.85	175.54	100%	5,459.85	175.54
Jiaojia Gold Mine	4,562.12	146.68	10,036.25	322.67	100%	10,036.25	322.67
Linglong Gold Mine	1,000.31	32.16	1,101.92	35.43	100%	1,101.92	35.43
Xincheng Gold Mine	2,216.62	71.27	5,691.23	182.98	100%	5,691.23	182.98
Penglai Mining	108.31	3.48	201.57	6.48	100%	201.57	6.48
Yinan Gold Mine	286.14	9.20	376.03	12.09	100%	376.03	12.09
Xinhui Company	1,422.52	45.74	1,433.1	46.08	100%	1,433.10	46.08
Laixi Company	592.34	19.04	595.85	19.16	100%	595.85	19.16
Jinzhou Company	1,012.38	32.55	1,130.1	36.33	60.78%	686.87	22.08
Guilaizhuang Mining	167.06	5.37	816.3	26.24	70.65%	576.72	18.54
Chai Mine Company	1,545.5	49.69	1,727.95	55.55	73.52%	1,270.44	40.85
Fujian Yuanxin	445.1	14.31	320.16	10.29	90.31%	289.14	9.30
Xihe Zhongbao	1,007.02	32.38	1,008.28	32.42	70%	705.80	22.69
Jinchuan Mining	2,353.02	75.65	2,717.73	87.38	100%	2,717.73	87.38
Total of domestic mines	19,389.84	623.40	32,616.32	1,048.64		31,142.49	1,001.25
Veladero Mine ⁽¹⁾	5,391.45	173.34	6,057.00	194.74	50%	6,057.00	194.74
Total of foreign mines	5,391.45	173.34	6,057.00	194.74		6,057.00	194.74
Total of the Company	24,781.29	796.74	38,673.32	1,243.38		37,199.49	1,195.99

Notes:

- Includes the gold production volume of the Veladero Gold Mine on a 50% basis. As of the end of the Reporting Period, the Company owned 50% interest in the Veladero Gold Mine.
- 1 ounce = 31.1035 grams.
- According to the Company's construction plan of world-class gold base in Jiaodong, in order to realize the large-scale, intensive and circular development of the mining industry, the Company has integrated the resources of Laizhou area, the Matang mining right of Tiancheng Mining has been integrated into Jiaojia Gold Mine and the Hongbu mining right has been integrated into Xincheng Gold Mine, and the gold output is attributed to Jiaojia Gold Mine and Xincheng Gold Mine, respectively.
- Due to the rounding of numbers, the total may not equal the sum of the numbers.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF MAIN BUSINESS

Operating results

Analysis of changes of related items in consolidated statement of profit or loss

Unit: RMB'000

Item	Amount of the Reporting Period	Amount of corresponding period in prior year	Percentage of changes (%)
Revenue	50,305,754	33,932,646	48.25
Cost of sales	(44,138,322)	(31,557,552)	39.87
Selling expenses	(176,421)	(361,149)	(51.15)
General and administrative expenses	(2,465,844)	(2,409,669)	2.33
Research and development costs	(399,567)	(345,606)	15.61
Finance costs	(1,051,000)	(732,639)	43.45

Analysis on revenue and costs

The increase in revenue of the Company was mainly due to the increase in sales volume and sales price of self-produced gold, externally procured gold and small gold bars. The increase in operating costs was mainly due to the corresponding increase in the costs of self-produced gold, externally procured gold and small gold bars.

Information on major suppliers and customers

The sales to the top five customers amounted to RMB38,832.5 million, representing 77.19% of the total sales for the year, out of which the total sales of the largest customer accounted for 68.54% of the Company's total sales for the year.

The procurement amount from the top five suppliers amounted to RMB27,081.9 million, and the total procurement amount accounted for 61.36% of the cost of sales for the year, out of which the total procurement amount from the largest supplier accounted for 22.17% of the Company's cost of sales for the year.

During the year, to the knowledge of the Directors, none of the Directors or any of their close associates (as defined in the Hong Kong Listing Rules) or any Shareholders (who to the knowledge of the Directors are interested in more than 5% of the Company's issued share capital) had any interest in five largest customers or suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 31 December 2022, the Group's consolidated total debt (including lease liabilities, borrowings and Financial liabilities at fair value through profit or loss) was approximately RMB34,803 million (31 December 2021: RMB24,864 million), and the Group's consolidated total equity was approximately RMB36,802 million (31 December 2021: RMB31,961 million). As at 31 December 2022, the Group's gearing ratio was 94.57% (31 December 2021: 77.79%).

Restrictions on main assets as at the end of the Reporting Period

Unit: RMB'000

Item	Carrying amount as at the end of the Reporting Period	Reasons for restrictions
Monetary funds	246,884	Security deposits for land reclamation and environmental governance
Monetary funds	600,608	Security deposits for notes
Monetary funds	2,700	Gold trading reserves
Monetary funds	610	Performance bonds
Monetary funds	30,000	Security deposits for credit
Monetary funds	1,000,000	Earnest money for mergers and acquisitions
Monetary funds	23	Security deposits for ETC
Total	1,880,825	

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on business information of the industry

Due to its scarcity and perfect natural properties, gold has, for a long period of time, assumed a monetary function as a symbol of personal wealth and social status. As society develops, gold's economic status changes, but it still occupies a position in the international reserves of all countries. As a special commodity with commodity, monetary and financial attributes at the same time, gold is also an important hedging instrument for countries, and is often a good value preservation and appreciation tool, especially in times of global economic and financial turmoil. Gold is also of great importance to the internationalization of RMB, helping to strengthen the confidence of the global market in RMB.

1. Major industry policy changes in 2022

- (1) On 27 January 2022, eight departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Ecology and Environment, the Ministry of Commerce and the State Taxation Administration, jointly issued the Notice on Implementation Plan for Accelerating the Comprehensive Utilization of Industrial Resources (MIIT Lianjie [2022] No. 9), specifying that by 2025, the intensity of industrial solid waste in key industries such as iron and steel, non-ferrous and chemical industries will decline, the comprehensive utilization level of large industrial solid waste will be significantly improved, the renewable resource industry will continue to develop healthily, and the comprehensive utilization efficiency of industrial resources will be significantly improved.
- (2) On 8 February 2022, the National Mine Safety Administration issued the "Notice on Guiding Opinions on Strengthening Production Safety at Non-Coal Mines" (Kuan An [2022] No. 4), to further improve the level of production safety in non-coal mines, promote the safe and high-quality development of the non-coal mine industry.
- (3) On 24 March 2022, Department of Emergency Management of Shandong Province, Shandong Provincial High People's Court, People's Procuratorate of Shandong Province, Public Security Department of Shandong Province, Shandong Provincial Department of Finance, Department of Industry and Information Technology of Shandong Province, Department of Natural Resources of Shandong Province, Housing and Urban-Rural Development Department of Shandong Province, Shandong Provincial Department of Transport, Shandong Administration for Market Regulation, Energy Administration of Shandong Province and Shandong Provincial Fire and Rescue Corps jointly issued the "Opinions on Strengthening the Safety Production Reporting Rewards and Serious Accountability of Illegal Enterprises" (Lu Ying Ji Fa [2022] No. 3), strengthening the reporting work of production safe with rewards, and seriously reporting and verifying the responsibility investigation of illegal enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

- (4) On 1 June 2022, the National Mine Safety Administration issued the “Notice on Measures for the catalogue Administration of the Popularization of Advanced Applicable Technology and Equipment for Mine Safety and the Phase-out of Backward Technology and equipment (Trial)” (Kuan An [2022] No. 82) to implement the important remarks of General Secretary Xi Jinping on production safe and technological innovation, further accelerate the promotion of advanced and applicable technology and equipment for mine safety, eliminate backward technology and equipment that seriously endanger the production safety of mines, improve the level of production safety of mines, and ensure the safety of people’s lives and property.
- (5) On 6 April 2022, the Ministry of Ecology and Environment announced the “Measures for the Prevention and Control of Environmental Pollution from Tailings” (Decree No. 26 of the Ministry of Ecology and Environment), which was implemented from 1 July 2022 to prevent and control the environmental pollution from tailings and protect and improve the ecological environment.
- (6) On 10 June 2022, the National Mine Safety Administration issued the “Notice on Strengthening Safety Education into Mine Work” (Kuan An [2022] No. 84) to thoroughly implement the spirit of General Secretary Xi Jinping’s important instructions on production safety, implement the “five advances” work of safety propaganda, improve the essential safety level of mines, and prevent and contain major and serious accidents.
- (7) On 3 July 2022, General Office of the People’s Bank of China issued the “Notice on Interim Measures for the Administration of Gold Leasing Business” (YBF [2022] No. 88) to strengthen the management of the gold market, promote the standardized development of gold leasing business, and better serve the real economy.
- (8) On 16 August 2022, the Ministry of Natural Resources, the Ministry of Ecology and Environment, and the National Forestry and Grassland Administration issued the “Notice on Strengthening the Management of Ecological Protection Red Line (Trial)” (Zi Ran Zi Fa [2022] No. 142) to strengthen the management of ecological protection red line and strictly abide by the boundary of natural ecological security.
- (9) On 2 August 2022, the Ministry of Finance, the Ministry of Emergency Management, and the National Mine Safety Administration issued the “Notice on Measures for the Administration of Subsidy Funds for Production Safety Prevention and Emergency Rescue Capacity Building” (Cai Zi Huan [2022] No. 93) to strengthen the administration of subsidy funds for the production safety prevention and emergency rescue capability building.
- (10) On 23 October 2022, in order to promote the management of risk and hidden dangers of tailing reservoirs and effectively prevent and resolve major safety risks of tailing reservoirs, the National Mine Safety Administration and the Ministry of Finance have studied and formulated the “General Plan for the Management of Risk and Hidden Danger of Tailings reservoirs” (Kuan An [2022] No. 127).
- (11) On 23 October 2022, in order to effectively strengthen the prevention and control of major disaster risk in coal mines and key non-coal mines, the National Mine Safety Administration and the Ministry of Finance issued the “General Plan for the Prevention and Control of Major Disaster Risk in Coal Mines and Key Non-coal Mines” (Kuan An [2022] No. 128).
- (12) On 18 November 2022, the Ministry of Natural Resources issued the “Notice on the Protection of Mining Land” (Zi Ran Zi Fa [2022] No. 202) to inform the matters related to the linking of new land for mining projects and the reclamation and restoration of existing mining land.

MANAGEMENT DISCUSSION AND ANALYSIS

- (13) On 21 November 2022, in order to implement the new concept of safe development, promote enterprises to implement the main responsibility, and strengthen the investment in production safe of enterprises, the Ministry of Finance and the Ministry of Emergency Management issued the “Notice on Administrative Measures for the Extraction and Use of Expenses for Safety Production of Enterprises” (Cai Zi [2022] No. 136).
- (14) On 10 November 2022, in order to thoroughly implement the decision and deployment of the Party Central Committee and the State Council on the carbon peaking and carbon neutrality, and earnestly do a good job in carbon peaking work in the non-ferrous metal industry, the Ministry of Industry and Information Technology, the National Development and Reform Commission, and the Ministry of Ecology and Environment issued the “Implementation Plan of Carbon Peaking in Non-ferrous Metal Industry” (MIIT Lianyuan [2022] No. 153).
- (15) On 30 December 2022, 13 departments (units), including the Department of Natural Resources of Shandong Province, the Development and Reform Commission issued and implemented the “Several Opinions on Strengthening Mineral Resources Exploration and Development to Promote Green and High-Quality Development of Mining Industry” (Lu Zi Ran Zi Zi [2022] No. 174), to deeply implement the concept of green development and carry out the spirit of the 20th National Congress of the CPC and the important reply letter of General Secretary Xi Jinping, implement the “Opinions of the State Council on Supporting Shandong to Deepen the Transformation of New and Old Dynamics to Promote Green, Low-carbon High-quality Development”, promote the increase of mineral resources exploration and development, build a good order, green development, economical use, strong protection of green and high-quality development pattern of the mining industry, to ensure the security of resources and energy and economic and social development in Shandong Province.

2. Changes in significant tax policy during the Reporting Period

There were no major changes in tax policy in 2022.

3. Payment of resource tax and environmental protection tax during the Reporting Period

In 2022, resource tax payable by the Company’s domestic subsidiaries amounted to RMB566,542,000, and RMB539,886,000 was paid. Environmental protection tax payable amounted to RMB1,634,000, and RMB1,592,000 was paid.

4. Resource tax rate and tax incentives

According to the Resource Tax Law of the People’s Republic of China (《中華人民共和國資源稅法》), the tax rate of gold and silver in metal resources in domestic mines is 2%-6%; mines in Shandong Province are subject to a resource tax of 4.2%, and mines outside Shandong Province are subject to a tax rate of 3%-5%. Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司), Shandong Gold Guilaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司), Fujian Zhenghe County Yuanxin Mining Co., Ltd. (福建省政和縣源鑫礦業有限公司), and Shandong Jinzhou Group Qianling Mining Co., Ltd. (山東金洲集團千嶺礦業有限公司) enjoy the preferential policy of 30% resource tax reduction.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on business information of the industry

Operations of respective region during the Reporting Period

Unit: RMB'000

	Revenue amount		% to total revenue	
	2022	2021	2022	2021
Revenue from contracts with customers within the scope of IFRS 15				
The PRC	47,257,420	31,470,320	93.94%	92.75%
Outside the PRC	3,028,300	2,448,095	6.02%	7.21%
	50,285,720	33,918,415		
Revenue from other sources				
The PRC	20,034	14,231	0.04%	0.04%
	50,305,754	33,932,646		

Reserves and Resources of Self-owned Mines

In March 2020, the state released a new national standard for the Classification of Solid Mineral Resources and Reserves (GB/T17766-2020), which is basically the same as the resource/reserve classification standard of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO). However, it is slightly different in the estimation method of resources and reserves, the application of 3D ore body model, and the application of mining analysis and simulation software. The 2020 classification standard is applicable to the statistics and release of domestic solid mineral resources, the formulation of relevant technical standards for mineral resource exploration and development, the estimation, evaluation and information disclosure of resources and reserves. NI43-101 and JORC code are internationally accepted codes and standards for resource reserve and project disclosure.

According to the internationally accepted NI43-101 standard, the Company's mineral resources reserves and mineral reserves as of 31 December 2022 are summarized as below:

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources ⁽¹⁾⁽²⁾										Reserves ⁽³⁾⁽⁴⁾					Validity period of permits/ mining rights	Risk warning
		Measured		Indicated		Inferred		Total		Grade		Gold content (100% basis)		Gold content (equity basis)		Remaining resources mining year (year)		
		(Mt)	(Mt)	(Mt)	(Mt)	(Mt)	(Mt)	(g/t)	(g/t)	(t)	(t)	(t)	(t)					
Sanshandao Gold Mine	Gold	-	21.4	21.4	26.4	47.8	146.58	146.58	-	18.60	2.72	50.64	50.64	7.04	Mining right (2043.9.1) Mining right (2027.8.3) Exploration right (2023.3.31)			
Jiajia Gold Mine	Gold	-	50.60	50.60	53.40	104.00	350.52	350.52	-	23.71	3.68	87.18	87.18	4.00	Mining right (2032.4.21) Exploration right (2025.6.30)			
Xincheng Gold Mine	Gold	-	18.90	18.90	40.42	59.32	200.71	200.71	-	17.89	3.33	59.59	59.59	6.78	Mining right (2032.4.21)			
Linglong Gold Mine	Gold	-	7.13	7.13	47.80	54.94	157.56	157.56	-	6.60	2.28	15.04	15.04	7.26	Mining right (2028.6.30) Mining right (2030.1.20) Mining right (2034.9.30) Exploration right (2018.5.6) in the process of renewal Exploration right (2018.3.31) in the process of renewal	The renewal of some mineral rights is in progress.		
Gulaizhuang Gold Mine	Gold	-	0.71	0.71	1.79	2.50	8.79	6.21	-	0.46	3.75	1.72	1.22	2.19	Mining right (2023.12.31) Exploration right (2027.3.31)			
Jinzhou Gold Mine	Gold	-	2.01	2.01	2.06	4.06	12.67	7.99	-	1.98	2.90	5.75	3.53	21.62	Mining right (2025.10.14) Mining right (2026.1.12) Mining right (2031.8.3) Mining right (2021.12.14) in the process of renewal Mining right (2021.9.30) in the process of renewal Mining right (2017.7.5) in the process of renewal Exploration right (2017.3.16) in the process of renewal Exploration right (2016.12.31) in the process of renewal	The renewal of some mineral rights is in progress.		

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources ⁽¹⁾⁽²⁾										Reserves ⁽³⁾⁽⁴⁾				Validity period of permits/ mining rights	Risk warning	
		Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)	Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)			Remaining resources mining year (year)
Xinhui Company	Gold	-	6.14	6.14	3.84	9.97	3.67	36.58	36.58	-	5.97	5.97	3.46	20.69	20.69	18.09	Mining right (2034.9.30)	
Laxi Company	Gold	-	1.75	1.75	1.52	3.27	1.96	6.41	6.41	-	1.77	1.77	1.70	3.01	3.01	5.37	Mining right (2031.11.29)	
Pengjia Gold Mine	Gold	-	1.10	1.10	0.89	1.99	7.25	14.42	14.42	-	1.13	1.13	5.27	5.98	5.98	5.93	Mining right (2027.8.3) Mining right (2018.4.7) in the process of integration of mineral rights Mining right (2022.4.28) in the process of integration of mineral rights Exploration right (2017.12.31) in the process of renewal	The resources integration of some mineral rights is in progress, without renewal of mineral rights
Yinan Gold Mine	Gold	-	1.83	1.83	4.23	6.06	1.57	9.48	9.48	-	1.73	1.73	1.36	2.34	2.34	9.07	Mining right (2023.11.11) Mining right (2031.7.15) Exploration right (2024.8.19)	
Shandong Province	Gold	-	111.6	111.6	182.35	283.9	3.21	943.7	936.5	-	79.86	79.86	3.15	251.94	249.21			
Chilengcui Mine	Gold	-	1.62	1.62	0.85	2.47	3.01	7.43	5.46	-	1.71	1.71	2.75	4.72	3.47	5.20	Mining right (2025.12.8) Exploration right (2026.2.14) Exploration right (2027.12.9)	
Fujian Yuanxin Gold Mine	Gold	-	0.31	0.31	0.24	0.55	4.82	2.65	2.39	-	0.26	0.26	3.96	1.03	0.93	1.77	Mining right (2023.6.21) Exploration right (2026.4.16)	

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources (Mt)										Reserves (Mt)					Validity period of permits/ mining rights	Risk warning		
		Measured		Indicated		Inferred		Total		Gold content (100% basis)		Gold content (equity basis)		Proven (Mt)	Probable (Mt)	Total (Mt)			Grade (g/t)	Remaining resources mining year (year)
		(Mt)	(Mt)	(Mt)	(Mt)	(Mt)	(Mt)	(g/t)	(t)	(t)	(t)									
Xihe Zhongbao Gold Mine	Gold	-	6.39	6.39	7.17	13.56	2.28	30.86	21.60	-	5.47	2.29	12.51	8.76	9.84	Mining right (2034.4.28) Mining right (2039.8.30)				
Xinjiang Jinchuan	Gold	6.2	31.05	37.29	7.37	44.66	0.91	40.46	40.46	2.7	18.72	0.84	18.03	18.03	4.28	Mining right (2024.6.27)				
Total of other provinces	Gold	6.2	39.36	45.61	15.63	61.24	1.33	81.40	69.9	2.7	26.16	1.26	36.29	31.19						
China sub - total	Gold	6.2	150.9	157.2	198.0	355.1	2.89	1,025.1	1,006.4	2.7	106.02	2.65	288.23	280.40						
Veladero Gold Mine	Gold	18.25	231.43	249.68	27.41	277.09	0.68	188.18	94.09	16.05	153.58	0.71	119.75	59.87		8 mining rights are leased until 2028, and self-owned 5 mining rights are indefinite				
Cardinal	Gold	7.5	174.20	181.70	12.50	194.20	1.12	218.10	218.10	7.4	131.20	1.13	157.20	157.20		Mining right (2035.2.8) Exploration right (2026.2.5) Exploration right (2026.2.5) Exploration right (2026.2.5) Exploration right (2026.2.5) Exploration right (2026.2.5) Exploration right (2026.2.5) Exploration right (2026.2.5) Exploration right (2023.06.30)				
Total	Gold	32.0	556.5	588.5	237.99	826.3	1.73	1,431.4	1,318.6	26.1	390.80	1.36	565.18	497.47						

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Mineral resources tonnage and metal are reported as in-situ data and do not take into account mining losses and dilution resulting from mining activities.
2. Mineral resources are inclusive of mineral reserves. Mineral Reserves are derived from measured and indicated resources estimated by conversion factors, and inferred resources are not subject to conversion to ore reserves.
3. Two decimal places have been retained and rounding of numbers has been applied, so the total may not be equal to the sum of the numbers;
4. Mt = million tonnes;
5. As of 31 December 2022, the Company owned 70.65%, 73.52%, 90.31% and 70% of equity interest of Guilaizhuang Gold Mine, Chifengchai Gold Mine, Fujian Yuanxin Gold Mine and Xihe Zhongbao Gold Mine.
6. Jinzhou Gold Mine consists of mining rights owned by Jinzhou Group and its 100% and 90% owned subsidiaries, Fuling Mining and Qianling Mining, respectively. As of 31 December 2022, the Company beneficially owned 60.78% and 54.70% of Fuling Mining and Qianling Mining through its 60.78% interest in Jinzhou Group.
7. Mineral reserves assumed:

Reserves in Sanshandao Gold Mine were based on a cut-off grade of 0.99 g/t.

Reserves in Jiaojia Gold Mine were based on a cut-off grade of 1.24 g/t.

Reserves in Linglong Gold Mine were based on a cut-off grade of 1.37 g/t.

Reserves in Xincheng Gold Mine were based on a cut-off grade of 1.01 g/t.

Reserves in Yinan Gold Mine were based on a cut-off grades of 1.71 g/t.

Reserves in Xinhui Company were based on a cut-off grades of 1.38 g/t.

Reserves in Laixi Company were based on a cut-off grades of 1.38 g/t.

Reserves in Jinzhou Gold Mine were based on the following cut-off grade: 2.99 g/t for Jinqingding mine area, Hubazhuang mine area and Songjiazhuang mine area, 1.19 g/t for Yinggezhuang mine area, Xipo mine area and Yinggezhuang exploration area, and 1.31 g/t for Sanjia mine area and Sanjia exploration area.

Reserves in Guilaizhuang Gold Mine were based on the cut-off grade of 2.70 g/t.

Reserves in Penglai Gold Mine were based on a cut-off grade of 1.33 g/t.

Reserves in Chifengchai Gold Mine were based on a cut-off grade of 1.34 g/t.

Reserves in Fujian Yuanxin Gold Mine were based on a cut-off grade of 1.40 g/t.

Reserves in Xihe Zhongbao Gold Mine were based on a cut-off grade of 2.15 g/t.

Reserves in Xinjiang Jinchuan were based on a cut-off grade: 0.3 g/t open pit mining and 0.9 g/t underground mining.
8. Mineral reserve in Veladero Gold Mine was estimated based on cut-off grade: 0.26 g/t for Type 1 ore and 0.39 g/t for Type 2 ore; mineral resource was estimated based on cut-off grade: 0.28 g/t for Type 1 ore and 0.42 g/t for Type 2 ore.
9. Mineral reserve in Namdini Gold Mine of Cardinal Resources Limited was estimated based on a cut-off grade of 0.5 g/t; mineral resource was estimated based on a cutoff grade of 0.5 g/t.
10. In addition, Laizhou Company participated in Laizhou Huijin Mining Investment Co., Ltd. (萊州匯金礦業投資有限公司) Shaling gold mine project, with an amount of 145 tonnes of attributable metals (according to the Mineral Resources Reserves Review Record Certificate set out in the Report on the Verification of Gold Mine Resources Reserves in the Shaling Mining Area of Laizhou City, Shandong Province in 2018).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM GLOBAL OFFERING

The H Shares were listed on 28 September 2018 on the Main Board of the Hong Kong Stock Exchange with net proceeds of approximately HK\$5,245.7 million (approximately RMB4,618.8 million) after deducting transaction fees and other expenses. As of the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 31 December 2022, approximately RMB4,601.1 million have been utilized, namely:

Item	Percentage	Available to utilize	Net proceeds (RMB million)			Expected timeline for the use of the unutilized proceed ⁽¹⁾
			From the listing date to 31 December 2022	For the Year ended 31 December 2022	As of 31 December 2022	
Repayment of Syndicated Term Loan	97.6	4,506.1	4,506.1	-	-	-
Payment of listing expenses ⁽²⁾	2.4	112.7	95.0	-	17.8	On or before 31 December 2023
Total	100%	4,618.8	4,601.1	-	17.8	

Notes:

- (1) The expected timeline for the use of the remaining proceeds is based on the best estimates made by the Group and will be subject to change based on future development.
- (2) Expenses for the purpose of payment of listing expenses include the payment of withholding taxes to listing expenses through the Company's basic account in China Construction Bank.

RESEARCH AND DEVELOPMENT EXPENDITURE

Table of research and development expenditure

	2022	2021
Expensed research and development expenditure for the period (RMB'000)	399,567	345,606
Number of research and development staff (persons)	1,887	1,798
Number of research and development staff to total number of staff of the Company (%)	11.10	11.23

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board of Directors comprises 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. The following table sets out certain information relating to the Directors.

Name	Age	Position	Date of Appointment as Director	Month of Joining the Company
Li Hang (李航) (appointed on 12 July 2022)	53	Chairman, Non-executive Director	12 July 2022	July 2022
Li Guohong (李國紅) (resigned on 16 June 2022)	52	Chairman, Non-executive Director	16 May 2016	May 2016
Liu Qin (劉欽)	54	Vice Chairman, Executive Director	30 December 2020	January 2008
Wang Shuhai (王樹海)	60	General Manager, Executive Director	30 December 2020	January 2008
Wang Lijun (王立君)	54	Non-executive Director	20 May 2014	January 2014
Wang Xiaoling (汪曉玲)	59	Non-executive Director	16 May 2016	July 2000
Tang Qi (湯琦)	45	Executive Director	21 November 2017	July 2000
Wang Yunmin (王運敏)	67	Independent Non-executive Director	30 December 2020	December 2020
Liew Fui Kiang (劉懷鏡)	56	Independent Non-executive Director	30 December 2020	December 2020
Zhao Feng (趙峰)	54	Independent Non-executive Director	30 December 2020	December 2020

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Mr. Li Hang (李航), successively served as the deputy director of the finance department of China Qingqi Group Co., Ltd. (中國輕騎集團有限公司), the director of the finance department of Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司), chief accountant of Shandong Hi-Speed Group Co., Ltd., the chairman of Shandong Hi-Speed Everbright Industrial Investment Fund Management Co., Ltd. (山東高速光控產業投資基金管理有限公司), a standing member of the CPC Committee and a director of Shandong Hi-Speed Group Co., Ltd., and a standing member of the CPC Committee, the deputy general manager and chief auditor of Shandong Hi-Speed Group Co., Ltd. He currently serves as the deputy secretary of the CPC Committee, a director and the general manager of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), and the chairman of the Company.

Mr. Liu Qin (劉欽), successively served as the mine manager of Cangshang Gold Mine of Shandong Province Laizhou Jincang Mining Co., Ltd. (山東省萊州金倉礦業有限公司), mine manager of Sanshandao Gold Mine of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), mine manager of Sanshandao Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), vice chairman and general manager of Shanjin Mining Co., Ltd. (山金礦業有限公司), general manager and the secretary to CPC Committee of Xilingol League Shanjin Aerhada Mining Co., Ltd. (錫林郭勒盟山金阿爾哈達礦業有限公司), general manager and the secretary to CPC Committee of Non-ferrous Group Inner Mongolia Mining Construction Base (有色集團內蒙古礦業建設基地), vice chairman and general manager of Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. (山東黃金有色礦業集團有限公司), vice chairman and general manager of Shandong Gold International Mining Co., Ltd. (山東黃金國際礦業有限公司), executive deputy general manager, vice chairman, general manager and vice secretary to CPC Committee of SDG Mineral Resources Group Co., Ltd. (山東黃金礦產資源集團有限公司), manager of Mineral Resources Department of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), chairman, general manager, secretary to CPC Committee of SDG Mineral Resources Group Co., Ltd. (山東黃金礦產資源集團有限公司), chairman, member and secretary to CPC Committee of Shandong Gold Geological Mine Exploration Co., Ltd. (山東黃金地質礦產勘查有限公司), president and secretary to CPC Committee of Resources Exploration Business Department of the Company, and the deputy general manager, the president and the secretary to CPC Committee of Overseas Mining Business Department of the Company. He currently serves as the vice chairman and general manager of the Company, and the responsible officer of the Company's Mining Management Branch Co..

Mr. Wang Shuhai (王樹海), successively served as vice mine manager of Sanshandao Gold Mine of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), vice mine manager of Sanshandao Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業萊州有限公司), the secretary to CPC Committee and mine manager of Xincheng Gold Mine of the Company, the deputy general manager of the Company, the manager of the Engineering Management Department of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), vice secretary to CPC Committee and general manager of Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. (山東黃金有色礦業集團有限公司), the president and secretary to CPC Committee of China Mining Business Department of the Company, the deputy general manager of Shandong Gold Mining Co., Ltd., the president and the secretary to CPC Committee of Yantai Mining Business Department and general manager of the Company. He currently serves as a Director of the Company.

Mr. Wang Lijun (王立君), successively served as the assistant mining engineer, a deputy director and a director of the mining workshop, an assistant to mine manager, a deputy mine manager, a mine manager and the secretary of CPC Committee of Xincheng Gold Mine of the Company, the general manager, the deputy secretary of CPC Committee, the chairman and the secretary of CPC Committee of Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. (山東黃金有色礦業集團有限公司), and the vice chairman, the general manager, the chairman and the secretary of CPC Committee of the Company. He currently serves as a standing member of the CPC Committee and the deputy general manager of Shandong Gold Group Co., Ltd. and a Director and a member of the CPC Committee of the Company.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wang Xiaoling (汪曉玲), successively served as an accountant of Zhaoyuan Branch of the Agricultural Bank of China in Shandong Province (山東省招遠市農業銀行), the deputy head of the finance division of Jiaojia Gold Mine, the deputy general manager of the finance department, a manager, the chief financial officer and a member of the CPC Committee of the Company, the general manager and the deputy chief accountant of the finance department of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), and the deputy general manager of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司). She currently serves as a special consultant of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), and a Director of the Company.

Mr. Tang Qi (湯琦), successively served as a secretary of the Board office, the securities affairs representative of the Board, the deputy director and director of the Board office, a member of SDG Group Co.'s Reform Committee Office (山東黃金集團有限公司深化改革小組辦公室成員), and the head of the research and development department, the assistant to the general manager and the deputy general manager of SDG Venture Capital Co., Ltd. (山東黃金創業投資有限公司). He currently serves as a Director, the secretary to the Board and the director of the Board office (capital operation department), and the head of the strategic planning department of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yunmin (王運敏), an academician of the Chinese Academy of Engineering, once served as a scientific researcher of the open pit mining research office (露天採礦研究室) of Maanshan General Institute of Mining Research Co., Ltd under the Ministry of Metallurgical Industry (冶金工業部馬鞍山礦山研究院), a deputy project leader of the open pit mining research office (露天採礦研究室) of Maanshan General Institute of Mining Research Co., Ltd under the Ministry of Metallurgical Industry (冶金工業部馬鞍山礦山研究院), an assistant to the director of the Research and Technology Administration Office (科研管理處) of Maanshan General Institute of Mining Research Co., Ltd under the Ministry of Metallurgical Industry (冶金工業部馬鞍山礦山研究院), an assistant to the dean and director of the Research and Technology Administration Office (科研管理處) of Maanshan General Institute of Mining Research Co., Ltd under the Ministry of Metallurgical Industry (冶金工業部馬鞍山礦山研究院), an associate dean of Maanshan General Institute of Mining Research Co., Ltd under the Ministry of Metallurgical Industry (冶金工業部馬鞍山礦山研究院), the dean and the secretary to CPC Committee of Sinosteel Group Maanshan Institute of Mining Research Co., Ltd (中鋼集團馬鞍山礦山研究院有限公司). He currently serves as the director and chief scientist of the Science and Technology Innovation Committee of Sinosteel Group Corporation Limited (中國中鋼集團有限公司), the director of the State Key Laboratory of Metal Mine Safety and Health (金屬礦山安全與健康國家重點實驗室), an independent non-executive Director of the Company, an external director of Baosteel Resources International Company Limited (寶鋼資源(國際)有限公司) and Baowu Resources Co., Ltd. (寶武資源有限公司), and an independent director of Hunan Nanling Industry Explosive Material Co., Ltd. (湖南南嶺民用爆破器材股份有限公司).

Mr. Liew Fui Kiang (劉懷鏡), is a solicitor in Hong Kong, China as well as England and Wales. He served as the chairman of PacRay International Holdings Limited, and an independent director of Baoshan Iron & Steel Company Limited. He currently serves as an independent non-executive Director of the Company, and an independent director of Zhongchang International Holdings Group Limited, Zhengye International Holdings Company Limited, China Apex Group Limited and Zhaoke Ophthalmology Limited, and an external supervisor of Ping An Insurance (Group) Company of China, Ltd.

Ms. Zhao Feng (趙峰), served as an auditor of Arthur Anderson Hua Qiang Certified Public Accountants (安達信華強會計師事務所), the chief financial officer of East Asiatic Company (PRC), the chief financial officer of Apple Inc. (PRC), the chief financial officer and the general manager of Infront Sports & Media (PRC), and an independent director of Shenzhen Weiye Decoration Group Co., Ltd. She is currently an independent non-executive Director of the Company, and an independent director of China Longyuan Power Group Corporation Limited and Xiamen International Bank Co. Ltd.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The Supervisory Committee comprises 3 Supervisors. The following table sets out certain information relating to the Supervisors.

Name	Age	Position	Date of Appointment as Supervisor	Month of Joining the Company
Li Xiaoping (李小平)	58	Chairman of the Supervisory Committee, Supervisor	16 May 2016	May 2016
Liu Yanfen (劉延芬)	43	Supervisor	8 November 2019	November 2019
Luan Bo (樂波)	50	Supervisor	24 February 2020	August 2003

Mr. Li Xiaoping (李小平), successively served as a deputy director and a researcher of the Business and Trade Office of the Planning Commission of Shandong Province (山東省計委經貿處), the deputy secretary of Linzi District, Zibo City, the deputy secretary, head of district, secretary, officer of SCNPC, and principal of Party School of Dongchangfu District, Liaocheng City. He currently serves as a standing committee member of the CPC Committee of SDG Group Co., Ltd. and the chairman of the Supervisory Committee and a member of the CPC Committee of the Company.

Ms. Liu Yanfen (劉延芬), served as an Integrated Service Department Specialist of Shandong Gold Wufeng Mountain Tourism Company (山東黃金五峰山旅遊公司), the legal director of the legal affairs department and deputy general manager (presided over work) of Shandong Province Assets Management Co., Ltd. (山東省資產管理有限公司), an operational department specialist of Shandong Gold Mineral Resources Company (山東黃金礦產資源公司), the mergers and acquisition director of the strategic planning department of Shandong Gold Group Co., Ltd (山東黃金集團有限公司) and the M&A director of the legal affairs department of the Company. She currently serves as the deputy head of the auditing and legal affairs department and a Supervisor of the Company.

Mr. Luan Bo (樂波), served as the head of finance department of Xincheng Gold Mine of the Company, audit head of audit department of SDG Group Co., vice manager of audit department of the Company, manager of audit department of SDG Real Estate Tourism Group Co., Ltd. (山東黃金地產旅遊集團有限公司), a special auditor of auditing and risk control department of SDG Group Co., Ltd. and the Company, the deputy director of the auditing and legal affairs department and a Supervisor of the Company, the executive supervisor of Shandong Guang'an Fire Technology Service Co., Ltd. (山東省廣安消防技術服務有限公司) of SDG Group Co., Ltd. and the supervisor of Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司). He currently serves as a Supervisor of the Company, a member of the CPC Committee and the chief financial officer of Shandong Gold Mining Industrial Investment Group (山東黃金礦業產投集團).

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out certain information about the senior management of the Company.

Name	Age	Position	Date of Appointment as Senior Management	Month of Joining the Company
Liu Qin (劉欽) (appointed on 12 July 2022)	54	General manager	12 July 2022	January 2008
Wang Shuhai (王樹海) (resigned on 11 July 2022)	60	General manager	30 December 2020	January 2008
Tang Qi (湯琦)	45	Secretary to the Board	21 November 2017	July 2000
Song Zengchun (宋增春)	58	Deputy general manager	16 May 2016	September 2013
Xu Jianxin (徐建新)	50	Deputy general manager	29 August 2019	April 2016
Lyu Haitao (呂海濤)	50	Deputy general manager	29 August 2019	August 2003
Teng Hongmeng (滕洪孟) (appointed on 18 October 2022)	56	Acting financial controller	18 October 2022	August 2004
Zheng Canwu (鄭燦武) (resigned on 28 September 2022)	48	Financial controller	26 August 2021	October 2009

Mr. Liu Qin (劉欽) – for biographical details of Mr. Liu Qin, please see the section “– Directors – Executive and Non-executive Directors”.

Mr. Tang Qi (湯琦) – for biographical details of Mr. Tang Qi, please see the section “– Directors – Executive and Non-executive Directors”.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Song Zengchun (宋增春), served as the mine manager and the secretary of the general Party branch of Shandong Province Laizhou Jincang Mining Co., Ltd. (山東省萊州金倉礦業有限公司), the general manager of Shandong Jincang Mining Co., Ltd. (山東金倉礦業股份有限公司), the executive deputy general manager of Shandong Zhonghai Jincang Mining Co., Ltd. (山東中海金倉礦業有限公司) and Laizhou Jincang Mining Co., Ltd. (萊州金倉礦業有限公司), the executive deputy general manager of SDG Group Jincang Mining Co., Ltd. (山東黃金集團金倉礦業有限公司) and SDG Group Laizhou Mining Co., Ltd. (山東黃金集團萊州礦業有限公司), the deputy mine manager and a member of the CPC Committee of Jiaojia Gold Mine, the general manager and the secretary of the CPC Committee of SDG Group Changyi Mining Co., Ltd. (山東黃金集團昌邑礦業有限公司), the deputy general manager and a member of the CPC Committee of Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. (山東黃金有色礦業集團有限公司), the deputy general manager of the Company, the mine manager and secretary of the CPC Committee of Xincheng Gold Mine, and the manager of operation management department and the general manager of the enterprise management department of SDG Group Co., Ltd. He currently serves as the deputy general manager of the Company.

As of 31 December 2022, Mr. Song was interested in 158,994 Shares under the Employee Shareholding Scheme, representing approximately 0.0036% of our total share capital.

Mr. Xu Jianxin (徐建新), successively served as office political officer, deputy director and director of general administration office of SDG Group Co., Ltd., deputy general manager of Shandong Gold Resources Development Co., Ltd., deputy general manager of Shandong Gold Resources Group Co., Ltd. (山東黃金資源集團有限公司), first deputy manager (manager level) of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), manager of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), general manager of Corporate Culture Department (publicity department of CPC Committee, complaint letter and request handling office), head of publicity department of CPC Committee of SDG Group Co., Ltd. He currently serves as a member of CPC Committee, the deputy general manager, the human resources director and the head of party committee organization department (human resources department) of the Company.

Mr. Lyu Haitao (呂海濤), successively served as the deputy head, secretary of Youth League Committee and head of the Publicity Department of Xincheng Gold Mine of the Company, deputy director of general administration office of SDG Group Co., Ltd., manager of Integrated Service Department of Shandong Gold Mining Development Co. Ltd. (山東黃金礦業開發有限公司) (Shanjin Mining Co., Ltd. (山金礦業有限公司)), manager of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), office (office of CPC Committee) director, director of economic development research office, general manager of Security Department of SDG Group Co., Ltd. He currently serves as the deputy general manager of the Company, the secretary of CPC Committee and chairman of Shandong Gold Mining (Hong Kong) Co., Limited (山東黃金礦業(香港)有限公司, a Hong Kong company).

