



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

2023 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
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. 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*)
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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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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Postal Code: 250107

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STOCK CODE

Hong Kong Stock Exchange: 01787
Shanghai Stock Exchange: 600547

WEBSITE

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

FINANCIAL HIGHLIGHTS

2019-2023 FINANCIAL INFORMATION AS EXTRACTED FROM CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS:

	2023 RMB'000	For the year ended 31 December			
		2022 RMB'000 (Restated)	2021 RMB'000	2020 RMB'000 (Restated)	2019 RMB'000
Revenue	59,275,275	50,305,754	33,932,646	63,689,514	62,613,141
Cost of sales	(50,647,596)	(44,138,322)	(31,557,552)	(56,956,948)	(57,601,794)
Gross profit	8,627,679	6,167,432	2,375,094	6,732,566	5,011,347
Selling expenses	(147,179)	(176,421)	(361,149)	(107,147)	(188,120)
General and administrative expenses	(2,614,946)	(2,465,844)	(2,409,669)	(2,831,702)	(1,768,667)
Research and development expenses	(487,195)	(399,567)	(345,606)	(390,492)	(333,050)
Other income	28,494	26,070	21,104	27,183	37,704
Other gains and (losses), net	(510,713)	(318,771)	1,347,506	143,773	107,585
Finance income	145,110	85,147	71,645	73,714	71,466
Finance costs	(1,568,275)	(1,051,000)	(732,639)	(832,827)	(866,894)
Share of results of associates	15,237	35,273	21,820	10,669	1,319
Profit/(loss) before tax	3,488,212	1,902,319	(11,894)	2,825,737	2,072,690
Income tax expenses	(664,969)	(548,525)	(217,620)	(574,202)	(660,376)
Profit/(loss) for the year	2,823,243	1,353,794	(229,514)	2,251,535	1,412,314
Profit/(loss) for the year attributable to:					
Owners of the Company	2,267,383	1,193,433	(221,301)	1,998,918	1,290,503
Non-controlling interests	555,860	160,361	(8,213)	252,617	121,811
	2,823,243	1,353,794	(229,514)	2,251,535	1,412,314
		(restated)		(restated)	(restated)
Basic and diluted earnings/(loss) per share (RMB) (Note)	0.40	0.19	(0.10)	0.46	0.30

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 RMB463,490,000 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 RMB1,803,893,000. 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.

	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000	2020 RMB'000 (Restated)	2019 RMB'000
Total assets	135,018,841	91,291,330	79,036,550	70,105,973	58,848,726
Total liabilities	81,721,127	54,475,408	47,075,671	34,437,650	32,780,401
Non-controlling interests	20,218,782	3,871,319	2,632,225	4,644,236	2,860,413
Perpetual bonds	9,938,377	9,937,528	6,249,387	3,999,387	–
Total equity attributable to owners of the Company	33,078,932	32,944,603	29,328,654	31,024,088	23,207,912

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 2023 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 Company's main business during the Reporting Period

During the Reporting Period, the Company's approved business scope was mainly: exploration, mining, beneficiation and sales of gold and non-ferrous metal, production, processing and sales of specialized equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations). The Company's main products include standard gold bullions, investment gold bars, alloy gold and silver ingots.

The mining enterprises under the Company's management are located in Shandong, Fujian, Inner Mongolia, Gansu, Xinjiang, Jilin, Heilongjiang, Qinghai, Yunnan and other regions in the PRC, and overseas countries such as Argentina, South America and Ghana, Africa, forming an integrated industry chain covering exploration, 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 intelligent beneficiation technology to realize the large-scale, intensive and mechanized mining of gold resources. Relying on the world's third largest gold mineralization belt, national-level integrated exploration area, and world-class extra-large gold mine enrichment area in the east region of Jiaodong Peninsula, the Company will accelerate the construction of a world-class gold resource industry base. Among them, the resource integrated development project of Jiaojia Gold Mine and Xincheng Gold Mine has become the first non-coal mine construction project selected into the Shandong Province's major implementation project database since the "14th Five-Year Plan" period. Mining enterprises have accelerated the expansion of capacity and boundary and the increase of reserves by exploration, so as to integrate surrounding mining rights resources and extend the service life of existing mines. The Company has successfully acquired Yintai Gold, Daqiao Gold Mine mining rights and other projects, further increasing its gold resource reserves and production capacity.

CHAIRMAN'S STATEMENT

Lean operation and control

The Company has a complete industrial chain integrating resource acquisition, geological exploration, mine production, equipment manufacturing, and industrial finance, and has formed a full-process closed-loop management system of plan release, process control, indicator implementation, and assessment and evaluation. In 2023, the Company completed the preparation of the first group-based standard in the gold industry – “Shandong Gold Technical Management Standard”, realizing the standardization and specification of production management, technical management, and site management of mining enterprises. A series of technology improvement activities such as “whole-process metal balancing” and strengthening of “five rate” indicators management were carried out, thus the level of lean management was significantly improved. The Company achieved a feed grade of 1.88 g/t of raw ore in underground mines, representing a year-on-year increase of 2.17%; a mining loss rate of 4.82%, representing a decrease of 0.36 percentage point; an ore dilution rate of 5.75%, representing a decrease of 0.04 percentage point during the Reporting Period; a recovery rate of mineral processing of 92.96%, which is the same as that of 2022 (excluding Yintai Gold data).

Technology and innovation-driven model

The Company insists on in-depth implementation of the innovation-driven development strategy, attaches great importance to improving independent innovation capabilities, and continues to increase investment in technological innovation. In 2023, research and development investment increased by 25.99% year-on-year. Two of its subsidiaries have been approved in respect of provincial and municipal innovation platforms such as corporate research and development centers, and two have been newly awarded scientific and technological enterprise titles such as gazelle company and small and medium-sized high-tech company. The Company has successfully won two provincial science and technology progress awards and 30 association awards. During the year, we applied for 259 patents and obtained 173 authorized patents; we took the lead or participated in the formulation of six standards, achieving a breakthrough of “zero” participation in the formulation of international standards. The “13th Five-Year Plan” national key research and development plan project that we took the lead for the first time passed the acceptance with an excellent score of 91 points.

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 implemented the concept of green development, actively carried out the “carbon peaking and carbon neutral” work, and formulated the Company’s carbon peaking action plan in a scientific and rational way. The Company accelerated the promotion and application of clean energy, update of obsolete equipment, energy-saving and low-carbon technological transformation and other related work, and comprehensively built green exploration, green mines, and green factory development model, with all its green mines passing the green mine on-site inspection in 2023, which remained in the green mine directory. Sanshandao Gold Mine’s “Shandong Province Gold Mine Green Mine Standardization Pilot Project” passed the acceptance inspection; relying on the Company’s green mines, SDG Group was awarded the title of “China Green Ecological Research Base” (jointly issued by the Green Mine Promotion Committee of China Council for the Promotion of Environment and Forestry and Beijing Research Center of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era), constantly increasing the ecological and environmental protection.

CHAIRMAN'S STATEMENT

Industry Development and the Position of the Company in the Industry

The development of the gold industry is deeply affected by changes in the global political and economic situation. In 2023, due to the combined impact of a series of factors such as the continued decline in global inflation, the gradual shift in the Federal Reserve's monetary policy, the unexpected outbreak of the banking crisis in the United States and Europe, and frequent geopolitical risk events, gold prices at home and abroad have reached record highs. The role of gold for avoiding risks and preserving value has been further enhanced, and its attractiveness in the allocation of large types of assets has continued to increase.

During the Reporting Period, the international macroeconomic and geopolitical situation were complex and ever-changing. On one hand, in an environment where overall global inflation is falling, market expectations for the United States and European central banks to shift to looser monetary policies are gradually increasing. On the other hand, due to the significant increase in fiscal spending, the economy of the United States remains resilient, causing the Federal Reserve's monetary policy expectations to change repeatedly. In addition, the banking crisis in the United States and Europe and the unexpected outbreak of the Palestinian-Israeli conflict have also caused greater uncertainty in the global political and economic situation.

During the Reporting Period, gold prices overall showed a volatile upward trend. Against the background of the Federal Reserve's gradual shift in monetary policy towards easing and global geopolitical turmoil, investment and consumer demand for gold were strong, and many central banks around the world continued to increase their gold holdings. The international spot gold price in 2023 ranged from the highest of US\$2,146/ounce to the lowest of US\$1,804/ounce, with a maximum volatility of US\$342/ounce; closed at US\$2,062/ounce at the end of the year, up by approximately 13% as compared to the closing price at the end of last year. The domestic gold price was stronger than the international gold price. The contract price of Shanghai Gold Exchange Au (T+D) reached the highest of RMB485/g and the lowest of RMB408.08/g, and closed at RMB479.91/g at the end of the year, representing an increase of approximately 17% over the closing price of RMB409.76/g at the end of last year.

During the Reporting Period, global gold demand fell slightly but domestic gold demand continued to grow. According to statistics of the World Gold Council, total global gold demand (excluding OTC transactions) in 2023 was 4,448 tonnes, representing a decrease of 5% as compared to 2022 when demand was strong. Central banks of economies continued to purchase gold on a large scale, with net gold purchases for the year totaling 1,037 tonnes, only 45 tonnes less than the historical record in 2022. Statistics from the China Gold Association show that the national gold consumption in 2023 was 1,089.69 tonnes, representing an increase of 8.78% as compared to the same period in 2022. They included gold jewelry of 706.48 tonnes, representing a year-on-year increase of 7.97%; gold bars and gold coins of 299.60 tonnes, representing a year-on-year increase of 15.70%; and industrial and other gold products of 83.61 tonnes, representing a year-on-year decrease of 5.50%. In addition, the People's Bank of China increased its gold holdings by 224.88 tonnes during the year. As of the end of 2023, our country's gold reserves were 2,235.41 tonnes.

During the Reporting Period, the total amount of gold traded on the domestic gold exchanges recorded a year-on-year increase. According to the statistics of the China Gold Association, the accumulated bilateral trading volume of all gold products on the Shanghai Gold Exchange in 2023 was 41,500 tonnes (unilateral: 20,800 tonnes), representing a year-on-year increase of 7.09%, with a bilateral turnover of RMB18.57 trillion (unilateral: RMB9.28 trillion), representing a year-on-year increase of 22.31%. The accumulated bilateral trading volume of all gold products on the Shanghai Futures Exchange was 124,200 tonnes (unilateral: 62,100 tonnes), representing a year-on-year increase of 43.90%, with an accumulated bilateral turnover of RMB47.76 trillion (unilateral: RMB23.88 trillion), representing a year-on-year increase of 55.43%.

CHAIRMAN'S STATEMENT

During the Reporting Period, the domestic gold production rose year-on-year. According to the China Gold Association, the gold produced with domestic raw materials was 375.155 tonnes in 2023, representing an increase of 0.84% year-on-year. Among them, the gold mine-produced gold was 297.258 tonnes, and the non-ferrous by-products was 77.897 tonnes. In addition, the gold produced from imported raw materials was 144.134 tonnes in 2023, representing a year-on-year increase of 14.59%, and a total of 519.289 tonnes of gold were produced nationwide, representing a year-on-year increase of 4.31%.

In 2023, the Company closely followed the annual target of “interconnecting internally and externally to leap forward” to scientifically formulate plans, strengthen dispatching and supervision, focus on key mining areas, enhance production organization and optimize production layout, so as to maximize potential, increase production and enhance efficiency. In 2023, the Company had the gold mine production volume of 41.78 tonnes (including the production of Yintai Gold after being consolidated into the Company's financial statements), representing 14.06% of the total gold production volume of mining enterprises in the PRC in 2023. Shandong Gold had ten mines with an annual production of more than 1 tonne of gold in 2023, of which the domestic mines produced a total of 35.34 tonnes of gold, representing a year-on-year increase of 8.37% and boasting of the listed company with the highest gold production of domestic mines in the PRC, and continued to maintain its leading position in the domestic gold industry.

ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Strategic Advantage

The Company firmly grasped the theme of high-quality development, strengthened the role of strategic leadership, adhered to the drive of reform and innovation, and concentrated on the development of the main business. Focusing on the development concept of “Safe Shandong Gold, Ecological Shandong Gold, Vibrant Shandong Gold and Humanistic Shandong Gold”, and 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, focused on the core technologies of the industry, accelerated the building of scientific research platforms, actively developed and promoted new technologies, new equipment and new processes, steadily pushed forward digital transformation and the construction of intelligent mines, and activated the endogenous development momentum. Adhering to concept of “resource first, efficiency focused, innovation centered” in an unswerving manner, the Company internally strengthened exploration to increase reserves, so as to ensure the rapid release of overall production capacity in key areas; and relying on the resource integration in important metallogenic zones, the Company externally acquired quality resources in an active manner, so as to continuously consolidate our leading position. Meanwhile, the Company promoted the construction of overseas infrastructure mine enterprises, stabilized the output of in-production mine enterprises, and enhanced the operational capacity of overseas production areas, striving to create a model for high-quality development of overseas mining operations. Acting on the concept that “lucid waters and lush mountains are invaluable assets”, the Company continuously improved the safety and environmental protection management system, and collaborated in promoting carbon reduction, pollution reduction, green expansion and growth, accelerating the formation of a new mode of mining development in line with the requirements of ecological civilization. The Company always placed production safety in the position of “more important than everything else, prior to everything else, higher than everything else, and overriding everything else”, promoted comprehensive upgrading of mining enterprises in terms of management reform, technological innovation and process optimization to build up safety production defenses and consolidate the foundation of intrinsic safety, steadily promoting the level of healthy, sustainable and high-quality development.

Advantage in Resource Superiority

The Company has been upholding the concept of “resource first, efficiency focused, innovation centered” in an unswerving manner, continuously expanding its resource reserves, upgrading the quality of its resources, enhancing its core competitiveness and strengthening its resource advantages. The Company carried out the exploration of self-owned mining rights and the acquisition of resources in parallel, gave full play to the main role of mining enterprises through finding mines by mines and focusing on the periphery and the deep part of the mines, conducted in-depth research on the metallogenic rules, and increased the investment in exploration, so as to provide strong impetus and resource support for the sustainable development of the mines. The Company continued to accelerate the exploration progress of greenfield projects, innovated exploration techniques, applied new technologies and new methods, studied and summarized mineralization theories, striving to make breakthroughs in prospecting. The Company successfully completed the merger and acquisition of control over Yintai Gold, won the bid for the mining right of Daqiao Gold Mine, facilitated the resource integration of Yanshan Mine Area in Penglai region in Shandong Province, and accelerated the acquisition of the exploration right of Xiling Gold Mine, which substantially increased the Company's resource reserves, effectively extended the service life of the mines, and continuously promoted the Company's high-quality development.

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 company which owns four mine enterprises, each with cumulative gold production exceeding 100 tonnes. According to the statistics of the China Gold Association, Yintai Gold's mine-produced gold in 2022 ranked seventh among listed gold companies in the country. Yintai Gold was also a mining company with higher gross profit margins among gold mines. Its net profit in 2022 ranked fifth among listed gold mining companies in the country.

Advantage in Technology

Closely focusing on the cutting-edge technologies of the international mining industry, the Company continued to increase its investment in research and development by centering on the three major areas of deep resource exploration and exploitation, green mines and intelligent mining, further strengthened the management mechanism of research and development investment, and increased the guarantee of scientific research funding. Relying on major scientific and technological projects, the Company increased its efforts in scientific research, and made new progress in the research of deep resources development, green mines, high-end equipment and the construction of deep shafts by focusing on key projects. The national key research and development plan project of "Research & Development and Demonstration of Key Technologies for Green Mining of Deep Metal Mines" undertaken by the Company passed the acceptance of the Ministry of Science and Technology of the People's Republic of China with a high score, and the split ring permanent magnet gearless ball mill self-developed by SDG Heavy Industry was successfully selected in the catalogue of "first set" in Shandong Province. Thanks to the rapid construction of Company's scientific and technological innovation platform, a provincial enterprise technology center was approved for Xinjiang Jinchuan Mining Co., Ltd. ("**Xinjiang Jinchuan Mining**"), while SDG Heavy Industry was identified as a provincial specialized and new small and medium-sized enterprise, and Shandong Gold Mining (Xinhui) Co., Ltd. ("**Xinhui Company**") was identified as a municipal "specialized and new", innovative small and medium-sized enterprise. In addition, many subsidiaries applied for various scientific research platforms and titles, forming a new situation of all-round innovation and development. Under the guarantee of multi-level innovation system such as academician workstations, professional laboratories and grass-roots innovation studios, the Company will continue to carry out the research of relevant technologies and equipment such as prevention and control of ground pressure over 1,000 meters in depth, heat damage control of deep wells, prevention and control of water surges in downhole wells, highly efficient mining methods, paste filling process and resource utilization of tailings, as well as the research and application of the key technology of constructing and upgrading the first 2,000-metre ultra-deep wells in the country, so as to fill the technological blanks of deep resource development in the domestic metal mining field.

Talent Advantage

Shandong Gold gathers talents from all over the world with an open and inclusive attitude. It 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. Shandong Gold values the attraction and fostering of talents and builds a talent ladder in the long run. Shandong Gold flexibly introduced five leading talents closely related to the main business of gold to exert their effectiveness of leadership. It launched the National Mechanical, Metallurgical and Building Materials Industry Craftsman College (全國機械冶金建材行業工匠學院) and the Shandong Metallurgical Craftsman College (山東冶金工匠學院) to leverage the advantages of mining enterprises and jointly build five training bases to promote the integration of industry, academia and research, and create a team of outstanding industrial workers. The Company constantly promotes learning through competitions by recommending all types of talents to participate in national and provincial talent project selections, and strengthens their own strength. The Company actively participated in the recruitment activities such as "Talents Gathering in Qilu for the Future", continued to strengthen the recruitment of university graduates, and injected new forces to the team. With the support of human resources platforms such as academician workstations and postdoctoral workstations, Shandong Gold has hired well-known academicians, experts and scholars at home and abroad, and on-site postdoctoral fellows to concentrate our efforts on overcoming "stuck neck" technical problems. As thus, Shandong Gold continuously made substantial breakthroughs in geological prospecting, deep resource exploration and mining, green mines, intelligent mining and promoted the transformation of industrial value. Shandong Gold actively innovated to establish a self-assessment system for professional workers with specialized skills in gold mining industry, which fills the gap of the professional skill assessment for specialized workers in gold mining industry across the country.

CHAIRMAN'S STATEMENT

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 180 Index, as well as three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices. In 2023, the Company was successively granted the 17th China Listed Companies Value Evaluation – Top 100 Main Board Listed Companies in terms of Value, the Green and Low-Carbon Outstanding Contribution Award for China Listed Companies, the 23rd China Listed Companies Top 100 – Top 100 Enterprises Award, the Ethical Enterprises Award, and the 2023 Phoenix Star Hong Kong Listed Companies – Best Hong Kong Stock Connections, etc. The relevant successful cases were selected as the best practices in corporate governance, best practices in ESG and good practices in village revitalization of listed companies by the China Association for Public Companies. The Company was evaluated and awarded grade A for its information disclosure work on the Shanghai Stock Exchange for the year 2022-2023 for six consecutive years. The Company implemented Xi Jinping's idea of ecological civilization in depth, collaborated in promoting carbon reduction, pollution reduction, green expansion and growth in accordance with the requirements of the Party Central Committee, the State Council, the provincial party committee and the provincial government on the arrangement and deployment of ecological civilization and ecological environmental protection work. The Company further promoted prevention and control of environmental pollution, accelerated the progress of key environmental protection facilities construction projects, and strengthened special inspections and supervision of environmental protection in key areas, comprehensively upgrading the level of environmental emergency management and risk prevention in enterprises. All the subsidiaries passed the annual green mine field verification and spot check, Sanshandao Gold Mine passed the expert assessment and acceptance of "Green Mine Standardization Pilot Project of Gold Mines in Shandong Province", and Xinhui Company was recognized by the Development and Reform Commission of Qingdao Municipality as the Green Mining Engineering Research Centre of Non-ferrous Metals in Qingdao, continuously consolidating and improving the level of green mine construction, and polishing the brand image of "Shandong Gold, Ecological Mining".

By order of the Board of Directors

Li Hang

Chairman

Jinan, the PRC
28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group's:

- **revenue** increased by 17.83% to approximately RMB59,275.28 million from approximately RMB50,305.75 million for the same period in 2022, which was mainly due to the increase in sales volume and sales price of self-produced gold, externally purchased gold and externally procured alloy gold during the Reporting Period.
- **cost of sales** increased by 14.75% to approximately RMB50,647.6 million from approximately RMB44,138.32 million for the same period in 2022, which was mainly due to the increase in the costs of self-produced gold, externally purchased gold and externally procured alloy gold during the Reporting Period.
- **gross profit** increased by 39.89% to approximately RMB8,627.68 million from approximately RMB6,167.43 million for the same period in 2022, which was mainly due to the increase in gross profit from self-produced gold sales during the Reporting Period.
- **selling expenses** decreased by 16.56% to approximately RMB147.18 million from approximately RMB176.4 million for the same period in 2022, which was mainly due to the decrease in sales commissions during the Reporting Period.
- **other gains and losses, net** decreased by 60.21% to a loss of approximately RMB510.71 million from a loss of approximately RMB318.77 million for the same period in 2022, which was mainly due to the increase in losses on disposal of financial products during the Reporting Period.
- **finance costs** increased by 49.22% to RMB1,568.28 million from approximately RMB1,051.0 million for the corresponding period of 2022, which was mainly due to the increase in interest expenses as a results of the increase in financing amount 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 2023, the Group's reserves amounted to approximately RMB18,667.13 million and short-term borrowings amounted to approximately RMB27,932.63 million. The bank balances and cash of the Group as at 31 December 2023 were approximately RMB8,352.90 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; and (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 amounts due to related parties loans in an aggregate amount of approximately RMB1,985.54 million from SDG Group Finance at an interest rate ranging from 2.2% to 2.8% per annum. The Company has issued two tranches of renewable corporate bonds. Please refer to “Information of Corporate Bonds” below for details.

At the same time, the Group has arranged bank loans totaling RMB51,143.97 million through several banks in China, with annual interest rates ranging from 1.60% to 6.79% (including gold leasing of RMB7,684.58 million).

CASH FLOWS

The Group's bank balances and cash have increased from approximately RMB7,753.48 million as at 31 December 2022 to approximately RMB8,352.90 million as at 31 December 2023.

ASSETS AND LIABILITIES

As at 31 December 2023, the Group's:

- **prepayment, trade and other receivables** increased by 14.28% to approximately RMB5,352.32 million from approximately RMB4,683.6 million as at 31 December 2022, which was mainly due to the decrease in prepayment made by subsidiaries for purchase of gold and the increase in the subsidiaries' receivables from gold sales during the Reporting Period.
- **deferred income tax assets** increased by 98.17% to approximately RMB722.74 million from approximately RMB364.71 million as at 31 December 2022, mainly due to the increase in the acquisition of Yintai Gold.
- **property, plant and equipment** increased by 36% from approximately RMB37,028.4 million as at 31 December 2022 to approximately RMB50,357.96 million, mainly due to the increase in the acquisition of Yintai Gold.
- **intangible assets** increased by 60.48% from approximately RMB20,556.65 million as at 31 December 2022 to approximately RMB32,988.31 million, mainly due to the increase in the acquisition of Yintai Gold.
- **inventory** increased by 81.25% to approximately RMB9,983.35 million from approximately RMB5,508.11 million as at 31 December 2022, mainly due to the increase in the acquisition of Yintai Gold.
- **prepaid income tax** decreased by 60.08% to approximately RMB41.98 million from approximately RMB105.15 million as at 31 December 2022, mainly due to the increase in profits and income tax expenses during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

- **current income tax liabilities** increased by 74.5% to approximately RMB529.48 million from approximately RMB303.42 million as at 31 December 2022, mainly due to the increase in profits and income tax expenses during the Reporting Period.
- **borrowings (including current and non-current liabilities)** increased by 119.23% from approximately RMB23,328.94 million as at 31 December 2022 to approximately RMB51,143.97 million, mainly due to the increase in investment and financing scale during the period.