Mr. Teng Hongmeng (滕洪孟), successively served as the deputy head of the finance division of Jiaojia Gold Mine of the Company, the deputy plant manager of the refinery plant of Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), the chief financial controller of Jiaojia Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd., the chief financial controller of the refinery plant of Shandong Gold Mining (Laizhou) Co., Ltd., the chief financial controller of Sanshandao Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd., the manager of finance division of Qilu mining business department. He currently serves as the deputy director and acting financial controller of the finance department of the Company, and the chief financial controller of Shandong Gold Mining Technology Co., Ltd. (山東黃金礦業科技有限公司).

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Tang Qi (湯琦) is one of the joint company secretaries of the Company and was appointed in December 2017 with his appointment to take effect on the Listing Date of our H Shares. For biographical details of Mr. Tang Qi, please see the section “– Directors – Executive and Non-executive Directors”.

Ms. Ng Sau Mei (伍秀薇) is one of the joint company secretaries of the Company and was appointed in December 2017 with her appointment to take effect on the Listing Date of our H shares. She is a director of TMF Hong Kong Limited, a company secretarial service provider and is responsible for provision of corporate secretarial and compliance services to listed company clients. Ms. Ng has over 20 years of experience in the company secretarial field and has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of listed companies. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Ng obtained a master’s degree in laws from University of London in December 2017 and a bachelor’s degree in laws from City University of Hong Kong in November 2001. She is a Chartered Secretary, a Chartered Governance Professional and a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

REPORT OF THE DIRECTORS

The Directors hereby present the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL BUSINESS

Shandong Gold Mining Co., Ltd. is an integrated gold company mainly operating in Shandong Province, the PRC. The principal business of the Company includes gold exploration, mining, processing, smelting and sales.

During the Reporting Period, the Company's approved business scope was mainly: mining and beneficiation of gold, production and sales of specialized equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations). The Company mainly produces standard gold bullions and investment gold bars and silver ingots and other products of various specifications.

The mining enterprises under the Company's management are located in Shandong, Fujian, Inner Mongolia, Gansu, Xinjiang and other regions in the PRC, and overseas countries in Argentina, South America and Ghana, Africa, forming an integrated industry chain covering exploration, design, research and development, mining, beneficiation, smelting of gold, deep processing and sales of gold products, as well as the manufacture of mining equipment, with an industry-leading scientific and technological research and development system, and a mining finance business and capital investment and financing support platform.

RESULTS

Results of the Group for the year ended 31 December 2022 and the consolidated financial position of the Group as at that date are set out in the audited consolidated statement of profit or loss on page 112 and the audited consolidated statement of financial position on pages 114 to 115, respectively in this annual report.

ANALYSIS ON INVESTMENT STATUS

Overall analysis on external equity investment

During the Reporting Period, the Company completed the establishment of Jinan Jinying Investment Partnership (Limited Partnership) (濟南金盈投資合夥企業(有限合夥)), the early repurchase of market-oriented debt-to-equity swap of subsidiaries, the establishment of Shanjin Mine Engineering (Shandong) Co., Ltd. (山金礦山工程(山東)有限公司), the increase in registered capital of Cardinal Namdini Mining, and the acquisition of tendered assets of Laizhou Gold Coast Ecology Co., Ltd. (萊州金岸生態有限公司) and other equity investment projects.

REPORT OF THE DIRECTORS

Key equity investments

Unit: RMB10 thousand

Invested company	Major businesses	Mainly engaged in investment business	Investment method	The amount invested	Shareholding	Whether consolidating the financial statements	Statement account (if applicable)	Source of capital	JV partners (if applicable)	Investment horizon (if any)	Progress as of the balance sheet date	Impact on the profit and loss during the Reporting Period	Whether involved in litigation	Disclose date of A Shares announcement (if any)	Disclose index of A Shares announcement (if any)
Jianying Investment Partnership (Limited Partnership) (济南盈益投资管理有限公司 (有限合伙))	Engage in investment activities with self-owned funds enterprise management municipal facility management	Yes	New establishment	50,020	20.01%	Yes	Long-term equity investment	Self-financing	China Trade Union Bank Commercial Factoring Co., Ltd. (中實聯益保理有限公司)	Long term	Completed the establishment		No	25 May 2022	*Announcement in relation to the Issuance Results of the 2022 First Finance Deal Financing Plan of the Company (No. Lin 2022-026)
Shandong Gold Mining (Lingzi) Co., Ltd.	Gold mining, processing, smelting and sales	Yes	Acquisition	100,000	100%	Yes	Long-term equity investment	Self-financing	Nil	Long term	Completed debt-to-equity repurchase	(2,048.44)	No	7 July 2022	*Announcement on Repurchasing Part of the Equity of its Controlling Subsidiaries of the Company (No. Lin 2022-045)
Shandong Gold Mining (Lanzhou) Co., Ltd.	Gold mining, processing, smelting and sales	Yes	Acquisition	50,000	100%	Yes	Long-term equity investment	Self-financing	Nil	Long term	Completed debt-to-equity repurchase	2,693.74	No	7 July 2022	*Announcement on Repurchasing Part of the Equity of its Controlling Subsidiaries of the Company (No. Lin 2022-045)
Shandong Gold Mining (Yantai) Co., Ltd.	Gold mining, processing, smelting and sales	Yes	Acquisition	100,000	100%	Yes	Long-term equity investment	Self-financing	Nil	Long term	Completed debt-to-equity repurchase	1,707.56	No	26 August 2022	*Announcement on Resolutions of the Twenty-seventh Meeting of the Board of Directors of the Company (No. Lin 2022-055)
Cardinal Nanxin Mining	Mining and mineral exploration	Yes	Capital increase	345.58	100%	Yes	Long-term equity investment	Self-financing	N/A	Long term	Completed capital increase		No	26 August 2022	*Announcement on Resolutions of the Twenty-seventh Meeting of the Board of Directors of the Company (No. Lin 2022-055)
Shanjin Mine Engineering (Shandong) Co., Ltd. (山东锦山工程股份有限公司)	Mine engineering construction	Yes	New establishment	4,000	70%	Yes	Long-term equity investment		China Railway 14th Bureau (Group) Co., Ltd. (中铁十四局集团有限公司), Zhaoyuanqing Coal and Gold Ore Mine Engineering Co., Ltd. (枣庄聚源金石礦山工程有限公司)	Long term	Not included in the scope of consolidation as the business license was obtained in December 2022 and no business occurred during the Reporting Period		No	27 October 2022	*Announcement on Resolutions of the Twenty-Eighth Meeting of the Board of Directors of the Company (No. Lin 2022-063)
Lazhou Gold Coast Ecology Co., Ltd. (莱州金海岸生态有限公司)	Provision of ecological restoration and protection services; leisure and sightseeing activities; solid waste treatment; conference and exhibition services	Yes	Others	19,414.19	80%	Yes	Long-term equity investment	Self-financing	Lazhou Gold Coast Business Co., Ltd. (莱州市金海岸商务有限公司)	Long term	The acquisition was completed in January 2023, and not included in the scope of consolidation in the current period		No	17 December 2022	*Announcement on the Acquisition of Assets through Public Tender and Connected Transaction of the Company (No. Lin 2022-088)

REPORT OF THE DIRECTORS

In addition, there were the following major acquisition projects in 2022:

① *Acquisition of shares in Yintai Gold*

The 31st meeting of the sixth session of the Board held on 9 December 2022 considered and approved the Resolution on Entering into of the Share Transfer Agreement. The Company entered into the Share Transfer Agreement with China Yintai, the controlling shareholder of Yintai Gold, and Mr. Shen, the de facto controller of Yintai Gold, on the same date in relation to the proposed acquisition of approximately 20.93% of the issued shares of Yintai Gold at not more than RMB13 billion. If the transfer is successfully completed, the Company will become the controlling shareholder of Yintai Gold, whose de facto controller will be changed to the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

For details, please refer to the overseas regulatory announcement and inside information announcement of the Company published on the website of the Hong Kong Stock Exchange on 11 December 2022. For the latest developments on the acquisition, please refer to the section of "Events After the Reporting Period" in this annual report.

② *Acquisition of 80% equity interests and 100% creditor's rights of Laizhou Gold Coast Ecology Co., Ltd. (萊州金岸生態有限公司) held by Shandong Yiyang*

The Company announced on 16 December 2022 that, Shandong Gold Mining (Laizhou), a subsidiary of the Company, proposed to acquire 80% equity interests and 100% creditor's rights of Laizhou Gold Coast Ecology Co., Ltd. from Shandong Yiyang on Shangdong Property Rights Exchange Center (山東產權交易中心) by way of participation in a public tender process at a total consideration of not more than approximately RMB194.1 million. Laizhou Gold Coast Ecology Co., Ltd. held by Shandong Yiyang is a limited liability company established in the PRC on 4 November 2021 with a registered capital of RMB10 million. It is principally engaged in the provision of ecological restoration and protection services, leisure and sightseeing activities, information consulting services (excluding permitted information consulting services), solid waste treatment and conference and exhibition services. The appraised value of 80% equity interests and 100% creditor's rights in Laizhou Gold Coast Ecology Co., Ltd. was RMB9,248,900 and RMB195,111,000, respectively.

Laizhou Gold Coast Ecology Co., Ltd. mainly includes an industrial land of the 8,000-tonne concentrator in the Xinli mining area of Sanshandao Gold Mine, the Shandong Gold Natural Museum, the coastal ecological restoration project, and the tailings ecological management demonstration area. In order to protect long-term land use rights of the concentrator in the Xinli mining area of Sanshandao Gold Mine, better maintain the tailings and drainage pipelines of Sanshandao Gold Mine in the area of coastal ecological restoration project, demonstrate the achievements of Shandong Gold's green mine construction, and further enhance the brand image of Shandong Gold, SDG Mining (Laizhou) decided to acquire 80% of the equity interests and 100% of the creditor's rights of Laizhou Gold Coast Ecology Co., Ltd. held by Shandong Yiyang.

For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 16 December 2022.

Shandong Gold Mining (Laizhou) completed the acquisition of Laizhou Gold Coast Ecology Co., Ltd. in January 2023, which was not included in the scope of consolidation during the Reporting Period.

REPORT OF THE DIRECTORS

Significant Sale of Assets and Equity interests

The “Resolution on the Introduction of CRCC International Investment to Increase the Capital in the Cardinal Project and the Execution of Transaction Documents” was considered and approved at the 30th meeting of the sixth session of the Board of the Company held on 17 November 2022. In order to introduce high-quality strategic partners, give full play to the respective advantages of both parties, further accelerate the project construction and production of Cardinal, and continue to expand and strengthen the Cardinal project, the Company decided to introduce CRCC International Investment Limited as a strategic partner to invest and construct the Cardinal project together with the Company.

CRCC International Investment Limited has acquired 15% equity interest in each of the two subsidiaries by way of capital increase from the level of two wholly-owned subsidiaries of Cardinal, namely Cardinal Namdini Mining Limited and Cardinal Ghana Limited. The total capital increase amount is US\$6.53 million plus A\$106.91 million, which will be paid by CRCC International Investment Limited in US dollar equivalent. After the completion of the capital increase, the shareholding of Cardinal Resources Limited in the two subsidiaries will be 85%.

For details, please refer to the Company’s overseas regulatory announcement titled “Announcement on Resolution of the 30th Meeting of the Sixth Session of the Board of Shandong Gold Mining Co., Ltd.” published on the website of the Hong Kong Stock Exchange on 17 November 2022.

REPORT OF THE DIRECTORS

DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

Landscape and Development Trend in the Industry

Competitive landscape in the industry

Against the background of accelerated evolution of the world's unprecedented changes in a century, the value of gold as a preservation of value and hedge has become more prominent, and the competition for gold mineral resources has become increasingly fierce. In May 2022, Gold Fields of South Africa, the world's seventh largest gold company, announced the acquisition of Yamana Gold of Canada. After the merger, it will become the world's fourth largest gold company in terms of production.

Large-scale domestic gold companies fully realize the importance of gold resources, and have joined forces to actively promote mergers and acquisitions reorganization and resources acquisitions at home and abroad. According to the China Gold Association, the domestic mines of large gold enterprises produced a volume of 148.066 tonnes of gold in 2022, accounting for 50.12% of the total production volume in the PRC, which was an increase from 47.14% in 2021. The overseas mines of domestic gold enterprises achieved a gold production volume of 51.048 tonnes, representing a year-on-year increase of 32.14%. The concentration of the domestic gold industry has further increased.

Against the backdrop of profound changes in the global political and economic landscape, gold is expected to continue to maintain a relatively high value for long-term allocation. Firstly, from the perspective of economic performance: as the central banks of major economies continue to tighten monetary policies to combat inflation, the global economy is facing increasing pressure of slowing growth and even recession. Secondly, from the perspective of monetary policy: with the decline of bulk commodity prices, especially energy prices, inflation will continue to decline, so that the central banks of major economies are expected to slow down the pace of interest rate hikes and even gradually shift to loose monetary policies. Finally, from the perspective of geopolitical risks: the conflict between Russia and Ukraine is still ongoing, and there are large variables in how it will be for the future. The local geopolitical risk situation in the world is still unclear. The combined effect of above factors has increased the financial market's demand for gold for preservation of value and hedging, making gold have the value of long-term allocation and providing favorable support for the development of the gold industry. Benefiting from the market's recognition of the future value of scarce mineral resources such as gold, mergers and acquisitions reorganization and resources acquisitions in the global gold industry are expected to continue.

REPORT OF THE DIRECTORS

Industry development trend

The 20th National Congress of the CPC made new arrangements and plans for strengthening the security of mineral resources, deepening the reform of state-owned enterprises, promoting state-owned capital and state-owned enterprises to become stronger, better and bigger, and accelerating the construction of world-class enterprises. The Party Central Committee and the State Council issued the Outline of Strategic Planning for Expanding Domestic Demand (2022-2035) (《擴大內需戰略規劃綱要(2022-2035年)》), many of which involve the geological and mining industry and related industries, which brings great opportunities for development. The Ministry of Natural Resources has fully launched a new round of domestic prospecting for strategic minerals. Many provinces have successively issued the overall plan for mineral resources during the 14th Five-Year Plan period, providing important guidance for the implementation of breakthrough strategies during the new round of prospecting for mining companies.

In 2022, gold enterprises actively promoted mergers and acquisitions reorganization and resources acquisitions. With the all-round advancement of the “Double Carbon” action, the world will usher in a new energy revolution, and gold mining companies are repeatedly engaged in the mergers and acquisitions and development of new energy resources. In addition, gold companies are also actively seeking new development models, promoting green and low-carbon technology progress, improving energy efficiency and achieving intelligent development of enterprises. Gold enterprises, on the one hand, transform the energy structure, vigorously promote clean energy, on the other hand, increase the transformation and upgrading of key links such as mines and smelters, and promote the development and application of innovative technologies for low-carbon smelting.

The Company has obvious competitive advantages in the gold industry. It has the resource advantages of a world-class gold production base, leading technological advantages in deep well mining, seabed mining, green mining and intelligent mining, management advantages in collectivization, specialization, intensification and streamline, and talent advantages in higher percentage of highly educated talents, professional skilled talents, high-skilled talents, and high-level talents. In 2023, based on mineral rights resources such as “Jiaojia Resource Belt, Xincheng Resource Belt and Sanshan Island Resource Belt”, the Company will rely on six major planning sectors: mining sector, refining sector, circular economy, intelligent mine, ecological mining and industrial synergies to accelerate the construction of a world-class gold base in Jiaodong region. The mining sector takes intelligence and efficiency, intrinsic safety, seabed deep wells, green ecology, and humanistic harmony as the construction themes, with Jiaojia mining area, Xincheng mining area and Sanshandao mining area as the core mining areas, and strives to construct leading mines in large-scale deep wells green intelligent mining, world-class “intelligent mining” and “ecological mining”. The Company vigorously promotes the construction of major projects, comprehensively optimizes and improves the level of project construction, operation management, technological innovation, safety and environmental protection, so as to build a world-class mining enterprise with global competitiveness.

REPORT OF THE DIRECTORS

Development Strategies of the Company

1. Corporate vision

To become a world-class gold mining enterprise with excellent technology and management and sustainable development.

2. Strategic positioning

Making full use of the Company's industry advantages in gold resources, economic benefits, technical talents, safety and environmental protection, giving full play to the leading role of large gold enterprises, we will adhere to the green, innovative and lean development model, speed up the promotion of major projects for the conversion of new and old kinetic energy, actively respond to the national "Belt and Road" construction, and firmly grasp the strategic opportunity period of gold resources integration. We will strive to build a world-class gold production base and accelerate to become a world-class mining enterprise with global competitiveness with outstanding main business advantages, excellent corporate governance and excellent value creation ability.

3. Three-year development pathway

Stabilizing outward expansion and inward expansion, and making new records *in 2022*. While steadily improving the operation and management level of overseas enterprises and gold production, we will focus on the merger and acquisition and reorganization of domestic high-quality resource projects, and further improve the domestic gold resource reserves. We will comprehensively optimize and enhance production and operation, project construction, reform of state-owned enterprises, improvement of people's livelihood, safety and environmental protection, and make efforts to achieve new breakthroughs and improvements in various fields.

Interconnecting internally and externally to leap forward *in 2023*. Based on the development pattern of domestic and international double loops, the output of domestic mines has grown steadily, and the performance of foreign mines has gradually emerged, promoting the leap forward of the Company's various work, truly achieving both improvements in quality and efficiency and production expansion, and becoming stronger and longstanding on the basis of strengthening and excellence. We will comprehensively consolidate the Company's industry-leading advantages, build industry benchmarks in an all-round way, and achieve higher-quality, more efficient, fairer, more sustainable and safer development.

Fully creating and leading in the industry *in 2024*. Creating a new situation of high-quality development with outstanding advantages in the main business and first-class comprehensive strength. With a complete transformation of the development mode to quality and efficiency, we will build a number of smart and intelligent backbone gold mines, and lead the industry's sound ecological development with resource reserve advantages and high technology research and development level. So that, the Company's important influence in the global gold field will be enhanced in line with significant improvement in its competitiveness, innovation, influence and anti-risk ability.

The above forward-looking statements of the Company's plans and development goals do not constitute profit forecasts of the Company, nor do they constitute material commitments to investors, and their achievement depends on macroeconomic conditions, policy environment, market conditions, the Company's business situation and various factors, and are subject to uncertainty, and the Company may make corresponding adjustments depending on future developments.

REPORT OF THE DIRECTORS

Business Plans

In 2023, the production and operation plan determined by the Company is that the gold output is no less than 39,641 tonnes. The plan is based on the current economic situation, market conditions and operating situation of the Company. As this is a guiding indicator of the Company subject to uncertainty, it does not constitute a commitment to achieve production, and the Company may make corresponding adjustments in due course depending on the future development of the situation.

Main measures to be taken in 2023:

Following the guide of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will fully implement the spirit of the 20th National Congress of the CPC and economic work conferences of the central government and the provincial Party committee, insist on seeking progress in stability and quality improvement to implement the new development philosophy completely, accurately and comprehensively. With the theme of promoting high-quality development, we will closely follow the annual target of “Integrating Internal and External Resources for Leapfrog Development”, forge consensus and gather strength, and focus on the following tasks to comprehensively build up the Company’s leading edge in the industry:

(I) Focus on improving production efficiency. We will innovate the integrated appraisal mechanism, strengthen production organization and management, focus on promoting the renewal of safety production license of the Linglong mining area in Linglong Gold Mine, expedite the resumption of production in Linglong mining area, and advance production capacity of normal production enterprises to ensure stable and increased production. We will earnestly promote upscaled and intelligent development of mines in Shandong Province, and the innovation in mining operation mode of high performance and efficiency trackless equipment, for improving the efficiency of production operations. We will focus on the management of production technology throughout the process and optimize “Five Rates” (loss rate, dilution rate, recovery rate, equipment rate and labor productivity rate) indicators, so as to maximize resource utilization.

(II) Build a “strong engine” for project construction. We will take project construction as the source of momentum to stabilize growth and make effort to promote early completion, operation and effectiveness of construction projects. We will particularly accelerate the construction of the Jiaojia Gold Mine’s resource integration and development project, the Xincheng Gold Mine’s resource integration and development project, the Namdini Gold Mine project of Cardinal Resources Limited (卡蒂諾資源公司) in Ghana, the mining and processing 2,000t/d expansion project of Chifengchai Gold Mine and the Sanshandao Gold Mine auxiliary shaft project. By the end of the year, we will strive to achieve the following goals: the Jiaojia open mixed shaft project to be drilled to the deepest, the Xincheng Gold Mine new main shaft project and the Tengjia shaft project to make significant progress, and the Namdini Gold Mine project to start oxidized ore mining and infrastructure stripping.

(III) Continuously consolidate the resource base. We will intensify in-house exploration and outsourcing and conscientiously summarize the laws of geological mineralization to enhance exploration intensity, upgrade resource reserves, and achieve breakthroughs in prospecting. At the same time, we will accelerate the pace of merger and acquisition of high-quality mineral rights projects around existing mines and significant mineralized zones, and continue to extend the Company’s advantages in production capacity and resource scale. We will accelerate the project of the acquisition of control over Yintai Gold to coordinate the function of industrial and regional synergies between Shandong Gold and Yintai Gold upon completion of the acquisition.

REPORT OF THE DIRECTORS

(IV) Continue to stimulate innovation momentum. Guided by specialized industrial upgrading and enterprise production needs, and aiming to resolve practical problems, we will continue to increase investment in scientific and technological research and development, and strengthen scientific breakthroughs in efficient and intelligent mining process, intelligent support and ventilation and heat damage control at the deep level, the stability control of ultra-deep surrounding rock of the shaft, difficult beneficiation and smelting and others. Through effectively resolving technical bottlenecks of the industry, we can maximize the benefits of investment. Relying on the innovative research and development platform of laboratory, we will intensify efforts to tackle technical problems such as the disposal of mine tailings (cyanide slag) and high-concentration and high-strength filling of tailings, and make efforts to promote the application of technological achievements to facilitate safe, efficient and green mining in mines.

(V) Further improve the quality of development. We will firmly establish the concept of “all costs are controllable”, coordinating cost reduction in management, finance, policy and centralized procurement, etc., to continuously expand the scope for cost reduction and efficiency improvement. We will further improve the wage and salary system to achieve the “win-win” goal of increasing benefits for the Company and the incomes for employees. With comprehensive enhancing of risk control, and by giving full play to the collaborative operation of audit, law, risk control and compliance management, we will strictly control risk points and cultivate growth points to maximize benefits. We will make efforts to strengthen capital management, further optimize financing structure and reduce finance costs in order to improve the level of capital operation.

(VI) Solidly improve the level of intrinsic safety. We will consolidate the principal responsibility of safety production at all levels, and improve the system of linking safety production performance with performance evaluation, rewards and punishments, and duty appraisal. We will innovate the safety education and training model, focusing on the training of key personnel such as mine managers, technical professionals, and safety management personnel, forging a strong safety team. We will deepen the investigation and control of potential safety risks to ensure prevention at source, management in advance and control over the process, and promote the shift from “zero accident” to “zero hidden danger”. We will continue to improve the level of ecological and environmental protection, strengthen the dynamic management of green mine construction, and promote carbon peaking and carbon neutrality in a scientific and orderly manner. We will unswervingly promote green and low-carbon development through coordinating carbon reduction, pollution reduction, green expansion and growth.

(VII) Strengthen the guide of high-quality Party building. We will continue to strengthen our theoretical armament and promote the learning and implementation of the spirit of the 20th National Congress of the Party in a deep and strong manner. We will effectively enhance the standardization and regularization of Party building at the grassroots level, select and assign strong leaders and cadres at all levels, with a focus on strengthening the building of professional teams. We will strengthen the application of inspection results to achieve full coverage of inspection work. We will insist that the Party building should lead group building, comprehensively strengthen the construction of labor union and mass organization, practically resolving the difficulties and reasonable demands of our staff and protecting their legitimate rights and interests. So that, we can comprehensively mobilize and play the role of our employees as the main force, and continue to consolidate the good atmosphere of clinging to reforms and boosting development.

REPORT OF THE DIRECTORS

Possible Risks

The Company clarifies the risk management responsibilities of the Board, the management and various departments and positions by strengthening organizational leadership, and establishes a whole process and chain risk prevention and control system and work mechanism based on the standard of “standardization and stability”, so as to firmly and vigorously prevent and resolve risks. Investors are advised that the Company has listed the main risks and taken countermeasures, and however, the Company cannot absolutely guarantee the elimination of all adverse factors due to constraints of various factors.

1. Risks of fluctuation in product prices

The product prices determine the operating results of the Company to a great degree. Gold is the primary product of the Company. Factors affecting the gold price include global supply and demand, macro-political and economic factors (such as geopolitics, local wars, inflation, etc.). Under the combined effect of these factors, there will be large fluctuations in the gold price, which may adversely affect the Company’s revenue and profit.

Countermeasures: We improved the gold transaction decision-making mechanism, strictly implemented the transaction procedures, strengthened the research and analysis team building, and carried out market tracking research to comprehensively enhance the ability of price research and judgement and grasp the price trend. We rationally applied financial derivatives to continuously improve the hedging business operation system, so as to address and prevent the risk of prices fluctuation. We strengthened production organization and management, did a good job in the whole process of production technology management, and advanced the innovation of large-scale and intelligent mining operation mode to improve production operation rate and resource utilization rate, so as to promote the improvement of production capacity. We continued to reduce costs and increase efficiency by further reducing costs in management, finance, policy and centralized procurement, to enhance the Company’s cost control capability and actively manage the possible adverse impact of product price fluctuations on the Company’s revenue and profit.

2. Safety and Environmental Protection Management Risks

The external supervision of safety and environmental protection is increasingly stringent. Although the Company’s safety and environmental protection situation continues to be stable, there is still a certain uncertainty in internal and external conditions during the production and operations, which brings certain risks and potential dangers to the Company’s production safety and environmental protection.

Countermeasures: We signed the work safety responsibility certificate with all staff and released the Opinions on Strengthening Safety Work in 2023 to guide the Company’s safety work of the year and strengthen the implementation of production safety responsibility. We reinforced the whole-process closed-loop management of the identification, registration, governance, supervision and closure of potential safety risks to comprehensively identify potential safety risks, strictly manage and control weaknesses, and deepen special safety rectification activities. We further consolidated and enhanced the construction results of “to replace workers with machineries, to reduce workers with automation”, strengthening precise investment in and management of safety production to ensure key investments in potential risks governance, equipment upgrade, and emergency rescue, so as to build mechanized and intelligent mines and achieve intrinsic safety.

REPORT OF THE DIRECTORS

We implemented the main responsibility for environmental protection, conducted environmental inspection and assessment on a regular basis, standardized the management of pollution prevention and compliant emission in respect of hazardous chemicals, tailings pond and “three wastes”. We promoted the use of clean energy, increased pollution prevention, and advanced synergy effects of pollution reduction and carbon reduction. We actively carried out beautification and greening activities in mining areas, strengthened the dynamic management of green mine construction, and established the long-term management mechanism to increase the level of green mine construction. We organized various forms of environmental protection and environmental publicity activities to raise employee’ awareness of environmental protection.

3. International Operation Risk

The global economy endures weak recovery as the gradual complexity of the international economic and political situation. The Chinese enterprises are faced with increasing risks in their international operations, including the risks in politics, law, economic environment, religious environment, financial and cultural integration, which may affect the Company’s overseas operations.

Countermeasures: We carefully analyzed the political, religious and cultural and investment environments of the target country of investment, strengthening the communications with overseas Chinese-funded institutions and Chinese-funded enterprises that have started business in the target country, and continuously paid attention to and studied various laws, regulations and policy requirements of the PRC and target countries of investment to prevent the risks of overseas investment from the political, economic, and legal aspects. We actively responded to the impact of unexpected situations such as politics and environmental protection on overseas business and personnel safety, and strictly implemented relevant local requirements, so as to achieve win-win development for the Company and local community.

4. Financial Risk

The current international environment is volatile and the domestic economy is not yet on a firm footing to recover. The external environment has a significant impact on the real economy and the capital market, which brings challenges to the production and operation of the Company.

Countermeasures: We focused on building a comprehensive risk management mechanism that integrates production and financing around core functions such as investment decision-making, transaction management, internal control and legal compliance; strengthened our research and interpretation of domestic and foreign macroeconomic situations and economic policies by building a transaction and research team and a risk management platform. We continued to enhance pre-investment business risk control, conduct detailed pre-investment due diligence, and make thorough research and judgement on the investment industry, selection of targets and investment timing. We strictly formulated and implemented risk prevention and control measures for key nodes and parts such as review of investment and post-investment management, set reasonable alert and stop-loss indicators, monitored in real-time of investment to adjust strategies in a timely manner and track project progress, so as to strictly control financial risks.

REPORT OF THE DIRECTORS

5. Resource acquisition risk

With the expansion of exploration depth and coverage, the adjustment of industry policies, and the strengthening of national strategic resource management and control, it is more difficult to acquire new high-quality mineral rights.

Countermeasures: We innovated the mode of resource acquisition, accelerated the integration of significant and high-quality resources at home and abroad through various methods such as mergers and acquisitions of and application for mining rights, and risk prospecting, and continued to expand the advantages of production capacity and resource scale. To strengthen the research and development of exploration technology and make full use of the Company's professional geological team, we continued to intensify our efforts in exploration for domestic advantageous target areas, and made new breakthroughs in theories of ore formation and prospecting and regional exploration to expand our resource reserves. We kept track of policy trends and seized the opportunity of resource integration to advance the perfection of the certificates and permits in key areas.

EXCHANGE RATE VOLATILITY RISK

Most of the Group's revenue, operating costs and expenses are denominated in Renminbi and are expected to continue in the future. Revenue generated by our Argentina operations is denominated in U.S. dollars while operating and capital costs for the Veladero Mine are partially denominated in Argentine Peso. Since the trend of gold prices in Renminbi is generally in line with that of international gold prices denominated in U.S. dollar and historically the Argentine Peso has experienced significant fluctuations, the revenue of the Group may be affected if there is any significant changes in the exchange rate of Renminbi vs U.S. dollar and Argentine Peso vs U.S. dollar. Therefore, the consolidated financial results of the Group may be affected. The management has been monitoring foreign exchange risk and may promptly hedge against foreign exchange risk if necessary.

REPORT OF THE DIRECTORS

CONTROLLING SHAREHOLDER

As at the date of preparation of this annual report, SDG Group directly and indirectly held 45.58% of the total issued Shares.

SDG Group (excluding our Group) 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 “**Retained Businesses**”). The gold resources of SDG Group (excluding our Group) are mainly located in the PRC. As at 31 December 2022, it owned 34 gold mine exploration permits in the PRC with an aggregate of approximately 659.55 tonnes of gold resources initially measured with reference to PRC mining permit appraisal methods and filed with relevant authorities; and 13 gold mine mining permits in the PRC with an aggregate of approximately 124.85 tonnes of measured gold resources. Except a few exploration permits under which the gold mines are either with insignificant resources detected or subject to government approval for consolidation, all the exploration and mining permits held by SDG Group (excluding our Group) have been under entrustment arrangement pursuant to the Equity Entrustment Framework Agreement between our Company and SDG Group Co.. The Company will continue to disclose the status of the transfer of the exploration and mining permits in its interim and annual reports, including but not limited to, any change in the list of entrusted targets, whether the relevant permits granted to the Company under the non-competition undertaking have been exercised, the status of boundary and capacity expansion (if applicable). For details of the exploration and mining permits and relevant permits held by SDG Group, please refer to the paragraph headed “Exploration and Mining Permits Held by SDG Group (excluding our Group) in the PRC as of the date of this annual report” below.

In addition, SDG Group holds a controlling interest in Focus Minerals Limited (an Australian listed company principally engaged in gold exploration and production, stock code: FML) through SDG International Capital Management Co., Ltd. (“**SDG International**”). Focus Minerals Limited is owned as to approximately 63.18% by SDG International, and SDG International is owned as to approximately 65% by SDG Group Co..

On 23 January 2017 and 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares respectively to Industrial and Commercial Bank of China, Shandong Branch (中國工商銀行山東省分行). As of 31 December 2022, the number of the pledged Shares mentioned above was changed to 509,600,000 Shares, after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 and 2019 equity distribution plans. Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use and were released in April 2022. Industrial and Commercial Bank of China is an authorized institution under the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

The Company has not entered into any loan contract to establish the obligation terms of the SDG Group.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING

SDG Group Co. and/or its subsidiaries has provided several non-competition undertakings to our Company in August 2002, February 2007, November 2014 and November 2022, respectively. In order to further regulate the business delineation between the Company and SDG Group, SDG Group Co. and the Company entered into a non-competition undertaking on 7 September 2018 (the “**Non-competition Undertaking**”). Pursuant to the Non-competition Undertaking, save for the Retained Businesses and subject to the provisions under the Non-competition Undertaking, SDG Group Co. undertakes that (a) none of SDG Group Co. and any entity in which it holds an interests as a controlling shareholder (excluding any member of our Group) (the “**Controlled Entities**”) currently engage or will engage in gold mining business; (b) SDG Group Co. will not compete with our Company, directly and indirectly, in gold mining business; (c) SDG Group Co. will procure all Controlled Entities not to compete with our Company, directly or indirectly, in gold mining business; and (d) SDG Group Co. will not, and will procure any Controlled Entity not to, invest in a business opportunity that is primarily related to gold mining business and in which SDG Group Co. or a Controlled Entity has an actual or potential opportunity to invest or otherwise acquire an interest, or otherwise acquire an interest in a person or asset that as a material part of its business operates or holds assets in gold mining business. In addition, in order to avoid potential competition between SDG Group Co. and the Group, SDG Group Co., among others, has provided the Company the pre-emptive right regarding the Retained Businesses to better protect the interests of the Group.

SDG Group Co. has confirmed in writing to the Company of its compliance with the Non-competition Undertaking during the Reporting Period. The independent non-executive Directors have also reviewed the compliance by SDG Group Co. with the Non-competition Undertaking during the Reporting Period. The independent non-executive Directors have confirmed that, as far as they can ascertain, there was no breach of the Non-competition Undertaking by SDG Group Co. during the Reporting Period.

REPORT OF THE DIRECTORS

EXPLORATION AND MINING PERMITS HELD BY SDG GROUP (EXCLUDING OUR GROUP) IN THE PRC AS OF THE DATE OF THIS ANNUAL REPORT

Statistics of the resources under the exploration permits of SDG Group

No.	Name of exploration permit	Holder of exploration permit	Location	Detected gold content (tonnes)	Status of report submission	Whether trusted under the Equity Entrustment Framework Agreement
1	The gold mine at Cangshang-Panjiawuzi District in Laizhou City, Shandong Province (exploration) (山東省萊州市倉上一潘家屋子地區金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Jincang Street, Laizhou City, Shandong Province	0.39	The general prospecting report was submitted in April 2019	Yes
2	The middle and deep level of Liucun gold mine at Laizhou City, Shandong Province (general exploration) (山東省萊州市留村金礦中深部詳查)	Shandong Gold Geological Mine Exploration Co., Ltd.	Hutouya Town, Laizhou City, Shandong Province	2	The resources reserves report was submitted in April 2016	Yes
3	Zhaojia gold mine in Laizhou City, Shandong Province (exploration) (山東省萊州市趙家金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Pingdian Town, Laizhou City, Shandong Province	Not detected yet	The geological report was submitted in March 2019	Yes
4	Shangmajia gold mine in Laizhou City, Shandong Province (exploration) (山東省萊州市上馬家金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Zhaocun Town, Laizhou City, Shandong Province	0.22	The general prospecting report was submitted in November 2017	Yes
5	Xiling Village gold mine in Laizhou City, Shandong Province (exploration) (山東省萊州市西嶺村金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Sanshandao, Laizhou City, Shandong Province	382.58	The general exploration report was submitted in December 2016 and in the process of exploration	Yes
6	The gold mine at Dayinjia mine area in Laizhou City, Shandong Province (exploration) (山東省萊州市大尹家礦區金礦勘探)	Shandong Jindi Mining Co., Ltd.	Pingdian Town, Zhuqiao Town, Laizhou City, Shandong Province	Not detected yet	The summary report was submitted in November 2017	Yes
7	The gold mine at Cishan mine area in Penglai City, Shandong Province (exploration) (山東省蓬萊市磁山礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	East Tuwu Village, Daihuang Town, Penglai City, Shandong Province	3.86	The general exploration report was submitted in July 2017	Yes
8	The gold mine at Shanglanzi mine area in Penglai City, Shandong Province (exploration) (山東省蓬萊市上嵐子礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	Yanzikuang Village, Daihuang Town, Penglai City, Shandong Province	3.6	The general exploration report was submitted in January 2015	Yes
9	The gold mine at the deep level of Tuwu gold mine area in Penglai City, Shandong Province (general exploration) (山東省蓬萊市土屋金礦區深部金礦詳查)	Shandong Gold Jinchuang Group Co., Ltd.	West Tuwu Village, Penglai City, Shandong Province	0.57	The general exploration report was submitted in April 2013	Yes
10	The gold mine in the northern area of Daihuang, Penglai City, Shandong Province (general exploration) (山東省蓬萊市大柳行北部地區金礦詳查)	Shandong Gold Jinchuang Group Co., Ltd.	Penglai City, Shandong Province	5.43	The resources reserves report was submitted in March 2015	Yes
11	The gold mine in Menlou area of Penglai District, Yantai City, Shandong Province (general exploration) (山東省煙台市蓬萊區門樓地區金礦詳查)	Shandong Gold Jinchuang Group Co., Ltd.	Penglai City, Shandong Province	4.98	The resources reserves report was submitted in August 2015	Yes

REPORT OF THE DIRECTORS

No.	Name of exploration permit	Holder of exploration permit	Location	Detected gold content (tonnes)	Status of report submission	Whether trusted under the Equity Entrustment Framework Agreement
12	The gold mine in Shijia area of Penglai City, Shandong Province (general exploration) (山東省蓬萊市石家地區金礦詳查)	Shandong Gold Jinchuang Group Co., Ltd.	Penglai City, Shandong Province	10.94	The resources reserves report was submitted in June 2014	Yes
13	The gold mine at the deep level and outer rim of Qigouyifen mine area in Penglai City, Shandong Province (exploration) (山東省蓬萊市齊溝一分礦區深部及外圍金礦勘探)	Shandong Jinchuang Co., Ltd.	Xiaomenjia Town, Penglai City, Shandong Province	0.87	The resources reserves report was submitted in December 2019	Yes
14	The deep level and outer rim of Heilangou gold mine in Penglai City, Shandong Province (general exploration) (山東省蓬萊市黑嵐溝金礦深部及外圍詳查)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai City, Shandong Province	1.48	The resources reserves report was submitted in July 2018	Yes
15	The gold mine at north Chugezhuang in Penglai District, Yantai City, Shandong Province (general exploration) (山東省煙台市蓬萊區初格莊北金礦詳查)	Shandong Jinchuang Co., Ltd.	Penglai City, Shandong Province	5.89	The resources reserves report was submitted in October 2018	Yes
16	The deep level of Jiudian gold mine area in Pingdu City, Shandong Province (general prospecting) (山東省平度市舊店金礦區深部普查)	Qingdao Jinxing Mining Co., Ltd.	Pingdu City, Shandong Province	1.48	The resource reserve report was submitted in December 2021	Yes
17	The gold mine in Shuiwangzhuang mining area, Zhaoyuan City, Shandong Province (exploration) (山東省招遠市水旺莊礦區金礦勘探)	Zhaoyuan Jiuzhou Mining Co., Ltd.	Zhaoyuan City, Shandong Province	186.1	The resource reserve report was submitted in July 2021	Yes
18	The gold mine in Lijiazhuang mining area, Zhaoyuan City, Shandong Province (exploration) (山東省招遠市李家莊礦區金礦勘探)	Shandong Chengjin Mining Co., Ltd.	Zhaoyuan City, Shandong Province	17.05	The resource reserve report was submitted in December 2015	Yes
19	The silver (gold) mine in Xiangluping mine area, Zhenghe, Fujian Province (general exploration) (福建省政和縣香爐坪礦區銀(金)礦詳查)	Fujian Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	Not detected yet	N/A	Yes
20	The gold mine at the peripheral rim of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦外圍地質詳查)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Not detected yet	N/A	Yes
21	The gold mine at the deep level of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦深部詳查)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Au: 0.89 tonne Ag: 21.09 tonnes	The report was submitted in November 2020	Yes Yes
22	The gold mine at Asiha (Kere) District in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣阿斯哈(可熱)地區金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	8.03	The report was submitted in February 2023	Yes

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No.	Name of exploration permit	Holder of exploration permit	Location	Detected gold content (tonnes)	Status of report submission	Whether trusted under the Equity Entrustment Framework Agreement
23	Walega gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣瓦勒尕金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	8.02	The report was submitted in April 2022	Yes
24	The outer rim of Walega gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣瓦勒尕金礦外圍詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet		Yes
25	The gold mine at Daigigetang District in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣達里吉格塘地區金礦普查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	In the process of prospecting physical workload	Yes
26	Guoluolongwa gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣果洛龍窪金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	12.94	The general exploration report was submitted in March 2010	Yes
27	Guoluolongwa gold mine (below 3,740 meters) in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣果洛龍窪金礦(3,740米以下)普查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet		Yes
28	Annage gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣按納格金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.67	The general prospecting report was submitted in December 2017	Yes
29	Dachaidan Hangwei Shengligou gold mine in Qinghai Province (general exploration) (青海省大柴旦行委勝利溝金礦詳查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Dachaidan Hangwei, Haixi Prefecture, Qinghai Province	0.56	The general prospecting report was submitted in December 2012	Yes
30	The gold mine at south Asha in Dulan County, Qinghai Province (pre-prospecting) (青海省都蘭縣阿斯哈南金礦預查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	N/A	Yes
31	The gold mine at south Walega in Dulan County, Qinghai Province (pre-prospecting) (青海省都蘭縣瓦勒尕南金礦預查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	N/A	Yes
32	The gold mine at Hongqidian, Tuoli County, Xinjiang (general prospecting) (新疆托里縣紅旗點金礦普查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Tuoli County, Tacheng District, Xinjiang	Not detected yet	N/A	Yes
33	Wuzunbulake gold mine in Gaochang District, Turpan City, Xinjiang (general prospecting) (新疆吐魯番市高昌區烏尊布拉克金礦普查)	Inner Mongolia Shanjin Geological Mine Exploration Co., Ltd.	Gaochang District, Turpan City, Xinjiang	Not detected yet	N/A	Yes
34	Wuzunbulake gold mine in Gaochang District, Turpan City, Xinjiang (general prospecting) (新疆吐魯番市高昌區烏尊布拉克金礦普查)	Inner Mongolia Shanjin Geological Mine Exploration Co., Ltd.	Gaochang District, Turpan City, Xinjiang	Not detected yet	N/A	Yes
Total				659.55		

REPORT OF THE DIRECTORS

Statistics of the resources under the mining permits of SDG Group

No.	Name of exploration permit	Holder of exploration permit	Location	Retained gold content (tonnes)	Status of mining right	Whether trusted under the Equity Entrustment Framework Agreement
1	Laizhou Ludi Mining Investment and Development Co., Ltd. Jincheng Gold Mine (萊州魯地礦業投資開發有限公司金城金礦)	Note 1	Jincheng Town, Laizhou City, Shandong Province	73.4	Note 1	Yes
2	Shandong Gold Jinchuang Group Co., Ltd. Yanshan mine area (山東黃金金創集團有限公司燕山礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yanshan area, Daluohang Town, Penglai City, Shandong Province	3.484	In mining stage	Yes
3	Shandong Gold Jinchuang Group Co., Ltd. Yankou mine area (山東黃金金創集團有限公司奄口礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yankou area, Daluohang Town, Penglai, Shandong Province	6.25	In mining stage	Yes
4	Shandong Jinchuang Co., Ltd. Shangkouwangli gold mine area (山東金創股份有限公司上口王李金礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	3.879	In mining stage	Yes
5	Shandong Jinchuang Co., Ltd. Heijinding mine area (山東金創股份有限公司黑金頂礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1.538	In mining stage	Yes
6	Shandong Jinchuang Co., Ltd. Heilangou mine area (山東金創股份有限公司黑崗溝礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	6.721	In mining stage	Yes
7	Shandong Jinchuang Co., Ltd. Qigouyifen mine (山東金創股份有限公司齊溝一分礦)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1.645	In mining stage	Yes
8	Qingdao Jinxing Mining Co., Ltd. (青島金星礦業股份有限公司)	Qingdao Jinxing Mining Co., Ltd.	Jiudian Town, Pingdu City, Shandong Province	5.19	In mining stage	Yes
9	Hainan Shanjin Mining Co., Ltd. Baolun gold mine in Ledong County (海南山金礦業有限公司樂東縣抱倫金礦)	Hainan Shanjin Mining Co., Ltd.	Ledong County, Hainan Province	16.04	In mining stage	Yes
10	Songxian Shanjin Mining Co., Ltd. (嵩縣山金礦業有限公司)	Songxian Shanjin Mining Co., Ltd.	Shuigou Village, Dazhang Town, Song County, Luoyang	3.97	In mining stage	Yes
11	Fujian Province Zhenghe Hongkun Mining Co., Ltd. Dayaokeng gold mine (福建省政和縣宏坤礦業有限公司大藥坑金礦)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	0.94	In mining stage	Yes

REPORT OF THE DIRECTORS

No.	Name of exploration permit	Holder of exploration permit	Location	Retained gold content (tonnes)	Status of mining right	Whether trusted under the Equity Entrustment Framework Agreement
12	Qinghai Shanjin Mining Co., Ltd. Guoluolongwa gold mine in Dulan County (青海山金礦業有限公司都蘭縣果洛龍窪金礦)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	0.98	In mining stage	Yes
13	Fujian Province Zhenghe Xiangluping Mining Co., Ltd. Xiangluping silver mine (福建省政和縣香爐坪礦業有限公司香爐坪銀礦)	Fujian Province Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	0.813; Ag: 92.5 tonnes	In mining stage	Yes
Total				124.85		

Notes:

1. According to the requirements of the governments at all levels of Shandong Province and Yantai City on the gold mineral resources consolidation plan in 2021, Laizhou Ludi Mining Investment and Development Co., Ltd. ("**Ludi Company**"), a wholly-owned subsidiary of SDG Group Co., consolidated and transferred the "Jincheng Gold Mining Permit" held by it to Laizhou Company. In 2022, Laizhou Company acquired the consolidated "Jiaojia Gold Mining Permit", which includes the Jincheng Gold Mining Permit, and the resource income from the Jincheng Gold Mining Permit remains substantially attributable to Ludi Company.
2. SDG Group Co. has been sorting out the resources of gold exploration and mining permits owned by it in the PRC and improvement in their titles or certificates, and will actively promote the transfer of eligible mineral rights to the Company. If the relevant conditions for their injection into the Company are not met or the Company is unwilling to acquire them, such mineral rights will be disposed of by way of sale to an unrelated third party, etc., with the prior consent of the Company.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

One-off connected transaction – mining right leasing agreement

On 26 May 2022, SDG Mining (Laizhou) and Ludi Company entered into a mining right leasing agreement, pursuant to which, Ludi Company leased the mining right of former Jincheng Gold Mine to SDG Mining (Laizhou) for development and construction. The leased term starts from the effective date of the agreement to the earlier of 21 April 2032 or the date when SDG Mining (Laizhou) officially completes the acquisition of the mining right of Jincheng Gold Mine.

One-off connected transaction – potential acquisition of 80% equity interests and 100% creditor's rights of the target company

On 16 December 2022, SDG Mining (Laizhou) intended to acquire 80% equity interests and 100% creditor's rights of Laizhou Gold Coast Ecology Co., Ltd. (萊州金岸生態有限公司) from Shandong Yiyang Health Group Real Estate (Group) Co., Ltd. (山東頤養健康集團置業(集團)有限公司) on Shangdong Property Rights Exchange Center (山東產權交易中心) by way of participation in a public tender process at a total consideration of not more than approximately RMB194.1 million. The Company completed the acquisition in January 2023, which was not included in the scope of consolidation during the Reporting Period.

One-off connected transaction – acquisition of target assets

On 24 February 2023, SDG Design and Consultancy Co., Ltd. (a wholly-owned subsidiary of SDG Group Co.) and SDG Heavy Industry Co., Ltd. (a wholly-owned subsidiary of the Company) entered into the Asset Transfer Contract, pursuant to which SDG Design and Consultancy Co., Ltd. has agreed to sell and SDG Heavy Industry Co., Ltd. has agreed to purchase the inventory of SDG Design and Consultancy Co., Ltd. at a total consideration of RMB130,504,666.91 (inclusive of tax), which was determined based on the appraised value of the Target Assets as at the Valuation Reference Date (i.e. 30 April 2022).

REPORT OF THE DIRECTORS

Continuing connected transaction – Financial Services Framework Agreement

The Company has entered into a new financial services framework agreement with SDG Group Finance (the “**Financial Services Framework Agreement**”) on 28 March 2022, pursuant to which SDG Group Finance will provide the Company and/or our associates 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, insurance agent, and financial consultancy (the “**Other Financial Services**”) for a term from 31 May 2022 to 31 December 2024 to facilitate the Group’s operational needs of financial services.

The annual caps for the transactions under the Financial Services Framework Agreement for the three years ended/ending 31 December 2022, 2023 and 2024 are as follows.

	Annual cap (RMB million)		
	For the 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	4,300	4,300
Interest expenses for Financing Services on an actual basis	75	85	100
Other Financial Services			
Handling fees and Other Financial Services	50	50	50

For the year ended 31 December 2022, the historical amounts of the transactions are as follows:

	Historical transaction amount for the year ended 31 December 2022 (RMB million)
Deposit Services	
Maximum daily balance of Deposit Services	2,999.88
Interest income from Deposit Services on an actual basis	26.43
Financing Services	
Maximum daily balance of loan and other financing services	2,392.16
Maximum daily balance of overdraft services	510
Total annual credit facilities	4,300
Interest expenses for Financing Services on an actual basis	22.07
Other Financial Services	
Handling fees and Other Financial Services	0.98

SDG Group Finance is 70% owned by SDG Group Co. and 30% owned by the Company. SDG Group Finance is therefore a connected person of the Company. 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 Financial Services Framework Agreement is more than 0.1% but less than 5%, the Deposit Services provided by SDG Group 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. For details, please refer to the announcement of the Company dated 28 March 2022.

REPORT OF THE DIRECTORS

Integrated Service Framework Agreement

On 3 December 2020, the Company and SDG Group Co. entered into a comprehensive service framework agreement (the “**Comprehensive Service Framework Agreement**”), pursuant to which the Group may provide SDG Group Co. and/or its associates with comprehensive services, and SDG Group Co. may also provide comprehensive services to the Group, including (i) the procurement and sales of supplies, products and services from SDG Group Co., and the Group may from time to time purchase from and sell to SDG Group Co. and/or its associates various types of supplies, products and services (the “**Sales and Procurement**”); (ii) granting by SDG Group Co. and/or its associates to the Company the rights to use certain trademarks/logos and certain equipment, vehicles and landed properties (the “**Trademark Licensing and Property Leasing from SDG Group Co.**”); (iii) leasing of buildings and equipment by the Company to SDG Group Co. and/or its associates (the “**Property Leasing Services to SDG Group Co.**”); and (iv) equity entrustment services provided to SDG Group Co. whereby SDG Group Co. will entrust the Company 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**”).

The Comprehensive Service Framework Agreement shall be effective from 1 January 2021 to 31 December 2023 for a term of three years.

Procurement by our Group from SDG Group Co. and its associates

Set out below are the annual caps of the relevant procurements by our Group from SDG Group Co. and its associates for the supplies, products and services for the years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of the procurements by our Group from SDG Group Co. and its associates for the supplies, products and services for the year ended 31 December 2022.

	Annual cap (RMB million)		
	For the year ended/ending 31 December		
	2021	2022	2023
Annual cap of procurements of supplies, products and services by our Group	2,585.8	2,552.2	2,632.5
			Historical transaction amount for the year ended 31 December 2022 (RMB million)
Historical transaction amount of procurements of supplies, products and services by our Group			1,744.94

REPORT OF THE DIRECTORS

Trademark Licensing and Property Leasing from SDG Group Co. to the Company

Set out below are the annual caps of the rights granted by SDG Group Co. and/or its associates to the Company to use certain trademarks/logos and certain equipment, vehicles and landed properties for the years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of the Trademark Licensing and Property Leasing from SDG Group Co. for the year ended 31 December 2022.

In view of the increase in the leasing expenses, the Company amended the annual cap of Trademark Licensing and Property Leasing from SDG Group Co. under the Comprehensive Service Framework Agreement for the year ended 31 December 2022 on 28 March 2022 and revised the annual cap of Trademark Licensing and Property Leasing from SDG Group Co. under the Comprehensive Service Framework Agreement for the year ending 31 December 2023 on 29 March 2023 to meet the Group's operating requirements. For details, please refer to the announcement of the Company dated 29 March 2023.

	Annual cap (RMB million)		
	For the year ended/ending 31 December		
	2021	2022	2023
Annual cap of the Trademark Licensing and Property Leasing from SDG Group Co. to the Company	32.44	87.78	56.98

	Historical transaction amount for the year ended 31 December 2022 (RMB million)
Historical transaction amount of the Trademark Licensing and Property Leasing from SDG Group Co. to the Company	53.04

Historical transaction amount of the Trademark Licensing and Property Leasing from SDG Group Co. to the Company

53.04

SDG Group Co. is a controlling Shareholder and therefore a connected person of the Company. As the percentage ratio(s) (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the Trademark Licensing and Property Leasing from SDG Group Co. under the Comprehensive Service Framework Agreement is more than 0.1% but less than 5%, the annual caps of the Trademark Licensing and Property Leasing from SDG Group Co. 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. For details, please refer to the announcements of the Company dated 3 December 2020, 28 March 2022 and 29 March 2023.

REPORT OF THE DIRECTORS

Property Leasing Services from the Company to SDG Group Co.

Set out below are the annual caps of the Company's leasing of buildings and equipment to SDG Group Co. and/or its associates for the years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amount for the Property Leasing Services to SDG Group Co. for the year ended 31 December 2022.

	Annual cap (RMB million)		
	For the year ended/ending 31 December		
	2021	2022	2023
Annual cap of the Property Leasing Services from the Company to SDG Group Co.	8.68	8.68	8.68

	Historical transaction amounts for the year ended 31 December 2022 (RMB million)
Historical transaction amount of the Property Leasing Services from the Company to SDG Group Co.	1.83

SDG Group Co. is a controlling Shareholder and therefore a connected person of the Company. As all the percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the Property Leasing Services to SDG Group Co. under the Comprehensive Service Framework Agreement are less than 0.1%, the relevant transactions are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 3 December 2020.

Annual cap of the Equity Entrustment Services from the Company to SDG Group Co.

Set out below are the annual caps of the Equity Entrustment Services from the Company to SDG Group Co. and its subsidiaries for the years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amount of the Equity Entrustment Services for the year ended/ending 31 December 2022.

	Annual cap (RMB million)		
	For the year ended/ending 31 December		
	2021	2022	2023
Annual cap of the Equity Entrustment Services from the Company to SDG Group Co.	4.40	4.40	4.40

REPORT OF THE DIRECTORS

**Historical
transaction
amount for the
financial year
ended
31 December
2022
(RMB million)**

Historical transaction amount of the Equity Entrustment Services from the Company to SDG Group Co.	3.59
----------------------------------------------------------------------------------------------------	------

SDG Group Co. is a controlling Shareholder and therefore a connected person of the Company. As all the percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the Equity Entrustment Services under the Comprehensive Service Framework Agreement are less than 0.1%, the relevant transactions are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 3 December 2020.

Annual review of continuing connected transactions

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company confirmed to the Board that:

- (i) 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;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) 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
- (iv) 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.

REPORT OF THE DIRECTORS

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions and confirmed that for the year ended 31 December 2022:

- (i) these transactions were entered into in the ordinary and usual course of business of the Group;
- (ii) these 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
- (iii) these 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.

Save as disclosed above, none of the related-party transactions or continuing related-party transactions set out in note 44 to the consolidated financial statements in this annual report fall within the scope of discloseable connected transaction or continuing connected transaction under the Hong Kong Listing Rules. The connected and continuing connected transactions of the Group are in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

ANALYSIS AND EXPLANATION ON THE REASONS AND IMPACTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS OF THE COMPANY

Analysis and explanation on changes in accounting policies of the Company are set out in note 2.1.2 to the consolidated financial statements.

EMPLOYEE STOCK OWNERSHIP SCHEME

In May 2015, the Company obtained approval from the Shareholders' general meeting of our Company to establish the Phase One Employee Shareholding Scheme of Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司第一期員工持股計劃) (the "**Employee Shareholding Scheme**") for the purpose of enhancing the cohesiveness of employees and vitality of the Company's development, and improving corporate governance, so as to better promote the Company's long-term, sustainable and healthy development. The Employee Shareholding Scheme is adopted with a duration of 84 months. The eligible participants of the Employee Shareholding Scheme include certain then management members of our Company, our subsidiaries and target companies in connection with the private placement in 2016.

On 17 October 2016, our Company completed registration and custody procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) of 11,645,629 Shares to 128 individuals at the price of RMB14.30 per Share under the Employee Shareholding Scheme for a subscription amount of RMB166,532,494.70. The relevant Shares were subject to a lockup period of 36 months and were unlocked and vested to the said participants. As of 29 March 2023, there were 11,424,214 unsold shares under the Employee Shareholding Scheme (inclusive of the bonus shares issued in accordance with the 2019 and 2018 equity distribution plan). These Shares accounted for approximately 0.26% of the total number of our issued Shares. As of 31 December 2022, no further Shares under the Employee Shareholding Scheme have been granted, lapsed or cancelled. Certain Directors and senior management of the Company are currently interested in our Shares under the Employee Shareholding Scheme. For details of their shareholding, please see the sections headed "Disclosure of Interests and Short Positions of the Directors, Supervisors and Key Executives of the Company" and "Brief Biographies of Directors, Supervisors and Senior Management" in this annual report. The Employee Shareholding Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

Other than those as disclosed above, the Group does not have any share incentive scheme, employee stock ownership scheme or other employee incentive measures which may result in a significant loss to the Group.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year, including a discussion of the principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and this "Report of the Directors" in this annual report.

For discussion on the Group's compliance with relevant laws and regulations that have a significant impact on the Group and the Group's environmental policies and performance, please refer to the "2022 Social Responsibility Report" published by the Company.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, as at the date of this annual report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the staff of the Group and the related remuneration policy and training programmes are set out in this "Report of the Directors".

The Group maintains a good relationship with its customers. The Group continually provides high quality gold products at a competitive price to customers, and optimizes its products from time to time by lowering operating costs through technical advancement to increase customer satisfaction.

The Group maintains a good relationship with its suppliers. The Group continues to perfect its procurement process and mechanism. Not only does the Group reinforce its supplier management, but it also insists on the business principles of integrity and trustworthiness to enhance communications with suppliers by all available means, with the goal of seeking mutual benefit and prosperity for all.

SHARE CAPITAL

Details of the movements in the share capital of the Group for the year ended 31 December 2022 are set out in note 37(a) to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on pages 116 to 118 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, pursuant to the relevant laws and regulations, the Group's distributable reserves amounted to RMB12,997,818,000 (31 December 2021: RMB12,533,792,000). Details of the Company's distributable reserves are set out in the consolidated statement of changes in equity on pages 116 to 118 of this annual report.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 17 to the consolidated financial statements of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 3 of this annual report. This summary does not form part of the audited financial statements.

DONATIONS

During the Reporting Period, the Group made charitable and other donations of approximately RMB2.96 million.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings for the year ended 31 December 2022 are set out in note 31 to the consolidated financial statements of this annual report.

ASSETS PLEDGED OR CHARGED

As of 31 December 2022, the Group did not have any material pledge of assets.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company has not entered into any equity-linked agreement during the Reporting Period.

MAJOR SUPPLIERS AND CUSTOMERS

The details of the Company's top five suppliers and top five customers are set out in "Management Discussion and Analysis" in this annual report. All transactions between the Company and the related suppliers and customers were entered into under normal commercial terms.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the current Directors and senior management of the Company and its associated companies and the Directors and senior management of the Company and its associated companies who resigned during the year. Except for such insurance, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors' Report) Regulation of Chapter 622D of the Laws of Hong Kong) during the Reporting Period and at the time of approval of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2022 and up to the date of this annual report are as follows:

Executive Directors:

Mr. Liu Qin
Mr. Wang Shuhai
Mr. Tang Qi

Non-executive Directors:

Mr. Li Hang (*Chairman*) (appointed on 12 July 2022)
Mr. Li Guohong (*Chairman*) (resigned on 16 June 2022)
Mr. Wang Lijun
Ms. Wang Xiaoling

Independent Non-executive Directors:

Mr. Wang Yunmin
Mr. Liew Fui Kiang
Ms. Zhao Feng

Supervisors:

Mr. Li Xiaoping
Ms. Liu Yanfen
Mr. Luan Bo

To the best of the Board's knowledge, information and belief, the Directors, Supervisors and senior management do not have any relationship amongst them.

BRIEF BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographies of the Directors, Supervisors and senior management are set out in "Brief Biographies of Directors, Supervisors and Senior Management" in this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS AND SUPERVISORS PURSUANT TO RULE 13.51B(1) OF THE HONG KONG LISTING RULES

As disclosed in the announcement of the Company dated 16 June 2022, Mr. Li Guohong resigned as the chairman of the Board, non-executive Director, chairman of the strategy committee of the Board, member of the audit committee of the Board (the "**Audit Committee**"), legal representative of the Company and all other positions within the Group due to work arrangements on 16 June 2022. As disclosed in the announcement of the Company dated 12 July 2022, Mr. Li Hang was appointed as the chairman of the Board, legal representative of the Company, chairman of the strategy committee of the Board, and member of the Audit Committee with effect from 12 July 2022. Save as disclosed above, there are no other changes to the information of the Directors and Supervisors as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company respectively. All these contracts are for a term of three years for Directors (pursuant to article 139 of the Articles of Association) and for Supervisors (pursuant to article 195 of the Articles of Association). The term of appointment for the Directors and the Supervisors is subject to re-election and re-appointment. Remuneration of the Directors and Supervisors can be adjusted at shareholders' general meetings.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals in the Group and remuneration payable to members of senior management by band are set out in note 12 to the consolidated financial statements in this annual report.

No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2022.

REMUNERATION POLICY

The Company is strategically oriented, and based on the principle of market-oriented allocation, has established a post-performance salary system that is competitive, fair, and motivating internally, and offering competitive salary in line with the external market rate to enhance the performance of employees. The annual salary standard of senior management is determined according to the market rate whilst in consideration of the corporate efficiency, scale, and operational difficulty of his/her respective position and fulfilment of one's target responsibility signed by the senior management annually.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company believes that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

COMPETING BUSINESS

Save for some of our Directors holding certain directorships and/or other senior management positions in SDG Group, none of our Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our principal business.

DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at 31 December 2022, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required 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 the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Long/Short Positions	Approximate percentage of shareholding in the relevant class Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Tang Qi ⁽¹⁾	Executive Director	Beneficial owner	A Shares	149,056	Long	0.0041%	0.0033%

Note:

(1) Mr. Tang Qi is interested in 149,056 Shares as a participant under the Employee Shareholding Scheme.

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors and chief executive of the Company has any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations pursuant to Divisions 7 and 8 of Part XV of the SFO, which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2022, so far as the Directors, Supervisors and chief executive of the Company are aware, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests and long/short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of the SFO, to be entered into the register to be kept by the Company referred to therein, or required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares or underlying Shares held directly or indirectly	Long/Short positions	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 ⁽¹⁾	A Shares	345,073,733	Long	9.55%	7.71%
Shandong Gold Resources Development Co., Ltd. ("SDG Resources Development")	Beneficial owner	A Shares	194,872,049	Long	5.39%	4.36%
Schroders PLC	Investment manager	H Shares	136,827,950	Long	15.93%	3.06%
Gold Virtue Limited	Beneficial owner	H Shares	94,189,655	Long	10.97%	2.11%
BlackRock, Inc. ⁽²⁾	Interest held by controlled corporation	H Shares	50,029,102	Long	5.82%	1.12%
			5,805,500	Short	0.68%	0.13%
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	Trustee	H Shares	76,639,270	Long	8.92%	1.71%
Schroder International Selection Fund – Emerging Asia Fund	Beneficial owner	H Shares	43,255,100	Long	5.04%	0.97%

REPORT OF THE DIRECTORS

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 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 Exploration, 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 50,029,102 H Shares and a short position of 5,805,500 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 L P, 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 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 31 December 2022, 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the service contracts of the Directors and Supervisors as disclosed above, there were no transactions, arrangements or contracts of significance to which the Company or its controlling company or any of its subsidiaries was a party to and in which a Director or Supervisor or an entity connected with a Director or Supervisor had a material interest, either directly or indirectly, subsisting at the end of the Reporting Period or at any time during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraphs headed "Continuing connected transactions", no controlling Shareholder or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2022.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors and the Supervisors, the Company has not entered into any contract with any individual, firm or body corporate to undertake management or administration of the whole or any substantial part of any business of the Company during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company, being a company listed in Hong Kong and Shanghai, manages its operation in strict compliance with the laws, regulations and regulative documents of the places where its Shares are listed, and strives to protect and enhance its corporate image. The Company continues to improve its corporate governance structure in compliance with the PRC Company Law and the regulations and requirements of the CSRC, the SFC and the Hong Kong Stock Exchange. The corporate governance of the Company complies with the applicable requirements of the relevant laws and regulations.

The Company is committed to maintaining good corporate governance practices with reference to the CG Code. The Board is of the opinion that the Company had complied with all the applicable code provisions as set out in the CG Code during the year ended 31 December 2022.

For details of the Corporate Governance Report, please refer to pages from 86 to 104 of this annual report.

STAFF OF THE GROUP

As of 31 December 2022, the Group had a total of 16,993 full-time employees (31 December 2021: 16,012 employees). For the year ended 31 December 2022, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB3.836 billion (2021: RMB3.613 billion).

The Group ensured that the remuneration packages of employees remain competitive and the remuneration level of its employees was determined on the basis of performance with reference to the profitability of the Group, industry remuneration standards and market conditions within the general framework of the Group's remuneration system.

The following are the status, professional structure and education level of the staff in the Group:

Staff

The number of current staff of the parent company	2,297
The number of current staff of the major subsidiaries	14,696
Total number of current staff (including staff of domestic enterprises and Chinese staff of overseas enterprises)	16,993
The number of retired employees that parent company and the major subsidiaries are responsible for the retirement expenses	5

REPORT OF THE DIRECTORS

Professional Structure

Classification	Number of Staff
Production	11,696
Sales	149
Technical	2,196
Finance	250
Administration	2,702
Total	16,993

Education

Classification	Number of Staff
Doctor's degree	12
Master's degree	531
Bachelor's degree	3,821
Tertiary education	3,563
Technical secondary school, high school or below	9,066
Total	16,993

TRAINING PROGRAMMES

In 2022, the Company closely focused on the “14th Five-Year” strategic plan, firmly established the training purpose of “following the Company’s strategy, serving the needs of the enterprise, and cultivating first-class talents”, by overcoming difficulties, improving the quality and raising the level to a new stage, and did a solid job in all kinds of talent training and cultivation. We have made great progress in systematic, professional and digital training, completed 95 training sessions online and offline, achieving full coverage of the “three teams” including operation management personnel, professionals and technicians.

Training for operation management personnel was conducted with the starting point of becoming an international first-class mining enterprise, with the target of lean management and for the purpose of improving operational management. We carried out training for the management members at all levels, covering various aspects such as production and operation, human resources, engineering management, financial auditing, and Party building and discipline inspection, which comprehensively enhanced their duty performance capability and comprehensive quality. 31 training sessions were held throughout the year.

REPORT OF THE DIRECTORS

Training for professionals was conducted with the starting point of enhancing the ability of scientific and technological innovation, through focusing on continuing education for professionals and for the purpose of promoting the technical progress of the enterprise. We organized continuing education for technical personnel in 13 professions, including geology, mining, surveying, beneficiation, laboratory testing, smelting, electricity, machinery, construction, big data, electronic information, safety and environmental protection, as well as training and learning for five professional expert committees, so as to cultivate a team of professional and technical personnel with strong professionalism, high professional standards and outstanding innovation ability. 28 training sessions were held throughout the year.

Training of technicians was conducted with the starting point of nurturing gold craftsmen, through focusing on enhancing skill quality and for the purpose of strengthening technical ability. We smoothly completed the pre-service training, continuing education and self-evaluation of skilled personnel of the Company, and successfully held the Shandong Gold Industry Skills Competition. 36 training sessions were held throughout the year.

OUTSOURCING STATUS

Total working hours of outsourcing services	18,133,510 Hours
Total outsourcing payment	RMB818,260,000

SHARE CAPITAL

Changes in ordinary Shares

Details of changes in ordinary Shares of the Group for the year ended 31 December 2022 are set out in note 37(a) to the consolidated financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for Jinzhou Mining Group Co., Ltd. (金洲礦業集團有限公司), a subsidiary of the Company, which sold 4,814,144 Shares of the Company held by it at a total consideration of RMB101,399,824.53 in 2022, neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities during the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee currently comprises of two non-executive Directors, Mr. Li Hang and Ms. Wang Xiaoling and three independent non-executive Directors, Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng. The chairman of the Audit Committee is Ms. Zhao Feng.

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2022 and further discussed the auditing, internal control and financial reporting matters. The Audit Committee considers that the annual results of the Group for the year ended 31 December 2022, which have been agreed by the Company's auditors, are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

REPORT OF THE DIRECTORS

ISSUANCE AND LISTING OF SECURITIES

Changes in total number of ordinary Shares, shareholding structure and the structure of assets and liabilities of the Company

For details of the changes in the Company's assets and liabilities structure, please refer to the "Management Discussion and Analysis" in this annual report.

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

Unit: RMB'00,000,000

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Initial Interest Accrued	Date of Maturity	Out-standing Balance of Bonds	Coupon Rate (%)	Payment of Principal and Interest	Place of Trading	Appropriate Arrangement of Investors (if any)	Mechanism of Trading	Whether There is a Risk of Termination of the Listing Transaction
The 2019 Public Issuance of Green Corporate Bonds by Shandong Gold Mining Co., Ltd.	G19 Lujin 1	155270	2019.3.20	2019.3.22	2022.3.22	0.00	3.85	Interest to be paid annually, principal to be repaid at maturity, principal and interest had been settled on schedule and delisted	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds by Shandong Gold Mining Co., Ltd. (for Professional Investors) (the First Tranche)	20 Lujin Y1	175514	2020.12.1	2020.12.3	2023.12.3	27.00	4.80	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds by Shandong Gold Mining Co., Ltd. (for Professional Investors) (the Second Tranche)	20 Lujin Y2	175566	2020.12.17	2020.12.21	2023.12.21	13.00	4.69	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No

REPORT OF THE DIRECTORS

Settlement of interests and principals of the corporate bonds

Name of Bonds	Description of interest payment status
The 2019 Public Issuance of Green Corporate Bonds by Shandong Gold Mining Co., Ltd.	The Company paid interest and principal on 22 March 2022 for the period from 22 March 2021 to 21 March 2022. For details, please refer to the Announcement on 2022 Principal and Interest Settlement and Delisting of the 2019 Public Issuance of Green Corporate Bonds by Shandong Gold Mining Co., Ltd. (《山東黃金礦業股份有限公司2019年公開發行綠色公司債券2022年本息兌付及摘牌公告》) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 15 March 2022
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the First Tranche) by Shandong Gold Mining Co., Ltd.	The Company paid interest on 5 December 2022 (postponed to the first trading day thereafter as 3 December 2022 is a non-trading day) for the period from 3 December 2021 to 2 December 2022. For details, please refer to the Announcement on 2022 Interest Payment of the 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the First Tranche) by Shandong Gold Mining Co., Ltd. (《山東黃金礦業股份有限公司2020年公開發行可續期公司債券(面向專業投資者)(第一期)2022年付息公告》) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 28 November 2022
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the Second Tranche) by Shandong Gold Mining Co., Ltd.	The Company paid interest on 21 December 2022 for the period from 21 December 2021 to 20 December 2022. For details, please refer to the Announcement on 2022 Interest Payment of the 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the Second Tranche) by Shandong Gold Mining Co., Ltd. (《山東黃金礦業股份有限公司2020年公開發行可續期公司債券(面向專業投資者)(第二期)2022年付息公告》) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 14 December 2022

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

During the Reporting Period, the Company has no share option scheme.

PRE-EMPTIVE RIGHTS

According to the Articles of Association and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new Shares to its existing Shareholders in proportion to their shareholdings.

DEBENTURES

Details of debenture are set out in note 31 to the consolidated financial statements of this annual report.

ACQUISITIONS, DISPOSALS AND MERGERS

Save as the “Key equity investments” under “Analysis on Investment Status” and connected transactions, the Company has no other material acquisitions, disposal or merger of subsidiaries, associates and joint ventures during the Reporting Period.

RETAINED PROFITS

As at 31 December 2022, details of the Group’s retained profits are set out in the consolidated statement of changes in equity on pages 116 to 118 of this annual report.

CONTINGENCIES

Details of contingent liabilities are set out in note 40 to the consolidated financial statements of this annual report.

TAXATIONS

Details of the Group’s taxation are set out in note 10 to the consolidated financial statements of this annual report.

DIVIDEND POLICY

Pursuant to the Articles of Association, we shall distribute cash dividends at least once in any consecutive three years. The total amount of the cash dividend distributed in the most recent three years shall be at least 30% of our average annual distributable profits in the same period. The Company may distribute the cash dividend provided that there are no expected significant investment plans or significant cash expenditures in the following twelve months (excluding fund-raising projects). Upon satisfaction of the cash dividend payout ratios, we may distribute stock dividends if our operating revenue and net profit increase rapidly and our Directors consider that our equity scale and shareholding structure are reasonable. In addition, we may declare interim dividends based on our financial performance and working capital requirements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company’s securities.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS DISTRIBUTION

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 112 to 113 of this annual report.

A payment of cash dividend of RMB0.70 per 10 Share (inclusive of taxes) is proposed to be paid to all Shareholders. As of the date of this annual report, the Company has a total share capital of 4,473,429,525 Shares, based on which the cash dividend proposed to be paid is calculated to be approximately RMB313.1 million. The remaining undistributed profits are carried forward for the subsequent annual distribution. The above proposal will be put forward at the forthcoming annual general meeting of the Company for consideration and approval. The specific arrangements regarding the final dividend and its distribution and the time and arrangement of the closure of register of members of H Shares will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the Company shall distribute the dividend within two months after the date of the annual general meeting. The Company shall pay dividend by 31 August 2023. As at the date of this annual report, the Company is not aware of any arrangement whereby any Shareholder has waived or agreed to waive any dividend.

TAXATION

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementation regulations (the “**EIT Law**”), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company’s H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Company’s H share register, Computershare Hong Kong Investor Services Limited, in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》) (the “**Notice**”) issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H Shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

REPORT OF THE DIRECTORS

PROFIT DISTRIBUTION TO INVESTORS OF NORTHBOUND TRADING

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares listed on the SSE (the “**Northbound Trading**”), their dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Northbound Trading will be the same as those for the holders of A Shares.

PROFIT DISTRIBUTION TO INVESTORS OF SOUTHBOUND TRADING

For investors of the SSE and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares listed on the Hong Kong Stock Exchange (the “**Southbound Trading**”), the cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H shares of the Company. As for the relevant taxation policies, pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》 and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) 《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》, for dividends received by domestic individual investors from investing in the H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in the H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling Shares.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

AUDITOR AND AUDIT FEES

The re-appointment of TianYuanQuan Certified Public Accountants (Special General Partnership) (the “TianYuanQuan”) as the Company’s domestic auditor for the year ended 31 December 2022 was approved at the annual general meeting of the Company held on 31 May 2022 (the “2021 AGM”). TianYuanQuan has resigned as the Company’s domestic auditor due to internal personnel arrangement. The Company has appointed ShineWing Certified Public Accountants (Special General Partnership) as the domestic auditor of the Company, which was approved by the Shareholders at the 2023 first extraordinary general meeting held on 8 February 2023. SHINEWING (HK) CPA Limited has been acting as the international auditor of the Company during the year ended 31 December 2022.

The audit fee for 2022 was RMB4.8 million, including RMB1.8 million for the audit of A share financial reports, RMB0.7 million for the audit of internal control and RMB2.3 million for the audit of H share financial reports.

EVENTS DURING THE REPORTING PERIOD

Amendments to the Articles of Association

On 26 October 2022, the amendments to the Articles of Association were made by the Company in accordance with the updated requirements of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Guidelines on the Articles of Association of Listed Companies (2022 Revision) (《上市公司章程指引(2022年修訂)》) (CSRC Announcement [2022] No. 2), and the Rules for General Meetings of Listed Companies (revised in 2022) (《上市公司股東大會規則(2022年修訂)》) (CSRC Announcement [2022] No. 13) announced by the CSRC on 5 January 2022, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (revised in January 2022) (《上海證券交易所股票上市規則(2022年1月修訂)》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Guidelines of the Shanghai Stock Exchange for Self-regulation of Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》), and the Guidelines of the Shanghai Stock Exchange for Self-regulation of Listed Companies No. 5 – Transactions and Related Party Transactions (《上海證券交易所上市公司自律監管指引第5號—交易與關聯交易》) issued by the Shanghai Stock Exchange on 7 January 2022 and other relevant laws, regulations, rules and normative documents, and taking into account the actual conditions of the Company, which was subsequently approved by the Shareholders at the 2022 third extraordinary general meeting of the Company held on 22 November 2022. For details, please refer to the announcement of the Company dated 26 October 2022 published on the website of the Hong Kong Stock Exchange.

EVENTS AFTER THE REPORTING PERIOD

On 19 January 2023, the Resolution on Entering into the Supplemental Agreement to the Share Transfer Agreement was considered and approved at the 34th meeting of the sixth session of the Board of the Company, whereby the Company entered into the supplemental agreement with China Yintai and Mr. Shen in relation to the acquisition of approximately 20.93% of the issued shares of Yintai Gold, pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares, representing approximately 20.93% of the issued shares in the Target Company at the Consideration of RMB12,760,000,000. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 19 January 2023.

REPORT OF THE DIRECTORS

On 12 January 2023, due to the resignation of TianYuanQuan as the domestic auditor of the Company for financial and internal control audit, the Resolution on the Change of A-share Accounting Firm and Internal Control Auditor for the Year 2022 was considered and approved at the 33rd meeting of the sixth session of the Board of the Company, whereby the Company proposed to appoint ShineWing Certified Public Accountants (Special General Partnership) as its domestic auditor for financial and internal control audit for the year ended 31 December 2022. The change of auditor of the Company was approved by the Shareholders at the 2023 first extraordinary general meeting held on 8 February 2023. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 12 January 2023 and 8 February 2023 and the circular dated 18 January 2023.