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 2023, 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 RMB1,305.5 million.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2023, the Group recorded non-current assets, current assets classified as financial assets at fair value through profit or loss (“**FVTPL**”) amounting to approximately RMB8,995.25 million (31 December 2022: approximately RMB8,119.98 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits.

As at 31 December 2023, 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, the principal business of which includes brokerage business, online trading and investment consultation. The Group held 347,169,166 shares of Donghai Securities in aggregate, representing approximately 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 2023 was approximately RMB4,755.13 million, which was approximately 3.54% of the Group’s total assets as at 31 December 2023. For the year ended 31 December 2023, there was a fair value gain of RMB-257.55 million from the securities of Donghai Securities held by the Group and Donghai Securities distributed a dividend of RMB0. 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 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 there will be sufficient working capital 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

On 9 December 2022, the Company entered into the Share Transfer Agreement with Mr. Shen Guojun, the de facto controller of Yintai Gold, and China Yintai Holdings Co., Ltd., the controlling shareholder, pursuant to which Mr. Shen Guojun and China Yintai Holdings Co., Ltd. intended to transfer 20.93% shares of Yintai Gold held by them in total to the Company. On 19 January 2023, the Company entered into the Supplemental Agreement to the Share Transfer Agreement with Mr. Shen Guojun, the de facto controller of Yintai Gold, and China Yintai Holdings Co., Ltd., the controlling shareholder, pursuant to which China Yintai Holdings Co., Ltd. transferred 401,060,950 shares of Yintai Gold held by it, and Mr. Shen Guojun transferred 180,120,118 shares of Yintai Gold held by him (a total of 581,181,068 shares, accounting for 20.93% of Yintai Gold's total share capital) to the Company. The securities transfer registration and the re-election of the board of directors by Yintai Gold have been completed on 20 July 2023 and 14 August 2023 respectively, and the Company has obtained control of Yintai Gold. For details, please refer to the Company's announcements dated 11 December 2022, 19 January 2023 and 20 July 2023 published on the website of the Hong Kong Stock Exchange. As of 31 December 2023, the Company held 802,251,840 shares in Yintai Gold (including 221,070,772 shares purchased by the Company from the secondary market), representing 28.89% of the total share capital of Yintai Gold, and is the controlling shareholder of Yintai Gold.

Save as disclosed in this annual report, during the Reporting Period, 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 bolstering the continuous growth of the Group.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

2023 is the first year to fully implement the spirit of the 20th National Congress of the CPC, and is also a key year for the Company to further implement the strategic plans during the "14th Five-Year Plan" period. The Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and undertook the responsibility of "stabilizing the growth and making contribution". Closely following the annual target of "interconnecting internally and externally to leap forward", the Company proactively pressurized itself and forged ahead, and united efforts to tackle difficulties. The Company effectively addressed and resolved various risks and challenges, successfully completed all targets and tasks during the year, and continued to consolidate the positive trend of development of seeking progress in stability and quality improvement.

In 2023, the Company had the gold mine production volume of 41.78 tonnes, representing a year-on-year increase of 3.10 tonnes or 8.03%. The Company's total assets reached RMB135,019 million, representing an increase of RMB43,728 million or 47.90% over the beginning of the period; the Company's total liabilities were RMB81,721 million, representing an increase of RMB27,246 million or 50.02% over the beginning of the period; total equities amounted to RMB53,298 million, representing an increase of RMB16,482 million or 44.77% over the beginning of the period. The debt-to-asset ratio was 60.53%, representing an increase of 0.86 percentage point over the beginning of the period. In 2023, the Company achieved revenue of RMB59,275 million, representing a year-on-year increase of RMB8,969 million or 17.83%; profit before tax was RMB3,488 million, representing a year-on-year increase of RMB1,586 million or 83.39%. Profit for the year amounted to RMB2,823 million, representing a year-on-year increase of RMB1,469 million or 108.49%; basic earnings per share was RMB0.40, representing an increase of RMB0.21 per share over RMB0.19 for the corresponding period of prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company focused on the following works:

(I) Seizing the key and making precise efforts to improve the quality of production and operation. The Company paid close attention to the annual target responsibility, closely followed the key task time point, and held 15 key work promotion meetings and various special work meetings regarding the issue of capacity expansion and production increase, strengthened the monitoring and analysis of economic operation and scheduling supervision, optimized incentive and assessment measures, focused on key mining areas, strengthened production organization, optimized production layout, maximized potential tapping, increased output and enhanced efficiency. The resource integration and development projects of Jiaojia Gold Mine and Xincheng Gold Mine respectively became the first batch of non-coal mine construction projects selected for major implementation projects in Shandong Province since the “14th Five-Year Plan”. In 2023, the year-on-year growth rates of Xihe Zhongbao Mining Co., Ltd. (“**Xihe Zhongbao**”), Shandong Jinzhou Mine Group Co., Ltd. (“**Jinzhou Company**”), and Sanshandao Gold Mine production reached 15.54%, 10.73%, and 5.74%, respectively, Veladero Mine overcame various unfavorable factors and increased its gold production by 6.37% year-on-year, Linglong Gold Mine successfully resumed work and production in Dongfeng mining area. We continuously strengthened technical management, comprehensively grasped the “five rate” management and “full process metal balance” management, systematically promoted equipment lifecycle management, and achieved the coverage rate of over 95% of the main equipment in the enterprise.

(II) Linking up and down, targeting tackling, development momentum continuously being strengthened. Continuously promoted the increase of resource reserves, strengthened geological exploration internally, actively acquired resources externally, and successfully obtained 20.93% control of Yintai Gold through agreement acquisition, achieving a strong alliance with Yintai Gold, increasing the shareholding of Yintai Gold to 28.89% in the secondary market, further consolidating control over Yintai Gold; won the mining rights for the Gansu Bridge project through bidding, which strengthened the resource reserves of Shandong Gold in Gansu region; promoted the injection of mining rights of the Yanshan mining area in Penglai where SDG Group was located into the Company, and integrate and develop the existing mining rights of Penglai Mining to achieve synergistic effects. The Company completed exploration project volume of 0.48 million meters and invested exploration funds of RMB570 million throughout the year, which achieved significant exploration results with an increase in gold content of 36.6 tonnes as explored, further extending the service life of the mines and promoting their sustainable development.

We fully promoted the construction of key projects, with the construction of the shaft boring in the auxiliary shaft of Sanshandao Gold Mine reaching an elevation of -1,260 meters. The ZhuguoLijia auxiliary shaft projects of Jiaojia Gold Mine was accurately connected to the production system of Sizhuang Mining Area. The new main shaft of Xincheng Gold Mine was topped 22 days ahead of schedule, and the -870 meters middle section in the new main and auxiliary shaft of Xinhui Company was accurately connected in advance. The mine project selection and tailing reservoir project of the Namdini Gold Mine project of Cardinal Resources Limited in Ghana was rapidly promoted.

(III) Strict management and lean management achieving remarkable results in quality and efficiency improvement. Continuously deepened cost reduction and efficiency improvement, broke down indicators such as gold decomposition cost reduction, controllable management expenses and pressure reduction for two golds, expanded cost reduction and efficiency improvement to areas such as “resource creation and technology improvement”, made targeted efforts in asset revitalization, centralized procurement, cost control, tax planning and other aspects, achieving significant results. Continuously strengthened fund control, further optimized financing structure, strengthened intensive management of funds, utilized bank loan dividend policies for the manufacturing industry, seized favorable interest rate reduction window, and saved interest expenses through early repayment and loan replacement and other methods. Strengthened the construction of research and analysis team for gold trading, conducted market tracking research, comprehensively improved price analysis capabilities, grasped price trends, optimized trading strategies, and achieved that the annual average sales price of self-produced gold was higher than the market average price by RMB2.79/gram during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Deepening reform, empowering science and technology, and development momentum continuously being stimulated.

We took technological innovation as the primary driving force, and continued to increase research and development investment, with a year-on-year increase of 25.99% in 2023. 142 new technology projects were approved, 259 patents were applied for, including 54 invention patents; obtained 173 patent authorizations, including 19 invention patents. Focused on strengthening core technology research, the Sanshandao Gold Mine's "Safe and Efficient Mining Technology and Intelligent Equipment for Underground Metal Ore Crushing Bodies" project was approved by the Ministry of Science and Technology of the PRC. Accelerated the construction of digital intelligence, solidly managed network, data and information security, further promoted the application of 5G intelligent equipment, continued to make efforts in the construction of intelligent mining areas, participated in the preparation of 7 provincial and ministerial industry standards, 6 digital transformation cases were rated as "excellent" at the provincial and ministerial level, and 2 smart mine construction projects were awarded the second prize of the first "State-owned Enterprise Digital Scene Innovation Professional Competition" by the State-owned Assets Supervision and Administration Commission of the State Council and the first prize of the first "Shandong Province 5G New Energy Innovation and Entrepreneurship Competition" by the State-owned Assets Supervision and Administration Commission of the State Council.

(V) Performing responsibilities and consolidating foundation to ensure effective risk prevention and control.

We insisted on putting production safety in the important position of "prioritizing everything, prior to everything, above everything, and overriding everything". We continued to promote the standardization of safety quality and the construction of the "dual system" demonstration basic management team. We completed special investments of RMB891 million in safety during the year, made solid progress in comprehensively improving mine production safety, and strengthened special inspections of mechanical and electrical, ventilation, waterproofing, tailings ponds, etc. Eight mining enterprises reduced the number of high-temperature working surfaces by 70, and the implementation rate of mining top help full support to the front end reached 100%. The safety production situation continued to be stable throughout the year. We built a long-term management mechanism for green mine construction, continuously promoted the environmental protection "three simultaneities" procedures, tackled pollution prevention and control, investigated and corrected environmental hazards, and achieved "carbon peaking and carbon neutrality". We invested RMB154 million in environmental protection during the year, all of our green mines have passed the annual green mine on-site inspection, and the smelting company was enrolled in the national green factory list.

(VI) Enhancing motivation by leading through party building and unifying efforts.

We took high-quality thematic education as the primary political task, clarified 22 key work tasks, refined "8+4+1" personal self-study micro goals, created a "daily learning" online learning micro platform, held four sessions of thematic education reading classes to solidify political loyalty among party members and cadres. We identified 33 research topics, created a list of research questions, held meetings to share research outcomes, and led officials in targeted research, problem-solving, and development promotion. Adhering to a "strict" main tone, we collectively advanced the "three integrities" initiative, fostering an atmosphere of integrity and entrepreneurship. We established mechanisms for care and concern, continuously leading employees to achieve excellence in their roles, and conducted labor competitions, skill contests, model worker and craftsman talks, and condolences to frontline workers, constantly strengthening the cohesion and centripetal force among all staff.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR OPERATIONS DURING THE REPORTING PERIOD

In 2023, the Company produced 41.78 tonnes of mine-produced gold, a year-on-year increase of 3.10 tonnes or 8.03%. The main reasons of the increase in production include: the gradual improvement of the production systems of Sanshandao Gold Mine, Xihe Zhongbao and Jinzhou Company, resulting in an increase in production capacity; the resumption on work and production of the Dongfeng mining area in Linglong Gold Mine; the increase on the total amount of mining and stripping at the Veladero Mine, and the decrease on the number of refractory ores; the increase on the production brought by the acquisition of Yintai Gold. The selected grade of the Company's raw ore was 1.29 g/t (Excluding Yintai Gold data), an increase of 0.06 g/t year-on-year. Among them, the feed grade of raw ore in underground mines was 1.88 g/t, an increase of 0.04 g/t year-on-year, or 2.17%. The main reason was that all mines took measures such as optimizing mining methods, strengthening technical management and on-site management to reduce loss rate and dilution rate and improve the grade of raw ore.

The Dongfeng mining area in Linglong Gold Mine resumed work and production in January 2023. During the Reporting Period, only the Linglong mining area was shut down. In January 2024, the competent authorities of Yantai City approved the resumption of infrastructure production in Linglong Mining Area. As at the date of this report, Linglong Mining Area is actively promoting the adjustment and construction of the production system, striving to obtain a new production safety license and resume work and production as soon as possible.