On 24 February 2023, in view of the official implementation of registration system related laws and regulations such as the Measures for the Administration of Registration of Securities Offering by Listed Companies (《上市公司證券發行註冊管理辦法》) on 17 February 2023, in order to ensure smooth implementation of the Non-Public Issuance, the resolution on amending the plan of the Non-Public Issuance was considered and approved at the 35th meeting of the sixth session of the Board of the Company. There are no substantial changes to other parts of the plan of the Non-Public Issuance. In addition, the 35th meeting of the sixth session of the Board of the Company also considered and approved resolutions on: (i) the Demonstration and Analysis Report on the Plan of Issuance of A Shares to Target Subscribers; (ii) formulating Shareholders' Return Plan for the Next Three Years (2023-2025) of the Company; and (iii) proposing that the Board of Directors and its Authorized Persons be Authorized by the Shareholders' General Meeting to Deal With the Relevant Matters Relating to the Issuance of A Shares to Target Subscribers, which were considered and approved by the shareholders' general meeting, A Shares class meeting and H Shares class meeting (if applicable) of the Company convened on 22 March 2023. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 24 February 2023.

Also, on 24 February 2023, the SDG Design and Consultancy Co., Ltd. (a wholly-owned subsidiary of SDG Group Co.) and the SDG Heavy Industry Co., Ltd. (a wholly-owned subsidiary of the Company) entered into the Asset Transfer Contract, pursuant to which the SDG Design and Consultancy Co., Ltd. has agreed to sell and the SDG Heavy Industry Co., Ltd., a wholly-owned subsidiary of the Company, has agreed to purchase the SDG Heavy Industry Co., Ltd.'s inventory at a total Consideration of RMB115,490,855.67 (exclusive of tax) and RMB130,504,666.91 (inclusive of tax), which was determined based on the appraised value of the Target Assets as at the Valuation Reference Date (i.e. 30 April 2022). For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 24 February 2023.

The other sections, reports or notes of this annual report mentioned above constitute a part of the report of the Directors.

By order of the Board of Directors

Li Hang

Chairman

Jinan, the PRC

29 March 2023

REPORT OF THE SUPERVISORY COMMITTEE

In 2022, the Supervisory Committee of Shandong Gold Mining Co., Ltd. (the “Company”) strictly complied with the relevant provisions and requirements of the PRC Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Committee, earnestly performed its supervisory duties, kept abreast of and grasped the Company’s production and operation conditions. The Supervisory Committee focused on financial supervision, supervised the Company’s financial activities and the operation and management behaviors of its Directors and senior management, and supervised the major decision-making procedures of the Board of Directors, safeguarding the interests of all shareholders of the Company. The main work report in 2022 is as follows:

I. DAILY WORK OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held a total of eight meetings, and the specific matters were reviewed as follows:

Convening of the Meeting	Participants	Resolution of the Meeting
On 28 March 2022, the 10th meeting of the Sixth Session of the Supervisory Committee was held in the Company’s conference room onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the “2021 Work Report of the Supervisory Committee”, the “2021 Final Financial Report”, the “2022 Financial Budget Report”, the “Annual Report and its Summary for 2021”, the “Plan of Profit Distribution for 2021”, the “Resolution Regarding the Provision for Impairment of Assets for the Year 2021”, the “Resolution Regarding Re-appointment of the Accounting Firms for 2022”, the “Resolution Regarding Re-appointment of Internal Control Auditing Firm for 2022”, the “Resolution Regarding the 2021 Appraisal Report on Internal Control”, the “Resolution Regarding the Social Responsibility Report for 2021”, the “Resolution Regarding the Special Report on Saving and Use of Proceeds for 2021”, the “Resolution Regarding the Company’s Guarantee Facility for the Hong Kong Subsidiary for 2022”, the “Resolution Regarding the Adjustment of the Caps for Normal Connected Transactions in 2022”, the “Resolution of the Company Regarding the Entering into of Financial Services Framework Agreement with Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司)”, the “Risk Assessment Report on Shandong Gold Group Finance Co., Ltd.”, the “Risk Management Proposal for Handling Deposit Business between the Company and Shandong Gold Group Finance Co., Ltd.”, the “Resolution Regarding the Maximum Daily Limit for Entrusted Financial Management by Subsidiaries for 2022” and the “Resolution Regarding the Launch of Futures Hedging Activities for 2022”.

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 19 April 2022, the 11th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "First Quarterly Report of the Company for 2022".
On 26 May 2022, the 12th meeting of the Sixth Session of the Supervisory Committee was held via telecommunication	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Resolution Regarding the Leasing of the Mining Rights of Jincheng Gold Mine of Laizhou Ludi Mining Investment and Development Co., Ltd. (萊州魯地礦業投資開發有限公司) by Controlling Subsidiary".
On 2 June 2022, the 13th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of a combination of onsite and telecommunication	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Resolution on Satisfaction of the Conditions for Non-public Issuance of A Shares by the Company", the "Resolution on the Plan of the Non-public Issuance of A Shares by the Company", the "Resolution on the Proposal of the Non-public Issuance of A Shares by the Company", the "Resolution on the Feasibility Analysis Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company", the "Resolution on the Report on the Use of Previous Proceeds by the Company", the "Resolution on the Dilution of Immediate Return Resulting from the Non-Public Issuance of A Shares by the Company and the Remedial Measures and Undertakings by Relevant Entities" and the "Resolution on Formulating Shareholders' Return Plan for the Next Three Years (2022-2024)".

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 25 August 2022, the 14th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of a combination of onsite and video	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Half-year Report and its Summary for 2022", the "Resolution Regarding the Half-year Special Report on Saving and Use of Proceeds for 2022" and the "Continuous Risk Assessment Report on Shandong Gold Group Finance Co., Ltd."
On 26 October 2022, the 15th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Third Quarterly Report of the Company for 2022" and the "Resolution Regarding the Amendment to the Rules of Procedures of the Supervisory Committee".
On 10 November 2022, the 16th meeting of the Sixth Session of the Supervisory Committee was held via telecommunication	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Resolution on Further Implementation of the Undertakings in relation to Horizontal Competition by Shandong Gold Group Co., Ltd. and Shandong Gold Non-ferrous Metal Mine Group Co., Ltd."
On 16 December 2022, the 17th meeting of the Sixth Session of the Supervisory Committee was held via telecommunication	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Resolution Regarding Utilizing Part of Unused Proceeds to Temporarily Replenish the Working Capital of the Company" and the "Resolution Regarding the Acquisition of Tendered Assets of Laizhou Gold Coast Ecology Co., Ltd.* (萊州金岸生態有限公司) and Signing of Transaction Documents".

REPORT OF THE SUPERVISORY COMMITTEE

II. OPINIONS OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2022

(I) Lawful operation of the Company

In 2022, through various forms of supervision, such as attending the shareholders' general meetings and Board meetings and daily inspection, the Supervisory Committee of the Company supervised the Company's decision-making procedures and internal control systems and the duty performance of its Directors, general managers and other senior management. The Supervisory Committee believes that, the Company's decision-making procedures were in strict accordance with the Company Law, the Securities Law, the Articles of Association and other relevant laws and regulations, and the operation of the Board of Directors was compliant, its operational decisions were reasonable and effective, it has conscientiously implemented the resolutions of the shareholders' general meeting. The Directors and senior management worked diligently during the Reporting Period, without any violation of laws and regulations and the Articles of Association or any prejudice to the interests of the Company and its Shareholders. Various internal control systems are relatively sound and effectively implemented.

(II) Inspection of the Company's financial position

During the Reporting Period, the Supervisory Committee supervised and inspected the Company's financial conditions in 2022. The Company's financial system is sound and perfect, and its financial operation is in good condition. The Company strictly follows the requirements of enterprise accounting systems, accounting standards and other relevant financial regulations. The preparation and consideration procedures of periodic reports comply with laws, regulations, the Articles of Association and the Company's internal management system with their content and format conforming to the regulations. The information contained can truly reflect the business management and financial condition and other matters of the Company, with no false records, misleading statements or major omissions. The audit report with standard unqualified opinion for 2022 issued by ShineWing Certified Public Accountants (Special General Partnership) gave a fair and objective view of the financial position and operating results of the Company.

(III) The use of proceeds

During the Reporting Period, the Supervisory Committee supervised the saving and use of proceeds of the Company, and reviewed and approved the "Resolution Regarding the Special Report on Saving and Use of Proceeds for 2021" and the "Resolution on the Report on the Use of Previous Proceeds by the Company". The Supervisory Committee believes that, the Company formulated the Measures for the Management of Proceeds and amended it according to regulatory requirements, established the management system of proceeds, and managed and used the proceeds in strict accordance with the requirements of the system. The procedures for the use of proceeds were compliant, and the Company saved the proceeds in a special account for special use. There is no any violation to the saving or use of the proceeds, nor any change or disguised change in the use of the proceeds and any prejudice to the interests of the Shareholders. The Board of Directors and the Supervisory Committee of the Company reviewed and approved the Resolution of the Company Regarding Temporary Use of Certain Idle Funds from the Fundraising to Replenish Working Capital in strict accordance with the decision – making procedures, and the procedure was compliant, lawful and effective. The use of part of the unused proceeds to temporarily replenish its working capital improved the proceeds utilization efficiency and saved the finance costs of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

(IV) Connected transactions of the Company

The Supervisory Committee supervised and verified the connected transactions conducted during the Reporting Period, reviewed eight related resolutions including the “Resolution Regarding the Adjustment of the Caps for Normal Connected Transactions in 2022”, the “Resolution of the Company Regarding the Entering into of Financial Services Framework Agreement with Shandong Gold Group Finance Co., Ltd.”, the “Risk Assessment Report on Shandong Gold Group Finance Co., Ltd.”, the “Risk Management Proposal for Handling Deposit Business between the Company and Shandong Gold Group Finance Co., Ltd.”, the “Resolution Regarding the Leasing of the Mining Rights of Jincheng Gold Mine of Laizhou Ludi Mining Investment and Development Co., Ltd. by Controlling Subsidiary”, the “Continuous Risk Assessment Report of the Company on Shandong Gold Group Finance Co., Ltd.”, the “Resolution on Further Implementation of the Undertakings in relation to Horizontal Competition by Shandong Gold Group Co., Ltd. and Shandong Gold Non-ferrous Metal Mine Group Co., Ltd.”, the “Resolution Regarding the Acquisition of Tendered Assets of Laizhou Gold Coast Ecology Co., Ltd. and Signing of Transaction Documents. The Supervisory Committee believes that the Company’s related connected transactions are strictly implemented in accordance with the rules and agreements of connected transactions, the decision-making of connected transactions is strict, the procedures are standardized and legal, the transaction process is fair and just, and the transaction results are justifiable. No insider dealing or prejudice to the interests of shareholders and the Company has been found.

(V) Opinions on the internal control evaluation report

During the Reporting Period, the Supervisory Committee monitored the establishment and implementation of internal control by the Board, and reviewed the evaluation report on internal control of the Company for 2021. The Supervisory Committee believes that the Company’s internal control organization was set up completely and scientifically with a sound and effective internal control system. The Evaluation Report on Internal Control for 2021 has comprehensively, objectively, truly and accurately reflected the actual situation of the establishment, improvement and operation of the Company’s internal control system.

(VI) Opinions on the implementation of the cash dividend policy by the Board of Directors

During the Reporting Period, the Supervisory Committee supervised the Company’s profit distribution for 2021, and reviewed and approved the “Profit Distribution Plan for 2021”. The Supervisory Committee believes that the Company has comprehensively considered factors such as industry characteristics, development stage and profitability level, and the profit distribution is in line with the cash dividends policy formulated by the Company. It fully embodies the principle of reasonable return to shareholders and is conducive to the healthy, stable and sustainable development of the Company.

(VII) External guarantees

During the Reporting Period, the Supervisory Committee reviewed the guarantee facility provided by the Company in 2022 for its wholly-owned subsidiary Shandong Gold Mining (Hong Kong) Co., Limited. The Supervisory Committee believes that the Company’s review of the estimated annual guarantee facility complies with relevant laws and regulations, normative documents and the Articles of Association. The guarantee is to meet the capital needs of the Hong Kong subsidiary for production and operation, project construction, overseas mergers and acquisitions and renewal of loans due, can effectively use the overseas capital market for financing, reduce financing costs, and improve decision-making efficiency. The Company can strictly abide by the provisions of the Articles of Association and relevant laws and regulations, and the guarantees incurred are all within the amount approved by the shareholders’ general meetings, and there are no overdue guarantees.

REPORT OF THE SUPERVISORY COMMITTEE

(VIII) Non-public issuance of A Shares

During the Reporting Period, the plan of Non-public Issuance of A Shares initiated by the Company complied with the relevant provisions of prevailing laws, regulations and normative documents. The issuance plan is prepared reasonably, and the content is true, accurate and complete with no false records, misleading statements or major omissions. The convening, holding and voting procedures and methods of meetings complies with the relevant laws and regulations and the Articles of Association; the proceeds raised from the Non-public Issuance of A Shares can meet the Company's needs for project construction and are in line with the Company's strategy and the interests of all shareholders.

(IX) Establishment and implementation of the insider information management system

The Supervisory Committee verified the Company's implementation of the Insider Information Management System during the Reporting Period. The Supervisory Committee believes that, the Company has formulated the Insider Information Management System, the Company's inside information management was compliant and sound, and all insiders of each link were truthfully and completely registered before the disclosure of inside information. No violation of regulations such as insider dealing by relevant personnel with inside information was found.

III. THE WORK PLAN FOR 2023

In 2023, the Supervisory Committee will closely focus on the production and operation goals to innovate working methods of the Supervisory Committee in light of the characteristics of the enterprise and the actual management of the Company. It will maintain focus on financial supervision and enhance the timeliness and effectiveness of supervision for the current period, strengthen the supervision and inspection of major business management activities, important business operations and key management links, as well as important production and business departments, and pay attention to the decision-making of the Board of Directors and the development of key work of the Company; earnestly perform the supervisory duties entrusted by laws and regulations and the Articles of Association to safeguard the interests of shareholders and the Company.

(I) Perform duties of Supervisors diligently and promote compliant operation

Attend the shareholders' general meetings and the Board meetings in a timely manner to earnestly perform the duties of the Supervisory Committee. Firstly, carry out daily supervision work, strengthen the work communication with the Board of Directors and the management, and have a timely understanding on major matters of the Company and each decision-making procedure, supervise the Board of Directors and senior managers according to law, to make their decision-making and business activities more standardized and legal, so as to better protect the interests of the Shareholders; secondly, comprehensively grasp the establishment and operation of the internal control system of the Company, pay attention to the legitimacy, effectiveness and adaptability of the internal control system, and inspect the implementation of the internal control system.

REPORT OF THE SUPERVISORY COMMITTEE

(II) Strengthen supervision and inspection to prevent operational risks

Strengthen the risk supervision of enterprises with a focus on coordination and implementation, enhance the follow-up supervision of significant business management activities, and broaden the coverage of supervisory work. Firstly, focus on financial supervision, supervise and inspect the Company's financial situation in accordance with the law. Secondly, further strengthen the supervision of major business activities and investment projects. Once problems are found, timely suggestions are made to stop and correct them. Focus on the Company's high-risk areas, and conduct inspections on important aspects such as major investment, management of proceeds, and related party transactions of the Company. Thirdly, maintain frequent communication and contact with the internal audit and accounting firms engaged by the Company, and keep abreast of and master relevant situations with full use of internal and external audit information.

(III) Practically strengthen self-improvement to raise the supervisory level

The Supervisory Committee of the Company will actively attend various training organized by the regulatory authorities, and at the same time strengthen the studying of accounting, auditing, legal and financial knowledge, continuously broaden professional knowledge, enhance business skills, perform duties conscientiously, better exert the supervisory functions of the Supervisory Committee.

Shandong Gold Mining Co., Ltd.
Supervisory Committee

29 March 2023

CORPORATE GOVERNANCE REPORT

OVERVIEW

The Company, being a company listed in Hong Kong and the PRC, manages its operation in strict compliance with the laws, regulations and regulative documents of the places where its Shares are listed, and strives to protect and enhance its corporate image. The Company continues to improve its corporate governance structure in compliance with the PRC Company Law and the regulations and requirements of the CSRC, SFC and the Hong Kong Stock Exchange. The corporate governance of the Company complies with the applicable requirements of the laws and regulations.

The Corporate Governance Report is presented for the Reporting Period.

The Company is committed to the maintenance of good corporate governance practices, with reference to the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Board is of the opinion that the Company had complied with all applicable code provisions as set out in the CG Code during the Reporting Period.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the model code for the trading of securities by the Directors and Supervisors. Having made specific reasonable enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have complied with the provisions of the Model Code during the Reporting Period.

BOARD COMPOSITION AND PRACTICE

As at the date of this annual report, the Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors as follows:

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. The biographical details of each Director are set out in the section headed “Brief Biographies of Directors, Supervisors and Senior Management” in this annual report. To the best of the Board’s knowledge, there is no relationship among the members of the Board.

During the Reporting Period, the Board at all times has met the requirement of Rules 3.10 and 3.10A of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The nomination committee of the Board (the “**Nomination Committee**”) has assessed their independence based on the guidelines in accordance with Rule 3.13 of the Hong Kong Listing Rules, and the Company considered them to be independent.

Led by the chairman of the Board, the Board is responsible for resolving on the Company’s business plans and investment plans, preparing the annual financial budgets and final accounting plans of the Company, preparing the profit distribution plan and loss make-up plan of the Company, formulating plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company, listening to work reports of the general manager, reviewing his/her work and convening general meetings, reporting to general meetings and implementing resolutions of general meeting. The chairman has delegated the secretary to the Board to draft the agenda of each Board meeting. With the assistance of executive Directors, the secretary to the Board and the company secretary, the chairman will ensure that all Directors will be provided with sufficient and reliable information in a timely manner to enable them to make necessary analysis according to their business expertise.

CORPORATE GOVERNANCE REPORT

In accordance with the Articles of Association, the term of a Director shall last for not more than three years but can be re-elected to serve consecutive terms.

As the chairman of the Company, Mr. Li Hang is mainly responsible for the overall and strategic development, investment planning and human resources allocation and delegates the daily operation management to the relevant managers. Executive Directors and deputy general managers of the Group are responsible for the daily management of various businesses, including executing resolutions of the Board, and are responsible to the general manager for the business operations of the Group.

EXPLANATION ON THE RELEVANT MATTERS OF CORPORATE GOVERNANCE

The Board is responsible for the performance of the functions of corporate governance. During the year ended 31 December 2022, the Board has performed the functions set out in code provision A.2.1 of the CG Code.

During the Reporting Period, the Company strictly followed the requirements of the PRC Company Law, PRC Securities Law, Code of Corporate Governance for Listed Companies, SSE Listing Rules, Hong Kong Listing Rules and other domestic and foreign laws and regulations, continuously improved the Company's corporate governance structure, regulated the Company's operation, and enhanced the Company's corporate governance standard. Currently, the Company has already established a relatively sound corporate governance structure and corporate governance system.

CHAIRMAN AND THE GENERAL MANAGER

During the Reporting Period, Mr. Li Guohong resigned as the Chairman of the Company on 16 June 2022. Mr. Li Hang was appointed as the Chairman of the Company on 12 July 2022 and the general manager of the Company was also changed from Mr. Wang Shuhai to Mr. Liu Qin on 12 July 2022. The Chairman and the general manager are two different positions, and their duties are clearly separated and set out in the Articles of Association. The main duties of the Chairman are: to preside over shareholders' general meetings, and convene and preside over meetings of the Board of Directors; to supervise and check the implementation of resolutions passed by the Board; to sign the share certificates, corporate bonds and other securities issued by the Company; and to exercise other powers conferred by the Board. The principal duties of general manager are: to manage the production, operation and administration of the Company and report to the Board; to arrange for the implementation of the resolutions of the Board, the Company's annual operation plans and investment proposals; to formulate proposals for the establishment of the Company's internal management organs; to formulate the fundamental management system of the Company; to formulate the Company's specific rules and regulations; to recommend the appointment or dismissal of any deputy general manager and any financial officer of the Company by the Board; and to exercise any other authority granted by the Articles of Association or the Board.

DIRECTORS AND THE BOARD

As at the date of this annual report, the Board consists of 9 Directors, in which there are 3 independent non-executive Directors. The number and the composition of the Board comply with the provisions of the relevant laws and regulations. The composition of professions of the members of the Board is reasonable. The members of the Board possess the necessary knowledge, skills and competence to discharge their duties. The Directors timely attended the Shareholders' general meeting and Board meetings, discharged their duties conscientiously, faithfully and diligently, proactively participated in the business trainings. They are familiar with the relevant laws and regulations and have clear sense of the rights, obligations and responsibilities as a director. There are four specialized committees under the Board including the remuneration and appraisal committee, strategy committee, Audit Committee and Nomination Committee to further enhance the decision-making mechanism of the Board.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for formulating the policies for the corporate governance of the Company and performing the corporate governance duties as below:

- (i) To formulate and review the Group's policies and practices on corporate governance and make recommendations;
- (ii) To review and monitor the training and continuous professional development of the Directors and senior management;
- (iii) To review and monitor the Group's policies and practices on the compliance with all legal and regulatory requirements (where applicable);
- (iv) To formulate, review and monitor the code of conduct and compliance manual (if any) applicable to the employees of the Group and the Directors; and
- (v) To review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

MECHANISMS TO ENSURE INDEPENDENT VIEWS

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis;
2. A written confirmation was received by the Company under Rule 3.13 of the Hong Kong Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive Directors to be independent;
3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates;
4. The chairman of the Board shall meet with independent non-executive Directors at least once annually; and
5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

CORPORATE GOVERNANCE REPORT

ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS AND GENERAL MEETINGS

The Board convened 14 Board meetings and seven general meetings (including two class meetings) during the Reporting Period. The attendance of the Directors at the meetings was as follows:

Name of Director	Independent non-executive Director	No. of Board meetings ought to be attended this year	Attendance of the Board meetings			Attendance of general meetings		
			Attended in person	Attended via telecommunication	Attended by proxy	Absent	Not attending in person for 2 consecutive meetings	No. of general meetings attended
Li Hang (appointed with effect from 12 July 2022)	No	7	3	4	0	0	No	3
Wang Lijun	No	14	5	9	0	0	No	4
Wang Xiaoling	No	14	5	9	0	0	No	2
Liu Qin	No	14	5	9	0	0	No	6
Wang Shuhai	No	14	5	9	0	0	No	2
Tang Qi	No	14	5	9	0	0	No	7
Wang Yunmin	Yes	14	0	14	0	0	No	4
Liew Fui Kiang	Yes	14	0	14	0	0	No	5
Zhao Feng	Yes	14	1	13	0	0	No	5
Li Guohong (resigned with effect from 16 June 2022)	No	5	2	3	0	0	No	1
Number of Board meetings held this year			14					
In which: Number of physical meetings			0					
Meetings via telecommunication			9					
Physical meetings with telecommunication			5					

The Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

PRACTICES AND CONDUCT OF MEETINGS

Board meetings include regular meetings and extraordinary meetings. Regular Board meetings shall be held at least four times a year and shall be convened by the chairman. Notice of a regular Board meeting shall be given to all Directors and Supervisors at least 14 days in advance. Regular Board meetings shall not be convened by way of correspondence.

An extraordinary Board meeting may be held by request of Shareholders representing more than 10% of the voting rights or by request of more than one-third of Directors, Supervisors or general managers. The chairman shall convene and preside over a Board meeting within 10 days after receipt of the proposal. The time limit for the delivery of such notice is at least 5 days before the meeting.

For regular Board and committees meetings, all agendas, meeting papers, together with all applicable, complete and reliable statistics will be sent to all the Directors or committees members at least 5 days before a meeting is held.

The Board shall keep minutes of resolutions passed at meetings of the Board. The minutes shall be signed by the Directors present at the meeting. Minutes of the Board meeting shall be kept as the Company's record for a period of 10 years.

If any Director has connection with the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself or on behalf of another Director.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association, Directors shall be elected or changed by the general meeting and serve a term of 3 years but may serve consecutive terms if re-elected. Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next following general meeting of the Company, and shall then be eligible for re-election.

Any other appointment, resignation, removal or redesignation of Directors will be timely disclosed to the Shareholders by announcement and shall include in such announcement, the reasons given by the Director for his/her resignation.

Each of the non-executive Directors was engaged on a service contract or letter of appointment for a fixed term, with a term of 3 years.

ANNUAL REMUNERATION OF THE SENIOR MANAGEMENT

Details of the remuneration paid to the senior management of the Group by band (excluding Directors), whose biographies are set out on pages 32 to 33 of this annual report, for the year are set out below:

	No. of individuals
HK\$1 to HK\$500,000	1
HK\$500,001 to HK\$1,000,000	4

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

During the year ended 31 December 2022, the Company totally held seven general meetings (including 2021 annual general meeting and two class meetings). The Company shall convene and hold general meetings of Shareholders in strict compliance with the regulations and requirements of the Articles of Association and the rules of procedures of the general meeting of the Company to ensure that all Shareholders (especially minority Shareholders) can enjoy equal rights and fully exercise their voting rights.

CORPORATE GOVERNANCE REPORT

DETAILS OF THE SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Convening date	Index of the designated website publishing the resolutions	Date of publishing the resolutions	Resolution(s) of the meeting
2021 annual general meeting	31 May 2022	SSE website (http://www.sse.com.cn)	1 June 2022	Reviewed and approved 17 resolutions including the "2021 Work Report of the Board of Directors". For details, please refer to the "Announcement on the Resolutions of the 2021 Annual General Meeting" disclosed by the Company on the website of the SSE (No.: Lin 2022-031)
2022 first extraordinary general meeting	12 July 2022	SSE website (http://www.sse.com.cn)	13 July 2022	Reviewed and approved the "Resolution on the Election of Non-executive Directors of the Sixth Session of the Board of Directors". For details, please refer to the "Announcement on the Resolutions of the 2022 First Extraordinary General Meeting" disclosed by the Company on the website of the SSE (No.: Lin 2022-048)
2022 second extraordinary general meeting	29 July 2022	SSE website (http://www.sse.com.cn)	30 July 2022	Reviewed and approved eight resolutions including the "Resolution on Satisfaction of the Conditions for Non-public Issuance of A Shares by the Company". For details, please refer to the "Announcement on Resolutions of the 2022 Second Extraordinary General Meeting and the 2022 First A Share and H Share Class Meetings" disclosed by the Company on the website of the SSE (No.: Lin 2022-054)
2022 first A Share and H Share class meetings	29 July 2022	SSE website (http://www.sse.com.cn)	30 July 2022	Reviewed and approved five resolutions including the "Resolution on Satisfaction of the Conditions for Non-public Issuance of A Shares by the Company". For details, please refer to the "Announcement on the Resolutions of the 2022 Second Extraordinary General Meeting and the 2022 First A Share and H Share Class Meetings" disclosed by the Company on the website of the SSE (No.: Lin 2022-054)
2022 third extraordinary general meeting	22 November 2022	SSE website (http://www.sse.com.cn)	23 November 2022	Reviewed and approved seven resolutions including the "Resolution on Amending the Articles of Association". For details, please refer to the "Announcement on Resolutions of the 2022 Third Extraordinary General Meeting" disclosed by the Company on the website of the SSE (No.: Lin 2022-076)
2022 fourth extraordinary general meeting	25 November 2022	SSE website (http://www.sse.com.cn)	26 November 2022	Reviewed and approved the "Resolution on Further Implementation of the Undertakings in relation to Horizontal Competition by Shandong Gold Group Co., Ltd. and Shandong Gold Non-ferrous Metal Mine Group Co., Ltd.". For details, please refer to the "Announcement on Resolutions of the 2022 Fourth Extraordinary General Meeting" disclosed by the Company on the website of the SSE (No.: Lin 2022-077)

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

The Articles of Association have stipulated the rights and obligations of all Shareholders. Shareholder(s) severally or jointly holding 10% or above Shares shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, administrative regulations and requirement in Articles of Association, give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board.

When the Company convenes an annual general meeting, an announcement of the meeting shall be given 20 full days before the date of the meeting to notify all of the Shareholders, and when the Company convenes an extraordinary general meeting, an announcement of the meeting shall be given 15 full days before the date of the meeting to notify all of the Shareholders whose names appear in the share register of the matters to be considered and the date and the place of the meeting.

Where the Company convenes a general meeting or meetings of the Board and the Supervisory Committee, Shareholder(s) severally or jointly holding 3% or above of the Shares may make proposals to the Company. Shareholder(s) severally or jointly holding 3% or above Shares may submit written provisional proposals to the convener 10 days before a general meeting is convened.

Voting in a Shareholders' general meeting is by way of poll.

The Group communicates with Shareholders through the issuance of annual reports, interim reports, quarterly reports, press and electronic announcements. All communications with Shareholders are also published on the website of the Group (<http://www.sdhjgf.com.cn>).

CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment of Director(s), each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Hong Kong Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. The Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Hong Kong Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. Pursuant to code provision C.1.4 of the CG Code, the Company has also provided reading materials to the Directors to develop and refresh their professional knowledge.

NOMINATION COMMITTEE

The Board established the Nomination Committee. It comprises of five Directors, Mr. Liu Qin as an executive Director, Mr. Wang Lijun as a non-executive Director, and Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng as independent non-executive Directors. Mr. Wang Yunmin is the Chairman of the Nomination Committee. Detailed regulations for the Nomination Committee are amended pursuant to the CG Code. The terms of reference of the Nomination Committee are published on the website of the Company and the Hong Kong Stock Exchange's website.

CORPORATE GOVERNANCE REPORT

The primary responsibilities of the Nomination Committee include:

1. to make recommendations to the Board about the size and the composition of the Board according to operating activities, size of assets and shareholding structure of the Company; to review the structure, size, composition and relevant qualifications (including skill, expertise and experience) of the Board at least once annually, make recommendations on any adjustment to the Board pursuant to the development strategy of the Company, and formulate a diversity policy for the Board;
2. to study the selection criteria, procedures and methods of Directors and managers and make recommendations in this regard to the Board;
3. to identify competent candidates for Directors and managers extensively;
4. to make recommendations to the Board on the candidates for Directors and managers, and provide advice to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular the chairman of the Board and the general manager;
5. to screen the candidates for other management members and provide advice to the Board; to conduct a review and make recommendations on other senior management members who are subject to appointment by the Board;
6. to evaluate the overall skill, expertise and experience of Directors and senior management and assess the independence of the independent non-executive Directors; and
7. all other matters delegated by the Board.

Procedure and Basis for Nomination

Pursuant to the Articles of Association and the terms of reference of the Nomination Committee, the Nomination Committee shall formulate selection requirements, procedures and term of office of Directors and management of the Company based on governing laws and regulations and the Articles of Association as well as the Company's actual conditions, and shall formulate resolutions and submit them to the Board for approval and implementation of such resolutions. It was stated in the terms of reference that the Nomination Committee should meet at least two times a year.

The selection process of Directors and managers is as follows:

1. The Nomination Committee should actively communicate with relevant departments and study the Company's demand for Directors and managers, and formulate written materials;
2. The Nomination Committee may search extensively for candidates for Directors and managers from the Company, its holding (associate) enterprises and the market;
3. Gather information about the occupation, academic qualifications, post title, detailed work experience and all the concurrent posts of the candidates and present such information in writing;
4. Seek the nominees' consent for nomination; otherwise, the nominees cannot be the candidates for Directors or managers;
5. Convene a Nomination Committee meeting to review the qualifications of the candidates on the criteria for Directors and managers;

CORPORATE GOVERNANCE REPORT

6. Make suggestion to the Board regarding the candidates for Directors and new managers and submit the relevant information to the Board one to two months prior to the election of new Directors and appointment of new managers; and
7. Complete other follow-up work according to the decision and feedback from the Board.

During the Reporting Period, two meetings of the Nomination Committee were held to discuss the suitable candidates for Directors and managers of the Company and review the qualifications of the candidates for Directors and managers of the Company. The particulars of the attendance of the members of Nomination Committee are set forth as follows:

Name of the members of the Nomination Committee	Number of meetings attended/convened
Mr. Wang Yunmin	2/2
Mr. Wang Lijun	2/2
Mr. Liu Qin	2/2
Mr. Liew Fui Kiang	2/2
Ms. Zhao Feng	2/2

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the “**Diversity Policy**”) which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, race, language, cultural background, educational background, industry experience and professional experience.

In identifying and selecting suitable candidates to serve as a Director, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time, taking into consideration specific needs for the Group’s business.

As at the date of this annual report, the Board has two female Directors, representing approximately 22% of the Board. The Board targets to maintain at least one female representation. When appointing new Directors, the Board will fully consider the gender ratio of existing Directors and strive to increase the proportion of female members over time as and when suitable candidates are identified.

The Nomination Committee will review the implementation of the board diversity policy at least annually and make recommendation on any proposed changes to the Board for the Board’s review and approval to ensure its continued appropriateness and effectiveness. During the year, the Board and the Nomination Committee had reviewed the implementation and effectiveness of the board diversity policy and were of the view that the board diversity policy and its implementation were sufficient and effective.

CORPORATE GOVERNANCE REPORT

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board has prepared a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

Workforce Diversity

For the year ended 31 December 2022, the gender ratio (male to female) in the workforce (including senior management) of the Company is around 4.53:1. Although the nature of the Group's business requires high physical strength, resulting in the majority of male employees, the Group is committed to achieving the goal of employee diversity to the greatest extent and takes gender diversity into consideration when recruiting employees. The Company will continue to take measures to promote gender diversity at all levels of the Company, including but not limited to the levels of the Board and senior management, and to establish channels for female senior managers and potential successors to enter the Board.

REMUNERATION AND APPRAISAL COMMITTEE

The Board established the remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**"). It comprises of five Directors, Mr. Wang Shuhai and Mr. Tang Qi as executive Directors, and Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng as independent non-executive Directors. Mr. Liew Fui Kiang is the Chairman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are to formulate appraisal standards and conduct appraisals for Directors and managers of the Company and to formulate and review the remuneration policies and proposals for Directors and senior management of the Company. The terms of reference of the Remuneration and Appraisal Committee are published on the website of the Company and the Hong Kong Stock Exchange's website.

Responsibilities and authorities of the Remuneration and Appraisal Committee

The primary responsibilities and authorities of the Remuneration and Appraisal Committee include:

1. to make recommendations to the Board on remuneration plans or proposals and establishment of formal and transparent procedures for the formulation of the above remuneration plans or proposals according to the primary scope, responsibilities, importance of the management positions of Directors and senior management members and the remuneration standards of relevant positions in other relevant enterprises;
2. to formulate remuneration plans or proposals include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems;
3. to determine the specific remuneration packages of executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration of non-executive Directors;
4. to review and approve the performance-based remuneration packages by making reference to the corporate objectives approved from time to time by the Board;

CORPORATE GOVERNANCE REPORT

5. to review the performance of duties of Directors (non-independent Directors) and senior management of the Company and to conduct annual performance appraisals on them;
6. to examine and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that the compensation conforms to contractual terms or, in case the compensation does not conform to contractual terms, is fair and reasonable and no undue burden is placed on the Company;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such compensation arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate; to ensure that no Director or any of his/her associates (as defined in the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;
8. to supervise the implementation of the Company's remuneration system;
9. to review and/or approve matters related to share schemes as described in Chapter 17 of the Hong Kong Listing Rules; and
10. to perform other duties as conferred by the laws and regulations, relevant regulatory requirements of the listing place(s) of the Company, such as the Hong Kong Listing Rules, rules of procedure and the Board.

Remuneration policy of Directors

To ensure the ability to attract and retain talents, the Group's remuneration policy of Directors is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Group's remuneration policy of Directors is, therefore, aiming at providing competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration is subject to shareholders' approval.

During the Reporting Period, two meetings of the Remuneration and Appraisal Committee were held to discuss the remuneration packages of Directors and senior management of the Company and review their performances under the Company's remuneration policy. The particulars of the attendance of the members of Remuneration and Appraisal Committee are set forth as follows:

Name of the members of the Remuneration and Appraisal Committee	Number of meetings attended/convened
Mr. Liew Fui Kiang	2/2
Mr. Wang Shuhai	2/2
Mr. Tang Qi	2/2
Mr. Wang Yunmin	2/2
Ms. Zhao Feng	2/2

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Board established the audit committee (the “**Audit Committee**”). It comprises of five Directors, Mr. Li Hang and Ms. Wang Xiaoling as non-executive Directors, and Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng as independent non-executive Directors. Ms. Zhao Feng is the Chairman of the Audit Committee. The terms of reference of the Audit Committee are published on the website of the Company and the Hong Kong Stock Exchange’s website.

The primary duties of the Audit Committee comprises of communication, supervision and verification work for internal and external auditing and internal control of the Company, including:

1. to make proposals to the Board regarding appointment, reappointment and dismissal of external auditors, make recommendations to the Board and approve the remuneration and terms of engagement of the external auditors, and deal with all matters of the resignation or dismissal of external auditors;
2. to review and monitor the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards;
3. to formulate and implement policies relating to the engagement of external auditors for non-audit services;
4. to supervise the internal audit system of the Company and its implementation, examine the truthfulness, completeness and accuracy of the financial statements, annual reports and accounts, half-year reports and quarterly reports (if any) of the Company, and review important opinions regarding financial reporting in such statements and reports;
5. to review financial information and its disclosure of the Company;
6. to review the financial control, internal control and risk management systems of the Company and conduct audits on material connected transactions;
7. to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system;
8. to review major investigation findings on risk management and internal control and the management’s response to these findings on its own initiative or as delegated by the Board; and
9. to review the financial and accounting policies and practices of the Group.

During the Reporting Period, the Audit Committee held six meetings to discharge its responsibilities and review the Group’s annual and interim results, continuing connected transactions, reporting and compliance procedures, reports from the management on the Group’s risk management and internal control systems, the effectiveness of the Group’s internal control function and procedures and also the re-appointment of the external auditor. The particulars of the attendance of the members of Audit Committee are set forth as follows:

Name of the members of the Audit Committee	Number of meetings attended/convened during the tenure
Ms. Zhao Feng	6/6
Mr. Li Hang (appointed with effect from 12 July 2022)	3/3
Ms. Wang Xiaoling	6/6
Mr. Wang Yunmin	6/6
Mr. Liew Fui Kiang	6/6
Mr. Li Guohong (resigned with effect from 16 June 2022)	3/3

CORPORATE GOVERNANCE REPORT

STRATEGY COMMITTEE

The Board established the strategy committee (the “**Strategy Committee**”). It comprises of five Directors, Mr. Li Hang, Mr. Wang Lijun and Ms. Wang Xiaoling as non-executive Directors, and Mr. Wang Yunmin and Mr. Liew Fui Kiang as independent non-executive Directors. Mr. Li Guohong resigned as the chairman of the Strategy Committee with effect from 16 June 2022. Mr. Li Hang was appointed as the chairman of the Strategy Committee with effect from 12 July 2022. The terms of reference of the Strategy Committee are published on the website of the Company and the Hong Kong Stock Exchange’s website.

The primary duties of the Strategy Committee comprise of conducting research and making recommendations on significant decisions and strategic planning of the Company including:

1. to conduct research and make recommendation on strategic planning for long-term development of the Company;
2. to conduct research and make recommendation on significant investment and financing proposals;
3. to conduct research and make recommendation on significant capital operations and asset operation projects;
4. to conduct research and make recommendation on significant matters affecting the development of the Company;
and
5. to perform other responsibilities required by laws, regulations, rules, regulatory documents, Articles of Association and assigned by the Board.

During the Reporting Period, three meetings of the Strategy Committee were held to discuss the long-term development of the Company, the significant investment and financing proposals and matters affecting the development of the Company. The particulars of the attendance of the members of Strategy Committee are set forth as follows:

Name of the members of the Strategy Committee	Number of meetings attended/convened during the tenure
Mr. Li Hang (appointed with effect from 12 July 2022)	1/1
Mr. Wang Lijun	3/3
Ms. Wang Xiaoling	3/3
Mr. Wang Yunmin	3/3
Mr. Liew Fui Kiang	3/3
Mr. Li Guohong (resigned with effect from 16 June 2022)	2/2

SUPERVISORS AND THE SUPERVISORY COMMITTEE

As at the date of this annual report, the Supervisory Committee consists of 3 members, comprising of Mr. Li Xiaoping, Ms. Liu Yanfen and Mr. Luan Bo, including representatives of the Shareholders and an appropriate proportion of representative of the Company’s staff, including 1 employee representative Supervisor, the number and composition of the members of the Supervisory Committee comply with the relevant laws and regulations. According to the authority and responsibility conferred by the Articles of Association, the Supervisory Committee regularly convenes Supervisory Committee meetings, conscientiously discharges its duties so as to be responsible to the Shareholders, supervises and inspects the performance of the Directors and senior management personnel in their performance of their duties and the legality and compliance of the Company’s financial issues to fully safeguard the legitimate rights and interests of the Company and the Shareholders.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT FUNCTION

The Company has an internal audit function. The Audit Committee is responsible for overseeing the internal audit systems. The Audit Committee and the Board review the risk management and internal control systems at least annually, and the Company considers that the systems are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems have been designed to safeguard the assets of the Group, to assure proper maintenance of accounting records, and to ensure the compliance with the relevant laws and regulations.

The Board's annual review has ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Board has overall responsibility for maintaining sound and effective risk management (including environmental, social and governance risks) and internal control systems throughout the Group which include a defined management structure with limits of authority, and are designed to ensure the proper application of accounting standard and the provision of reliable financial data for internal use and for publication, as well as to secure compliance with the relevant laws and regulations. The systems are developed to provide reasonable, but not absolute, assurance against material misstatement or omission and to manage, but not fully eliminate, the risks of operational systems failure and the risks of the Group's failure in meeting the standards. The Board will review the risk management (including environmental, social and governance risks) and internal control systems on an ongoing basis.

The Audit Committee assists the Board in leading the management and oversight of the design, implementation and monitoring of the risk management and internal control systems. The Board authorized the Audit Committee to supervise the financial reporting system, risk management (including environmental, social and governance risks) and internal control system of the Company; to review the financial control of the Company and to review the risk management (including environmental, social and governance risks) and internal control system of the Company on an annual basis; to discuss the risk management and internal control system with the management and to ensure that the management has performed its duties in establishing an effective system; to consider major investigation findings on risk management and internal control matters and the response of the management on investigation findings on its own initiative or as delegated by the Board. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control.

Review of Risk Management and Internal Control Effectiveness

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management (including environmental, social and governance risks) and internal control systems for the year ended 31 December 2022, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control systems to be effective and adequate. There were no suspected material irregularities found or significant areas of concern identified during the year that might affect the Shareholders.

ShineWing Certified Public Accountants (Special General Partnership) had audited the effectiveness of the Company's internal control system in relation to financial reports and provided a report with unqualified opinions.

CORPORATE GOVERNANCE REPORT

WORK ON INTERNAL CONTROL EVALUATION

Scope of internal control evaluation

The Company followed the risk-oriented principle to determine the major business units, operations, matters and high – risk areas for inclusion into the scope of evaluation.

Major enterprise included in the scope of evaluation were:

Shandong Gold Mining Co., Ltd., Shandong Gold Mining Co., Ltd. Xincheng Gold Mine (山東黃金礦業股份有限公司新城金礦), Shandong Gold Mining (Laizhou) Co., Ltd., Shandong Gold Mining (Laizhou) Co., Ltd. Sanshandao Gold Mine, Shandong Gold Mining (Laizhou) Co., Ltd. Jiaojia Gold Mine, Shandong Gold Smelting Co., Ltd., Shandong Jinzhou Mining Group Co., Ltd., Shandong Gold Mining (Xinhui) Co., Ltd., Shandong Gold Mining (Linglong) Co., Ltd., Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司), Chifeng Chaihulanzi Gold Mining Co., Ltd., Shandong Jinshi Mining Ltd., Shandong Gold Mining (Laixi) Co., Ltd., Gansu Xihe Zhongbao Mining Co., Ltd. (甘肅西和縣中寶礦業有限公司), Fujian Zhenghe Yuanxin Mining Co., Ltd. (福建政和源鑫礦業有限公司), Shandong Gold Guilaizhuang Mining Co., Ltd., Shandong Gold Group Penglai Mining Co., Ltd., Shandong Gold Mining (Hong Kong) Co., Limited, SDG Capital Management Co., Ltd (山金金控資本管理有限公司), Shenzhen SD Gold Mining Precious Metal Co., Ltd. (深圳市山金礦業貴金屬有限公司) and SDG Heavy Industry Co., Ltd. (山金重工有限公司).

Key operations and matters which were included in the scope of evaluation include:

Organizational structure, development strategy, social responsibility, corporate culture, risk management, internal information transmission, internal supervision, human resources, working capital management, financing management, investment management, procurement business, asset management, resource management, gold trading, research and development, engineering projects, guarantee business, financial reporting, tax administration, comprehensive budget, contract management, general management and information systems.

High-risk areas which were given special attention include:

Working capital management risk, financing management risk, investment management risk, asset management risk, financial reporting risk, gold transaction risk, procurement management risk, contract management risk, information system risk, etc.

INFORMATION DISCLOSURE AND TRANSPARENCY

The Company strictly followed the listing rules of the PRC and Hong Kong, fulfilled information disclosure obligations in accordance with laws and complied with the principles of “fairness, impartiality, openness” to disclose relevant information truthfully, accurately, instantly and completely in a concise, clear and easy-to-understand manner to ensure that all Shareholders have equal access to information. The Company actively responded to new changes in the securities market supervision policy, and constantly adapted to the new requirements of the regulatory agencies for information disclosure. During the Reporting Period, the Company amended the “Administrative Measures for the Disclosure of Information”; the Company continued to improve the quality of information disclosure, and insisted on combining statutory information disclosure with voluntary information disclosure. During the Reporting Period, the Company completed the preparation and disclosure of 173 A share compliance documents including regular reports and temporary announcements, and completed the disclosure of 222 H shares documents. The Company was evaluated and awarded grade A for its information disclosure work on the Shanghai Stock Exchange for the year 2021-2022 for five consecutive years.

CORPORATE GOVERNANCE REPORT

DISSEMINATION OF INSIDE INFORMATION

The Company attaches great importance to the management of inside information. The Company strictly complies with the regulations of the Registration System for Persons with Inside Information (《內幕信息知情人登記管理制度》) and other related regulations to strengthen the confidentiality of inside information and improve the management of insider registration. During the Reporting Period, the Company well registered and filed the inside information of major events in a timely manner. The Directors, Supervisors, senior management of the Company, and other relevant personnel were able to strictly abide by the confidentiality obligations, ensuring openness, fairness and impartiality in information disclosure without leaks.

The Board is of the view that the Company and its Directors, Supervisors or senior management have not been criticized or punished by the SFC, the Hong Kong Stock Exchange and Shanghai Stock Exchange or other regulatory authorities, and the actual corporate governance structure is in line with the PRC Company Law and relevant requirements of the CSRC.

JOINT COMPANY SECRETARIES

Mr. Tang Qi, the joint company secretary, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Sau Mei, a director of TMF Hong Kong Limited, a company secretarial service provider, as the joint company secretary to assist Mr. Tang in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. Tang. During the year ended 31 December 2022, Mr. Tang and Ms. Ng have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 26 October 2022, the amendments to the Articles of Association were made by the Company in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guidelines on the Articles of Association of Listed Companies (revised in 2022) (《上市公司章程指引(2022年修訂)》) (CSRC Announcement [2022] No. 2), the Rules for General Meetings of Listed Companies (revised in 2022) (《上市公司股東大會規則(2022年修訂)》) (CSRC Announcement [2022] No. 13) announced by the CSRC on 5 January 2022, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (revised in January 2022) (《上海證券交易所股票上市規則(2022年1月修訂)》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Guidelines of the Shanghai Stock Exchange for Self-regulation of Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》), the Guidelines of the Shanghai Stock Exchange for Self-regulation of Listed Companies No. 5 – Transactions and Related Party Transactions (《上海證券交易所上市公司自律監管指引第5號—交易與關聯交易》) issued by the Shanghai Stock Exchange on 7 January 2022 and other relevant laws, regulations, rules and normative documents, and taking into account the actual operational needs of the Company, which were approved by Shareholders at the Company's third extraordinary general meeting held on 22 November 2022. For details, please refer to the announcement of the Company dated 26 October 2022 published on the website of the Hong Kong Stock Exchange.

INVESTOR RELATIONS

The Board fully recognises that effective communication with investors is the key to building investors' confidence and attracting new investors.

CORPORATE GOVERNANCE REPORT

In order to promote effective communication with the Shareholders, the Company has adopted a shareholders' communication policy which is published on the Company's website. According to the shareholders' communication policy, among other things:

- (1) Information shall be disseminated by the Company to the Shareholders and the investment community mainly through the publication of interim and annual reports, annual general meetings and other general meetings convened, as well as the information disclosed or published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>), website of SSE (<http://www.sse.com.cn/>) or the Company's website (<http://www.sdhjgf.com.cn>).
- (2) General meetings are deemed to be the principal channel of communications between the Company and the Shareholders. The Shareholders are encouraged to participate in the Company's general meetings in person or, where they are unable to attend the meetings, appoint proxies to attend and vote at the meetings for and on their behalf.
- (3) The Company shall facilitate communications with the Shareholders and the investment community by organizing roadshows, investor meetings, investor/analyst presentations, individual meetings and media interviews on a regular basis.

The Company has amended the Investor Relations Management System (《投資者關係管理制度》) according to regulatory requirements, further broadened the channels of communication with investors and fully respected and safeguarded the legitimate rights and interests of relevant stakeholders. In 2022, the Company continued to maintain activeness in the capital market, actively participated in various communication activities, and connected with (domestic and overseas) institutional investors, small and medium investors, and personnel of investment research institutions. The Company organized nearly 50 investor conferences through video, telephone conferences, etc., and replied to nearly 90 questions from small and medium investors on the E-Interaction Platform to further deepen the investors and market's understanding of the Company. The practice of convening business performance presentation meeting was selected as the "Best Practices of Business Performance Presentation" by the China Association for Public Companies.

In light of the adoption of the Investor Relations Management System and communication channels already in force, and the general meetings, investor exchange meetings and results presentations of the Company held during the year which enabled the Directors to exchange views with the Shareholders and answer their questions, the Board has reviewed and considered that the Company's shareholder communication policy has been appropriately implemented and remains effective during the year ended 31 December 2022.

INQUIRY TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 2503 Jingshi Road, Licheng District, Jinan, Shandong Province, PRC, Postal Code 250107

Telephone: (+86) 0531-67710376

Fax: (+86) 0531-67710380

Email: hj600547@163.com

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL REPORTS

All Directors have acknowledged their responsibilities for preparing the financial reports of the Group. The Directors ensure that the preparation of financial reports of the Group is in compliance with relevant laws, regulations and applicable accounting standards and that financial reports of the Group are issued in a timely manner.

The responsibility statement made by the auditor of the Company in respect of financial reports of the Group is set out in the Independent Auditor's Report in this annual report.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has purchased and maintained Directors', Supervisors' and senior management's liability insurance throughout the Reporting Period, which provides appropriate protection over certain legal actions brought against its Directors, Supervisors and senior management. Such insurance coverage is reviewed on an annual basis.

RELATIONS WITH THE CONTROLLING SHAREHOLDER

The controlling Shareholder exercises its rights as a Shareholder through the general meeting and does not interfere with the decision-making and operation of the Company, achieving independence in terms of personnel, assets, finance, organization and business. Thus the Board, the Supervisory Committee and the internal management organization can operate independently. The controlling Shareholder strictly abides by its non-competition undertaking to the Company and is able to strictly abide by the voting abstention mechanism when it comes to connected transactions with the Company to ensure the transaction is just and fair. During the Reporting Period, there was no behavior in which the controlling Shareholder used its special status to encroach on and prejudice the interests of the Company and other Shareholders.

REMUNERATION OF EXTERNAL AUDITORS

ShineWing Certified Public Accountants (Special General Partnership) and SHINEWING (HK) CPA Limited were the domestic and international auditors of the Company for 2022 respectively.

The fees in respect of audit service provided to the Group by SHINEWING (HK) CPA Limited for the year 2022 amounted to approximately RMB2.3 million, without any fees in respect of non-audit service. The fees in respect of audit service and internal control and auditing service provided to the Group by ShineWing Certified Public Accountants (Special General Partnership) for the year 2022 amounted to approximately RMB1.8 million and approximately RMB0.7 million respectively.

AUDITORS

Auditors appointed by the Company in the past three years is as follows:

Domestic Auditors:	Tianyuanquan (2019 – January 2023) ShineWing Certified Public Accountants (Special General Partnership) (February 2023 to present)
International Auditors:	Deloitte Touche Tohmatsu Certified Public Accountants (June 2019-January 2020) SHINEWING (HK) CPA Limited (January 2020-present)

ShineWing Certified Public Accountants (Special General Partnership) and SHINEWING (HK) CPA Limited shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment as domestic and international auditors of the Company will be proposed at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

The details of shareholding interests of the Directors, Supervisors and key executives of the Company are set out in “Disclosure of Interests and Short Positions of the Directors, Supervisors and Key Executives of the Company” in Report of the Directors in this annual report.

THE IMPORTANT OPINION AND SUGGESTIONS FROM THE SPECIALISED COMMITTEES UNDER THE BOARD DURING THE DISCHARGE OF DUTIES FOR THE REPORTING PERIOD AND IF THERE ARE ANY OBJECTIONS, THE DISCLOSURE OF SUCH DETAILS

The Board has four special committees: the Strategy Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and each special committee has implemented its respective terms of reference. Each special committee can perform its duties in accordance with relevant requirements, conduct strict pre – conference audits on major matters such as Company strategic planning, financial report review, nomination of Directors, Supervisors and senior management, related transactions, and make its independent judgments from professional perspectives before deciding on submitting the resolution to be considered by the Board. The composition of the said committees of the Company are reasonable and there is a clear division in labor. They allow each committee to perform their respective functions and play a positive role in improving the corporate governance structure and promoting the Company’s development. There are no objections raised.

EXPLANATION ON THE RISKS IN THE COMPANY DISCOVERED BY THE SUPERVISORY COMMITTEE

During the Reporting Period, all Supervisors of the Supervisory Committee are diligent, efficient, and strictly perform their supervisory duties, in accordance with the PRC Company Law, the SSE Listing Rules, the Hong Kong Listing Rules, the Hong Kong Companies Ordinance (Chapter 622) and other relevant regulations. The Supervisory Committee has issued opinions on the preparation of the Company’s periodic reports, financial status, internal control evaluation report, and major asset restructuring matters. It has also supervised the duties of the Directors and senior management personnel of the Company in performing duties and related transactions. The Supervisory Committee believes that the above actions of the Company are strictly in accordance with the PRC Company Law, the Articles of Association and its relevant laws and regulations, the decision-making procedures are in compliance with the requirements of laws and regulations, and there is no damage to the Company and Shareholders’ rights. Accordingly, the Supervisory Committee did not find any risk.

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF SHANDONG GOLD MINING CO., LTD.

(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shandong Gold Mining Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 112 to 233, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on property, plant and equipment and intangible assets

Refer to the notes 17 and 20 to the consolidated financial statements and the accounting policies on page 128.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the carrying amounts of the property, plant and equipment and intangible assets were approximately RMB37,028,403,000 and RMB20,556,647,000 respectively, which are mainly related to the assets arising from the Group's gold mining and refining activities.</p> <p>The management of the Group has performed impairment assessment on the property, plant and equipment and intangible assets at the end of the reporting period. When indication of possible impairment has been identified, recoverable amount is determined based on the higher of fair value less cost of disposal or value-in-use of each cash-generating unit, in which the property, plant and equipment and intangible assets were allocated to.</p> <p>We have identified the impairment assessment on property, plant and equipment and intangible assets as a key audit matter because of their significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment assessment.</p>	<p>Our audit procedures were designed to review the management's judgements and estimates used in determining the indication of possible impairment and its impairment testing on the property, plant and equipment and intangible assets.</p> <p>We have discussed and reviewed the impairment assessment prepared by the management of the Group, including the identification of possible impairment.</p> <p>For the impairment testing, we have reviewed the underlying data and assumptions used in the calculation of fair value less cost of disposal or value-in-use of the respective cash-generating unit as recoverable amount, including the gold price, recoverable reserves, exploration potentials, production costs estimates, future operating costs and pre-tax discount rates. We have compared those underlying data and assumptions used to the historical data and other available market sources.</p>

INDEPENDENT AUDITOR'S REPORT

Impairment assessment on goodwill

Refer to the note 21 to the consolidated financial statements and the accounting policies on page 130.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the carrying amount of the goodwill was approximately RMB1,673,190,000, which is mainly related to the acquisition of subsidiaries and joint operation through business combinations.</p>	<p>Our audit procedures were designed to review the management's judgements used in the identification of cash-generating units and the impairment amount on goodwill.</p>
<p>The management of the Group has performed impairment assessment on goodwill based on recoverable amount, which is the higher of fair value less cost of disposal and value-in-use of each cash-generating unit. Fair value less cost of disposal and value-in-use, based on the discounted cash flows model, of each cash-generating unit were prepared by the independent valuers engaged by the Group.</p>	<p>We have assessed the reasonableness of the identification of cash-generating units for annual impairment testing.</p> <p>We have discussed and reviewed the assumptions adopted in the impairment testing performed by the management of the Group and the independent valuers. We have reviewed the underlying data and assumptions used in the discounted cash flows model, including production plan, useful lives of mines, forecasted sales, gross profits, operating costs and gold price against the latest available information.</p>
<p>We have identified the impairment assessment on goodwill as a key audit matter because of its significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment testing.</p>	<p>We have also reviewed the discount rates adopted in the discounted cash flows model by reviewing its basis of calculation and comparing the input data to market sources.</p> <p>We have also considered the potential impact of reasonably possible downside changes in these key assumptions.</p>

INDEPENDENT AUDITOR'S REPORT

Fair value measurement of financial assets and liabilities at fair value through profit or loss ("FVTPL")

Refer to the notes 25 and 32 to the consolidated financial statements and the accounting policies on page 131.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the aggregate carrying amounts of the financial assets at FVTPL and financial liabilities at FVTPL are approximately RMB8,119,978,000 and RMB11,265,745,000 respectively.</p>	<p>Our audit procedures were designed to review the fair value measurement performed by the management of the Group and independent valuer, including the review of the valuation technique and the underlying data and assumptions used in fair value measurement.</p>
<p>The management of the Group has performed fair value assessment of financial assets at FVTPL and financial liabilities at FVTPL at the end of the reporting period. Significant judgements and estimates, including selection of appropriate valuation techniques and the use of unobservable market data, have been used by the management of the Group and the independent valuer in the fair value measurement.</p>	<p>We have discussed with the management of the Group and the independent valuer for the appropriateness of valuation techniques adopted and reviewed fair value calculations.</p> <p>We have also assessed the reasonableness of the underlying data and assumptions used by the management of the Group and the independent valuer in the fair value measurement with reference to the available market data and/or other external available information.</p>
<p>We have identified the fair value measurement of financial assets and liabilities at FVTPL as a key audit matter because of their significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing fair value measurement.</p>	

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee of the company is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Chuen Fai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practicing Certificate Number: P05589

Hong Kong

29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	50,305,754	33,932,646
Cost of sales		(44,138,322)	(31,557,552)
Gross profit		6,167,432	2,375,094
Selling expenses		(176,421)	(361,149)
General and administrative expenses		(2,465,844)	(2,409,669)
Research and development expenses		(399,567)	(345,606)
Other income	7	26,070	21,104
Other gains and (losses), net	8	(318,771)	1,347,506
Finance income	9	85,147	71,645
Finance costs	9	(1,051,000)	(732,639)
Share of results of associates		35,273	21,820
Profit/(loss) before tax		1,902,319	(11,894)
Income tax expenses	10	(550,856)	(217,620)
Profit/(loss) for the year	11	1,351,463	(229,514)
Profit/(loss) for the year attributable to:			
Holders of equity instruments of the Company			
– Ordinary shares		838,263	(426,348)
– Perpetual bonds		353,096	205,047
		1,191,359	(221,301)
Non-controlling interests		160,104	(8,213)
		1,351,463	(229,514)
EARNINGS/(LOSS) PER SHARE			
– Basic and diluted (RMB)	14	0.19	(0.10)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Profit/(loss) for the year	1,351,463	(229,514)
Other comprehensive income/(expense):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	469,582	(116,256)
Other comprehensive income/(expense)	469,582	(116,256)
Total comprehensive income/(expense) for the year	1,821,045	(345,770)
Total comprehensive income/(expense) for the year attributable to:		
Holders of equity instruments of the Company		
– Ordinary shares	1,307,845	(542,604)
– Perpetual bonds	353,096	205,047
Non-controlling interests	1,660,941	(337,557)
	160,104	(8,213)
	1,821,045	(345,770)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		31 December 2022	31 December 2021
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	17	37,028,403	31,597,991
Investment properties	18	176,190	185,341
Right-of-use assets	19	852,397	743,670
Intangible assets	20	20,556,647	20,733,033
Goodwill	21	1,673,190	1,582,526
Investments in associates	22	1,988,901	1,953,628
Financial assets at fair value through other comprehensive income	24	7,900	7,900
Financial assets at fair value through profit or loss	25	5,160,074	5,653,317
Inventories	26	1,415,830	1,240,310
Deferred income tax assets	34	289,468	475,874
Other non-current assets	27	591,840	594,612
		69,740,840	64,768,202
Current assets			
Inventories	26	4,092,280	2,983,757
Prepayment, trade and other receivables	28	4,683,615	3,579,403
Prepaid income tax		105,146	15,850
Financial assets at fair value through profit or loss	25	2,959,904	2,681,620
Restricted bank deposits	29	1,880,825	482,353
Bank balances and cash	29	7,753,482	4,525,365
		21,475,252	14,268,348
Current liabilities			
Trade and other payables	30	13,144,075	15,249,378
Lease liabilities	19	64,506	40,685
Current income tax liabilities		303,418	224,667
Borrowings	31	9,780,631	9,805,312
Financial liabilities at fair value through profit or loss	32	11,265,745	9,587,259
Current portion of other non-current liabilities	33	131,562	104,835
		34,689,937	35,012,136
Net current liabilities		(13,214,685)	(20,743,788)
Total assets less current liabilities		56,526,155	44,024,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current liabilities			
Borrowings	31	13,548,305	5,339,636
Lease liabilities	19	143,670	90,781
Deferred income tax liabilities	34	4,076,245	4,793,109
Deferred revenue	35	16,084	13,164
Provision for asset retirement obligations	36	733,117	875,111
Other non-current liabilities	33	1,206,566	951,734
		19,723,987	12,063,535
Net assets			
		36,802,168	31,960,879
Capital and reserves			
Share capital	37(a)	4,473,430	4,473,430
Treasury shares	37(b)	—	(6,293)
Reserves		18,520,429	18,612,130
		22,993,859	23,079,267
Perpetual bonds	38	9,937,528	6,249,387
Non-controlling interests		3,870,781	2,632,225
Total equity			
		36,802,168	31,960,879

The consolidated financial statements on pages 112 to 233 were approved and authorised for issue by the board of directors on 29 March 2023 and are signed on its behalf by:

Li Hang
Director

Tang Qi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											Total RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000 (note (a))	Statutory and other reserve funds RMB'000 (note (b))	Transactions with non- controlling interests RMB'000 (note (c))	Foreign currency translation reserve RMB'000	Others RMB'000	Retained profits RMB'000	Sub-total RMB'000	Perpetual Bonds RMB'000 (note 38)	Non- controlling interests RMB'000	
At 1 January 2022	4,473,430	(6,293)	5,747,648	914,814	(225,182)	(378,728)	19,786	12,533,792	23,079,267	6,249,387	2,632,225	31,960,879
Profit for the year	-	-	-	-	-	-	-	838,263	838,263	353,096	160,104	1,351,463
Other comprehensive expense:												
Currency translation differences	-	-	-	-	-	469,582	-	-	469,582	-	-	469,582
Total comprehensive income	-	-	-	-	-	469,582	-	838,263	1,307,845	353,096	160,104	1,821,045
Appropriations	-	-	-	150,566	-	-	-	(150,566)	-	-	-	-
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	3,670,000	-	3,670,000
Contribution from non-controlling interests shareholders	-	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Deemed disposal of a subsidiary (note 15(c)(i))	-	-	-	-	-	-	-	-	-	-	584,899	584,899
Dividends to shareholders of the Company (note 13)	-	-	-	-	-	-	-	(223,671)	(223,671)	-	-	(223,671)
Distributions made to holders of perpetual bonds	-	-	-	-	-	-	-	-	-	(334,955)	-	(334,955)
Acquisition of non-controlling interests (note 15 (c)(ii),(iii),(iv))	-	-	-	-	(1,240,594)	-	-	-	(1,240,594)	-	(1,259,406)	(2,500,000)
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(273,709)	(273,709)
Derecognition of treasury shares	-	6,293	41,335	-	-	-	-	-	47,628	-	26,668	74,296
Others	-	-	-	-	-	-	23,384	-	23,384	-	-	23,384
At 31 December 2022	4,473,430	-	5,788,983	1,065,380	(1,465,776)	90,854	43,170	12,997,818	22,993,859	9,937,528	3,870,781	36,802,168

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital	Treasury shares	Capital reserve	Statutory and other reserve funds	Transactions with non-controlling interests	Foreign currency translation reserve	Others	Retained profits	Sub-total	Perpetual Bonds	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note (a))	(note (b))	(note (c))					(note (38))		
At 1 January 2021	4,313,947	(6,385)	9,101,586	868,631	(225,182)	(262,472)	4,826	13,229,750	27,024,701	3,999,387	4,644,235	35,668,323
Loss for the year	-	-	-	-	-	-	-	(426,348)	(426,348)	205,047	(8,213)	(229,514)
Other comprehensive income:												
Currency translation differences	-	-	-	-	-	(116,256)	-	-	(116,256)	-	-	(116,256)
Total comprehensive income	-	-	-	-	-	(116,256)	-	(426,348)	(542,604)	205,047	(8,213)	(345,770)
Appropriations	-	-	-	46,183	-	-	-	(46,183)	-	-	-	-
Issue of shares upon acquisition of a subsidiary (Note 42)	159,483	-	2,018,156	-	-	-	-	-	2,177,639	-	-	2,177,639
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	2,250,000	-	2,250,000
Dividends to shareholders of the Company (note 13)	-	-	-	-	-	-	-	(223,427)	(223,427)	-	-	(223,427)
Distributions made to holders of perpetual bonds	-	-	-	-	-	-	-	-	-	(205,047)	-	(205,047)
Acquisition of non-controlling interest in Hongsheng Mining investment Co., Ltd	-	-	1,760,147	-	-	-	-	-	1,760,147	-	(1,760,147)	-
Consideration for the business combination involving entities under common control	-	-	(7,132,241)	-	-	-	-	-	(7,132,241)	-	-	(7,132,241)
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(243,650)	(243,650)
Others	-	92	-	-	-	-	14,960	-	15,052	-	-	15,052
At 31 December 2021	4,473,430	(6,293)	5,747,648	914,814	(225,182)	(378,728)	19,786	12,533,792	23,079,267	6,249,387	2,632,225	31,960,879

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Notes:

(a) Capital reserve

The capital reserve represented the sum of (i) the excess of net proceeds received from issuance of the shares of the Company and the nominal value of the shares issued; (ii) the difference between the amounts of capital injection from non-controlling shareholders and the net assets attributable to the non-controlling shareholders; (iii) capitalisation upon the bonus issue; (iv) consideration paid for the acquisition of SDG Capital Management Co., Ltd. (山金金控資本管理有限公司) (“SDG Capital Management”) and its subsidiaries (collectively referred to as the “SDG Group”) under business combination involving entities under common control and completed during the year ended 31 December 2019; and (v) consideration paid for the acquisition of Shandong Dikuang Laijin Holdings Co., Ltd. (“Dikuang Laijin”), Laizhou Hongsheng Mining Investment Co., Ltd. (“Hongsheng Mining”), Shandong Laizhou Ludi Gold Mine Company Limited (“Ludi Gold Mine”) and Shandong Tiancheng Mining Co., Ltd. (“Tiancheng Mining”) under business combination involving entities under common control and completed during the year ended 31 December 2021.

(b) Statutory and other reserve funds

In accordance with the People’s Republic of China (the “PRC”) Company Law and the articles of association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to set aside 10% of its profit after tax, as determined in accordance with relevant accounting principles and financial regulations applicable to the PRC companies and regulations applicable to the PRC subsidiaries, to the statutory reserve funds until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders before reaching 50% threshold as mentioned above. The statutory reserve funds can be used to offset previous years’ loss, if any, and part of the statutory reserve funds can be capitalised as the share capital of the PRC subsidiaries provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the PRC subsidiaries.

(c) Transactions with non-controlling interests

The amount represented the difference between considerations paid for the acquisition of additional equity interests in non-wholly owned subsidiaries of the Company and the carrying amount of the non-controlling interests to be acquired.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	39(a)	3,618,704	1,846,058
Income tax paid		(1,091,859)	(639,790)
NET CASH FROM OPERATING ACTIVITIES		2,526,845	1,206,268
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(4,246,683)	(3,900,381)
Consideration paid for acquisition of combined entities under common control		(5,179,241)	(1,953,000)
Placement of restricted bank deposits		(1,398,472)	(204,715)
Payments for purchase of financial assets at fair value through profit or loss		(1,375,964)	(1,164,113)
Payments for purchase of intangible assets		(510,375)	(1,157,239)
Repayments to related parties		(304,515)	207,535
Payments for settlement of gold futures/forward contracts		(193,115)	(26,624)
Payments for right-of-use assets		(47,331)	(121,549)
Payments for investment properties		(261)	–
Proceeds from disposal of financial assets at fair value through profit or loss		1,382,955	2,152,671
Proceeds from disposal of property, plant and equipment		215,442	208,787
Interest received		85,147	71,645
Dividends received from financial assets at fair value through profit or loss		80,743	66,261
Proceeds from treasury shares sold		74,296	–
Net cash outflow from acquisition of subsidiaries		–	(1,330,570)
Entrusted loans raised		–	190,978
Proceed from disposal of a subsidiary		–	644,978
NET CASH USED IN INVESTING ACTIVITIES		(11,417,374)	(6,315,336)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		20,246,085	12,008,986
Proceeds from gold leasing arrangements		10,439,853	9,171,511
Proceed from issue of perpetual bonds		3,670,000	2,250,000
New borrowings from related parties raised		3,202,000	1,665,000
Proceeds from non-controlling interests shareholders capital contributions		2,584,899	–
Government grants received		28,990	18,862
Repayments of bank borrowings		(10,905,089)	(9,837,345)
Settlement of gold leasing arrangements		(8,700,340)	(8,202,667)
Repayments of borrowings from related parties		(3,113,000)	(1,533,800)
Consideration paid for acquisition of non-controlling interests		(2,500,000)	–
Interests paid		(1,033,972)	(315,949)
Repayment of corporate bonds		(1,032,026)	(1,513,310)
Payments for finance costs associated with gold leasing contracts		(294,030)	(104,252)
Dividends paid to non-controlling shareholders		(273,709)	(243,650)
Dividends paid to shareholders of the Company		(223,671)	(223,427)
Payments for provision for asset retirement obligations		(85,826)	(52,603)
Repayments of lease liabilities		(64,115)	(49,576)
Payments of guarantee and arrangement fee for borrowings		(38,580)	(31,411)
New corporate bonds raised		–	2,548,205
Repayments to related parties		–	487,787
Dividends paid to former shareholders of a subsidiary		–	(80,000)
NET CASH FROM FINANCING ACTIVITIES		11,907,469	5,962,361
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,016,940	853,293
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,215,587	2,486,599
Effect of foreign exchange rate changes		114,571	(124,305)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		6,347,098	3,215,587
Analysis of cash and cash equivalents:			
Bank balances and cash		7,753,482	4,525,365
Less: cash held on behalf of customers for futures contracts trading	29(b)	(1,406,384)	(1,309,778)
		6,347,098	3,215,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC” or “China”) on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (“H shares”) since 28 September 2018, and the Shanghai Stock Exchange (“A shares”) since 28 August 2003.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) is principally engaged in (i) mining, processing and sale of gold and gold products; (ii) manufacturing and sale of building decoration materials and (iii) investments in equity funds, trading of gold bullion and provision of futures contracts trading services. The address of the Company’s registered office is No. 2503 Jingshi Road, Licheng District, Jinan, Shangdong Province, the PRC.

In the opinion of the directors of the Company, the immediate holding company and the ultimate controlling party of the Company are Shandong Gold Group Co., Ltd. (山東黃金集團有限公司) (“Shandong Gold Group”) and 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委員會), respectively.

These consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument, which are measured at fair value at the end of the each reporting period, as explained in the accounting policy set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgements and estimates. It also requires management to exercise its judgements and estimates in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Going concern

As at 31 December 2022, the Group's recorded current liabilities exceeded its current assets by approximately RMB13,214,685,000. The directors of the Company are of the opinion that the Group will have adequate funds to finance its future financing requirements and working capital based on the following considerations:

- (a) The Group is expected to be profitable and hence continue to generate operation cash inflows from its future business operations.
- (b) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide banking facilities of not less than approximately RMB50,000,000,000 as at 31 December 2022 and available at least next twelve months from 31 December 2022.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 31 December 2022. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in the principal accounting policies and disclosures

(a) New or amendments to standards that are effective for the current year

In the current year, the Group has applied, for the first time the following amendments to standards to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2022:

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle

The application of the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New or amendments to standards in issue but not yet effective

New or amendments to standards, including IFRSs, IAS, amendments and interpretations, which are not yet effective for the financial year commencing on 1 January 2022 and have not been applied in preparing these consolidated financial statements are listed below:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements. The application of the new or amendments to standards will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The Group reassess whether it controls over the subsidiary if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests under the consolidated statement of comprehensive income. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Merger accounting for business combination involving entities under common control

For business combination under common control, the Group's consolidated financial statements incorporates the financial information of the combining entities or businesses as if they had been combined from the earliest date presented or since the date when the combining entities or businesses first came under the control of the controlling party, whichever is shorter.

The assets acquired and liabilities assumed of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination is adjusted against the equity. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless combining entities or businesses first came under common control at a later date.

Any cost in relation to the combination is recognised as an expense when incurred.

2.2.3 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Company in their capacity as equity holders. The difference between fair value of any consideration paid and the relevant carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.4 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of interests in subsidiaries. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting in both of the consolidated financial statements and separate financial statements of the Company. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of result of associates" in the consolidated statement of profit or loss.

Profit or loss resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be joint operation. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, related to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint operation is accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses.

Where a joint operator acquires an interest in a joint operation, the accounting treatment depends on whether the activity of the acquired joint operation constitutes a business. The joint operator should apply business combination accounting to the extent of its share, where the activity of the joint operation constitutes a business. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Joint arrangements *(Continued)*

Where the entity is involved in a joint operation, the investors account for their rights and obligation by recognising:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

Management should classify and measure the recognised asset, liability and items of revenue or expense, or the share of an asset, liability or item of revenue or expense, according to the applicable standard for each item.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency, and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

2.5.2 Transactions and balances in each entity's financial statements

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains or losses are presented in the consolidated statement of profit or loss on a net basis within "other gains and losses, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in consolidated statement of profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVTOCI are recognised in consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

2.5.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities at the end of the reporting period are translated at the closing rate at the date of the reporting period;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income under foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings forming a part of the net investment are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

2.6 Property, plant and equipment (*Continued*)

Other than mining structures and construction in progress, depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life as follows:

– Buildings	5–50 years
– Plant, machinery and equipment	2–20 years

Mining structures include the main and auxiliary mine shafts and underground tunnels and capitalised open pit mine development costs. Mining structures are depreciated on the unit of production method (the “UOP method”), based on the proven and probable reserves and where appropriate the portion of mineral resources considered to be probable of economic extraction based on the current Life of Mine (“LOM”) Plans.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalised as open pit mine development costs.

Stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide a future economic benefit to an identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity: (i) improves access to a component of the ore body to be mined in the future; (ii) increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and (iii) increases the productive capacity or extends the productive life of the mine (or pit). Production phase stripping costs that are expected to generate a future economic benefit are capitalised as open pit mine development costs.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses, if any. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

An asset’s carrying amount is considered to be impaired immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other gains and losses, net” in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Investment properties

Investment properties include those portions of office buildings that are held for long-term rental yields or for capital appreciation. Investment properties are initially measured at cost. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation of the investment properties is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful life of these investment properties is estimated to be 13–42 years.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the profit or loss. The cost of maintenance, repairs and minor improvements is charged to the profit or loss when incurred.

2.8 Intangible assets

2.8.1 Mining and exploration rights

Mining rights are stated at cost less accumulated amortisation and impairment losses, if any, and are amortised based on the UOP method whereby the denominator is the proven and probable reserves and where appropriate the portion of mineral resources considered to be probable of economic extraction.

Exploration rights are stated at cost less impairment losses. Cost of the exploration rights are transferred to mining rights upon the government's approval of the mining license.

2.8.2 Goodwill

Goodwill arises on the acquisition of subsidiaries and joint operation constituting businesses represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (the "CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

2.8.3 Patent rights

Patent rights are capitalised on the basis of the costs incurred to acquire and bring to use the patent rights. These costs are amortised over estimated useful life of 20 years, which are restricted by the period for which the legal rights are held.

2.8.4 Software licenses, trademarks and other licences

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years. The useful lives of trademarks and licences are restricted by the period for which contractual or other legal rights are held.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or damages in circumstances indicate that they might be impaired. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.1 Classification (Continued)

For assets measured at fair value, gains or losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. The transaction cost of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains and losses, net", together with foreign exchange gains or losses. Impairment losses are presented in general and administrative expenses.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains and losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Financial assets that do not meet the criteria for amortised cost or FVTOCI** are measured at FVTPL. A gain or loss on a debt instruments that is subsequently measured at FVTPL is recognised in profit or loss and presented in other gains and losses, net in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.2 Recognition and measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVTPL are recognised in other gains and losses, net in the consolidated statement of profit or loss as applicable. Where the Group's management has elected to present fair value gains or losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains or losses included in other comprehensive income to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2.10.3 Impairment of financial assets

The Group has types of financial assets subject to IFRS 9's expected credit loss model (the "ECL" model):

- trade receivables; and
- other receivables (excluding non-financial assets).

For trade receivables, the Group applies the simplified approach to providing for ECL as prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For other receivables (excluding non-financial assets), the Group measures the loss allowance equal to 12-month ECL, unless when there is a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on the significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on the financial assets has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial assets as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.3 Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.3 Impairment of financial assets *(Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when trade receivables is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For other receivables, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.3 Impairment of financial assets *(Continued)*

Write-off policy

The Group writes off a trade receivable when there is information indicating that the interest and/or principal repayments are 3 years past due and there is no reasonable expectation of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The gross carrying amount of an other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value of inventories represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See note 2.10.3 for the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 29. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statement of financial position.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position

2.14 Share capital, treasury shares and perpetual instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where any Group's entity purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity owners. Where such shares are subsequently sold or reissued, the cost of the treasury shares is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised in the capital reserve of the Company.

Perpetual instruments which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

2.15 Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Financial liabilities *(Continued)*

Financial guarantee contracts *(Continued)*

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies; (ii) held for trading; or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination; (ii) held for trading; or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Financial liabilities *(Continued)*

Financial liabilities subsequently measured at amortised cost *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, the subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.19.2 Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and losses can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associate.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

2.19.3 Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

2.20 Employee benefits

2.20.1 Short term compensation

Short term compensation includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, work-related injury insurance premium, maternity insurance premium, contributions to housing fund, unions and education fund and short-term absence with payment etc. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the short term compensation actually incurred as a liability and charged to the cost of an asset or to profit or loss in the same period.

2.20.2 Post-employment benefits

The Group classifies post-employment benefits into Defined Contribution Plan (“DC plan”). DC plan means the Group only contributes a fixed amount to an independent fund and no longer bears other payment obligation. The post-employment benefits of the Group primarily comprise basic pension insurance and unemployment insurance and both of them are DC plans.