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
	2022		2023		
	Gold production volume		Gold production volume		
	kg	koz	kg	koz	
Sanshandao Gold Mine	5,459.85	175.54	5,773.30	185.62	100%
Jiaojia Gold Mine	10,036.25	322.67	9,381.70	301.63	100%
Linglong Gold Mine	1,101.92	35.43	1,863.90	59.93	100%
Xincheng Gold Mine	5,691.23	182.98	5,405.22	173.78	100%
Penglai Mining	201.57	6.48	400.30	12.87	100%
Yinan Gold Mine	376.03	12.09	380.62	12.24	100%
Xinhui Company	1,433.1	46.08	1,091.60	35.10	100%
Laixi Company	595.85	19.16	549.32	17.66	100%
Jinzhou Company	1,130.1	36.33	1,251.32	40.23	100%
Guilaizhuang Mining	816.3	26.24	864.06	27.78	70.65%
Chai Mine Company	1,727.95	55.55	1,687.68	54.26	73.52%
Fujian Yuanxin	320.16	10.29	280.63	9.02	90.31%
Xihe Zhongbao	1,008.28	32.42	1,165.01	37.46	70%
Jinchuan Mining	2,717.73	87.38	2,720.74	87.47	100%
Yintai Gold			2,519.81	81.01	28.89% ⁽¹⁾
Total of domestic mines	32,616.32	1,048.64	35,335.21	1,136.05	
Veladero Mine ⁽²⁾	6,057	194.74	6,442.80	207.14	50%
Total of foreign mines	6,057	194.74	6,442.80	207.14	
Total of the Company	38,673.32	1,243.38	41,778.01	1,343.19	

Notes:

1. The Company increased its shareholdings through mergers and acquisitions and the secondary market. As of the end of the Reporting Period, it held a total of 28.89% of the shares in Yintai Gold, which is a consolidated controlling subsidiary of the Company. The above production of Yintai Gold is the production data of Yintai Gold after its incorporation into the Company's financial statements as at 14 August 2023.
2. 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.
3. 1 ounce = 31.1035 grams.
4. 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.

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	59,275,275	50,305,754	17.83
Cost of sales	(50,647,596)	(44,138,322)	14.75
Selling expenses	(147,179)	(176,421)	-16.58
General and administrative expenses	(2,614,946)	(2,465,844)	6.05
Research and development costs	(487,195)	(399,567)	21.93
Finance costs	(1,568,275)	(1,051,000)	49.22

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 purchased gold and externally procured alloy gold during the period. The increase in operating costs was mainly due to the increase in the costs of self-produced gold, externally purchased gold and externally procured alloy gold during the period.

Information on major suppliers and customers

The sales to the top five customers amounted to RMB47,547.10 million, representing 80.21% of the total sales for the year. There were no sales amount from connected persons among the top five customers, out of which the total sales to the largest customer accounted for 72.56% of the Company's total sales for the year.

The procurement amount from the top five suppliers amounted to RMB27,910.44 million, and the total procurement amount accounted for 55.11% of the cost of sales of the year. There were no procurement amount from connected persons among the top five suppliers, out of which the total procurement amount from the largest supplier accounted for 21.08% of the Company's cost of sales of 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 2023, the Group's consolidated total debt (including lease liabilities, borrowings and financial liabilities at fair value through profit or loss) was approximately RMB52,101.59 million (31 December 2022: RMB34,803 million), and the Group's consolidated total equity was approximately RMB53,297.71 million (31 December 2022: RMB36,815.92 million). As at 31 December 2023, the Group's gearing ratio was 97.76% (31 December 2022: 94.53%).

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	319,408.56	Security deposits for land reclamation and environmental governance
Monetary funds	1,435,149.31	Security deposits for notes
Monetary funds	2,810.00	Performance bond
Monetary funds	12,820.63	Security deposits for futures
Monetary funds	96,051.47	Security deposits for letter of credit
Monetary funds	1,796.40	Fund frozen by court
Monetary funds	3,502.77	Others
Notes receivable	143,080.00	Pledge
Inventories	142,943.25	Pledge for financing
Other non-current assets	1,329.80	Advance security deposit for exploration rights, the balance of which will be frozen and supervised according to a three-party supervision agreement signed by Jincheng Shengxin, Team 602 of Jilin Provincial Nonferrous Metal Geological Exploration Bureau and its account bank
Total	2,158,892.20	

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on business information of the industry

1. Major industry policy changes during the Reporting Period

- (1) On 3 January 2023, in order to further standardize the transfer transactions of mineral rights, ensure the transfer transactions of mineral rights to be open, fair and just, and protect the national rights and the lawful rights of the mineral right holders, the Ministry of Natural Resources issued the Regulations on Mineral Right Transfer Transactions (Zi Ran Zi Gui [2023] No. 1).
- (2) In order to implement the Guiding Opinions of the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council on the Coordination and Delineation of the Three Control Lines in National Land Spatial Planning and the Notice of the Ministry of Natural Resources, the Ministry of Ecology and Environment, and the National Forestry and Grassland Administration on Strengthening the Management of Ecological Protection Red Line (Trial) (Zi Ran Zi Fa [2022] No. 142), strictly control and manage the ecological protection red line and safeguard the ecological security in Shandong Province, with the consent of the provincial government, on 1 January 2023, the Department of Natural Resources of Shandong Province and the Department of Ecology and Environment of Shandong Province issued the Notice on Strengthening the Management of Ecological Protection Red Line.
- (3) In order to thoroughly implement the spirit of the 20th National Congress of the Communist Party of China, fully accomplish the decisions and arrangements of the Central Economic Working Conference and the requirements of the provincial party committee and provincial government, focus on supporting the rapid economic recovery and development of Shandong Province, and continuously consolidate the sound momentum of “being stable and progressive with quality enhancement”, on 17 March 2023, the Department of Natural Resources of Shandong Province issued the Notice on Certain Policies and Measures for Strengthening the Protection of Natural Resource Elements to Support the High-Quality Development of Economy.
- (4) According to the Notice of the State Council on Issuing the Reform Plan for the Mineral Resources Royalty System (Guo Fa [2017] No. 29) (《國務院關於印發礦產資源權益金制度改革方案的通知》), in order to further improve the system of paid use of mineral resources, standardize the collection and management of proceeds from the transfer of mining rights, safeguard the rights and interests of national owners of mineral resources, promote the protection and rational utilization of mineral resources and the healthy and orderly development of related industries, the Ministry of Finance, the Ministry of Natural Resources, and the State Administration of Taxation issued the Measures for the Collection of Income from the Transfer of Mining Rights (Cai Zong [2023] No. 10) (《礦業權出讓收益徵收辦法》) on 24 March 2023.
- (5) On 6 May 2023, in order to implement the decisions and arrangements of the Party Central Committee and the State Council on the reform of the mining rights transfer system and the reform of the natural resource asset property rights system, improve the ability to guarantee energy resources, and promote the healthy and sustainable development of the mining industry, the Ministry of Natural Resources issued the Notice on Further Improving the Registration and Management of Mineral Resources Exploration and Mining (Zi Ran Zi Gui [2023] No. 4) (《關於進一步完善礦產資源勘查開採登記管理的通知》).
- (6) On 8 May 2023, in order to standardize the implementation of ecological and environmental administrative penalties, supervise and ensure that the ecological and environmental authorities implement administrative penalties in accordance with the law, safeguard public interests and social order, and protect the legitimate rights and interests of citizens, legal persons or other organizations, the Ministry of Ecology and Environment issued the newly revised Measures for Administrative Punishments on Ecology and Environment (Ministry of Ecology and Environment Order No. 30) (《生態環境行政處罰辦法》).
- (7) In order to implement the decisions and arrangements of the Party Central Committee and the State Council on the reform of the mining rights transfer system and the reform of the property rights system of natural resource assets, improve the ability to guarantee energy resources, and promote the healthy and sustainable development of the mining industry, on 6 May 2023, the Ministry of Natural Resources issued Notice on Further Improving the Registration and Management of Mineral Resources Exploration and Mining (Zi Ran Zi Gui [2023] No. 4) (《關於進一步完善礦產資源勘查開採登記管理的通知》).

MANAGEMENT DISCUSSION AND ANALYSIS

- (8) On 26 July 2023, in order to implement the decisions and arrangements of the Party Central Committee and the State Council on the reform of the mining rights transfer system, the reform of the oil and gas system, strengthen the domestic exploration and development of important energy and mineral resources, and increase reserves and production, give full play to the market's role in resource allocation, and better exert the role of the government, the Ministry of Natural Resources issued the Opinions on Several Matters Concerning Deepening the Reform of Mineral Resources Management (Zi Ran Zi Gui [2023] No. 6) 《關於深化礦產資源管理改革若干事項的意見》.
- (9) On 21 August 2023, in order to thoroughly implement the spirit of the 20th National Congress of the CPC and the Central Economic Work Conference, give priority to stabilizing growth, and promote the effective improvement of quality and reasonable growth of quantity in the non-ferrous metals industry, the Ministry of Industry and Information Technology, the National Reform and Development Commission, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Commerce, the General Administration of Customs, the National Food and Strategic Reserves Administration and other departments jointly issued a notice on the Work Plan for Stable Growth of the Non-ferrous Metal Industry (MIIT Lian Yuan [2023] No. 130) 《有色金屬行業穩增長工作方案》.
- (10) In order to implement the main responsibility of production and operation units for safety production, improve the safety production management system, enhance the safety production management capabilities and levels, and promote the sustainable and healthy development of the economy and society, the General Office of the People's Government of Shandong Province issued the Notice on the Implementation Measures for the Safety Director System of Production and Business Units in Shandong Province (Trial) (Lu Zheng Ban Zi [2023] No. 116) 《山東省生產經營單位安全總監制度實施辦法(試行)》的通知. The measures were implemented from 1 October 2023 and will be valid until 30 September 2025.
- (11) Mine production safety is related to the safety of people's lives and property, to the overall situation of economic development and social stability, and is the top priority of safety production. In order to thoroughly implement the spirit of the 20th National Congress of the CPC and further strengthen mine production safety, with the consent of the Party Central Committee and the State Council, in September 2023, the General Office of the CPC Central Committee and the State Council issued the Opinions on Further Strengthening Mine Safety Production Work 《關於進一步加強礦山安全生產工作的意見》.
- (12) In August 2023, the Ministry of Emergency Management issued the Measures for the Management of the List of Subjects with Serious Untrustworthiness in Production Safety (Ministry of Emergency Management Order No. 11) 《安全生產嚴重失信主體名單管理辦法》. In order to strengthen the construction of credit system in the field of safety production and standardize the management of the list of seriously untrustworthy entities in safety production, the measures came into effect on 1 October 2023.
- (13) In order to further strengthen the source management of the design of safety facilities in non-coal mine construction projects and further standardize the design review work after major changes to safety facilities, the National Mine Safety Administration issued the Notice on the Scope of Major Changes to Safety Facilities in Non-Coal Mine Construction Projects (Kuang An [2023] No. 147) 《非煤礦山建設項目安全設施重大變更範圍》的通知 on 14 November 2023.

2. Changes in significant tax policy during the Reporting Period

There are no major changes in tax policy in 2023.

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

In 2023, the domestic subsidiaries of the Company were liable for a resource tax amounting to RMB770.6577 million, with RMB734.2696 million actually paid. The environmental protection tax payable was RMB0.5838 million, with RMB0.5521 million actually paid.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Resource tax rate and tax incentives

The resource tax for subsidiaries in Shandong Province is paid at 4.2% of the gold sales revenue, while other companies pay the resource tax according to the tax items and applicable rates determined by the provincial people's government of their location.

According to the Notice on Clarifying the Applicable Rates of Resource Tax in Our Province and Other Related Matters (Min Cai Shui [2020] No. 14) jointly promulgated by the Finance Department of Fujian Province and the Fujian Provincial Taxation Bureau of the State Administration of Taxation, for the extraction of associated minerals, when the sales revenue of associated minerals and the main mineral products are accounted separately, a 30% reduction in the payable resource tax for associated minerals is applied. Fujian Zhenghe County Yuanxin Mining Co., Ltd. (福建省政和縣源鑫礦業有限公司), a subsidiary of the Company, enjoys the aforementioned preferential policy.