As at 31 December 2022, no forfeited contribution under the Defined Contribution Schemes is available to offset the future contributions or reduce the existing and future levels of contributions (2021: Nil).

Basic pension insurance

Employees of the Group participate in the social insurance system established and managed by local labor and social security department. The Group makes basic pension insurance to the local social insurance agencies every month, at the applicable benchmarks and rates stipulated by the government for the benefits of its employees. After the employees retire, the local labor and social security department has obligations to pay them the basic pension. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the accrued amount according to the above social security provisions as a liability and charged to the cost of an asset or to profit or loss in the same period.

Employees of the subsidiary as incorporated in Hong Kong participate in a statutory defined contribution pension plan (the “Mandatory Provident Fund Scheme”) under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund under the Mandatory Provident Fund Scheme does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans including the Mandatory Provident Fund Scheme, employee pension schemes established by municipal government in the PRC and administration and social security system for employees in Argentina are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provision for future decommissioning and restoration is recognised in full on the installation of mining properties. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related mining properties of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the costs of the mining properties. Any change in the present value of the estimated expenditure other than due to passage of time, which is regarded as interest expense, is reflected as an adjustment to the provision and mining properties.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Exploration and evaluation

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of the mineralised material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Once the technical feasibility and commercial viability of a program or project has been demonstrated with a prefeasibility study and recognised reserves in accordance with the Canadian Securities Administrators' National Instrument 43-101, future expenditures incurred in the development of that program or project are reclassified to property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

2.23.1 Sale of goods

Revenue is recognised when control over the goods has been transferred to the customers. It is generally satisfied at a point in time when the control of the product has transferred to the customer.

2.23.2 Brokerage income

Brokerage income is recognised upon completion of the successful bid of futures trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Revenue from contracts with customers *(Continued)*

Contract asset and liability

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or provides services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. This has been classified under "Trade and other payables".

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

2.24 Interest income

Interest income on financial assets at amortised cost and financial assets at FVTOCI is calculated using the effective interest method and recognised in the consolidated statement of profit or loss. Interest income is presented as finance income where it is earned from financial assets.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants recognised in the consolidated statement of profit or loss on a systematic basis over the period in which the Group recognises as expenses the related costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

2.27 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date of a lease, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 Provision, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

2.28 Research and development expenses

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved software) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.30 Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories and value-in-use of the cash generating units for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (i.e. group treasury) under policies approved by the directors of the Company. The group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The directors of the Company provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign currency risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits, trade and other receivables and trade and other payables) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollars ("US\$"). In addition, the RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The group companies are required to hedge their entire foreign currency risk exposure through the group treasury. To manage their foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group may use forward contracts as transacted through the group treasury. Foreign currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group historically has not used any derivative instruments to hedge exchange rate of US\$ and currently does not have a fixed policy to do so in the foreseeable future.

The subsidiaries of the Company located in the PRC have most of the transactions settled in RMB, which is also the functional currency of the subsidiaries located in the PRC. The subsidiary of the Company located in Hong Kong and the joint operation of the Group located in Argentina have most of the transactions settled in US\$, which is also their functional currency. Foreign currency risk arises when recognised assets and liabilities are denominated in a currency that is not the functional currency of the Company and its subsidiaries. As at 31 December 2022 and 2021, the Group's assets and liabilities are primarily denominated in their functional currencies and considered that the foreign currency risk is insignificant.

The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from the Group's variable interest rate restricted bank deposits, variable interest rate short-term deposits in the banks and in the associate and variable interest rate deposits in trading accounts of Shanghai Gold Exchange included in bank balances and cash and borrowings at variable interest rate. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to fair value interest rate risk arises from the Group's fixed interest rate borrowings. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the floating interest rates of LIBOR and People's Bank of China's Benchmark Lending Rate arising from the Group's borrowings raised by the subsidiaries of the Company.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings with variable interest rate at the end of the reporting period. The analysis is prepared assuming those borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2021: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2022	2021
	RMB'000	RMB'000
Impact on post-tax profit of 50 basis points higher	(59,134)	(58,802)
Impact on post-tax profit of 50 basis points lower	59,134	58,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Other price risk

The Group engages in gold mining and refining operations and is exposed to commodity price risk related to price volatility of gold from the gold leasing contracts. Regarding this price risk, the Group, at the same time, entered gold futures and forward contracts at the pre-determined gold price, to minimise the fluctuation of gold price arising from the gold leasing contracts.

In addition, the Group is exposed to equity price risk through its listed investments included in financial assets at FVTPL. The management of the Group has appointed a special team to monitor this price risk and will consider hedging the risk exposure should the need arises.

The sensitivity analyses below have been determined based on the exposure to other price risk to listed investments at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is set as 5% (2021: 5%) in current year. No sensitivity analysis was presented for the fluctuation of gold price since the gold futures or forward contracts at pre-determined rate have been entered at the same time with the gold leasing contracts.

If the price of the respective investments has been 5% (2021: 5%) higher/lower, post-tax profit for the year ended 31 December 2022 would increase/decrease by approximately RMB203,635,000 (2021: RMB207,023,000) as a result of the changes in fair value of financial assets at FVTPL.

(b) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. Credit risk is managed on a group basis. Credit risk mainly arises from trade and other receivables, restricted bank deposits and cash at banks.

The Group expects that there is no significant credit risk associated with restricted bank deposits and cash at banks since they are deposited at state-owned banks and financial institutions and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group is exposed to credit risk if counterparties fail to make payments as they fall due.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each year. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group has concentration of credit risk as 72% (2021: 80%) of the total trade receivables was due from the Group's the five largest customers. There was no outstanding trade receivable due from the Group's largest customer as at 31 December 2022 and 2021.

The Group's concentration of credit risk by geographical locations is mainly in the PRC (2021: the PRC), which accounted for 82% (2021: 74%) of the total trade receivable as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Other receivables

For other receivables (excluding non-financial assets), the Group measures the loss allowance equal to 12-month ECL, unless when there is a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on the significant increase in the likelihood or risk of a default occurring since initial recognition.

Among the other receivables as at 31 December 2022, carrying amount of approximately RMB3,178,738,000 (2021: RMB2,872,099,000) was considered as low risk of default since the debtors are having a low risk of default with no significant increase in credit risk since initial recognition by the directors of the Company.

For remaining other receivables, the impairment of other receivables of approximately RMB265,181,000 (2021: RMB136,923,000) has been identified as at 31 December 2022.

(ii) Trade receivables

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL for all trade receivables.

The provision for impairment for the trade receivables, which are assessed individually or collectively based on provision matrix, are as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables					
As at 31 December 2022					
Expected loss rate	2.7%	10.9%	21.5%	32.8%	
Gross carrying amount (RMB'000)	125,094	1,425	2,362	24,342	153,223
Impairment of trade receivables (RMB'000)	3,384	155	507	7,996	12,042
As at 31 December 2021					
Expected loss rate	1.8%	10%	20%	51.1%	
Gross carrying amount (RMB'000)	99,344	2,518	5,859	27,998	135,719
Impairment of trade receivables (RMB'000)	1,752	252	1,172	14,305	17,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed facilities available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank borrowings, use of committed facilities and gold leasing contracts.

Management of the Group monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn committed facilities and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the undiscounted cash outflows relating to the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2022						
Trade and other payables	12,072,157	-	-	-	12,072,157	12,072,157
Lease liabilities	68,295	54,238	65,101	32,483	220,117	208,176
Borrowings	10,631,886	6,710,673	7,070,983	1,038,180	25,451,722	23,328,936
Other non-current liabilities	131,562	577,233	478,453	150,880	1,338,128	1,338,128
Financial liabilities at FVTPL	11,265,745	-	-	-	11,265,745	11,265,745
	34,169,645	7,342,144	7,614,537	1,221,543	50,347,869	48,213,142

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2021						
Trade and other payables	14,312,975	-	-	-	14,312,975	14,312,975
Lease liabilities	52,690	40,505	48,704	28,670	170,569	131,466
Borrowings	10,048,839	148,242	5,343,207	-	15,540,288	15,144,948
Other non-current liabilities	104,835	289,971	389,662	260,684	1,045,152	1,045,152
Financial liabilities at FVTPL	9,587,259	-	-	-	9,587,259	9,587,259
	34,106,598	478,718	5,781,573	289,354	40,656,243	40,221,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of borrowings, lease liabilities and financial liabilities at fair value through profit or loss, less restricted bank deposits and bank balances and cash (excluding the cash held on behalf of customers for futures trading). Total capital is calculated as "equity" plus net debt.

As at 31 December 2022 and 2021, the net debt to total capital ratio was as follows:

	2022 RMB'000	2021 RMB'000
Borrowings	23,328,936	15,144,948
Lease liabilities	208,176	131,466
Financial liabilities at FVTPL	11,265,745	9,587,259
	34,802,857	24,863,673
Less: restricted bank deposits (note 29(a))	(1,880,825)	(482,353)
Less: bank balances and cash (note 29(b))	(7,753,482)	(4,525,365)
Net debt	25,168,550	19,855,955
Equity	36,802,168	31,960,879
Total capital	61,970,718	51,816,834
Gearing ratio	41%	38%

The increase in the gearing ratio as at 31 December 2022 was primarily due to the issuance of perpetual bonds (note 38) which increased the Group's equity as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31 December		Valuation technique	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
		2022	2021			
		RMB'000	RMB'000			
Financial assets at FVTPL – listed equity investments	Level 1	417,572	776,345	Quoted bid price in an active market	N/A	N/A
Financial assets at FVTPL – listed equity investments	Level 2	5,012,696	4,744,258	Market approach – price to book ratio	N/A	N/A
Financial assets at FVTPL – investments in equity funds	Level 2	1,710,496	1,037,259	Quoted price in the fund's statements	N/A	N/A
Financial assets at FVTPL – investments in other equity funds (note)	Level 3	906,263	1,158,197	Income approach	Long term revenue growth rate, taking into account management's experience and knowledge of market conditions of specific industries (From 7.5% to 12.0% (2021: From 7.5% to 12.0%))	The higher the long term revenue growth rate, the higher the fair value
Financial assets at FVTPL – investments in other equity funds (note)	Level 3	62,434	284,028	Based on net asset value ("NAV") of the investment determined based on the fair value of the underlying investment portfolio, which is comprised of discount cash flows and equity interest held by the Group	NAV of the investment: RMB187,575,000 (2021: RMB602,708,000)	The higher NAV of the investment, the higher the fair value.
Financial asset at FVTPL – Structured deposits	Level 2	10,517	334,850	Quoted rate of return by issuing bank	N/A	N/A
		8,119,978	8,334,937			
Financial liabilities at FVTPL – gold leasing contracts and gold forward/futures contracts	Level 2	11,265,745	9,587,259	Market approach – reference to the similar contracts	N/A	N/A

Note: The fair value of the financial assets at FVTPL – investments in other equity funds is determined using the combined approach – market comparison approach for unlisted shares and income approach for other assets held by equity funds. The valuation are dependent on several unobservable inputs such as discount rates and lack of marketability discounts. The estimated fair value would be decreased if the discount rates and lack of marketability discounts increases.

There were no transfers between Level 1 and 2 of fair value hierarchy in the current and prior years.

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the unobservable inputs to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of financial assets at FVTPL – investments in other equity funds categorised in Level 3 of the fair value hierarchy would decrease/increase by approximately RMB36,326,000 (2021: RMB54,083,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Financial assets at FVTPL – investments in other equity funds RMB'000
At 1 January 2021	1,444,405
Purchases	318,530
Disposals	(292,747)
Realised gain in profit or loss	37,085
Unrealised loss	(65,048)
	<hr/>
At 31 December 2021	1,442,225
Purchases	–
Disposals	(443,445)
Realised gain in profit or loss	44,947
Unrealised loss	(75,030)
	<hr/>
At 31 December 2022	968,697

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company considered that the carrying amounts of other current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are not materially differ from their fair values due to their immediate or short-term maturity or the interest rates used approximates to the discount rate of relevant financial assets or financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the Company's accounting policies

(a) Going concern consideration

The assessment of the going concern assumptions involves making judgements by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2.1.1.

(b) Joint operation – investment in Minera Andina del Sol. SRL. (“MAS”) by the Group

The Group has determined that the Group's investment in MAS, a company incorporated in Argentina with limited liability, is jointly controlled by the Group and a subsidiary of Barrick Gold Corporation (“Barrick Gold”), Barrick Cayman (V) Ltd. The directors of the Company determine that both the Group and Barrick Gold have the right to the assets and obligations for the liabilities of MAS and are eligible to the products produced by the Veladero gold mine (“Veladero Mine”), a gold mine located in Argentina and was held by MAS, and recognise expenses as incurred by MAS in the proportion of 50% each. Therefore, the Group defined its investment in MAS as an investment in a joint operation.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Proved and probable mineral reserves and resources

Proved and probable mineral reserves and resources are estimated based on professional knowledge, experience and industrial practice. Most of the time, the estimation basis on probing and estimation exercised by the management of the Group may not be very accurate. The estimation is updated in accordance with new technologies and new information. This forms the basis for the Life of Mine (“LOM”) plans, and any changes in estimation will have impacts on amounts of depreciation of the mining structures (note 17) and amortisation of mining rights (note 20) using the UOP method. That may result in changes of or impacts on the Group's development and operation programme, and the Group's operation and operating results.

(b) Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges prospectively where useful lives are less than previously estimated lives, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(c) Impairment assessment on property, plant and equipment and intangible assets

Impairment assessment on property, plant and equipment and intangible assets are performed by the management of the Group at the end of each reporting period. When there is an indication of possible impairment identified, the management of the Group assess whether there is any impairment loss. Impairment loss has been recognised if the recoverable amount, being the higher of fair value less cost of disposal or value-in-use, is lower than the carrying amount. In assessing the value-in-use, the management of the Group takes into estimation of discounted future cash flows. In estimating the future cash flows, the management of the Group takes into account the gold price, recoverable reserves, exploration potentials, production costs and operating costs. The estimates used by the management of the Group in calculating future cash flows might be subject to changes due to the inherent uncertainty and the volatility of the gold price. Where the actual cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2022, the carrying amounts of property, plant and equipment and intangible assets are approximately RMB37,028,403,000 (2021: RMB31,597,991,000) and RMB20,556,647,000 (2021: RMB20,733,033,000) respectively.

(d) Impairment assessment on goodwill

The management of the Group tests annually on goodwill in accordance with the accounting policy as disclosed in note 2, based on the recoverable amount. The recoverable amount of each cash-generating unit has been determined based on the higher of value-in-use calculation and fair value less cost of disposal calculation. If the recoverable amount is less than the carrying amount, impairment loss was recognised. The calculations of the recoverable amount require the use of estimates and judgement as disclosed in note 21.

As at 31 December 2022, the carrying amount of the goodwill was approximately RMB1,673,190,000 (2021: RMB1,582,526,000). No impairment loss has been recognised during the years ended 31 December 2022 and 2021.

(e) Fair value measurement of financial assets and liabilities at FVTPL

For the determination of the fair value of financial assets and liabilities at FVTPL, the management of the Group has taken the reference on the available market information, such as quoted market price and other comparable market data. Where there is no such information, the management of the Group uses their judgements and estimates in the fair value calculation, with reference to the other available information and the valuation performed by the independent valuers.

As at 31 December 2022, the carrying amounts of the financial assets and liabilities at FVTPL were approximately RMB8,119,978,000 (2021: RMB8,334,937,000) and RMB11,265,745,000 (2021: RMB9,587,259,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(f) Impairment assessment on trade and other receivables

The impairment for trade and other receivables are based on the assumptions about ECL. The Group uses judgements and estimates in making these assumptions and selecting the inputs to the provision calculation, as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment to the consolidated statement of profit or loss.

As at 31 December 2022, the carrying amount of the trade receivables was approximately RMB141,181,000 (2021: RMB118,238,000), net of accumulated impairment of approximately RMB12,042,000 (2021: RMB17,481,000).

As at 31 December 2022, the carrying amount of the other receivables was approximately RMB3,178,738,000 (2021: RMB2,872,099,000), net of accumulated impairment of approximately RMB265,181,000 (2021: RMB136,923,000).

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(h) Estimation on the provision for asset retirement obligations

Provisions are recognised for the future decommissioning and restoration of mines. The amounts of the provision recognised are the present values of the estimated future expenditures that the Group is expected to incur. The estimation of the future expenditures is based on feasibility report performed by professionals with reference to the current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of mining properties. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the mining properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE

Revenue represents revenue arising on sale of goods, leasing of properties and provision of services for the year. An analysis of the Group's revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	50,008,737	33,501,995
Brokerage and other fees earned from trading of futures contracts	276,983	416,420
	50,285,720	33,918,415
Revenue from other sources		
Rental income from investment properties	20,034	14,231
	50,305,754	33,932,646

Disaggregation of revenue from contracts with customers by timing of recognition:

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	50,285,720	33,918,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE (Continued)

Set out below is the reconciliation of the Group's revenue from contracts with customers disclosed in the segment information:

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the year ended 31 December 2022				
<i>Revenue from contracts with customers within the scope of IFRS 15</i>				
Sales of gold bullion, gold related products and others	3,805,925	34,625,818	11,576,994	50,008,737
Brokerage and other fees earned from trading of futures contracts	–	–	276,983	276,983
	3,805,925	34,625,818	11,853,977	50,285,720
<i>Revenue from other sources</i>				
Rental income from investment properties	20,034	–	–	20,034
	3,825,959	34,625,818	11,853,977	50,305,754
For the year ended 31 December 2021				
<i>Revenue from contracts with customers within the scope of IFRS 15</i>				
Sales of gold bullion, gold related products and others	3,180,716	23,418,436	6,902,843	33,501,995
Brokerage and other fees earned from trading of futures contracts	–	–	416,420	416,420
	3,180,716	23,418,436	7,319,263	33,918,415
<i>Revenue from other sources</i>				
Rental income from investment properties	14,231	–	–	14,231
	3,194,947	23,418,436	7,319,263	33,932,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION

The President Office (總裁辦公會) of the Company is the Group's chief operating decision-maker ("CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The CODM has chosen to organise the Group around differences in products and services.

Financial information of the following reportable segments has been separately presented as discrete segment information for the CODM's review:

- Gold Mining – mining and sales of gold ore;
- Gold Refining – production and sales of gold; and
- Investment Management – investments in equity funds, trading of gold bullion and provision of futures contracts trading services.

Segment revenue and results

For the year ended 31 December 2022

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	15,853,951	35,218,678	11,854,029	(12,620,904)	50,305,754
Less: inter-segment revenue	(12,027,992)	(592,860)	(52)	12,620,904	-
Revenue from external customers	3,825,959	34,625,818	11,853,977	-	50,305,754
Operating profit/(loss)	2,934,162	36,946	(129,544)	(8,665)	2,832,899
Finance income	425,922	6,189	36,370	(383,334)	85,147
Finance costs	(1,233,444)	(2,050)	(198,840)	383,334	(1,051,000)
Share of results of associates	35,209	-	64	-	35,273
Profit/(loss) before tax	2,161,849	41,085	(291,950)	(8,665)	1,902,319
Income tax (expenses) credit	(594,693)	(8,316)	52,153	-	(550,856)
Profit/(loss) for the year	1,567,156	32,769	(239,797)	(8,665)	1,351,463
Other segment information:					
Depreciation and amortisation	2,512,571	48,612	5,349	-	2,566,532
Loss on disposals/write-off of property, plant and equipment	17,983	-	-	-	17,983
Government grants	(25,522)	(231)	(317)	-	(26,070)
Provision for impairment of trade and other receivables, net	115,772	354	6,693	-	122,819
Reversal of inventories	(26)	-	-	-	(26)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2021

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	10,105,039	23,886,864	7,322,243	(7,381,500)	33,932,646
Less: inter-segment revenue	(6,910,092)	(468,428)	(2,980)	7,381,500	-
Revenue from external customers	3,194,947	23,418,436	7,319,263	-	33,932,646
Operating (loss)/profit	(473,209)	51,353	1,051,668	(2,532)	627,280
Finance income	89,251	2,501	31,334	(51,441)	71,645
Finance costs	(567,084)	(7,986)	(209,010)	51,441	(732,639)
Share of results of associates	21,798	-	22	-	21,820
(Loss)/profit before tax	(929,244)	45,868	874,014	(2,532)	(11,894)
Income tax expenses	(57,526)	(11,525)	(148,569)	-	(217,620)
(Loss)/profit for the year	(986,770)	34,343	725,445	(2,532)	(229,514)
Other segment information:					
Depreciation and amortisation	2,113,568	43,597	4,558	-	2,161,723
Gain on disposal of a subsidiary	-	-	(298,915)	-	(298,915)
Gain on disposals/write-off of property, plant and equipment	(125,957)	-	(29)	-	(125,986)
Government grants	(20,388)	(324)	(392)	-	(21,104)
Reversal for impairment of trade and other receivables, net	(1,600)	-	(3,152)	-	(4,752)
Provision for inventories	290	-	-	-	290

Segment assets and liabilities

As at 31 December 2022

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	76,291,036	3,773,511	16,072,510	(4,920,965)	91,216,092
Including:					
Investments in associates	1,984,809	-	4,092	-	1,988,901
Total liabilities	45,277,110	2,914,901	11,151,543	(4,929,630)	54,413,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2021

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	68,256,093	2,570,688	12,419,370	(4,209,601)	79,036,550
Including:					
Investments in associates	1,949,421	–	4,207	–	1,953,628
Total liabilities	39,839,825	1,747,337	9,700,642	(4,212,133)	47,075,671

Analysis of revenue

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
The PRC, excluding Hong Kong Special Administrative Region (“HKSAR”) of the PRC	47,257,420	31,470,320
Outside the PRC	3,028,300	2,448,095
	50,285,720	33,918,415
Revenue from other sources		
The PRC	20,034	14,231
	50,305,754	33,932,646

Revenue is attributed to countries based on the customers' locations.

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2022 RMB'000	2021 RMB'000
Gold sold through the Shanghai Gold Exchange*	3,448,152	19,028,887

* Revenue from Gold Refining segment and Investment Management segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. SEGMENT INFORMATION (Continued)

Analysis of non-current assets

	2022 RMB'000	2021 RMB'000
The PRC, excluding HKSAR of the PRC	51,691,595	46,762,460
Outside the PRC	12,591,803	11,868,651
	64,283,398	58,631,111

Note: The non-current assets above exclude financial assets at FVTOCI, financial assets at FVTPL and deferred income tax assets.

The above analysis of non-current assets is presented based on the geographical location of the assets. In respect of intangible assets, goodwill and investments in associates, the geographical location is determined based on the place of establishment or incorporation of (i) the subsidiaries of the Company owning such assets; (ii) the joint operation; or (iii) the associates.

7. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants (note)	26,070	21,104

Note: Included in other income was government grants of approximately RMB21,858,000 (2021: RMB11,905,000) which represented the government grants received from the PRC local government authorities in respect of subsidising the Group's research and development activities, gold mining activities and other daily operations, which were immediately recognised as other income for the year as the Group fulfilled all the relevant granting criteria.

Details of the deferred revenue in respect of the government grants recognised during the year ended 31 December 2022 of RMB4,212,000 (2021: RMB9,199,000) are set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. OTHER GAINS AND (LOSSES), NET

	2022 RMB'000	2021 RMB'000
Fair value (loss)/gain on gold futures/forward contracts	(132,088)	132,667
Gain on disposal of a subsidiary (note 43)	–	298,915
(Loss)/gain on disposals/write-off of property, plant and equipment	(17,983)	125,986
Net foreign exchange losses	(58,351)	(30,708)
Realised and unrealised fair value (loss) gains of financial assets at FVTPL	(114,826)	783,546
Dividends income from financial assets at FVTPL	80,743	66,261
Others	(76,266)	(29,161)
	(318,771)	1,347,506

9. FINANCE INCOME AND FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Finance income		
Interest income from		
– bank deposits	57,738	46,318
– deposits with an associate (note 44(b))	26,427	18,308
– entrusted loans	982	2,568
– gold leased to independent third parties	–	4,394
– financial assets held under resale agreements	–	57
	85,147	71,645
Finance costs		
Interest expenses from		
– bank borrowings	667,986	305,561
– borrowings from related parties (note 44(b))	22,068	21,368
– corporate bonds	6,474	38,843
– interest charge on unwinding of discounts from provision for asset retirement obligations (note 36)	21,867	114,894
– lease liabilities (note 19(c))	23,430	15,186
Finance costs for arranging gold leasing contracts	294,030	209,368
Realised and unrealised fair value losses on gold leasing contracts	2,489	111
Guarantee and arrangement fees for borrowings	38,580	31,411
	1,076,924	736,742
Less: amounts capitalised on qualifying assets (note)	(25,924)	(4,103)
	1,051,000	732,639

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.70% (2021: 3.50%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. INCOME TAX EXPENSES

	2022	2021
	RMB'000	RMB'000
Current income tax:		
– The PRC	1,233,410	168,643
– Outside the PRC	40,602	222,675
	1,274,012	391,318
Deferred income tax (note 34)	(723,156)	(173,698)
	550,856	217,620

- (a) The provision for PRC enterprise income tax (“EIT”) is calculated based on the statutory income tax rate of 25% (2021: 25%). The EIT is calculated based on the applicable income tax rate of 25% (2021: 25%) on the estimated assessable profit of each of the companies comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for the Company and certain subsidiaries which are taxed at preferential tax rate of 15% (2021: 15%) based on the relevant PRC tax laws and regulations.
- (b) The estimated tax assessable profit of the Group’s overseas joint operation is calculated at the statutory income tax rate in Argentina of 35% (2021: 35%) in accordance with the Argentina income tax law.

In addition, withholding tax of approximately RMB37,057,000 (2021: RMB20,066,000) has been provided during the year ended 31 December 2022 on inter-company interest expenses paid and dividend paid to Shandong Gold Mining (Hong Kong) Co., Limited (“SDG HK”), a direct wholly-owned subsidiary of the Company, from the joint operation, which such interest expense were eliminated upon the proportional consolidation.

- (c) No provision for income tax has been made by Hong Kong companies as it has no assessable profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. INCOME TAX EXPENSES (Continued)

The income tax expenses for the year can be reconciled to profit/(loss) before tax per consolidated statement of profit or loss as follows:

	2022 RMB'000	2021 RMB'000
Profit/(loss) before tax	1,902,319	(11,894)
Tax calculated at domestic income tax rate of 25% (2021: 25%)	475,580	(2,974)
Effect of different tax rates of group entities operating in other jurisdictions	(63,216)	39,281
Tax effect of income not taxable for tax purpose	(1,633)	(1,512)
Tax effect of expenses not deductible for tax purposes	22,421	32,750
Utilisation of tax losses previously not recognised	(19,077)	(49,332)
Tax effect of tax losses not recognised	207,103	181,797
Additional expenses allowance for tax deduction	(105,972)	(987)
Withholding tax on interest income and dividend income from the joint operation	37,057	20,066
Others	(1,407)	(1,469)
Income tax expenses	550,856	217,620

Details of deferred income tax are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging/(crediting):

	2022 RMB'000	2021 RMB'000
Directors' and chief executive emoluments (note 12(i))	6,499	5,859
Other staff:		
– salaries, wages, allowances and other benefits	3,304,920	3,099,859
– retirement benefit scheme contributions	524,664	507,627
	3,836,083	3,613,345
Amortisation of intangible assets	686,761	574,644
Depreciation of property, plant and equipment	1,754,476	1,516,635
Depreciation of investment properties	10,130	12,006
Depreciation of right-of-use assets	115,165	58,438
Auditors' remuneration	4,800	9,630
Loss/(gain) on disposals/write-off of property, plant and equipment	17,983	(125,986)
Provision for (reversal of) impairment of trade and other receivables, net (note 28(e))	122,819	(4,752)
(Reversal of) provision for inventories (note 26(b))	(26)	290
Research and development expenses	399,567	345,606
Amount of inventories recognised as expenses	44,138,322	31,557,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

- (i) The emoluments paid or payable to each of the 10 (2021: 9) directors and the chief executive of the Company were as follows:

For the year ended 31 December 2022

	Director's fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>					
Mr. Tang Qi (湯琦)	-	154	273	102	529
Mr. Liu Qin (劉欽)	-	166	733	102	1,001
Mr. Wang Shu Hai (王樹海)	-	97	427	59	583
<i>Non-executive directors</i>					
Mr. Li Hang (李航) (note (i))	103	-	150	52	305
Mr. Li Guohong (李國紅) (note (ii))	103	-	828	73	1,004
Mr. Wang Lijun (王立君)	166	-	821	103	1,090
Ms. Wang Xiaoling (汪曉玲)	166	-	819	102	1,087
<i>Independent non-executive directors</i>					
Mr. Wang Yun Min (王運敏)	300	-	-	-	300
Mr. Liew Fui Kiang (劉懷鏡)	300	-	-	-	300
Ms. Zhao Feng (趙峰)	300	-	-	-	300
Total	1,438	417	4,051	593	6,499

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

- (i) The emoluments paid or payable to each of the 10 (2021: 9) directors and the chief executive of the Company were as follows: (Continued)

For the year ended 31 December 2021

	Director's fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>					
Mr. Tang Qi (湯琦)	–	144	283	97	524
Mr. Liu Qin (劉欽)	–	162	736	98	996
Mr. Wang Shu Hai (王樹海)	–	162	736	97	995
<i>Non-executive directors</i>					
Mr. Li Guohong (李國紅) (note (ii))	202	–	609	139	950
Mr. Wang Lijun (王立君)	162	–	488	99	749
Ms. Wang Xiaoling (汪曉玲)	162	–	486	97	745
<i>Independent non-executive directors</i>					
Mr. Wang Yun Min (王運敏)	300	–	–	–	300
Mr. Liew Fui Kiang (劉懷鏡)	300	–	–	–	300
Ms. Zhao Feng (趙峰)	300	–	–	–	300
Total	1,426	468	3,338	627	5,859

Notes:

- (i) Appointed on 12 July 2022
- (ii) Retired on 16 June 2022
- (iii) The emolument represents the payment to the directors (including emoluments for services as employee/director of the group entities prior to becoming the directors of the Company) by entities comprising the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

- (i) The emoluments paid or payable to each of the 10 (2021: 9) directors and the chief executive of the Company were as follows: *(Continued)*

Certain directors of the Company also received emoluments from the Company's holding company, Shandong Gold Group, and its fellow subsidiaries in respect of their services to the larger group which includes the Group. No apportionment has been made as the directors of the Company consider that it is impracticable to apportion this amount between their services rendered to the Group and their services rendered to Shandong Gold Group, and/or its fellow subsidiaries.

Mr. Li Guohong was chairman of the board of directors of the Company. Upon Mr. Li Guohong retirement on 16 June 2022, Mr. Li Hang has been appointed as chairman of the board of directors of the Company on 12 July 2022.

Discretionary bonuses disclosed above were determined by the Remuneration and Appraisal Committee of the Company with reference to the individual performance.

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

The directors of the Company did not receive any termination benefits during the years ended 31 December 2022 and 2021.

No consideration provided to or receivable by third parties for making available directors' services subsisted at the end of the reporting period or at any time during the years ended 31 December 2022 and 2021.

There were no other loans, quasi-loans and other dealings in favor of directors of the Company, their controlled bodies corporate and connected entities subsisted at the end of the reporting period or any time during the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(ii) The emoluments paid or payable to each of the 3 (2021: 3) supervisors of the Company were as follows:

For the year ended 31 December 2022

	Fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Supervisors</i>					
Mr. Li Xiaoping (李小平)	-	166	820	103	1,089
Ms. Liu Yanfen (劉延芬)	-	145	274	102	521
Mr. Luan Bo (樂波)	-	33	451	132	616
Total	-	344	1,545	337	2,226

For the year ended 31 December 2021

	Fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Supervisors</i>					
Mr. Li Xiaoping (李小平)	-	162	487	99	748
Mr. Liu Rujun (劉汝軍)	-	120	220	97	437
Mr. Luan Bo (樂波)	-	120	347	97	564
Total	-	402	1,054	293	1,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2022 Number of individuals	2021 Number of individuals
Director	–	–
Non-directors	5	5
	5	5

The emoluments payable to the non-directors are as follows:

	2022 RMB'000	2021 RMB'000
Wages, salaries, bonuses and allowances	8,464	9,841
Retirement benefit scheme contributions	477	482
	8,941	10,323

The emoluments to the non directors fell within the following bands:

	2022 Number of individuals	2021 Number of individuals
Emolument bands (in Hong Kong dollars ("HK\$"))		
Less than HK\$1,000,000	–	–
HK\$1,000,000 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	3	–
HK\$2,000,001 to HK\$2,500,000	2	4
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	1

All of the analysis on the highest paid individuals above did not take into account the emoluments paid to the employees of the joint operation of the Company.

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Final dividend for the year ended 31 December 2020 of RMB0.05 per share	–	223,427
Final dividend for the year ended 31 December 2021 of RMB0.05 per share	223,671	–
	223,671	223,427

On 28 March 2022, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2021 of RMB0.05 per share to the shareholders of the Company. Accordingly, the dividend paid during the year ended 31 December 2022 was approximately RMB223,671,000 (2021: RMB223,427,000). The payment of dividend has been resolved by the general resolution in the shareholders' meeting of the Company on 31 May 2022.

Dividends proposed after the end of the reporting period and not being recognised are as below:

	2022 RMB'000	2021 RMB'000
Proposed final dividend after the date of the reporting period: RMB0.07 (2021: RMB0.05) per share	313,140	223,671

On 29 March 2023, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2022 of RMB0.07 per share to the shareholders of the Company. The payment of dividend will be proposed at the annual general meeting of the Company.

14. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the consolidated profit/(loss) attributable to owners of the Company by the weighted average number of the Company's outstanding ordinary shares during the year:

	2022	2021
Profit/(loss) attributable to owners of the Company (RMB'000)	838,263	(426,348)
Weighted average number of shares in issues (thousands of shares)	4,473,430	4,456,346
Basic earnings/(loss) per share (RMB per share)	0.19	(0.10)

As the Company did not have any dilutive instruments during the years ended 31 December 2022 and 2021, the Group's diluted earnings per share was the same as its basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries of the Company at 31 December 2022 and 2021:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Registered share capital/ paid-up capital	Effective equity interest of the Company				Principal activities
				2022		2021		
				Direct	Indirect	Direct	Indirect	
Shandong Gold Mining Industry (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司) ("SDG Laizhou")	The PRC	Contributed	RMB430,176,364	100%	-	95.31%	-	Gold mining in the PRC
				(note 15(c)(ii))				
Shandong Gold Smelting Co., Ltd. (山東黃金冶煉有限公司)	The PRC	Contributed	RMB350,000,000	100%	-	100%	-	Gold and silver smelting in the PRC
Shandong Gold Mining Industry (Xinhui) Co., Ltd. (山東黃金礦業(鑫匯)有限公司) ("SDG Xinhui")	The PRC	Contributed	RMB384,735,903	100%	-	66.80%	-	Gold mining in the PRC
				(note 15(c)(iii))				
Shandong Gold Mining (Linglong) Co., Ltd. (山東黃金礦業(玲龍)有限公司) ("SDG Linglong")	The PRC	Contributed	RMB402,306,600	100%	-	74.57%	-	Gold mining in the PRC
				(note 15(c)(iv))				
Shandong Jinshi Mining Co., Ltd. (山東金石礦業有限公司)	The PRC	Contributed	RMB26,800,000	100%	-	100%	-	Mining investment in the PRC
Xihe Zhongbao Mining Co., Ltd. (西和縣中寶礦業有限公司) ("Xihe Zhongbao")	The PRC	Contributed	RMB200,000,000	70%	-	70%	-	Gold Mining in the PRC
Shandong Gold Group Penglai Mining Co., Ltd. (山東黃金集團蓬萊礦業有限公司)	The PRC	Contributed	RMB50,000,000	100%	-	100%	-	Gold mining in the PRC
Pingyi County Gullaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司) ("Gullaizhuang")	The PRC	Contributed	RMB621,670,000	70.65%	-	70.65%	-	Gold mining in the PRC
Shandong Jinzhou Mine Group Co., Ltd. (山東金洲礦業集團有限公司) ("Shandong Jinzhou")	The PRC	Contributed	RMB80,172,426	60.78%	-	60.78%	-	Gold mining in the PRC
Shandong Gold Mining (Laixi) Co., Ltd. (山東黃金礦業(萊西)有限公司)	The PRC	Contributed	RMB214,000,000	100%	-	100%	-	Gold mining in the PRC
Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司)	The PRC	Contributed	RMB171,000,000	100%	-	100%	-	Gold mining in the PRC
Fujian Zhenghe County Yuanxin Mining Co., Ltd. (福建省政和縣源鑫礦業有限公司) ("Fujian Zhenghe")	The PRC	Contributed	RMB54,000,000	90.31%	-	90.31%	-	Gold mining in the PRC
Chifeng Chaituizhi Gold Mining Co., Ltd. (赤峰榮錫子黃金礦業有限公司) ("Chifeng Chai Gold")	The PRC	Contributed	RMB10,017,746	73.52%	-	73.52%	-	Gold mining in the PRC
Shandong Gold Mining (Hong Kong) Co., Limited	Hong Kong	Ordinary shares	RMB 4,531,145,600	100%	-	100%	-	Investment holding
SDG Capital Management Co., Ltd. (山金控資本管理有限公司)	The PRC	Contributed	RMB 1,500,000,000	100%	-	100%	-	Investment in equity funds, trading and leases of gold bullion
Hengxing Gold Holding Company Limited (note 42)	Hong Kong	Ordinary shares	HK\$92,500,000	100%	-	100%	-	Mining and processing of gold and sales of gold products in the PRC
Laizhou Zhangjian Investment Co., Ltd. (萊州章鑾投資有限公司) (note 42)	The PRC	Contributed	RMB48,000,000	-	100%	-	100%	Gold exploration in the PRC
Cardinal Resources Limited (note 42)	Australia	Ordinary shares	AUD554,350,609	-	100%	-	100%	Mineral exploration and development in Ghana

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15. SUBSIDIARIES OF THE COMPANY (Continued)

The following is a list of the principal subsidiaries of the Company at 31 December 2022 and 2021: (Continued)

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Registered share capital/ paid-up capital	Effective equity interest of the Company				Principal activities
				2022		2021		
				Direct	Indirect	Direct	Indirect	
Cardinal Namdini Mining Limited	Ghana	Ordinary shares	USD500,000	-	85%	-	100%	Mining and processing of gold and sales of gold products in Ghana
					(note 15(c)(i))			
Shanjin Futures Co., Ltd. (山金期貨有限公司) ("Shanjin Futures")	The PRC	Contributed	RMB600,000,000	-	100%	-	100%	Provision of futures contracts trading services
Shanjin Jinkung (Shanghai) Precious Metals Investment Co., Ltd. (山金金控(上海)貴金屬投資有限公司)	The PRC	Contributed	RMB300,000,000	-	100%	-	100%	Trading of gold bullion and related products
Shanjin Jinkung (Shenzhen) Gold Investment Development Co., Ltd. (山金金控(深圳)黃金投資發展有限公司) ("Shanjin Jinkung SZ")	The PRC	Contributed	RMB70,000,000	-	100%	-	100%	Investment in equity funds
Shandong Gold Mining Technology Co., Ltd. (山東黃金礦業科技有限公司)	The PRC	Contributed	RMB100,000,000	100%	-	100%	-	Mining technology development in the PRC
Shanjin Heavy Industry Co., Ltd. (山金重工有限公司)	The PRC	Contributed	RMB300,000,000	100%	-	100%	-	Manufacturing of equipment in the PRC
Xinjiang Jinchuan Mining Co., Ltd. (新疆金川礦業有限公司)	The PRC	Contributed	RMB354,341,549	-	100%	-	100%	Gold mining in the PRC
Shandong Dikuang Lajin Holdings Co., Ltd. (山東地礦來金控股有限公司)	The PRC	Contributed	RMB10,000,000	-	100%	-	100%	Gold mining in the PRC
Shandong Laizhou Lucif Gold Mine Company Limited (山東萊州魯地金礦有限公司)	The PRC	Contributed	RMB30,000,000	-	100%	-	100%	Gold mining in the PRC
Laizhou Hongsheng Mining Investment Co., Ltd. (萊州鴻昇礦業投資有限公司)	The PRC	Contributed	RMB10,000,000	-	100%	-	100%	Gold mining in the PRC
Shandong Tiancheng Mining Co., Ltd. (山東天承礦業有限公司)	The PRC	Contributed	RMB16,180,000	-	100%	-	100%	Gold mining in the PRC

The nature of all the legal entities established in PRC is limited liability company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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15. SUBSIDIARIES OF THE COMPANY (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are investment holding and inactive. The aggregation was shown below based on the geographical location and nature of business. A summary of these subsidiaries of the Company are set out as follows:

Principal activities	Place of establishment/ incorporation/operation	Number of subsidiaries	
		2022	2021
Investment holding	The PRC	1	1
Investment holding	Hong Kong	2	2
Inactive	Canada	1	1
Inactive	Ghana	4	4
Inactive	Australia	1	1
Inactive	The PRC	8	8
		17	17

None of the subsidiaries of the Company had issued any debt securities at the end of each reporting period.

(a) Material non-controlling interests

The carrying amount of non-controlling interests in respective subsidiaries of the Company with material non-controlling interests are analysed as below:

	2022	2021
	RMB'000	RMB'000
Shandong Jinzhou and its subsidiaries (collectively referred to as the "Shandong Jinzhou Group")	491,796	415,348
Xihe Zhongbao	426,692	427,156
Guilaizhuang	216,481	221,967
SDG Linglong	–	715,490
SDG Laizhou	–	148,523
SDG Xinhui	–	521,670
Chifeng Chai Gold	209,148	163,170
Fujian Zhenghe	41,180	40,770
	1,385,297	2,654,094

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For the year ended 31 December 2022

15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summary of statement of financial position

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	207,072	208,541	97,936	56,262
Non-current assets	1,278,757	1,158,437	2,079,958	2,019,617
	1,485,829	1,366,978	2,177,894	2,075,879
Current liabilities	(212,220)	(214,017)	(521,417)	(406,577)
Non-current liabilities	(39,838)	(40,339)	(234,171)	(245,450)
	(252,058)	(254,356)	(755,588)	(652,027)
Net assets	1,233,771	1,112,622	1,422,306	1,423,852

	Guilaizhuang		SDG Linglong	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	239,773	196,283	N/A	316,777
Non-current assets	837,420	791,971	N/A	4,702,057
	1,077,193	988,254	N/A	5,018,834
Current liabilities	(319,935)	(205,962)	N/A	(2,037,661)
Non-current liabilities	(19,672)	(26,016)	N/A	(167,607)
	(339,607)	(231,978)	N/A	(2,205,268)
Net assets	737,586	756,276	N/A	2,813,566

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15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests (Continued)

Summary of statement of financial position (Continued)

	SDG Laizhou		SDG Xinhui	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	N/A	1,454,816	N/A	157,223
Non-current assets	N/A	19,299,121	N/A	2,137,180
	N/A	20,753,937	N/A	2,294,403
Current liabilities	N/A	(16,332,463)	N/A	(616,664)
Non-current liabilities	N/A	(1,312,488)	N/A	(106,487)
	N/A	(17,644,951)	N/A	(723,151)
Net assets	N/A	3,108,986	N/A	1,571,252

	Chifeng Chai Gold		Fujian Zhenghe	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	90,394	66,734	76,209	65,137
Non-current assets	1,324,451	1,088,977	497,347	449,881
	1,414,845	1,155,711	573,556	515,018
Current liabilities	(583,463)	(515,917)	(147,428)	(93,590)
Non-current liabilities	(41,463)	(23,527)	(1,151)	(688)
	(624,926)	(539,444)	(148,579)	(94,278)
Net assets	789,919	616,267	424,977	420,740

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For the year ended 31 December 2022

15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests (Continued)

Summary of statement of comprehensive income

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	455,146	404,347	390,658	376,533
Profit before tax	165,827	123,182	156,752	108,494
Income tax expenses	(38,678)	(19,362)	(19,505)	(13,719)
Profit and total comprehensive income for the year	127,149	103,820	137,247	94,775
Total comprehensive income allocated to non-controlling interests	50,698	40,798	41,174	28,433
Dividends paid to non-controlling interests	–	–	22,646	–

	Guilaizhuang		SDG Linglong	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	257,579	100,637	N/A	376,394
Loss before tax	(15,340)	(126,935)	N/A	(482,836)
Income tax (expenses) credit	(26,993)	(3,311)	N/A	1,235
Loss and total comprehensive expense for the year	(42,333)	(130,246)	N/A	(481,601)
Total comprehensive expense allocated to non-controlling interests	(12,425)	(38,227)	N/A	(122,471)
Dividends paid to non-controlling interests	–	–	N/A	65,000

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For the year ended 31 December 2022

15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests (Continued)

Summary of statement of comprehensive income (Continued)

	SDG Laizhou		SDG Xinhui	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	N/A	2,825,039	N/A	568,744
(Loss)/profit before tax	N/A	(744,573)	N/A	161,644
Income tax credit (expenses)	N/A	146,966	N/A	(19,720)
(Loss)/profit and total comprehensive income (expense) for the year	N/A	(597,607)	N/A	141,924
Total comprehensive (expense) income allocated to non-controlling interest	N/A	(28,038)	N/A	47,120
Dividends paid to non-controlling interests	N/A	29,811	N/A	58,000

	Chifeng Chai Gold		Fujian Zhenghe	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	674,570	584,996	126,541	161,448
Profit before tax	284,319	264,732	3,166	45,271
Income tax (expenses) credit	(58,345)	(36,182)	1,073	(7,155)
Profit and total comprehensive income for the year	225,974	228,550	4,239	38,116
Total comprehensive income allocated to non-controlling interest	59,831	60,513	411	3,693
Dividends paid to non-controlling interests	18,534	17,475	—	—

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For the year ended 31 December 2022

15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests (Continued)

Summary of statement of cash flows

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from operating activities	30,286	632,002	166,202	221,693
Net cash used in investing activities	(136,353)	(548,840)	(131,378)	(210,512)
Net cash (used in) from financing activities	(928)	(774)	6,172	(3,844)
Net (decrease) increase in cash and cash equivalents	(106,995)	82,388	40,996	7,337
Cash and cash equivalents at the beginning of the year	150,500	68,112	16,371	9,034
Cash and cash equivalents at the end of the year	43,505	150,500	57,367	16,371

	Guilaizhuang		SDG Linglong	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash used in operating activities	(25,642)	(54,770)	N/A	(453,091)
Net cash used in investing activities	(30,677)	(26,456)	N/A	(225,206)
Net cash from financing activities	48,286	24,613	N/A	662,519
Net decrease in cash and cash equivalents	(8,033)	(56,613)	N/A	(15,778)
Cash and cash equivalents at the beginning of the year	22,896	79,509	N/A	113,972
Cash and cash equivalents at the end of the year	14,863	22,896	N/A	98,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests (Continued)

Summary of statement of cash flows (Continued)

	SDG Laizhou		SDG Xinhui	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from operating activities	N/A	6,641,872	N/A	179,275
Net cash (used in) from investing activities	N/A	(5,785,850)	N/A	8,302
Net cash used in financing activities	N/A	(472,493)	N/A	(98,159)
Net increase in cash and cash equivalents	N/A	383,529	N/A	89,418
Cash and cash equivalents at the beginning of the year	N/A	116,787	N/A	38,169
Cash and cash equivalents at the end of the year	N/A	500,316	N/A	127,587

	Chifeng Chai Gold		Fujian Zhenghe	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from operating activities	314,934	219,393	32,275	48,952
Net cash used in investing activities	(169,204)	(215,108)	(38,570)	(67,993)
Net cash (used in) from financing activities	(68,015)	(292)	19,831	–
Net increase (decrease) in cash and cash equivalents	77,715	3,993	13,536	(19,041)
Cash and cash equivalents at the beginning of the year	5,778	1,785	975	20,016
Cash and cash equivalents at the end of the year	83,493	5,778	14,511	975

Note: The above financial information has been shown before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. SUBSIDIARIES OF THE COMPANY (Continued)

(c) Changes in ownership interest in subsidiaries

During the year, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

- (i) On 8 December 2022, an independent third party made a capital injection of approximately USD75,273,000 (equivalent to approximately RMB584,899,000) in a wholly-owned subsidiary of the Company. The Group recognised an increase in non-controlling interests of approximately of approximately RMB584,899,000.
- (ii) On 6 July 2022, the Company acquired additional 4.69% equity interests in SDG Laizhou with cash consideration of RMB500,000,000 from an independent third party. Upon the completion of the acquisition, the Company's interest in SDG Laizhou increased from 95.31% to 100%. The Group recognised a decrease in non-controlling interests of approximately RMB403,123,000 and a decrease in equity attributable to owners of the Company of approximately RMB96,877,000.
- (iii) On 6 July 2022, the Company acquired additional 33.2% equity interests in SDG Xinhui with cash consideration of RMB1,000,000,000 from two independent third parties. Upon the completion of the acquisition, the Company's interest in SDG Xinhui increased from 66.8% to 100%. The Group recognised a decrease in non-controlling interests of approximately RMB391,091,000 and a decrease in equity attributable to owners of the Company of approximately RMB608,909,000.
- (iv) On 6 July 2022, the Company acquired additional 25.43% equity interests in SDG Linglong with cash consideration of RMB1,000,000,000 from an independent third party. Upon the completion of the acquisition, the Company's interest in SDG Linglong increased from 74.57% to 100%. The Group recognised a decrease in non-controlling interests of approximately RMB465,192,000 and a decrease in equity attributable to owners of the Company of approximately RMB534,808,000.

16. JOINT OPERATION

As at 31 December 2022 and 2021, the Group had interest in the following joint operation:

Name of entity	Place of incorporation/ operation	Class of shares held	Effective equity interest of the Company				Principal activities
			2022		2021		
			Direct	Indirect	Direct	Indirect	
Minera Andina del Sol SRL. ("MAS")	Argentina	Shares	50%	-	50%	-	Gold Mining in Argentina

The Group and Barrick Gold Corporation ("Barrick Gold") jointly operate the Veladero Mine held by MAS as joint operators. Both the Group and Barrick Gold have the right to the assets and obligations for the liabilities of MAS and are eligible to the products produced by the Veladero Mine and recognise expenses as incurred by MAS in the proportion of 50% each. Accordingly, the Group has accounted for its investment in MAS as a joint operation and consolidated its proportionate share of the assets and liabilities, as well as its share of the revenue and expenses of MAS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2021					
Cost	8,937,251	19,820,930	8,807,297	5,026,316	42,591,794
Accumulated depreciation	(3,299,674)	(5,065,019)	(4,783,265)	–	(13,147,958)
Accumulated impairment	(22,159)	(55,358)	(8,505)	–	(86,022)
Currency translation differences	(12,330)	(112,408)	(36,778)	(5,141)	(166,657)
Net book amount	5,603,088	14,588,145	3,978,749	5,021,175	29,191,157
Year ended 31 December 2021					
Opening net book amount	5,603,088	14,588,145	3,978,749	5,021,175	29,191,157
Additions	856,360	418,520	748,072	2,729,020	4,751,972
Transfers upon completion of construction	428,957	1,878,071	783,834	(3,090,862)	–
Transfers to investment properties	–	–	–	167	167
Acquired on acquisition of subsidiaries (note 42)	88,895	–	352,088	1,624	442,607
Disposal of a subsidiary(note 43)	–	–	(363,257)	–	(363,257)
Disposals/write-off (note (a))	(476,859)	–	(42,169)	–	(519,028)
Depreciation charges	(403,722)	(654,861)	(458,052)	–	(1,516,635)
Currency translation differences	(20,602)	(258,635)	(93,883)	(15,872)	(388,992)
Closing net book amount	6,076,117	15,971,240	4,905,382	4,645,252	31,597,991
As at 31 December 2021					
Cost	8,654,781	22,117,521	10,020,515	4,666,265	45,459,082
Accumulated depreciation	(2,523,572)	(5,719,880)	(4,975,882)	–	(13,219,334)
Accumulated impairment	(22,160)	(55,358)	(8,590)	–	(86,108)
Currency translation differences	(32,932)	(371,043)	(130,661)	(21,013)	(555,649)
Net book amount	6,076,117	15,971,240	4,905,382	4,645,252	31,597,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2022					
Cost	8,654,781	22,117,521	10,020,515	4,666,265	45,459,082
Accumulated depreciation	(2,523,572)	(5,719,880)	(4,975,882)	-	(13,219,334)
Accumulated impairment	(22,160)	(55,358)	(8,590)	-	(86,108)
Currency translation differences	(32,932)	(371,043)	(130,661)	(21,013)	(555,649)
Net book amount	6,076,117	15,971,240	4,905,382	4,645,252	31,597,991
Year ended 31 December 2022					
Opening net book amount	6,076,117	15,971,240	4,905,382	4,645,252	31,597,991
Additions	237,079	1,127,745	2,919	6,438,152	7,805,895
Transfers upon completion of construction	1,303,020	2,680,670	1,087,820	(5,071,510)	-
Transfers to investment properties	-	-	-	(718)	(718)
Disposals/write-off (note (a))	(30,395)	(26,322)	-	-	(56,717)
Depreciation charges	(451,222)	(825,716)	(477,538)	-	(1,754,476)
Currency translation differences	(32,612)	(387,810)	(114,521)	(28,629)	(563,572)
Closing net book amount	7,101,987	18,539,807	5,404,062	5,982,547	37,028,403
As at 31 December 2022					
Cost	10,115,309	25,716,499	11,111,254	6,032,189	52,975,251
Accumulated depreciation	(2,925,618)	(6,362,481)	(5,453,420)	-	(14,741,519)
Accumulated impairment	(22,160)	(55,358)	(8,590)	-	(86,108)
Currency translation differences	(65,544)	(758,853)	(245,182)	(49,642)	(1,119,221)
Net book amount	7,101,987	18,539,807	5,404,062	5,982,547	37,028,403

Notes:

- (a) The disposals/write-off of the property, plant and equipment for the year ended 31 December 2022 included an amount of approximately RMB24,050,000 (2021: RMB86,698,000) which was arisen from the change in the discount rate used for the asset retirement obligations as disclosed in note 36.
- (b) The Group was in the process of applying the ownership certificates for certain buildings as follows:

	2022 RMB'000	2021 RMB'000
Net book value	583,690	368,894

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18. INVESTMENT PROPERTIES

	RMB'000
As at 1 January 2021	
Cost	376,911
Accumulated depreciation	(125,919)
Net book amount	250,992
Year ended 31 December 2021	
Opening net book amount	250,992
Transfer from construction in progress	167
Disposals	(33,553)
Disposals of a subsidiary (note 43)	(20,259)
Depreciation	(12,006)
Closing net book amount	185,341
As at 31 December 2021	
Cost	289,933
Accumulated depreciation	(104,592)
Net book amount	185,341
Year ended 31 December 2022	
Opening net book amount	185,341
Additions	261
Transfer from construction in progress	718
Depreciation	(10,130)
Closing net book amount	176,190
As at 31 December 2022	
Cost	290,912
Accumulated depreciation	(114,722)
Net book amount	176,190

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18. INVESTMENT PROPERTIES (Continued)

The fair value valuation of the Group's investment properties was performed by Beijing Zhongzhicheng Assets Appraisal Co., Ltd. (北京中致成國際資產評估有限責任公司) ("Beijing Zhongzhicheng") and Shandong Zhongxin Assets Appraisal Co., Ltd. (山東中新資產評估有限公司) ("Shandong Zhongxin"), independent professional valuers not connected to the Group, (2021: Beijing Zhongzhicheng and Shandong Zhongxin, independent valuer not connected to the Group) to determine the fair value of the investment properties at the end of the reporting period. When determining the fair value of the investment properties, market comparison approach, which is by reference to the recent market prices for similar properties in the similar locations and conditions, has been used. The fair value hierarchy has been grouped into fair value hierarchy Level 3. The details of fair value of the investment properties are as below:

	2022 RMB'000	2021 RMB'000
Fair value of investment properties	245,771	284,482

In estimating the fair value of the investment properties at the end of each reporting period, the highest and best use of the properties is their current use. There has been no change from the valuation technique used in current and prior years.

Amounts recognised in profit or loss for investment properties

	2022 RMB'000	2021 RMB'000
Rental income	20,034	14,231
Less: direct operating expenses from investment properties that generated rental income	(620)	(452)
	19,414	13,779

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19. LEASES

(a) Right-of-use assets

	2022 RMB'000	2021 RMB'000
– leasehold land	692,169	581,363
– buildings	79,460	159,309
– machinery and others	80,768	2,998
	852,397	743,670

Right-of-use assets of approximately RMB605,164,000 (2021: RMB581,363,000) represents land use rights located in the PRC. The leasehold land is amortised over its useful life on a straight-line basis.

Besides, the Group has lease arrangements for buildings, machinery and others. The lease terms are generally ranged from 2 to 26 years (2021: 2 to 26 years).

Additions to right-of-use assets of approximately RMB164,726,000 (2021: RMB187,323,000) of RMB47,331,000 (2021: RMB121,549,000) due to new land use rights and RMB117,395,000 (2021: RMB65,774,000) due to new leases of buildings and machinery and others. Lease liabilities of approximately RMB117,395,000 (2021: RMB65,774,000) represented the new leases entered by the Group during the year ended 31 December 2022.

(b) Lease liabilities

	2022 RMB'000	2021 RMB'000
Analysed as:		
– non-current	143,670	90,781
– current	64,506	40,685
	208,176	131,466

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For the year ended 31 December 2022

19. LEASES (Continued)

(b) Lease liabilities (Continued)

Amounts payable under lease liabilities:

	2022	2021
	RMB'000	RMB'000
Within one year	64,506	40,685
After one year but within two years	50,971	29,265
After two years but within five years	62,094	38,566
Over five years	30,605	22,950
	208,176	131,466
Less: amounts due for settlement within 12 months (shown under current liabilities)	(64,506)	(40,685)
Amounts due for settlement after 12 months	143,670	90,781

(c) Amounts recognised in profit or loss

	2022	2021
	RMB'000	RMB'000
Depreciation expenses on right-of-use assets:		
– leasehold land	96,118	37,048
– buildings	9,331	15,664
– machinery and others	9,716	5,726
	115,165	58,438
Interest expense on lease liabilities	23,430	15,186
Expense relating to short-term leases	4,081	13,904

(d) Others

During the year ended 31 December 2022, the total cash outflows for leases amounted to approximately RMB68,196,000 (2021: RMB63,480,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. INTANGIBLE ASSETS

	Mining and exploration rights RMB'000	Patent rights RMB'000	Software licenses RMB'000	Trademark and others RMB'000	Total RMB'000
As at 1 January 2021					
Cost	21,348,666	67,708	96,034	35,364	21,547,772
Accumulated amortisation	(5,800,420)	(31,641)	(52,718)	(2,606)	(5,887,385)
Impairment provision	(212,911)	–	–	–	(212,911)
Net book amount	15,335,335	36,067	43,316	32,758	15,447,476
Year ended 31 December 2021					
Opening net book amount	15,335,335	36,067	43,316	32,758	15,447,476
Additions	1,096,449	139	25,706	449	1,122,743
Acquired on acquisition of subsidiaries (note 42)	4,732,788	2,607	2,063	–	4,737,458
Amortisation charges	(554,945)	(5,717)	(12,500)	(1,482)	(574,644)
Closing net book amount	20,609,627	33,096	58,585	31,725	20,733,033
As at 31 December 2021					
Cost	27,177,903	70,454	123,803	35,813	27,407,973
Accumulated amortisation	(6,355,365)	(37,358)	(65,218)	(4,088)	(6,462,029)
Impairment provision	(212,911)	–	–	–	(212,911)
Net book amount	20,609,627	33,096	58,585	31,725	20,733,033
Year ended 31 December 2022					
Opening net book amount	20,609,627	33,096	58,585	31,725	20,733,033
Additions	496,665	–	13,710	–	510,375
Amortisation charges	(653,280)	(5,827)	(8,114)	(19,540)	(686,761)
Closing net book amount	20,453,012	27,269	64,181	12,185	20,556,647
As at 31 December 2022					
Cost	27,674,568	70,454	137,513	35,813	27,918,348
Accumulated amortisation	(7,008,645)	(43,185)	(73,332)	(23,628)	(7,148,790)
Impairment provision	(212,911)	–	–	–	(212,911)
Net book amount	20,453,012	27,269	64,181	12,185	20,556,647

During the year, the amortisation of other intangible assets of the Company amounting to approximately RMB686,761,000 (2021: RMB574,644,000) was mainly included in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. GOODWILL

	2022	2021
	RMB'000	RMB'000
AT COST AND CARRYING AMOUNT		
Goodwill on business combinations in the PRC (note (a))	600,949	600,949
Goodwill on acquisition of the joint operation (note (b))	1,042,959	1,042,959
Currency translation differences	29,282	(61,382)
	1,673,190	1,582,526

(a) Goodwill on business combinations in the PRC

The amount represented the goodwill arising from the Group's acquisition of subsidiaries in the PRC.

	2022	2021
	RMB'000	RMB'000
Gold Mining – Chifeng Chai Gold	65,340	65,340
Gold Mining – Guilaizhuang	55,354	55,354
Gold Mining – Dikuang Laijin	339,427	339,427
Gold Mining – Hengxing	87,252	87,252
Investment Management – Shanjin Futures	53,576	53,576
	600,949	600,949

The balance comprised of the goodwill arising from (i) the acquisition of Chifeng Chai Gold in December 2008 of approximately RMB65,340,000; (ii) the goodwill taken up upon the acquisition of Guilaizhuang in October 2016 (an acquisition which has been accounted for as a business combination involving an entity under common control) of approximately RMB55,354,000; (iii) the acquisition of Shanjin Futures by SDG Capital Management in September 2013 of approximately RMB132,757,000 and reduction of approximately of RMB79,181,000 due to the disposal of Shanghai Shengju Asset Management;(iv) goodwill of RMB339,427,000 arising from the acquisition of Dikuang Laijin by Shangdong Gold Group in 2020 and taken upon by the Group through a business combination involving entities under common control; and (v) goodwill from acquisition of Hengxing in January 2021 of approximately RMB87,252,000.

During the year ended 31 December 2022, the management of the Group determines that there are no impairment of any of the above cash-generating units containing goodwill, intangible assets and property, plant and equipment (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. GOODWILL (Continued)

(a) Goodwill on business combinations in the PRC (Continued)

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below:

(i) Goodwill arising from acquisition of Chifeng Chai Gold in Gold Mining segment

The management of the Group has performed impairment assessment on the goodwill, intangible assets and property, plant and equipment containing in the cash-generating unit – Chifeng Chai Gold and concluded that no impairment required to be recognised. The recoverable amount of Chifeng Chai Gold has been determined based on value-in-use calculation. In performing the value-in-use calculation of Chifeng Chai Gold as at 31 December 2022, the management of the Group has engaged Beijing Zhongzhicheng (2021: Beijing Zhongzhicheng), an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering the life of mine, and a pre-tax discount rate of 11.04% (2021: 9.58%) with growth rate of gold price at 3% (2021: 3%). The growth rate of gold price used over the cash flow projections was reference to the historical gold price. Other key assumptions for the value-in-use calculation include mining costs and gold reserves. Such assumptions are estimated based on the past performance of gold mining activities of Chifeng Chai Gold. Management of the Group believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of Chifeng Chai Gold to exceed the aggregate recoverable amount of Chifeng Chai Gold.

(ii) Goodwill taken up upon the acquisition of Guilaizhuang in Gold Mining segment

The management of the Group has performed impairment assessment on the goodwill, intangible assets and property, plant and equipment containing in the cash-generating unit – Guilaizhuang and concluded that no impairment required to be recognised. The recoverable amount of Guilaizhuang has been determined based on value-in-use calculation. In performing the value-in-use calculation of Guilaizhuang as at 31 December 2022, the management of the Group has engaged Beijing Zhongzhicheng (2021: Beijing Zhongzhicheng), an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering the life of mine, and a pre-tax discount rate of 9.62% (2021: 9.3%) with growth rate of gold price at 3% (2021: 3%). The growth rate of gold price used over the cash flow projections was reference to the historical gold price. Other key assumptions for the value-in-use calculation include mining costs and gold reserves. Such assumptions are estimated based on the past performance of gold mining activities of Guilaizhuang. Management of the Group believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of Guilaizhuang to exceed the aggregate recoverable amount of Guilaizhuang.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. GOODWILL (Continued)

(a) Goodwill on business combinations in the PRC (Continued)

(iii) Goodwill arising from acquisition of Shanjin Futures in Investment Management segment

The management of the Group has performed impairment assessment on the goodwill containing in the cash-generating unit – Shanjin Futures and concluded that no impairment required to be recognised. The recoverable amount of Shanjin Futures has been determined based on value-in-use calculation. In performing the value-in-use calculation of Shanjin Futures as at 31 December 2022, the management of the Group has engaged Beijing Zhongzhicheng (2021: Beijing Zhongzhicheng), an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering 5-year period, and a pre-tax discount rate of 11.92% (2021: 11.77%) with growth rate of 1.72% (2021: 2.46%). The growth rate used over the cash flow projections was reference to the historical brokerage fee received. Other key assumptions for the value-in-use calculation include selling expenses and general and administrative expenses. Such assumptions are estimated based on the past performance of Shanjin Futures. Management of the Group believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of Shanjin Futures to exceed the aggregate recoverable amount of Shanjin Futures.

(iv) Goodwill taken up upon the acquisition of Dikuang Laijin in Gold Mining segment

Prior to the business combination of Dikuang Laijin with the Company, Dikuang Laijin was acquired by Shandong Gold Group during the year ended 31 December 2020. The amount of goodwill arising as a result of the acquisition was approximately RMB339,427,000. As stated in note (a), the Group acquired Dikuang Laijin from the Shandong Gold Group in 2021 and accounted for the acquisition as business combination under common control. The Group's consolidated financial statements incorporates the financial information of the Dikuang Laijin as if it had been combined since the date when Dikuang Laijin first came under control of Shandong Gold Group. The difference of the consideration paid by Shandong Gold Group and the net asset value of Dikuang Laijin in amount of RMB1,363,104 was recognised in capital reserve of the Company upon the completion.

The management of the Group has performed impairment assessment on the goodwill, intangible assets and property, plant and equipment containing in the cash-generating unit – Dikuang Laijin and concluded that no impairment required to be recognised. The recoverable amount of Dikuang Laijin has been determined based on value-in-use calculation. In performing the value-in-use calculation of Dikuang Laijin as at 31 December 2022, the management of the Group has engaged Beijing Zhongzhicheng (2021: Beijing Zhongzhicheng), an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering the life of mine, and a pre-tax discount rate of 11.44% (2021: 10.3%) with growth rate of gold price at 3% (2021: 3%). The growth rate of gold price used over the cash flow projections was reference to the historical gold price. Other key assumptions for the value-in-use calculation include mining costs and gold reserves. Such assumptions are estimated based on the past performance of similar gold size mining activities of Dikuang Laijin. Management of the Group believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of Dikuang Laijin to exceed the aggregate recoverable amount of Dikuang Laijin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. GOODWILL (Continued)

(a) Goodwill on business combinations in the PRC (Continued)

(v) Goodwill taken up upon the acquisition of Hengxing

The management of the Group has performed impairment assessment on the goodwill, intangible assets and property, plant and equipment containing in the cash-generating unit – Hengxing Group and concluded that no impairment required to be recognised. The recoverable amount of Hengxing Group has been determined based on value-in-use calculation. In performing the value-in-use calculation of Hengxing Group as at 31 December 2022, the management of the Group has engaged Beijing Zhongzhicheng (2021: Beijing Zhongzhicheng), an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering the life of mine, and a pre-tax discount rate of 8.76% (2021: 8.69%), with growth rate of gold price at 3% (2021: 3%). The growth rate of gold price used over the cash flow projections was reference to the historical gold price. Other key assumptions for the value-in-use calculation include mining costs and gold reserves. Such assumptions are estimated based on the past performance of gold mining activities of Hengxing Group. Management of the Group believes that any reasonable change in any of these assumptions would not cause the aggregate carrying amount of Hengxing Group to exceed the aggregate recoverable amount of Hengxing Group.

(b) Goodwill on acquisition of the joint operation

The goodwill of US\$153,956,000, equivalent to approximately RMB1,042,959,000, was resulted from the acquisition of 50% equity interest in MAS on 30 June 2017 (note 16). MAS are principally engaged in the gold mining in Argentina. The goodwill was allocated to the Veladero Mine owned by MAS.

The management of the Group has engaged an independent valuer, Ernst & Young LLP (“E&Y LLP”), in performing the impairment assessment on the aforesaid goodwill and concluded that no impairment charge has to be recognised. The recoverable amount has been determined based on the fair value less costs of disposal (“FVLCD”) of the Veladero Mine. The key assumptions and estimates used in determining the FVLCD are gold price per ounce, pre-tax discount rate, net asset value multiples for gold assets, operating costs, exchange rates, capital expenditures, the life of mine (“LOM”) production profile and continued license to operate. In addition, assumptions are related to observable market evaluation metrics, including identification of comparable entities, and associated market values per ounce and per pound of reserves and/or resource as well as the valuation of resources beyond what is included in LOM plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. GOODWILL (Continued)

(b) Goodwill on acquisition of the joint operation (Continued)

The key assumptions as adopted by the management of the Group and E&Y LLP in determining the FVLCD of the Veladero Mine were as follows:

Key assumptions	Approach to determining key assumption
Gold price per ounce	Estimates based on observable market or publicly available data.
Pre-tax discount rate (%)	Reflected specific risks relating to the Veladero Mine and the country in which it operates.
Net asset value ("NAV") multiples for gold assets (range)	Based on the NAV multiples observed in the market transactions in recent years, adjusted for factors applicable to the Veladero Mine.
LOM years	Based on life of mine plans prepared by management of the Veladero Mine.

The impairment assessment as conducted by the management of the Group and E&Y LLP reveals that the recoverable amount of the goodwill is estimated to be above its carrying amount by approximately US\$195,000,000, equivalent to approximately RMB1,358,097,000, (2021: US\$210,000,000, equivalent to approximately RMB1,335,831,000) as at 31 December 2022.

The details of the key assumptions used in the calculation of the recoverable amount of the Veladero Mine are as follows:

	2022	2021
Gold price per ounce	US\$1,850	US\$1,750
Post-tax discount rate (%)	9.75%	7.75%
Net asset value multiples for gold assets	1.10	1.15
LOM years	12	13

The management of the Group considered that the above valuation as at 31 December 2022 and 2021 was grouped into the fair value hierarchy level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
At the beginning of the year	1,953,628	1,931,808
Share of results of associates	35,273	21,820
At the end of the year	1,988,901	1,953,628

Details of the associates of the Group as at 31 December 2022 and 2021 are set out below:

Name of associates	Place of incorporation/ establishment	Class of shares held	Effective equity interest of the Company				Principal activities
			2022		2021		
			Direct	Indirect	Direct	Indirect	
Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司) ("SDG Group Finance")	The PRC	Contributed	30%	-	30%	-	Provision for loan financing
Shanghai Lide Shanjin Asset Management Co., Ltd. (上海利得山金資產管理有限公司) ("Shanghai Lide")	The PRC	Contributed	-	40%	-	40%	Provision for asset management and investment management
Hujin Mining	The PRC	Contributed		39%		39%	Provision for Gold mining in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. INVESTMENTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the associate, SDG Group Finance, which is material to the Group and are accounted for using equity method is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Summary of statement of financial position

	2022	2021
	RMB'000	RMB'000
Non-current assets	610,599	555,090
Current assets	8,047,906	7,985,958
Current liabilities	(5,053,508)	(5,053,516)
Net assets	3,604,997	3,487,532

Summary of statement of comprehensive income

	2022	2021
	RMB'000	RMB'000
Revenue	415,070	260,266
Profit for the year and total comprehensive income for the year	117,465	74,312

Reconciliation of summarised financial information to the carrying amount of the investment in SDG Group Finance is set out below:

	2022	2021
	RMB'000	RMB'000
Net assets of SDG Group Finance	3,604,997	3,487,532
Proportion of the Group's ownership in SDG Group Finance	30%	30%
Carrying amount of the Group's investment in SDG Group Finance	1,081,499	1,046,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. INVESTMENTS IN ASSOCIATES (Continued)

The financial information and carrying amount, of the Group's investment in associates that is not individually material and are accounted for using the equity method are set out below:

	Shanghai Lide		Huijin Mining	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Group's share of result and other comprehensive income/(expenses) for the year	65	22	(31)	(496)
Carrying amount of the Group's interest	4,092	4,027	903,310	903,341

23. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
As at 31 December 2022				
Financial assets at FVTOCI	-	7,900	-	7,900
Financial assets at FVTPL	-	-	8,119,978	8,119,978
Trade and other receivables, excluding non-financial assets	3,382,604	-	-	3,382,604
Restricted bank deposits	1,880,825	-	-	1,880,825
Bank balances and cash	7,753,482	-	-	7,753,482
Total	13,016,911	7,900	8,119,978	21,144,789

	Financial liabilities at FVTPL RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
As at 31 December 2022			
Trade and other payables, excluding non-financial liabilities	-	12,072,157	12,072,157
Borrowings	-	23,328,936	23,328,936
Financial liabilities designated at FVTPL	11,265,745	-	11,265,745
Other non-current liabilities	-	1,338,128	1,338,128
Total	11,265,745	36,739,221	48,004,966

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23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial assets at amortised cost RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
As at 31 December 2021				
Financial assets at FVTOCI	–	7,900	–	7,900
Financial assets at FVTPL	–	–	8,334,937	8,334,937
Trade and other receivables, excluding non-financial assets	2,999,517	–	–	2,999,517
Restricted bank deposits	482,353	–	–	482,353
Bank balances and cash	4,525,365	–	–	4,525,365
Total	8,007,235	7,900	8,334,937	16,350,072

	Financial liabilities at FVTPL RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
As at 31 December 2021			
Trade and other payables, excluding non-financial liabilities	–	14,312,975	14,312,975
Borrowings	–	15,144,948	15,144,948
Financial liabilities designated at FVTPL	9,587,259	–	9,587,259
Other non-current liabilities	–	1,045,152	1,045,152
Total	9,587,259	30,503,075	40,090,334

24. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI include the following:

	2022 RMB'000	2021 RMB'000
Unlisted equity securities, classified under non-current assets	7,900	7,900

The directors of the Company, after taking into consideration all relevant facts and circumstances, concluded that the information and the disclosures related to financial assets at FVTOCI as at 31 December 2022 and 2021 are not material to the consolidated financial statements.

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For the year ended 31 December 2022

25. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include the following:

	2022	2021
	RMB'000	RMB'000

Financial assets at FVTPL include the following:

– listed equity investments	5,430,268	5,520,603
– investments in equity funds	2,679,193	2,479,484
– structured deposits	10,517	334,850
	8,119,978	8,334,937

	2022	2021
	RMB'000	RMB'000

Analysed as:

– listed	5,430,268	4,970,070
– unlisted	2,689,710	3,364,867
	8,119,978	8,334,937

	2022	2021
	RMB'000	RMB'000

Analysed for reporting purpose as:

– current assets	2,959,904	2,681,620
– non-current assets	5,160,074	5,653,317
	8,119,978	8,334,937

Details of the fair value measurement of financial assets at FVTPL are disclosed in note 3.3.

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For the year ended 31 December 2022

26. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	1,572,439	1,653,950
Work in progress	2,196,336	1,954,364
Finished goods	1,315,732	553,708
Others	423,603	62,045
	5,508,110	4,224,067
Less: non-current portion (note (a))	(1,415,830)	(1,240,310)
	4,092,280	2,983,757

(a) The non-current portion of inventories represents gold ores that the Group does not expect to process in the next 12 months.

(b) Movement of the provision for inventories is as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	413	607
(Reversal)/Provision	(26)	290
Write-off	-	(484)
At the end of the year	387	413

27. OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments for:		
– construction in progress and equipment	272,826	336,398
– mining and exploration rights	56,000	56,000
– land use rights	95,625	19,548
Value-added tax recoverable	129,084	149,029
Others	38,305	33,637
Total	591,840	594,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables (note (a))		
– related parties (note 44(d))	115,340	73,606
– third parties	37,883	62,113
	153,223	135,719
Less: impairment of trade receivables	(12,042)	(17,481)
Trade receivables, net	141,181	118,238
Notes receivables (note (f))	62,685	9,180
Value-added tax recoverable	476,559	119,498
Prepayments		
– related parties (notes (c) and 44(d))	443	668
– third parties	824,009	459,720
	824,452	460,388
Other receivables		
– amounts due from related parties (notes (d) and 44(d))	177,182	378,036
– deposits	22,094	21,149
– payments on behalf of third parties	341,122	32,084
– gold leasing receivables	28,102	35,071
– deposits with exchanges and non-bank financial institutions (note (g))	2,007,459	1,844,344
– entrusted loans receivables	334,080	–
– consideration receivables	–	212,305
– others	533,880	486,033
	3,443,919	3,009,022
Less: impairment of other receivables	(265,181)	(136,923)
Other receivables, net	3,178,738	2,872,099
	4,683,615	3,579,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES (Continued)

- (a) The Group did not allow any credit period to its trade customers. Ageing analysis of trade receivables included in prepayment, trade and notes receivables at the end of each reporting period based on invoice dates which approximated the respective revenue recognition dates were as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	125,094	99,344
1-2 years	1,425	2,518
2-3 years	2,362	5,859
Over 3 years	24,342	27,998
	153,223	135,719
Less: impairment of trade receivables	(12,042)	(17,481)
	141,181	118,238

As at 31 December 2022, the gross amount of trade receivable arising from contracts with customers amount to approximately RMB153,223,000 (2021: RMB135,719,000).

- (b) Details of the ECL model on the impairment of trade receivables are set out in note 3.1(b)(ii).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

- (c) Prepayments to related parties comprise mainly prepayments for raw materials, gold and services (note 44(d)).
- (d) Amounts due from related parties mainly represented payments on behalf of related parties and these amounts are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES (Continued)

(e) Movement of the impairment of trade receivables is as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	17,481	17,251
(Reversal)/Provision	(5,439)	230
At the end of the year	12,042	17,481

Movement of the impairment of other receivables is as follows:

	12-month ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2021	10,802	43,701	87,402	141,905
Impairment losses recognised/(reversed)	656	(5,638)	–	(4,982)
As at 31 December 2021 and 1 January 2022	11,458	38,063	87,402	136,923
Impairment losses recognised	28	10,761	117,469	128,258
As at 31 December 2022	11,486	48,824	204,871	265,181

Details of the ECL model on the impairment of other receivables based on the provision matrix are set out in notes 2.10.3 and 3.1(b)(i).

There are no collaterals for trade and other receivables.

The Group writes off other receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

(f) The notes receivables amounting to approximately RMB62,685,000 (2021: RMB9,180,000) are aged within one year. The notes receivables should be classified as financial assets at FVTOCI. In view of immateriality as determined by the directors of the Company, such reclassification has not been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. PREPAYMENT, TRADE AND OTHER RECEIVABLES (Continued)

- (g) The details of the deposits with the exchanges and the non-bank financial institutions at the end of each reporting period are presented as follows:

	2022 RMB'000	2021 RMB'000
Deposits with futures and commodity exchanges in the PRC	1,887,244	1,707,848
Shanghai International Energy Exchange Co., Ltd. (上海國際能源交易中心股份有限公司)	120,215	136,496
At the end of the year	2,007,459	1,844,344

29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Restricted bank deposits

	2022 RMB'000	2021 RMB'000
Restricted bank deposits		
– current	1,880,825	482,353

The analysis of restricted bank deposits at the end of each reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Security deposits for issuance of notes payable	600,608	238,604
Security deposits for environmental restoration and governance	246,884	233,633
Security deposits for proposed acquisition	1,000,000	–
Security deposits for gold trading accounts and others	33,333	10,116
	1,880,825	482,353

The restricted bank deposits carried prevailing market interest rates at the end of each reporting period.