According to the Specific Measures for Reduction and Exemption of Resource Tax in Jilin Province under Specific Circumstances jointly promulgated by the Jilin Provincial Department of Finance, the Jilin Provincial Taxation Bureau of the State Administration of Taxation, and the Jilin Provincial Department of Natural Resources, where an enterprise mines co-associated ore and the sales of co-associated ore and main mineral products are accounted for separately, the resource tax shall be reduced by 50% of the tax payable on the silver of co-associated ore. Jilin Banmiaozhi Mining Co., Ltd., a subsidiary of the Company, enjoys the aforementioned preferential policy.

According to the Decision of the Standing Committee of the People's Congress of Heilongjiang Province on the Implementation of Authorized Matters of the Resource Tax Law promulgated by the Standing Committee of the People's Congress of Heilongjiang Province, the resource tax shall be levied by taxpayers on the exploitation of co-associated ore and low-grade ore at a reduced rate of 50%, and the resource tax shall be exempted from the exploitation of tailings. Heihe Locke Mining Development Co., Ltd. (黑河洛克礦業開發有限責任公司), a subsidiary of the Company, enjoys the aforementioned preferential policy.

According to the Implementation Plan of Resource Tax Item Tax Rate and Preferential Policy of Qinghai Province jointly issued by Qinghai Provincial Department of Finance and Qinghai Provincial Tax Bureau of the State Administration of Taxation, where taxpayers mine and sell co-associated ore products, the sales of co-associated ore and main mineral products are accounted for separately, and the sales of co-associated ore products account for less than 20% (excluding) of the total sales of taxable mineral products in the current period, the resource tax shall be reduced by 50%. Qinghai Dachaidan Mining Co., Ltd., a subsidiary of the Company, enjoys the aforementioned preferential policy.

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	
	2023	2022	2023	2022
Revenue from contracts with customers within the scope of IFRS 15				
The PRC	56,585,687	47,257,420	95.46%	93.94%
Outside the PRC	2,676,509	3,028,300	4.52%	6.02%
	59,262,196	50,285,720		
Revenue from other sources				
The PRC	13,079	20,034	0.02%	0.04%
	59,275,275	50,305,754		

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 was officially implemented on 1 May 2020 and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Combined with the national standard for the Classification of Solid Mineral Resources and Reserves (GB/T17766-2020) and in accordance with the internationally accepted NI43-101 standard, the Company's mineral resources and mineral reserves as of 31 December 2023 are summarized as follows:

Name of mine	Major type	Resources					Reserves					Remaining resources mining year (year)	Validity period of permits/mining rights			
		Measured	Indicated	Inferred	Total	Grade (g/t)	Gold content (100%basis) (t)	Gold content (equity basis)	Proven	Probable (Mt)	Total			Grade (g/t)	Gold content (100%basis) (t)	Gold content (equity basis)
Sanshandao Gold Mine	Gold	-	19.01	19.01	24.88	43.90	3.11	136.65	136.65	-	16.37	2.78	45.50	45.50	6.19	Mining right (2043.09.01)
Jiajia Gold Mine	Gold	-	49.87	49.87	49.03	98.90	3.53	349.25	349.25	-	19.04	3.96	75.40	75.40	4.00	Mining right (2027.8.3) Mining right (2032.4.21)
Xinzheng Gold Mine	Gold	-	18.49	18.49	40.42	58.91	3.38	199.41	199.41	-	17.50	3.34	58.40	58.40	6.63	Expiration right (2025.6.30) Mining right (2032.4.21)
Linglong Gold Mine	Gold	-	7.08	7.08	47.80	54.88	2.86	157.04	157.04	-	6.55	2.22	14.55	14.55	6.35	Mining right (2030.1.20) Mining right (2034.9.30)
Guiaizhuang Gold Mine	Gold	-	0.61	0.61	1.74	2.35	3.46	8.12	5.74	-	0.36	3.77	1.34	0.95	1.69	Expiration right (2025.4.9) Expiration right (2018.5.6) in the process of renewal
Jinzhou Gold Mine	Gold	-	1.94	1.94	2.04	3.98	3.12	12.39	12.39	-	1.90	2.90	5.51	5.51	21.62	Mining right (2026.11.20) Expiration right (2027.3.31) Mining right (2033.3.16) Mining right (2026.1.12) Mining right (2031.8.3) Mining right (2021.12.14) in the process of cancellation
Xinhui Company	Gold	-	6.06	6.06	3.58	9.64	3.68	35.47	35.47	-	5.97	3.46	20.69	20.69	16.09	Mining right (2021.9.30) in the process of cancellation
Laxi Company	Gold	-	1.43	1.43	1.52	2.95	1.97	5.80	5.80	-	1.44	1.69	2.43	2.43	5.93	Mining right (2031.11.29)
Peigla Gold Mine	Gold	-	1.04	1.04	0.89	1.93	7.30	14.11	14.11	-	1.07	5.31	5.69	5.69	5.93	Mining right (2027.8.3) Mining right (2018.4.7) in the process of integration of mineral rights
Ynan Gold Mine	Gold	-	1.80	1.80	4.15	5.95	1.55	9.25	9.25	-	1.70	1.36	2.31	2.31	8.76	Mining right (2022.4.28) in the process of integration of mineral rights Expiration right (2025.3.22) Mining right (2028.11.20) Mining right (2031.7.15) Expiration right (2024.8.19)
Shandong Province	Gold	107.34	107.34	176.05	283.39	3.27	927.49	925.11	0.00	71.90	3.22	231.83	231.43	231.43		

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources					Reserves					Remaining resources mining year (year)	Validity period of permits/mining rights				
		Measured	Indicated	Measured and Indicated (Mt)	Inferred	Total	Grade (g/t)	Gold content (100%basis) (t)	Provable	Total	Grade (g/t)			Gold content (100%basis) (t)			
Chengdehai Mine	Gold	-	1.41	1.41	0.82	2.23	3.03	6.76	4.97	-	1.49	1.49	2.77	4.14	3.04	4.53	Mining right (2025.12.8) Expiration right (2026.2.14)
Fujian Yuanxin Gold Mine	Gold	-	0.26	0.26	0.24	0.50	5.02	2.51	2.26	-	0.21	0.21	4.26	0.90	0.81	2	Expiration right (2027.12.9) Expiration right (2028.2.14) Expiration right (2028.9.14)
Xihe Zhongbao Gold Mine	Gold	-	6.22	6.22	7.14	13.36	2.26	30.14	21.10	-	5.36	5.36	2.23	11.96	8.37	20.22	Mining right (2026.4.16) Expiration right (2034.4.28)
Xinjiang Jinchuan Gansu Jinchun	Gold	5.72	28.93	34.66	6.61	41.27	0.91	37.54	37.54	2.23	16.97	19.20	0.82	15.84	15.84	3.84	Mining right (2024.6.27) Mining right (2038.8.30)
Gansu Jinchun	Gold	-	-	-	6.77	6.77	3.27	22.13	13.28	-	-	-	-	-	-	-	Mining right (2027.1.12)
Total of other provinces	Gold	5.72	36.82	42.55	21.58	64.13	1.55	99.08	79.15	2.23	24.04	26.28	1.25	32.84	28.07	-	
China sub-total	Gold	5.72	144.16	149.88	197.63	347.51	2.95	1,026.57	1,004.26	2.23	95.94	98.18	2.70	264.67	259.51	-	
Veladero Gold Mine	Gold	43.28	210.90	254.18	35.97	290.15	0.64	186.62	93.31	39.30	136.82	176.12	0.70	124.10	62.05	-	8 mining rights are leased until 2029, and self-owned 5 mining rights are indefinite
Cardinal	Gold	7.48	174.20	181.68	12.45	194.13	1.12	216.11	185.39	7.383	131.21	138.59	1.13	157.20	133.62	-	Mining right (2035.2.11) Expiration right (2026.2.5) Expiration right (2026.2.5) Expiration right (2026.2.5) Expiration right (2026.2.5) Expiration right (2026.2.5) Expiration right (2026.2.5) Expiration right (2027.1.3)
Total	Gold	56.48	529.26	585.74	246.05	831.79	1.72	1,431.30	1,282.96	48.91	365.97	414.89	1.32	546.97	455.18	-	

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. As of 31 December 2023, the Company owned 70.65%, 73.52%, 90.31%, 70%, 60% and 50% of equity interest of Guilaizhuang Gold Mine, Chifengchai Gold Mine, Fujian Yuanxin Gold Mine, Xihe Zhongbao Gold Mine, Gansu Jinshun, Veladero Gold Mine; the Company owns 100% equity interest in Cardinal Resources Limited ("**Cardinal**"), which in turn owns 85% equity interest of subsidiaries Cardinal Namdini Mining Limited and Cardinal Ghana Limited; the Company owned 100% equity interest of other mines.

5. Cut-off grade of 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 Yanan 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.

MANAGEMENT DISCUSSION AND ANALYSIS

6. 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.

Mineral reserve in Namdini Gold Mine of Cardinal was estimated based on a cut-off grade of 0.5 g/t; mineral resource was estimated based on a cut-off grade of 0.5 g/t.

7. According to the requirements of the governments of Shandong Province and Penglai District of Yantai City on resource integration, Penglai Gold Mine has acquired 2 mineral rights owned by Shandong Jinchuang Co., Ltd. and 3 mineral rights owned by Shandong Gold Jinchuang Group Co., Ltd., which were integrated with all existing mineral rights of Penglai Gold Mine into one mining right (for details, please refer to the relevant announcements disclosed by the Company on 25 July and 22 August 2023). As of 28 March 2024, Penglai Gold Mine is undergoing mineral rights integration procedures and is expected to obtain the integrated mining license by the end of April 2024. The resource and reserve of Penglai Gold Mine in the above table do not include the other five mineral rights, which had gold content of 10.437 tonnes as of the base date of the merger and acquisition.
8. On 24 May 2023, the Company's controlling subsidiary Gansu Jinshun Mining Co., Ltd. (甘肅金舜礦業有限責任公司) successfully won the mining rights of Daqiao Gold Mine in Gansu region by participating in a judicial auction. Due to the temporary lack of data for the mining rights of Daqiao Gold Mine fully supporting for the estimation of international standard resource reserves, the data listed in the above table was announced data in the judicial auction. Gansu Jinshun planned to advance the estimation of resources and reserves in accordance with international standard in 2024.
9. Laizhou Hongsheng Mining Investment Co., Ltd., the Company's wholly-owned subsidiary, 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 a shareholding ratio of 39%), 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). The resource and reserve in the above table do not include the Shaling gold mine project.
10. The above table does not include the data of Yintai Gold. Please refer to the table below for the resource and reserve data of Yintai Gold.

MANAGEMENT DISCUSSION AND ANALYSIS

The gold sources and reserves of Yintai Gold, a controlled subsidiary of the Company, are disclosed in accordance with the internationally accepted JORC code. According to the “2023 Year-end Mineral Resources and Mineral Reserves Report” issued by BAW (Beijing) Mining Technology Co., Ltd. (寶萬(北京)礦業技術有限公司), as of 31 December 2023, Yintai Gold retained measured + indicated + inferred gold resources of 45.536 million tonnes and gold content of 146.66 tonnes. At present, the potential resources with low feasibility of mining are about 3.06 million tonnes, and gold content is 10.12 tonnes, amounting to a total of 156.78 tonnes of metal content. The Company retained measured + indicated + inferred silver-lead-zinc polymetallic ore resources of 69.064 million tonnes, including silver content of 7,856.90 tonnes, lead content of 613,705 tonnes, zinc content of 1,283,552 tonnes, and copper of 126,201 tonnes. The retained measured + indicated + inferred resources and reserves are detailed in the table below:

Name of mine	Major type	Resources ⁽¹⁾⁽²⁾						Reserves ⁽¹⁾⁽²⁾						
		Measured and Indicated				Inferred	Total	Gold content		Proven	Probable	Total	Gold content	
		Measured	Indicated	Indicated	Inferred			Grade	(100% basis)				Grade	(100% basis)
		(Mt)	(Mt)	(Mt)	(Mt)	(Mt)	(g/t)	(t)	(Mt)	(Mt)	(Mt)	(g/t)	(t)	
Jilin Banmiaozai	Gold	4,168	0,416	4,584	1,971	6,554	3.83	25,089	3,349	0,288	3,637	4.03	14,643	
Huasheng Gold Mine	Gold	2,932	7,401	10,334	7,374	17,708	1.65	29,228	2,621	6,283	8,903	2.18	19,401	
Heihe Luoke	Gold	1,262	0,889	2,151	0,467	2,617	4.99	13,052	0,843	0,318	1,161	5.90	6,853	
Qinghai Dachaidan	Gold	1,373	8,247	9,620	7,229	16,849	4.60	77,540	1,373	6,643	8,016	4.71	37,776	
Yulong Mining	Gold	-	-	-	1,807	1,807	0.97	1,753	-	-	-	-	-	
Total		9,736	16,692	26,888	18,848	45,536	3.22	146,662	8,187	13,532	21,717	3.62	78,672	

Name of mine	Resources									Reserves						
	Measure and Indicated				Inferred	Total	Lead content (100% basis)	Zinc content (100% basis)	Silver content (100% basis)	Copper content (100% basis)	Proven	Probable	Total	Lead content (100% basis)	Zinc content (100% basis)	Silver content (100% basis)
	Measured	Indicated	Indicated	Inferred												
	(Mt)	(Mt)	(Mt)	(Mt)	(Mt)	(t)	(t)	(t)	(t)	(Mt)	(Mt)	(Mt)	(t)	(t)	(t)	
Heihe Luoke	1,263	0,889	2,152	0,467	2,619	-	-	161,923	-	0,843	0,318	1,161	-	-	88,979	
Yulong Mining	8,514	28,087	36,601	32,464	69,064	613,705	1,283,552	7,856,897	126,201	0,723	4,902	5,625	84,205	154,025	863,533	
Total	9,776	28,975	38,752	32,930	71,682	613,705	1,283,552	8,018,820	126,201	1,566	5,220	6,786	84,205	154,025	952,512	

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. Mt = million tonnes; t = tonne.
4. As of 31 December 2023, the Company held 95%, 60%, 100%, 90% and 76.67% of equity interest of Jilin Banmiaozi, Huasheng Gold Mine, Heihe Luoke, Qinghai Dachaidan and Yulong Mining.

5. Cut-off grade assumed:

Resources in Jilin Banmiaozi were based on a cut-off grade of Au1.0 g/t, and reserves were based on a cut-off grade of Au2.0 g/t.

Resources in Huasheng Gold Mine were based on a cut-off grade of Au0.3 g/t, and reserves were based on a cut-off grade of Au0.5 g/t.

Resources in Heihe Luoke were based on a cut-off grade of Au1.0 g/t, and reserves were based on a cut-off grade of Au3.0 g/t.

Resources in Qinghai Dachaidan were based on a cut-off grade of Au1.0 g/t, and reserves were based on a cut-off grade of Au2.0 g/t.

Resources in Yulong Mining were based on a cut-off grade of Ag70 g/t, and reserves were based on a cut-off grade of Ag70 g/t.

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 at 1 January 2023, RMB4,506.1 million of the above has been fully utilized to repay Syndicated Term Loans in accordance with the uses stated in the Prospectus, and RMB95 million has been utilized to pay listing expenses in accordance with the uses stated in the Prospectus. As at 1 January 2023, approximately RMB17.7 million of the proceeds from the global offering that were intended to be utilized to pay listing expenses were not utilized. Reference is made to the Company's announcement dated 27 October 2023, since the Company has paid up all listing expenses, the Company decided to change the use of the unutilized proceeds of RMB17.7 million and apply them to the replenishment of working capital in full. Changes to the use of proceeds from the global offerings do not require the approval of general meeting. For details, please refer to the announcement of the Company dated 27 October 2023. The following table sets forth the use of proceeds from the global offering during the Reporting Period after the change of use:

Item	Percentage	Net proceeds (RMB million)			Expected timeline for the use of the unutilized proceed ⁽¹⁾
		Amount unutilized upon change in the use of proceeds from the global offering	For the Year ended 31 December 2023	As at 31 December 2023	
Repayment of Syndicated Term Loan	97.6%	-	-	-	-
Replenishment of working capital	2.4%	17.7	17.2	0.5	On or before 31 December 2024
Total	100%	17.7	17.2	0.5	

Note:

- (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.

RESEARCH AND DEVELOPMENT EXPENDITURE

Table of research and development expenditure

	2023	2022
Expensed research and development expenditure for the period (RMB'000)	478,195	399,567
Number of research and development staff (persons)	1,952	1,887
Number of research and development staff to total number of staff of the Company (%)	11.09	11.10

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this annual report, the Board of Directors comprises 8 Directors, including 3 executive Directors, 2 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)	54	Chairman, Non-executive Director	12 July 2022	July 2022
Liu Qin (劉欽)	55	Vice Chairman, Executive Director	30 December 2020	January 2008
Wang Shuhai (王樹海)	61	Executive Director	30 December 2020	January 2008
Wang Xiaoling (汪曉玲)	60	Non-executive Director	16 May 2016	July 2000
Wang Lijun (王立君) (resigned on 12 January 2024)	55	Non-executive Director	20 May 2014	January 2014
Tang Qi (湯琦)	46	Executive Director	21 November 2017	July 2000
Wang Yunmin (王運敏)	68	Independent Non-executive Director	30 December 2020	December 2020
Liew Fui Kiang (劉懷鏡)	57	Independent Non-executive Director	30 December 2020	December 2020
Zhao Feng (趙峰)	55	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), the 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 secretary of the CPC Committee, the chairman and the general manager of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), and the non-executive Director 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), the mine manager of Sanshandao Gold Mine of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), the 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 vice chairman and general manager of Shanjin Mining Co., Ltd. (山金礦業有限公司), the 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), the 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), the 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), the vice chairman and general manager of Shandong Gold International Mining Co., Ltd. (山東黃金國際礦業有限公司), the 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), the manager of Mineral Resources Department of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), the 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), the 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), the 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 executive Director, the vice chairman and general manager of the Company, and the secretary to CPC Committee and chairman of the Company's Mining Management Branch Co..

Mr. Wang Shuhai (王樹海), successively served as the vice mine manager of Sanshandao Gold Mine of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), the 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), the 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 the executive Director of the Company.

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 the non-executive Director of the Company.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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), the vice chairman, the general manager, the non-executive Director, the chairman and the secretary of CPC Committee of the Company, and a standing member of the CPC Committee and the deputy general manager of Shandong Gold Group Co., Ltd.

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 the executive Director, the secretary to the Board and the director of the Board office, the general manager of the capital operation department and the head of the strategic planning department of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yunmin (王運敏), 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), and 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). 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, and an independent director of Explosive Co., Ltd (易普力股份有限公司).

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, and an external director of China International Marine Containers (Group) Co., Ltd.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

As at the date of this annual report, 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)	59	Chairman of the Supervisory Committee, Supervisor	16 May 2016	May 2016
Liu Yanfen (劉延芬)	44	Supervisor	8 November 2019	November 2019
Luan Bo (樂波)	51	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)	55	General manager	12 July 2022	January 2008
Tang Qi (湯琦)	46	Secretary to the Board	21 November 2017	July 2000
Song Zengchun (宋增春)	59	Deputy general manager	16 May 2016	September 2013
Xu Jianxin (徐建新)	51	Deputy general manager	29 August 2019	April 2016
Lyu Haitao (呂海濤)	51	Deputy general manager	29 August 2019	August 2003
Teng Hongmeng (滕洪孟)	57	Acting financial controller	18 October 2022	August 2004

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.

Mr. Xu Jianxin (徐建新), successively served as the office political officer, deputy director and director of general administration office of SDG Group Co., Ltd., the deputy general manager of Shandong Gold Resources Development Co., Ltd., the deputy general manager of Shandong Gold Resources Group Co., Ltd. (山東黃金資源集團有限公司), the first deputy manager (manager level) of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), the manager of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), the general manager of Corporate Culture Department (publicity department of CPC Committee, complaint letter and request handling office), the 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, the deputy director of general administration office of SDG Group Co., Ltd., the 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)), the 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 2023.

PRINCIPAL BUSINESS

During the Reporting Period, the Company's approved business scope was mainly: exploration, mining, beneficiation and sales of gold and non-ferrous metal, production, processing and sales of specialized equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations). The Company's main products include standard gold bullions, investment gold bars, alloy gold and silver ingots.

The mining enterprises under the Company's management are located in Shandong, Fujian, Inner Mongolia, Gansu, Xinjiang, Jilin, Heilongjiang, Qinghai, Yunnan and other regions in the PRC, and overseas countries in Argentina, South America and Ghana, Africa, forming an integrated industry chain covering exploration, 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 2023 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 120 and the audited consolidated statement of financial position on pages 122 to 123, respectively in this annual report.

ANALYSIS ON INVESTMENT STATUS

Overall analysis on external equity investment

During the Reporting Period, the Company completed investment projects such as the establishment of Gansu Jinshun Mining Company Limited (甘肅金舜礦業有限公司), the acquisition of control over Yintai Gold and the equity interests in minority shareholders of Shandong Jinzhou Mine Group Co., Ltd. (山東金洲礦業集團有限公司).

REPORT OF THE DIRECTORS

Key non-equity investments

Unit: RMB100 million

No.	Project name	Total project investment amount	Progress of project	Amount completed during the Reporting Period	Cumulative amount completed	Revenue of project
1	Jiaojia mining area (integration) gold resources development project	82.73	The mixing shaft in the north area of the main control project was completed, and preparations for the second phase of project are underway. The main and auxiliary shafts in the south area are being excavated as planned.	2.57	3.38	According to the Feasibility Study Report, after the project reaches capacity, the ore production and processing capacity will be 6.6 million tonnes per year, and the average annual production of flotation gold concentrate will be 290,600 tonnes (gold content of 18,854 kg/year).
2	Xincheng Gold Mine resources integrated development project	37.84	The main shaft project in mining area I is in the process of installing wellbore equipment, and the auxiliary shaft project in mining area II was completed and supporting engineering construction is in progress.	3.39	6.67	According to the Feasibility Study Report, after the project is completed and reaches capacity, the annual ore processing capacity will be 2.64 million tonnes, and the average annual production of flotation gold concentrate will be 119,600 tonnes (gold content of 7,771 kg/year).
3	Namdini Gold Mine project of Cardinal	33.60	The concentrator's EPCM project has placed long-term equipment orders, and the foundation pouring and partial equipment installation have been carried out as scheduled. The tailings pond project is progress about 50%, and the electricity, water supply and camp construction are progressing as planned.	12.99	17.19	According to the Feasibility Study Report, after the project reaches capacity, the annual ore processing capacity will be 9.5 million tonnes, and the average annual output of crude gold ingots containing gold will be 8.438 tonnes.
4	Expansion project of 2,000t/d of mining and beneficiation in Chifeng Chaihulanzi Gold Mining Co., Ltd.	2.78	The auxiliary shaft was completed, and the second phase of supporting projects is under construction. The construction of supporting tailings pond was completed.	1.05	2.04	According to the Feasibility Study Report, when the mine reaches production scale, it will produce 600,000 tonnes of ore per year.

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

The global centennial changes are accelerating, with the rise of hegemonism, unilateralism, and protectionism. Regional peace and development face greater instability and uncertainty, making the security of national strategic resources an essential cornerstone of major powers' competition. Consequently, the competition for global strategic resources has intensified, and enhancing the reserves of domestic mineral resources has become a top priority for national security. On one hand, the trend of mergers and acquisitions in the gold mining industry, characterized by alliances between strong players, is evident from a global perspective. In May 2023, Newmont Corporation, the world's largest gold company, announced the acquisition of Newcrest Mining Ltd., one of the top ten global gold companies. This significantly increased the gold reserves of Newmont Corporation, further strengthening its position in the global gold industry. On the other hand, domestically, in the context of the country's comprehensive implementation of a new round of mineral exploration breakthrough strategies, large domestic gold enterprises have intensified their exploration efforts, accelerating the further exploration and development of gold resources. In August 2023, SDG Group discovered the Xiling gold mine, the largest giant monolithic gold deposit in Shandong Province, adding 209.606 tonnes of gold content to the previously recorded 382.58 tonnes of gold content as filed for general prospecting in 2017, totaling 592.186 tonnes of gold content discovered. As at the date of this annual report (i.e. 28 March 2024), the Company is in the process of transferring the exploration rights for the Xiling gold mine to itself, further consolidating its leading position in the domestic gold industry. As the nation continues to promote the safe development of strategic resources, the intensity of mergers and acquisitions in the gold mining resources sector is expected to increase, and competition in the exploration and development fields will become increasingly fierce.