The security deposits for proposed acquisition amounting to RMB1,000,000,000 was related to the proposed purchase the shares of Yintai Gold Co., Ltd. (銀泰黃金股份有限公司) (“Yintai Gold”), a joint stock company established in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange. Details of the proposed acquisition please refer to note 47.

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29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH (Continued)

(b) Bank balances and cash

	2022 RMB'000	2021 RMB'000
Cash on hand	393	342
Short-term deposits of original maturity within 3 months in the banks and other financial institutions	3,349,853	1,320,937
Short-term deposits in the associate, SDG Group Finance (note 44(d))	2,996,852	1,894,308
Cash held on behalf of customers for futures contracts trading (note)	1,406,384	1,309,778
	7,753,482	4,525,365

Note: The Group maintains accounts with banks to hold customers' deposits arising from brokerage services for futures contracts trading. The Group had recognised the corresponding amount in "payable to brokerage clients" in note 30.

The bank balances and cash include demand deposits and short-term bank deposits for the purpose of meeting the Group's short term cash commitment, which carried prevailing market interest rates at the end of each reporting period.

The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government.

For the purpose of the consolidated statement of cash flow, bank balances and cash include the following:

	2022 RMB'000	2021 RMB'000
Cash and bank balances on the consolidated statement of financial position	7,753,482	4,525,365
Less: cash held on behalf of customers for futures contracts trading	(1,406,384)	(1,309,778)
	6,347,098	3,215,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	RMB'000
Trade payables (note (a))		
– third parties	1,619,470	1,186,979
– related parties (note 44(d))	233,163	94,389
	1,852,633	1,281,368
Notes payable (note (b))		
– third parties	1,628,977	1,713,260
– related parties (note 44(d))	1,722,690	49,783
	3,351,667	1,763,043
Contract liabilities (note (c))	246,865	145,531
Payable for purchases of property, plant and equipment and mining rights	1,791,827	1,247,068
Deposits received from contractors	657,678	603,111
Purchase consideration payable	637,564	467,551
Other taxes payable	167,375	187,761
Dividends payable (note 44(d))	22,506	22,506
Dividends payable to former shareholder of a subsidiary	163,425	217,900
Amounts due to related parties (notes (d) and 44(d))	42,072	5,525,828
Salaries and staff welfare payable	382,008	371,491
Payable to brokerage clients (notes (e))	3,360,149	3,154,122
Others	468,306	262,098
	13,144,075	15,249,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. TRADE AND OTHER PAYABLES (Continued)

- (a) Ageing analysis of trade payables at the end of each reporting period based on invoice dates were as follows:

	2022 RMB'000	2021 RMB'000
Less than 1 year	1,823,030	1,249,667
1-2 years	18,124	18,584
2-3 years	4,079	4,462
Over 3 years	7,400	8,655
	1,852,633	1,281,368

- (b) Ageing analysis of notes payable at the end of the reporting period based on issue dates of the notes payable were as follows:

	2022 RMB'000	2021 RMB'000
Less than 1 year	3,351,667	1,763,043

Certain of the Group's restricted bank deposits have been secured to banks for the issue of certain notes payable, and presented as follows:

	2022 RMB'000	2021 RMB'000
Restricted bank deposits secured to banks for issuance of notes (note 29(a))	600,608	238,604
Notes payable being secured	895,231	785,421

- (c) As at 1 January 2022, the contract liabilities amounted to approximately RMB145,531,000. Contract liabilities include advances received for the sales of gold and related products. The increase in contract liabilities was due to the increase in sales transactions and more deposits are received in 2022. The performance obligations would be satisfied upon the time of delivery of the gold and related products.

Revenue recognised during the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year was approximately RMB50,643,000 (2021: RMB33,932,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

- (d) The amounts are unsecured, interest-free and repayable on demand.
- (e) The balance includes money held on behalf of clients at banks and at clearing houses by the Group. The balance is interest-bearing at the prevailing market interest rate and is repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. BORROWINGS

	2022 RMB'000	2021 RMB'000
Non-current:		
Long-term bank borrowings		
– secured (note (a)(iii))	–	4,306,636
– unsecured (note (a)(i))	13,548,305	1,033,000
	13,548,305	5,339,636
Current:		
Short-term bank borrowings		
– secured (note (a)(iii))	–	1,117,263
– unsecured (note (a)(i))	6,399,780	4,563,246
Borrowings from SDG Group Finance (note 44(c))		
– unsecured (note (a)(ii))	666,000	577,000
Ultra short-term financing bonds (note (c))	2,714,851	2,515,777
Corporate bonds (note (b))	–	1,032,026
	9,780,631	9,805,312
	23,328,936	15,144,948

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2022 RMB'000	2021 RMB'000
Within one year	9,780,631	9,805,312
After one year but within two years	6,116,075	52,000
After two years but within five years	6,397,230	5,287,636
Over five years	1,035,000	–
	23,328,936	15,144,948
Amount shown under current liabilities	9,780,631	9,805,312
Amount shown under non-current liabilities	13,548,305	5,339,636
	23,328,936	15,144,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. BORROWINGS (Continued)

(a) Borrowings

- (i) The unsecured bank borrowings of approximately RMB4,850,633,000 (2021: RMB2,007,389,000) carry interests at fixed market rates of 2.55% to 3.8% (2021: 3.4% to 4.28%) per annum.

The unsecured bank borrowings of approximately RMB15,097,452,000 (2021: RMB3,588,857,000) carry interests at floating interest rate of People's Bank of China's Benchmark Lending Rate minus by 0.05% to 1.05% per annum or floating interest rate of LIBOR plus 0.9% to 1.25% (2021: floating interest rates of People's Bank of China's Benchmark Lending Rate minus by 0.05% to 0.37% per annum or floating interest rate of LIBOR plus 0.9% to 1.25%).

- (ii) As at 31 December 2022, the unsecured borrowings from SDG Group Finance carried fixed interest rate ranging from 2.55% to 4% (2021: 3.4% to 4.28%) per annum.
- (iii) As at 31 December 2021, the secured bank borrowings of approximately RMB5,423,899,000 carry interests at floating interest rate of LIBOR plus 0.9% to 1.25% and are repayable in installments over a period of three year.

The secured bank borrowings were pledged by:

- Account pledge in respect of the debt service reserve account, the dividend account and the collection account of Shandong Gold Mining (Hong Kong) Co., Ltd.;
- Assignment of a shareholder loan owed by Minera Argentina Gold S.R.L.;
- Pledge of shares of Argentina Gold (Bermuda) II Ltd.;
- Pledge of shares of MAS.

(b) Corporate bonds

	2022 RMB'000	2021 RMB'000
Corporate bonds payable	-	1,032,061
Less: unamortised commission charge	-	(35)
	-	1,032,026
Less: current portion	-	(1,032,026)
Non-current portion	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. BORROWINGS (Continued)

(b) Corporate bonds (Continued)

On 22 March 2019, the Company issued 10,000,000 corporate bonds with a par value of RMB100 each and received total proceeds of RMB1,000,000,000. These bonds carried a coupon rate of 3.85% per annum and the interest charges were paid on 22 March annually in each of the following three years. The underwriting commission for the issue of the bond amounted to approximately RMB1,000,000 and was settled by the Company. The bonds will be fully repaid on 22 March 2022 when they become due.

The aforesaid corporate bonds are initially recognised at the amount of the total proceeds net of the commission paid on the dates of issuance.

Accrued interests for the corporate bonds are recorded in interest payable as follows:

	2022	2021
	RMB'000	RMB'000
Interest payable for current corporate bonds	—	47,803

(c) Ultra short-term financing bonds

The Company issued ultra short-term financing bonds on 21 April 2022, 27 October 2022, 5 December 2022 and 6 December 2022 respectively. These ultra short-term financing bonds, with nominal values amounting to RMB700,000,000, RMB500,000,000, RMB500,000,000 and RMB1,000,000,000 respectively, carried a coupon rate of 2.2%, 1.77%, 2.35 and 2.28% per annum respectively, will become due and payable in 13 January 2022, 20 July 2023, 1 September 2023 and 4 June 2023, respectively.

The Company issued ultra short-term financing bonds on 20 July 2021, 19 August 2021, 14 October 2021, 19 November 2021 and 9 December 2021 respectively. These ultra short-term financing bonds, with nominal values amounting to RMB500,000,000, RMB500,000,000, RMB500,000,000, RMB500,000,000 and RMB500,000,000 respectively, carried a coupon rate of 2.73%, 2.5%, 2.55%, 2.67% and 2.7% per annum respectively, will become due and payable in 14 April 2022, 17 May 2022, 12 July 2022, 10 June 2022 and 6 September 2022, respectively.

(d) The average interest rate of the Group's borrowings at the end of the reporting period are summarised as below.

	2022	2021
Average interest rates	3.92%	2.63%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. FINANCIAL LIABILITIES AT FVTPL

The Group obtained financing through entering into gold leasing contracts with banks to lease gold from banks and subsequently sold the gold through the Shanghai Gold Exchange. Upon maturity of those lease contracts, the Group has to return to such banks with gold of the same quantity and specification, which would be usually purchased through the Shanghai Gold Exchange. The maturity periods of gold leasing contracts are generally less than 1 year (1 year inclusive). The gold leasing contracts carried fixed interest rate ranging from 1.25% to 6.11% (2021: ranging from 1.72% to 3.90%) per annum. The Group has designated the liabilities associated with such gold leasing arrangements as financial liabilities at FVTPL. Realised or unrealised fair value gain (loss) on gold leasing contracts are recognised and presented in the consolidated statement of profit or loss as “finance costs” (note 9).

The Group had also entered into certain gold forward/futures contracts for managing part of the risk associated with the fluctuation in the purchase prices of gold for its operations or managing the price risk associated with the aforesaid gold leasing contracts. These gold forward/future contracts have also been designated as financial liabilities at FVTPL. Realised and unrealised fair values gain/loss on the gold forward/future contracts are recognised in the consolidated statement of profit or loss as “other gains and losses, net” (note 8).

Details of the fair value measurement of financial liabilities at FVTPL are disclosed in note 3.3.

33. OTHER NON-CURRENT LIABILITIES

	2022 RMB'000	2021 RMB'000
Consideration payable for acquisition of a portfolio of assets and liabilities (note (a))	27,342	25,381
Payable for mining rights (note (c))	1,265,409	1,006,883
Provision for legal claims (note (b))	10,312	7,855
Others	35,065	16,450
	1,338,128	1,056,569
Less: current portion	(131,562)	(104,835)
	1,206,566	951,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. OTHER NON-CURRENT LIABILITIES (Continued)

- (a) On 26 September 2017, SDG Xinhui, Qingdao Pingdu Jinxing Gold Mining Co. Ltd. (“Jinxing”), an independent third party of the Group, and Dazhuangzi Villagers’ Committee of Pingdu Xinhe Town (平度市新河鎮大莊子村民委員會), the former shareholder of Jinxing, entered into an asset reorganisation agreement (the “Agreement”). Pursuant to the Agreement, SDG Xinhui acquired a portfolio of assets and liabilities of Jinxing, including part of the receivables and payables, property, plant and equipment and exploration rights at a total consideration of approximately RMB174,180,000.

During the year ended 31 December 2018, the Group has settled part of consideration of approximately RMB114,180,000 and the remaining non-interest bearing consideration of approximately RMB60,000,000 (the “Remaining Consideration”) will be paid by 8 instalments until 31 January 2026.

As at 31 December 2022, the carrying amount of the Remaining Consideration included as “other non-current liabilities” amounted to approximately RMB17,881,000 (2021: RMB25,381,000) and the current portion of which to be settled within the next twelve months amounted to approximately RMB7,500,000 (2021: RMB7,500,000).

- (b) During the year ended 31 December 2022, the additional provision for legal claim of approximately US\$249,000, equivalent to approximately RMB1,734,000 (2021: US\$1,232,000, equivalent to approximately RMB7,855,000) was recognised in connection with certain outstanding labour claims of MAS. As at 31 December 2022, total provision recognised was US\$1,481,000, equivalent to approximately RMB10,312,000 (2021: US\$1,232,000, equivalent to approximately RMB7,855,000).
- (c) During the year ended 31 December 2021, the Group acquired of a mining right from Shandong Gold Group at a cash consideration of approximately RMB233,863,000. Approximately RMB163,435,000 has been paid during the year ended 31 December 2022.

During the year ended 31 December 2021, the Group acquired of certain mining rights from independent third parties at a total cash consideration of approximately RMB937,455,000.

34. DEFERRED TAXATION

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2022 RMB'000	2021 RMB'000
Deferred income tax assets	289,468	475,874
Deferred income tax liabilities	(4,076,245)	(4,793,109)
Deferred income tax liabilities, net	(3,786,777)	(4,317,235)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. DEFERRED TAXATION (Continued)

The gross movement on the deferred income tax is as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	(4,317,235)	(4,371,460)
Acquisition of subsidiaries (note 42)	–	(232,791)
Credited to profit or loss (note 10)	723,156	173,698
Currency translation differences	(192,698)	113,318
At the end of the year	(3,786,777)	(4,317,235)

The following are the major deferred tax assets (liabilities) and movements thereon during the current and prior years:

	Property, plant and equipment RMB'000	Mining and exploration rights RMB'000	Financial assets/ liabilities at fair value through profit or loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	(1,803,671)	(2,151,654)	(222,590)	(193,545)	(4,371,460)
Acquisition of a subsidiary under common control	(234,836)	–	–	2,045	(232,791)
Credited (charged) to profit or loss	5,674	401,243	(165,732)	(67,487)	173,698
Currency translation differences	111,258	–	–	2,060	113,318
At 31 December 2021 and at 1 January 2022	(1,921,575)	(1,750,411)	(388,322)	(256,927)	(4,317,235)
Credited (charged) to profit or loss	13,523	685,734	49,133	(25,234)	723,156
Currency translation differences	(191,353)	–	–	(1,345)	(192,698)
At 31 December 2022	(2,099,405)	(1,064,677)	(339,189)	(283,506)	(3,786,777)

The Group does not recognise the following deferred income tax assets as management believes that it is more likely than not that such tax losses would not be utilised before they expire, details of which are as follows:

	2022 RMB'000	2021 RMB'000
The corresponding accumulated tax losses of the subsidiaries of the Company which deferred income tax assets have not been recognised	2,491,970	1,945,072
Deferred income tax assets not recognised	486,632	298,606

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For the year ended 31 December 2022

34. DEFERRED TAXATION (Continued)

The aforesaid tax losses that have not been recognised as deferred income tax assets will be expired in the following years:

	2022 RMB'000	2021 RMB'000
2022	–	1,596
2023	5,380	2,599
2024	75,088	97,474
2025	9,740	4,880
2026	621,576	696,914
2027	398,256	11,678
2028	185,517	187,789
2029	191,033	191,033
2030	34,375	34,375
2031	873,891	716,734
2032	97,114	–
	2,491,970	1,945,072

35. DEFERRED REVENUE

Deferred revenue represented the government grants received towards the acquisition of assets related to gold mining activities. The amount is transferred to other income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of approximately RMB4,212,000 (2021: RMB9,199,000).

36. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

	2022 RMB'000	2021 RMB'000
At the beginning of the year	875,111	862,090
Interest charge on unwinding of discounts (note 9)	21,867	114,894
Additional provision	30,356	67,506
Payments	(85,826)	(52,603)
Change in discount rate (note 17(a))	(24,050)	(86,698)
Currency translation differences	(84,341)	(30,078)
At the end of the year	733,117	875,111

Provision for asset retirement obligations represented the estimated amount and timing of future closure and restoration projects.

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37. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

Shares, issued and fully paid:

	2022		2021	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
Domestic shares ("A shares") of RMB1.00 each				
– Directly held by Shandong Gold Group	1,687,091	1,687,091	1,687,091	1,687,091
– Held by other shareholders	1,927,353	1,927,353	1,927,353	1,927,353
	3,614,444	3,614,444	3,614,444	3,614,444
H shares of RMB1.00 each	858,986	858,986	858,986	858,986
	4,473,430	4,473,430	4,473,430	4,473,430

On 29 January 2021, the Company issued additional 159,482,759 H shares for the acquisition of Hengxing Gold Holding Company Limited.

(b) Treasury shares

	2022		2021	
	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000
At the beginning and the end of the year	–	–	4,814	6,293

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38. PERPETUAL BONDS

On 4 December 2020, the Company issued RMB2,700,000,000 perpetual bond 1 at an initial interest rate of 4.8% per annum. The face value of the perpetual bond 1 were RMB2,700,000,000. Coupon payments of 4.8% per annum are paid annually in arrears and may be deferred at the discretion of the Company.

On 21 December 2020, the Company issued RMB1,300,000,000 perpetual bond 2 at an initial interest rate of 4.69% per annum, The face value of the perpetual bond 2 were RMB1,300,000,000. Coupon payment of 4.69% per annum is paid annually in arrears and may be deferred at the discretion of the Company.

Perpetual bond 1 and perpetual bond 2 have no maturity date and are callable at the Company's option at its principal amounts together with any accrued, unpaid or deferred coupon interest payments. The coupon rates will be increased at a margin of 300 basis points per three years. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or reduce registered capital.

On 23 December 2021, the Company issued RMB2,250,000,000 perpetual bond 3 at an initial interest rate of 4.75% per annum, The face value of the perpetual bond 3 were RMB2,250,000,000. Coupon payment of 4.75% per annum is paid quarterly in arrears and may be deferred at the discretion of the Company. Perpetual bond 3 have no maturity date and are callable at the Company's option at its principal amounts together with any accrued, unpaid or deferred coupon interest payments. The coupon rates will be increased at a margin of 300 basis points after five years and will be increased afterward at a margin of 300 basis point every year. The maximum of the interest rate will be 9% per annum. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or reduce registered capital.

On 8 August 2022, the Company issued RMB3,000,000,000 perpetual bond 4 at an initial interest rate of 4.42% per annum, The face value of the perpetual bond 4 were RMB3,000,000,000. Coupon payment of 4.42% per annum is paid annually in arrears and may be deferred at the discretion of the Company. Perpetual bond 4 have no maturity date and are callable at the Company's option at its principal amounts together with any accrued, unpaid or deferred coupon interest payments. The coupon rates will be increased at a margin of 200 basis points after three years and will be increased afterward at a margin of 200 basis point every year. The maximum of the interest rate will be 7.8% per annum. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or reduce registered capital.

On 8 November 2022, the Company issued RMB670,000,000 perpetual bond 5 at an initial interest rate of 4.35% per annum, The face value of the perpetual bond 5 were RMB670,000,000. Coupon payment of 4.35% per annum is paid quarterly in arrears and may be deferred at the discretion of the Company. Perpetual bond 5 have no maturity date and are callable at the Company's option at its principal amounts together with any accrued, unpaid or deferred coupon interest payments. The coupon rates will be increased at a margin of 300 basis points after five years and will be increased afterward at a margin of 300 basis point every year. The maximum of the interest rate will be 9% per annum. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or reduce registered capital.

Accordingly, the perpetual bond are classified as equity instruments of the Group based on the contractual terms and their economic substance data considering the definition of financial liabilities and equity instrument.

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39. INFORMATION TO CASH FLOWS

(a) Cash generated from operations

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit/(loss) before tax	1,902,319	(11,894)
Adjustments for:		
Depreciation of property, plant and equipment	1,754,476	1,516,635
Depreciation of investment properties	10,130	12,006
Depreciation of right-of-use assets	115,165	58,438
Amortisation of intangible assets	686,761	574,644
Loss/(gain) on disposals/write-offs of property, plant and equipment and intangible assets	17,983	(142,781)
Gain on disposal of subsidiary	–	(298,915)
Provision for (reversal of) impairment on trade and other receivables	122,819	(4,752)
(Reversal of)/provision for inventories	(26)	290
Fair value loss/(gains) on gold futures/forward contracts	132,088	(132,667)
Realised and unrealised fair value loss/(gains) of financial assets at FVTPL	114,826	(783,546)
Dividend income from financial assets at FVTPL	(80,743)	(66,261)
Finance income	(85,147)	(71,645)
Finance costs	1,051,000	732,639
Government grants	(26,070)	(21,104)
Share of results of associates	(35,273)	(21,820)
Operating cash flows before movements in working capital	5,680,308	1,339,267
(Increase) decrease in inventories	(1,284,017)	117,694
Increase in trade and other receivables	(1,037,760)	(1,856,222)
(Increase) decrease in deposits with exchanges and non-bank financial institutions	(163,115)	961,020
Increase in cash held on behalf of customers for futures contracts trading	(96,606)	(613,909)
Increase in payables to brokerage clients	206,027	1,116,761
Decrease in trade and other payables	313,867	781,447
Cash generated from operations	3,618,704	1,846,058

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39. INFORMATION TO CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Liabilities from financing activities				
	Borrowings RMB'000	Deferred revenue RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
As at 1 January 2022	15,144,948	13,164	131,466	9,587,259	24,876,837
Investing cash flows	-	-	-	(193,115)	(193,115)
Financing cash flows	7,701,442	7,132	(64,115)	1,445,483	9,089,942
Non-cash changes:					
Foreign exchange adjustments	(213,982)	-	-	-	(213,982)
Finance costs charged	696,528	-	23,430	294,030	1,013,988
Fair value loss	-	-	-	132,088	132,088
Income recognised	-	(4,212)	-	-	(4,212)
New leases arrangement	-	-	117,395	-	117,395
Balance at 31 December 2022	23,328,936	16,084	208,176	11,265,745	34,818,941

	Liabilities from financing activities				
	Borrowings RMB'000	Deferred revenue RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
As at 1 January 2021	11,404,968	15,406	100,082	8,672,590	20,193,046
Investing cash flows	-	-	-	(26,624)	(26,624)
Financing cash flows	3,498,513	6,957	(49,576)	864,592	4,320,486
Non-cash changes:					
Foreign exchange adjustments	(124,305)	-	-	-	(124,305)
Finance costs charged	365,772	-	15,186	209,368	590,326
Fair value gains	-	-	-	(132,667)	(132,667)
Income recognised	-	(9,199)	-	-	(9,199)
New leases arrangement	-	-	65,774	-	65,774
Balance at 31 December 2021	15,144,948	13,164	131,466	9,587,259	24,876,837

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40. CONTINGENCIES

The Veladero Mine held by MAS experienced several environmental incidents as set out below:

- (a) Release of cyanide-bearing process solution incident in 2015 – the failure of a valve on a leach pad pipeline at the Veladero Mine resulted in the release of cyanide-bearing process solution into a nearby waterway through a diversion channel gate that was open at the time of the incident;
- (b) Release of crushed-ore saturated with process solution incident in 2016 – ice rolled down the slope of the leach pad damaged a pipe carrying process solution, and caused some material to leave the leach pad; and
- (c) Release of gold-bearing process solution incident in 2017 – the monitoring system at the Veladero Mine detected a rupture of a pipe carrying gold-bearing process solution on the leach pad.

As at 31 December 2021 and 2022, MAS was involved in several ongoing administrative and civil proceedings with respect to the abovementioned environmental incidents.

In assessing loss contingencies, the directors of the Company have evaluated the legal proceedings and determined that no amounts should be made for any potential liabilities or asset impairment relating to the aforesaid legal proceedings as an amount cannot be reasonably estimated.

The Group has evaluated the legal proceedings with the assistance from its external legal counsel and no provision has been made for any potential liabilities or asset impairment relating to the aforesaid legal proceedings.

Other than those as disclosed above, the Group did not have any other significant pending litigation which may result in a significant loss to the Group.

41. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for but not yet provided for in the consolidated financial statements of the Group at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Property, plant and equipment	589,108	502,614
Mining and exploration rights	692,408	328,953
	1,281,516	831,567

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41. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group as lessor

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 6 years (2021: 1 to 6 years). None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	2,870	3,841
From 1 year to 5 years	1,254	1,567
After 5 years	32	–
	4,156	5,408

42. ACQUISITION OF SUBSIDIARIES

On 29 January 2021, the Group acquired entire equity interest in Cardinal, the shares of which were delisted from the stock exchange of Toronto and Australian on 1 February 2021 and 8 February 2021 respectively, for consideration of approximately RMB2,978,690,000. The principal activity of Cardinal and its subsidiaries (collectively as “Cardinal Group”) is mineral exploration in Ghana, and its identifiable assets are mainly mining right. The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations. The acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (mining right).

On 29 January 2021, the Group acquired entire equity interest in Hengxing Gold, the shares of which were delisted from the Hong Kong Stock Exchange on 1 February 2021, for consideration of 159,482,759 new H Shares allotted and issued out of the share capital of the Company (“Consideration Shares”). The fair value of the consideration shares was approximately RMB2,177,639,000. The amount of goodwill arising as a result of the acquisition was approximately RMB87,252,000. The principal activity of Hengxing Gold and its subsidiaries (collectively as “Hengxing Gold Group”) is engaged in mining and processing of gold, sales of processed gold products in the PRC. Hengxing Gold Group was acquired so as to continue the expansion of the Group’s mining, processing and sale of gold and gold production operation.

Goodwill arose in the acquisition of Hengxing Gold because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Hengxing Gold. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. ACQUISITION OF SUBSIDIARIES (Continued)

Included in the loss for the year ended 31 December 2021 of RMB115,494,000 was generated by Hengxing Gold. Revenue for the year ended 31 December 2021 was RMB881,107,000 generated from Hengxing Gold.

On 30 June 2021, the Group acquired entire equity interest in Laizhou Zhangjian for consideration of approximately RMB48,000,000. The principal activity of Laizhou Zhangjian is gold exploration, and its identifiable assets are mainly mining right. The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations. The acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (mining right).

Details of acquisitions were summarised as follows:

Assets and liabilities recognised at the date of acquisition

	Cardinal Group RMB'000	Laizhou Zhangjian RMB'000	Hengxing Gold Group RMB'000
Property, plant and equipment	4,933	–	437,674
Intangible assets	3,288,762	112,260	1,336,436
Deferred tax assets	–	–	2,045
Other non-current assets	645	426	–
Bank balances and cash	47,095	2,314	74,795
Other current assets	10,437	–	615,264
Deferred tax liabilities	–	–	(234,836)
Other non-current liabilities	–	–	(30,078)
Other current liabilities	(373,182)	(67,000)	(110,913)
	2,978,690	48,000	2,090,387
Cash consideration	2,978,690	48,000	–
Cash consideration paid in previous year	(1,571,913)	–	–
Cash consideration paid this year	1,406,777	48,000	–
Cash and bank balances acquired	(47,095)	(2,314)	(74,798)
Net cash outflow/(inflow) from acquisition of a subsidiary under:			
– Asset acquisition	1,359,682	45,686	N/A
– Business combination	N/A	N/A	(74,798)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

43. DISPOSAL OF A SUBSIDIARY

Disposal of Shanghai Shengju Asset Management

On 16 December 2021, the Group entered into an agreement with Huatai Securities Co., Ltd, a company listed on the stock exchange of Shanghai and the Hong Kong Stock Exchange, to dispose of 100% equity interest in a subsidiary, namely Shanghai Shengju Asset Management at an aggregate cash consideration of RMB674,523,000. Shanghai Shengju Asset Management engaged in asset management and investment management. The transaction was completed on 31 December 2021.

	31 December 2021 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	363,257
Investment property	20,259
Others non-current assets	297
Bank balances and cash	15,474
Other current assets	160
Other non-current liabilities	(24,480)
Other current liabilities	(359)
Net assets disposed of	374,608
Gain on disposal of a subsidiary:	
Consideration received	668,523
Consideration receivable (note 28)	5,000
Net assets disposed of	673,523
Gain on disposal of a subsidiary	(374,608)
Net cash inflow arising on disposal:	298,915
Cash consideration received	668,523
Less: bank balances and cash disposed of	(15,474)
Net cash inflow arising on disposal	653,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

44. RELATED PARTY TRANSACTIONS

The directors of the Company consider that Shandong Gold Group, a company registered in the PRC, as the immediate holding company of the Company. The State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government is the ultimate controlling party of the Company. The Group has extensive transactions with the related parties. For the purpose of disclosure of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties.

Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed below. Sales of goods and provision of services to related parties are at state-prescribed prices or prices that are also available to other customers. The Group considers that these sales are activities in the ordinary course of business. In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions and balances with related parties.

(a) Transactions with Shandong Gold Group, its fellow subsidiaries and associate

	2022	2021
	RMB'000	RMB'000
Purchases of electricity	624,495	379,449
Purchases of construction services	13,752	88,368
Purchases of processing services	13,915	15,250
Purchases of gold	1,016,428	1,206,542
Purchases of other services	76,352	193,031
Total purchases	1,744,942	1,882,640
Acquisition of mining and exploration rights	-	169,317

On 25 June 2021, the Group and Shandong Gold Group entered into a cancellation agreement to terminate the lease and acquired of a mining right of Jiaojia Gold Mine ("Target Assets") from Shandong Gold Group at a cash consideration of approximately RMB169,317,000. Details are set out in the Company's announcement date at 25 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

44. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with Shandong Gold Group, its fellow subsidiaries and associate (Continued)

	2022	2021
	RMB'000	RMB'000
Provision of processing services	114	128
Sales of gold	277,571	109,160
Sales of other metals	5,448	21,003
Sales of other materials and services	121,631	75,535
Total sales	404,764	205,826

Property and land leasing

	2022	2021
	RMB'000	RMB'000
Lease payment paid to Shandong Gold Group and its fellow subsidiaries for the settlement of lease liabilities and payment of short-term leases	53,035	23,864
Rental fees received from Shandong Gold Group and its fellow subsidiaries	1,829	1,409
Trademark licensing and property leasing received from Shandong Gold Group and its fellow subsidiaries	3,585	2,080
Leasing fee received from Shandong Gold Group	18,094	29,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

44. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with SDG Group Finance

	2022 RMB'000	2021 RMB'000
Interest income from deposits	26,427	18,308
Interest expenses from borrowings	22,068	21,368
Handling fees and other financial services	983	617
Total annual credit facilities	4,300,000	N/A
Maximum daily balance of deposit services during the year	2,999,881	2,499,686
Maximum daily balance of loan and other financing services during the year	2,392,159	1,596,030
Maximum daily balance of overdraft services during the year	510,000	400,000

(c) Borrowings obtained from related parties

	2022 RMB'000	2021 RMB'000
Borrowings obtained from SDG Group Finance:		
At the beginning of the year	577,000	445,800
Drawdown during the year	3,202,000	1,665,000
Repayment during the year	(3,113,000)	(1,533,800)
At the end of the year	666,000	577,000

The borrowings obtained from related parties are denominated in RMB and due within one year. The average interest rates as charged by the related parties are as below:

	2022	2021
Interest rates	2.55% – 4%	3.40% – 4.28%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

44. RELATED PARTY TRANSACTIONS (Continued)

(d) Year-end balances

	2022 RMB'000	2021 RMB'000
Receivables from related parties		
Trade receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	115,340	73,606
Less: provision for impairment	(5,232)	(11,384)
Trade receivables, net	110,108	62,222
Prepayments		
– Shandong Gold Group and its fellow subsidiaries	443	668
Other receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	177,182	378,036
Less: provision for impairment	(777)	(9,104)
Other receivables, net	176,405	368,932
Deposits to a financial institution		
– SDG Group Finance	2,996,852	1,894,308
Prepayments for mining and exploration rights included in other non-current assets		
– Shandong Gold Group	56,000	56,000
Others included in other non-current assets		
– Shandong Gold Group and its fellow subsidiaries	1,707	500
	3,054,559	1,950,808
Payables to related parties		
Trade payables		
– Shandong Gold Group and its fellow subsidiaries	233,163	94,389
Notes payables		
– Shandong Gold Group and its fellow subsidiaries	1,722,690	49,783
Contract liabilities		
– Shandong Gold Group and its fellow subsidiaries	570	202
Other payables		
– Shandong Gold Group and its fellow subsidiaries	42,072	5,525,828
Dividend payables		
– Shandong Gold Group and its fellow subsidiaries	22,506	22,506
Lease liabilities		
Payable for mining rights included in non-current liabilities		
– Shandong Gold Group and its fellow subsidiaries	75,400	69,428
	2,096,401	5,762,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

44. RELATED PARTY TRANSACTIONS (Continued)

(e) Key management personnel compensation

Key management personnel includes directors (executive and non-executive) of the Company, members of the executive committee and respective department heads. The compensation paid or payable to key management for employee services is shown below:

	2022 RMB'000	2021 RMB'000
Salaries and other short-term employee benefits		
– directors and supervisors of the Company	8,725	7,608
– other key management personnel	8,941	10,323
	17,666	17,931

(f) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“State-controlled Entities”). In addition, the Group is significant influenced indirectly by Shandong Gold Group, a state-owned enterprise established in the PRC.

The Group also conducts business with other State-controlled Entities. The directors of the Company consider those State-controlled Entities to be third parties so far as the Group’s businesses with them are concerned.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks which are State-controlled Entities in its ordinary course of business.

The directors of the Company are of the opinion that the transactions with other State-controlled Entities are not significant to the Group’s operations.

(g) Transactions with fixed assets in the PRC

On 22 December 2021, the Company and Guoxin Yiyang Investment entered into a sale and purchase agreement pursuant to which the Company agreed to sell and Guoxin Yiyang Investment agreed to purchase the a property in amount of approximately RMB414.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	4,422,041	3,349,475
Investment properties	115,826	122,066
Right-of-use assets	51,287	42,510
Intangible assets	1,270,342	1,126,852
Interests in subsidiaries	25,081,739	22,057,509
Investment in an associate	1,081,499	1,046,259
Financial assets at FVTOCI	500	500
Other non-current assets	173,422	89,051
	32,196,656	27,834,222
Current assets		
Inventories	28,916	36,644
Trade and other receivables	369,066	227,309
Amounts due from subsidiaries	17,620,418	11,791,629
Prepaid income tax	–	7,771
Restricted bank deposits	42,610	48,925
Bank balances and cash	3,994,849	827,142
	22,055,859	12,939,420
Current liabilities		
Trade and other payables	4,558,797	2,573,775
Lease liabilities	12,054	11,033
Borrowings	5,016,546	5,919,476
Financial liabilities at FVTPL	6,019,927	4,454,611
	15,607,324	12,958,895
Net current assets/(liabilities)	6,448,535	(19,475)
Total assets less current liabilities	38,645,191	27,814,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(a) Statement of financial position of the Company (Continued)

	2022 RMB'000	2021 RMB'000
Non-current liabilities		
Borrowings	7,375,970	1,033,000
Lease liabilities	35,077	21,716
Deferred income tax liabilities	8,068	21,451
Deferred revenue	500	1,032
Provision for asset retirement obligations	30,476	26,089
	7,450,091	1,103,288
Net assets	31,195,100	26,711,459
Share capital and reserves		
Share capital (note 37(a))	4,473,430	4,473,430
Perpetual Bonds (note 38)	9,937,528	6,249,387
Reserves (note (b))	16,784,142	15,988,642
	31,195,100	26,711,459

(b) Reserves movement of the Company

	Retained profits RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2022	6,345,939	9,642,703	15,988,642
Profit for the year	1,019,171	–	1,019,171
Appropriations	(150,566)	150,566	–
Dividends	(223,671)	–	(223,671)
At 31 December 2022	6,990,873	9,793,269	16,784,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(b) Reserves movement of the Company (Continued)

	Retained profits RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2021	6,358,764	7,578,364	13,937,128
Issue of shares upon acquisition of a subsidiary (Note 42)	–	2,018,156	2,018,156
Profit for the year	256,785	–	256,785
Appropriations	(46,183)	46,183	–
Dividends	(223,427)	–	(223,427)
At 31 December 2021	6,345,939	9,642,703	15,988,642

46. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 December 2022, the Group entered into new leasing arrangements in respect of buildings, and machinery and others. Right-of-use assets and lease liabilities of approximately RMB117,395,000 (2021: RMB65,774,000) were recognised at the commencement of the leases (note 19).
- (b) On 1 February 2021, the Group acquired entire equity interest in Hengxing Gold for consideration of 159,482,759 new H Shares allotted and issued out of the share capital of the Company. Further details of the acquisition are set out in note 42.

47. EVENT AFTER THE REPORTING PERIOD

- (i) On 11 December 2022, the Company entered into an agreement with China Yintai Holdings Co., Ltd. and Mr. Shen Guojun (the “Vendors”), pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell an aggregate of 581,181,068 shares of Yintai Gold representing approximately 20.93% of the issued shares at the consideration of RMB12,760,000,000 (the “Proposed Acquisition”). The Proposed Acquisition is not yet completed and subjected to the approval of shareholders of the Company. Details of the Proposed Acquisition are set out in the Group’s announcements dated 11 December 2022 and 19 January 2023.
- (ii) During the year, the board of directors approved the resolution on the acquisition of 80% equity interests and 100% creditor’s rights of Laizhou Gold Coast Ecology Co., Ltd.* (萊州金岸生態有限公司) held by Shandong Yiyang Health Group Real Estate (Group) Co., Ltd.* (山東東頤養健康集團置業(集團)有限公司) and completed subsequent to the reporting period. The Group is in the process of assessing the financial impact and hence it is not feasible to quantify the financial impacts and the disclosure thereof to the consolidated financial statements. For details, please refer to the announcement of the Company dated 16 December 2022.

* for identification purpose only

DEFINITIONS

DEFINITIONS

In this annual report, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“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;
“Board” or “Board of Directors”	the board of directors of the Company;
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules;
“China” or the “PRC”	the People’s Republic of China but for the purpose of this annual report, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“CSRC”	China Securities Regulatory Commission;
“China Yintai”	China Yintai Holdings Co., Ltd. (中國銀泰投資有限公司), a limited liability company established in the PRC on 18 June 1985 and is indirectly owned as to 92.5% by Mr. Shen;
“Director(s)” or “our Directors”	the director(s) of the Company;
“Group”, “the Group”, “our Group”, “we” or “us”	the Company and all of our subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
“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;
“Mr. Shen”	Mr. Shen Guojun (沈國軍), the ultimate beneficial owner of China Yintai and an Independent Third Party;
“PRC Company Law”	The Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Prospectus”	the prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;
“Reporting Period”	from 1 January 2022 to 31 December 2022;
“RMB”	Renminbi, the lawful currency of China;
“SDG Capital Management”	SDG Capital Management Co., Ltd. (山金金控資本管理有限公司), a limited liability company incorporated in the PRC on 14 November 2012 and a wholly-owned subsidiary of the Company;
“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, and was held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“SDG Group 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 Hong Kong”	Shandong Gold Mining (Hong Kong) Co., Limited (山東黃金礦業(香港)有限公司), incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
“SFC”	The Securities and Futures Commission of Hong Kong;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shandong Gold” or “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;
“SDG Mining (Laizhou)”	Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a subsidiary of the Company established in the PRC on 27 May 2003;
“Shandong Yiyang”	Shandong Yiyang Health Group Real Estate (Group) Co., Ltd. (山東頤養健康集團置業(集團)有限公司), a limited liability company established in the PRC on 12 July 1994 which is wholly owned by Shandong Yiyang Health Industry Development Group Co., Ltd. (山東頤養健康產業發展集團有限公司) as at the date of this annual report;

DEFINITIONS

“Shanghai Stock Exchange” or “SSE”	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 RMB1.0 each, comprising our A Shares and our H Shares;
“Shareholders”	holder(s) of our Share(s);
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the supervisory committee of the Company;
“Syndicated Term Loan(s)”	the loan available under the US\$960 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent;
“Yintai Gold”	Yintai Gold Co., Ltd. (銀泰黃金股份有限公司), a joint stock company established in the PRC with limited liability on 18 June 1999, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000975);
“USD”	United States dollar, the lawful currency of the United States; and
“Veladero Mine”	The Veladero Mine located in the high Andes Cordillera of central western Argentina, details of which are set out in “Appendix IV – Competent Person’s Report – RPA Report” to the Prospectus.