Currently, amid the increasing uncertainties in the global political and economic landscape, gold is expected to continue demonstrating strong asset allocation appeal. Firstly, looking at economic performance, the high-interest-rate environment in major economies such as the United States and Europe will gradually exert pressure on their economic growth and employment, increasing the risk of black swan events in the economic and financial sectors. Secondly, from a monetary policy perspective, with the global inflation level continuing to decline, central banks in major economies like the United States and Europe are more likely to shift from tightening to easing policies. Lastly, in terms of geopolitical risks, the current global situation remains unstable with sporadic outbreaks of regional conflicts. The Russia-Ukraine conflict, the Israel-Palestine conflict, and the Red Sea crisis continue, and with many countries or regions entering election years, geopolitical relationships may become even more complex. Under the influence of these multifaceted factors, the long-term value of gold allocation will become more pronounced, and the gold industry will face promising development opportunities.

REPORT OF THE DIRECTORS

Industry development trend

In recent years, our country's gold industry has developed rapidly, with gold production, processing, and consumption ranking first in the world. Gold production in 2023 was 375.155 tonnes (excluding gold produced from imported raw materials), ranking first in global gold production for 17 consecutive years; gold consumption continued to recover and has ranked first in the world for 10 consecutive years. The growth rate of retail sales of gold, silver and jewelry commodities continued to lead other categories of commodities, and the transaction volume of the gold market continued to grow. From the perspective of policy, with the introduction of a series of national economic stabilization policies, especially the launch of a new round of domestic prospecting operations for strategic minerals, the mineral exploration authority of various provinces and cities will be relaxed and the rational development and utilization of mineral resources will be promoted. Resource-rich provinces such as Inner Mongolia, Xinjiang, and Gansu are accelerating the transformation of resource advantages into development and competitive advantages, promoting the development of mining clusters, so as to provide a strong guarantee for gold mining companies to optimize regional industrial layout and expand resource territory.

Shandong Gold has currently established a whole industrial chain covering geological exploration, mine construction, mining production, ore dressing and smelting, and product sales, forming a gold industry layout with Shandong Province as its core, strong presence across the nation and expanding overseas. The Company has resource advantages of a world-class gold production bases in Shandong Province, with all mines outside the province located in key gold mineralized belts, and the prospects for resource increase and storage in overseas projects are also considerable. Domestically, the Company's mines have maintained the first place in gold production for consecutive years, with an absolute advantage in production capacity. Of the gold mines in production, 10 have a production capacity of over 1 tonne. The Company has leading technological advantages in deep well mining, undersea mining, green mining and intelligent mining, especially in intelligent mine construction which is at the forefront of the whole industry. After nearly 30 years of development, the Company has cultivated a large number of professionals and managers in the mining industry, forming a team of highly educated talents, professional talents, and high-level talents. In 2024, the Company will focus on the annual goal of "digital intelligence empowerment, simultaneous improvement of quality and efficiency", continuously consolidate the foundation of development, enhance production capacity, improve development quality and efficiency through accelerating the pace of the increase of reserves by exploration and resource acquisition, solidly promoting the optimization of production systems, steadily advancing intelligent construction, comprehensively strengthening technical management, deeply reducing costs and enhancing efficiency, actively making breakthroughs in scientific research and other key measures, so as to move towards becoming a first-class gold mining enterprise.

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 gold mining enterprise with global competitiveness with outstanding main business advantages, excellent corporate governance and excellent value creation ability.

3. Strategic objectives in 2024

Focusing on the annual general objective of "Empowering Digital and Intelligent, and Improving in Both Quality and Efficiency", we will highlight the efforts to promote key works such as increasing resource reserves, expanding capacity and production, project construction and reducing costs and enhancing efficiency, and strive to promote the construction of intelligent mine. We will concentrate on the optimization of corporate governance and market-oriented mechanism operation, comprehensively speed up technological innovation and accelerate the digital, intelligent and green transformation, enhance our capital operation capability, implement value management, continuously create a new situation of healthy, sustainable and high-quality development, so as to build a listed enterprise with outstanding profitability, first-class market value and abundant shareholders' return, and achieve a significant improvement in the overall quality.

REPORT OF THE DIRECTORS

Business Plans

In 2024, the production and operation plan determined by the Company is that the gold output is no less than 47 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 2024:

(I) Steadily promoting capacity improvement. With capacity expansion and production increase as the main focus, we will improve the performance appraisal system, enhance the scientific, comprehensive, systematic and pertinent appraisal, and incorporate the improvement of indicators such as “One Profit and Five Ratios” into the scope of business performance appraisal of all enterprises. We will focus on strengthening the production organization, and make effort to promote the production continuity and extension of key mining areas. Centering on the improvement of the eight underground systems, the optimization of mining process, the improvement of beneficiation technology, and the comprehensive utilization of tailings, we will strive to optimize the construction of the system, strengthen the overall planning of system construction, and speed up the mechanized, large-scale and intelligent transformation of mining operations, so as to explore the potential for capacity expansion and production increase.

(II) Speeding up the project construction. We will accelerate the construction of the world-class gold resource industrial base, and particularly speed up the progress of the Sanshandao auxiliary shaft, blind service shaft, Zhuguolijia main shaft and Ming mixed shaft of Jiaojia Gold Mine, new main shaft and powder ore recovery shaft of Xincheng Gold Mine and other projects. We will also accelerate the construction of the Cardina project in Ghana, and make effort to promote early completion, operation and effectiveness of construction projects. We will focus on work such as the expansion of capacity and boundary of Linglong mining area of Linglong Gold Mine, deep level of Dongfeng mining area and Guilaizhuang Gold Mine, and the expansion of boundary of Shanhou Gold Mine of Laixi Company, so as to promote a new breakthrough in processing of certificates.

(III) Paying close attention to the increase in resource reserves. We will continue to increase the investment and exploration of geological prospecting in each mine, strengthen the increase of reserves by exploration of surrounding mining rights of key mines, conduct in-depth combing and analysis, summarize the results and experience, and conduct comprehensive research, comprehensive evaluation and comprehensive prospecting. We will establish a list of the Company’s major exploration projects, increase capital investment and strengthen overall control, to promote the acceleration of the implementation of major exploration projects. At the same time, in strict accordance with the principle of “targeted project, quick action, and focusing on implement”, we will accelerate the pace of mergers and acquisitions of mining rights projects around existing mines and important mineralization belts in China, steadily promote the acquisition of overseas high-quality resources, and continue to consolidate resource guarantees.

REPORT OF THE DIRECTORS

(IV) Paying close attention to the details of innovation and efficiency. Firmly focusing on digital and intelligent transformation, we will accelerate the process of digital transformation and intelligent upgrading in all aspects, expand the application field of 5G intelligent equipment, concentrate on the construction of intelligent mining areas in major mines, achieving a high-quality development model of “intrinsic safety, few people and no one, green and efficient”. We will continue to increase scientific and technological innovation, focusing on core key technologies breakthroughs such as difficult beneficiation and smelting, efficient and safe construction of deep shafts, paste filling process, harmless resource utilization of cyanide residue tailings, peripheral geological exploration in deep level, and intelligent support decision-making system, and strive to achieve breakthrough results. Closely following the goal of reducing costs, reducing consumption and increasing efficiency, increasing production, increasing income and increasing profits, we will deeply explore the potential of cost reduction in all aspects of production and operation, and realize “all employees, all positions, all factors, and the whole process” to reduce costs and increase efficiency through methods such as technology innovation, process optimization, process reengineering, centralized procurement, asset revitalization, and policy efficiency.

(V) Paying close attention to the details of safety and environmental protection. Adhere to the principle of strict discipline, we will fully implement the “Opinions on Further Strengthening Production Safety at Mines”, fifteen powerful measures for production safety and the requirements of “eight focuses and twenty innovative measures”, strengthen the source management, systematic management and comprehensive management of production safety, and strive to fundamentally eliminate the hidden dangers of accidents. We will continue to strengthen the standardization of mine shaft safety and quality, promote the comprehensive rectification of mine safety production, and the special rectification such as ventilation and cooling of deep level, and carry out investigation and rectification of hidden dangers in all aspects, so as to continuously improve the level of intrinsic safety. Adhering to the priority of environmental protection, we will further promote carbon reduction, pollution reduction and green expansion, improve the ecological and environmental protection management system, and continue to consolidate the achievements of green mine (green factory) construction, so as to accelerate the green and low-carbon transformation of development model.

(VI) Adhering to the guide of high-quality Party building. We will establish a long-term mechanism for consolidating and deepening the achievements of thematic education, and improve institutional mechanisms such as the promotion of “list-based”, so as to ensure that the long-term mechanism of thematic education can stand, be implemented, and go far. We will comprehensively consolidate the “two responsibilities”, strengthen the coordination of special supervision of discipline inspection and supervision, Party committee inspections and other supervision, and create a clean and upright political ecology. Through improving the compliance management system, we will increase supervision of key areas such as resource mergers and acquisitions, project construction, and overseas assets, promote high-quality full coverage of audit supervision and tracking of the entire legal process of the project, and continuously improve the level of legal operation and management in accordance with the law. We will also continue to improve the cadre selection and appointment mechanism, optimize the age structure of the cadre team, and build a team of cadres who are loyal, clean, responsible and practical.

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 will take various countermeasures, and however, the Company cannot absolutely guarantee the elimination of all adverse factors due to constraints of various factors.

1. Safety Management Risks

As the safety production supervision standards and requirements of governments at all levels continue to increase, the Company’s overall safety management is solid and effective. However, there are still some weak links in the safety production of some enterprises in basic management, equipment, systems and personnel quality, which restricts the Company’s achievement of intrinsic safety goal. If major casualties and property losses occur, it will have a significant impact on the Company’s brand and social reputation.

Countermeasures: We signed the work safety responsibility certificates with all staff and released the “Opinions on Strengthening Safety Work” in 2024 to consolidate and improve the results of mining top help full support, concentrate on rectifying problems of ventilation, and deep high temperature, resolutely eliminating equipment and processes expressly prohibited by the state, and promoting the application of advanced and applicable technologies. We strengthened prevention at source, optimized the dual prevention mechanisms for production safety, carefully investigated and managed hidden disaster factors, improved the risk prevention and control system, and enhanced safety inspections and the investigation and management of hidden dangers. We strengthened scientific breakthroughs on mine safety, comprehensively improved the level of technological equipment, and promoted transparent mine geology, accurate disaster warning, intelligent mining, informational control, and unmanned disaster relief and exploration, for the purpose of increasing the intrinsic safety level of mines. We provided safety trainings to improve the safety quality of safety managers and operators.

2. Environmental Protection Management Risks

Currently, the frequency of issuance of environmental protection laws, regulations, and standard specifications is relatively high, with the national environmental protection regulatory landscape becoming increasingly stringent. Although the Company’s ecological and environmental protection efforts have maintained a stable state, there still exist weaknesses in the environmental foundation management and a lack of prevention awareness in some enterprises, posing certain risk hazards to the Company’s production and operations.

Countermeasures: We strengthened the ecological and environmental awareness of all employees, signed ecological and environmental responsibility certificates, implemented the main responsibilities of environmental protection, improved various ecological and environmental management systems. We strengthened management of the “three simultaneities” of environmental protection, pollution discharge permits, pollution prevention and control, hazardous chemicals, hazardous wastes, tailings and other links or areas. We regularly carried out investigation and treatment of potential environmental hazards, promoted the rectification and implementation of outstanding environmental problems, and reduced environmental risks. Intensified technological innovation and increased environmental investment, continuously improved pollution prevention and control level, orderly reduced pollution and carbon emissions, synergistically increased efficiency, continuously reduced pollutant emissions, and improved the ecological environment of mining areas. Strengthened the construction of circular economy, expanded the utilization ways of solid waste including tailings and waste rocks, improved the comprehensive utilization rate of solid waste including tailings and waste rocks. Strengthened the construction of environmental emergency response systems, organized enterprises to timely prepare (revise) emergency plans for environmental emergencies, strengthened drills, prepared sufficient emergency materials, and improved the emergency prevention capabilities.

REPORT OF THE DIRECTORS

3. Resource Acquisition Risk

The competition between large mining groups for superior mineral resources has intensified, showing a trend of high overlap of major power competition categories, obvious geopolitical layout competition, and rising resource protectionism, making it 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.

4. Risks of fluctuation in product prices

The Company's main product is gold, and fluctuations in gold prices bring significant uncertainty to the Company's operational benefits. Due to the ongoing severe global economic situation and increased geopolitical instability, along with changes in national policies (such as monetary policy, fiscal policy, industry policy, regional development policy, etc.) and fluctuations in exchange rates, there can be a substantial impact on product prices, thereby affecting the Company's profits.

Countermeasures: The Company continuously strengthens its ability to systematically analyze and judge market trends, promptly analyzing the main factors affecting product prices and enhancing communication with external institutions to broaden perspectives. Based on scientific analysis and judgment, the Company adjusts its sales strategies in a timely manner. Surrounding production and operations, the Company carries out hedging activities to fully leverage the hedging functions of financial derivatives, offsetting the risk of product price fluctuations. It also establishes corresponding risk management systems and measures, improves business management mechanisms, continuously enhances the effectiveness of hedging, and effectively avoids the risk of price fluctuations.

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 the 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 the Argentine Peso has experienced significant fluctuations in the past, 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

RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND CONNECTED TRANSACTIONS

As at the date of preparation of this annual report, SDG Group directly and indirectly held 45.30% of the total issued Shares of the Company.

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 of 31 December 2023, it owned 30 gold mine exploration permits in the PRC with an aggregate of approximately 846.436 tonnes of gold resources measured with reference to rules for estimation of China’s resource reserves and reviewed and filed with relevant authorities; and 10 gold mine mining permits in the PRC with an aggregate of approximately 95.217 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 after listing, 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 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 End of the Reporting Period” 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..

In April 2023, SDG Group transferred its 130,000,000 A Shares to a pledged account opened at Shanghai Branch of China Securities Depository and Clearing Co., Ltd, which served as a guarantee for SDG Group’s 2023 non-public issuance of exchangeable corporate bonds for professional investors.

On 8 December 2023, the Company’s shareholder SDG Non-ferrous and Shandong Tonghui Capital Investment Group Co., Ltd. (山東通匯資本投資集團有限公司) (“**Tonghui Capital**”), a holding subsidiary of Shandong Hi-Speed Group Co., Ltd., signed a share transfer agreement, pursuant to which SDG Non-ferrous transferred the outstanding 12,535,622 Shares not subject to trading moratorium held by it in the Company to Tonghui Capital at a price of RMB23.022 per share by way of transfer by agreement. The transfer registration was completed on 22 February 2024. After the completion of the transfer by agreement, the Company’s total share capital remains unchanged. SDG Non-ferrous directly holds 102,941,860 A Shares of the Company, accounting for 2.30% of the Company’s total issued shares; Tonghui Capital directly holds 12,535,622 A Shares of the Company, accounting for 0.28% of the Company’s total issued shares.

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 END OF THE REPORTING PERIOD

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)	Whether entrusted by the Company
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	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	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.	Pinglidian Town, Laizhou City, Shandong Province	Not detected yet	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.	Zhacun Town, Laizhou City, Shandong Province	0.22	Yes
5	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.	Zhuqiao Town, Pinglidian Town, Laizhou City, Shandong Province	Not detected yet	Yes
6	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	Au: 592.186 Ag: 590	Yes
7	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, Daliuhang Town, Penglai City, Shandong Province	3.6	Yes
8	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	Yes
9	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	Yes
10	The gold mine in the northern mine area of Xishipeng, Penglai District, Yantai City, Shandong Province (exploration) (山東省煙台市蓬萊區西石棚北部礦區金礦勘探)	Shandong Jinchuang Co., Ltd.	Penglai District, Yantai City, Shandong Province	2.41	Yes

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No.	Name of exploration permit	Holder of exploration permit	Location	Detected gold content (tonnes)	Whether entrusted by the Company
11	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	Yes
12	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	Yes
13	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	Yes
14	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 Ag: 21.09	Yes
15	The gold and copper mine in the outer rim of Xingxi mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣星溪礦區外圍金銅礦詳查)	Fujian Province Zhenghe Dayuan Mining Co., Ltd.	Zhenghe County, Fujian Province	Not detected yet	Yes
16	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	8.027	Yes
17	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	Yes
18	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
19	The gold mine at Daligigetang 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	Yes
20	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	Yes
21	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

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No.	Name of exploration permit	Holder of exploration permit	Location	Detected gold content (tonnes)	Whether entrusted by the Company
22	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	Yes
23	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	Yes
24	The gold mine at south Asiha 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	Yes
25	The gold mine at south Walega in Dulan County, Qinghai Province (pre-prospecting) (青海省都蘭縣瓦勒爾南金礦預查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	Yes
26	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	Yes
27	The gold mine at Anjiacha Gold Mine in Xihe County, Gansu Province (general prospecting) (甘肅省西和縣安家岔金礦普查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Xihe County, Gansu Province	3.003	Yes
28	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	Yes
29	East 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東金礦普查)	Inner Mongolia Shanjin Geological Mine Exploration Co., Ltd.	Gaochang District, Turpan City, Xinjiang	Not detected yet	Yes
30	The Yinxiangou gold-polymetallic mine in Songshan District, Chifeng City, Inner Mongolia Autonomous Region (general prospecting) (內蒙古自治區赤峰市松山區銀線溝金多金屬礦詳查)	Inner Mongolia Shanjin Geological Mine Exploration Co., Ltd.	Songshan District, Chifeng City	Not detected yet	Yes
Total				846.436	

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Statistics of the resources under the mining permits of SDG Group

No.	Name of mining permit	Holder of mining permit	Location	Retained gold content (tonnes)	Whether entrusted by the Company
1	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, Daliuhang Town, Penglai, Shandong Province	57.38	Yes
2	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	Yes
3	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	Yes
4	Shandong Jinchuang Co., Ltd. Heilangou mine area (山東金創股份有限公司黑嵐溝礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	6.721	Yes
5	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	4.738	Yes
6	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	15.63	Yes
7	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	2.924	Yes
8	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.	Xingxi Town, Zhenghe County, Fujian Province	0.94	Yes
9	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	0.654	Yes
10	Fujian Province Zhenghe Dayuan Mining Co., Ltd. sulfur-gold-copper mine of Xingxi mine area (福建省政和縣大源礦業有限公司星溪礦區硫金銅礦)	Fujian Province Zhenghe Dayuan Mining Co., Ltd.	Zhenghe County, Fujian Province	0.813; Ag 92.5 tonnes	Yes
Total				95.217	

Notes:

- In order to accelerate the integration of resources in the Sanshandao mining area, on 26 January 2024 and 7 March 2024, the Company held a Board meeting and a general meeting of shareholders respectively, and considered and approved the Resolution on the Acquisition of the Xiling Gold Mine Exploration Right by the Company and the Connected Transaction, to acquire the exploration rights of Xiling Gold Mine held by Gold Geological Exploration (for details, please refer to the relevant announcements of the Company dated 26 January 2024 and 7 March 2024). As at 28 March 2024, the Company was in the process of transferring the exploration rights of Xiling Gold Mine.
- 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., a wholly-owned subsidiary of SDG Group, consolidated and transferred the Jincheng Gold Mining Permit held by it to Laizhou Company, a wholly-owned subsidiary of the Company. In 2022, Laizhou Company acquired the consolidated "Jiaojia Gold Mining Permit", which includes the Jincheng Gold Mining Permit, and the gold content of Jincheng Gold Mining Permit reached 73.4 tonnes, and the resource income from the Jincheng Gold Mining Permit remains substantially attributable to Laizhou Ludi Mining Investment and Development Co., Ltd.
- SDG Group 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 transactions

On 24 February 2023 (after trading hours), SDG Design and Consultancy Co., Ltd. (山金設計諮詢有限公司) (“**SDG Design**”) and SDG Heavy Industry Co., Ltd. (山金重工有限公司) (“**SDG Heavy Industry**”) entered into the Asset Transfer Contract, pursuant to which SDG Design has agreed to sell and SDG Heavy Industry, a wholly-owned subsidiary of the Company, has agreed to purchase the Target Assets held by SDG Design 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). The Target Assets are inventory, including raw materials, work in progress and finished goods, and equipment assets. SDG Design is a wholly-owned subsidiary of SDG Group Co., which is the controlling Shareholder of the Company. Accordingly, the Asset Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest relevant percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transactions under the Asset Transfer Contract is more than 0.1% but less than 5%, and accordingly, the Asset Transfer Contract is subject to reporting and announcement requirements but exempt from independent Shareholders’ approval requirement under the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 24 February 2023 published on the website of the Hong Kong Stock Exchange.

Shandong Gold Group Penglai Mining Co., Ltd. (山東黃金集團蓬萊礦業有限公司) (“**Penglai Mining**”), a wholly-owned subsidiary of the Company, has successfully bid and acquired the Qigouyifen Mine Assets (excluding the liabilities) that Shandong Jinchuang Co., Ltd. (山東金創股份有限公司) (“**Jinchuang**”) transferred through the SPREC by way of public tender at a base price of RMB465,173,000, and entered into the Asset Transaction Contract on 28 July 2023. After mutual negotiation between Penglai Mining, Jinchuang and Shandong Gold Jinchuang Group Co., Ltd. (山東黃金金創集團有限公司) (“**Jinchuang Group**”), the parties signed the Supplemental Agreement on 2 August 2023, pursuant to which Penglai Mining agreed to take over the liabilities of RMB324,047,187.67 of the Qigouyifen Mine Assets and the personnel affiliated to the mineral rights. Jinchuang and Jinchuang Group are the non-wholly owned subsidiaries of SDG Group Co.. Therefore, the transactions contemplated under the Asset Transaction Contract and the Supplemental Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios exceeds 0.1% but all are less than 5%, the transactions contemplated under the Asset Transaction Contract and the Supplemental Agreement are subject to the reporting and announcement requirements but are exempted from the circular and independent Shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcements of the Company dated 25 July 2023 and 2 August 2023 published on the website of the Hong Kong Stock Exchange.

On 22 August 2023 (after trading hours), Penglai Mining and Jinchuang Group entered into the Asset Package Transfer Contract, pursuant to which Jinchuang Group has agreed to sell and Penglai Mining has agreed to purchase the Target Assets Package held by Jinchuang Group, at a total consideration of RMB422,183,204.57. The Target Assets Package includes (i) the mining right of Yanshan Mine Area; (ii) the exploration right of Cishan; (iii) the exploration right of Tuwu; and (iv) other underlying assets and liabilities and personnel held by Jinchuang Group. For details, please refer to the announcement of the Company dated 22 August 2023 published on the website of the Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

On 26 January 2024 (after trading hours), the Company and Shandong Gold Geological Mine Exploration Co., Ltd. (山東黃金地質礦產勘查有限公司) (“**Shandong Gold Exploration**”) entered into the Acquisition Agreement, pursuant to which Shandong Gold Exploration agreed to sell and the Company agreed to acquire the Xiling Gold Mine Exploration Right, at a consideration of RMB10,334,248,700. The relevant resolution was considered and approved at the second extraordinary general meeting of 2024 of the Company held on 7 March 2024. SDG Group Co. is the controlling shareholder. Shandong Gold Exploration is an indirect wholly-owned subsidiary of SDG Group Co. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to reporting, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement dated 26 January 2024 and the circular dated 21 February 2024 of the Company published on the website of the Hong Kong Stock Exchange.

Continuing connected transactions

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

REPORT OF THE DIRECTORS

For the year ended 31 December 2023, the historical amounts of the transactions are as follows:

	Historical transaction amount for the year ended 31 December 2023 (RMB million)
Deposit Services	
Maximum daily balance of Deposit Services	3,297.84
Interest income from Deposit Services on an actual basis	35.99
Financing Services	
Maximum daily balance of loan and other financing services	3,068.80
Maximum daily balance of overdraft services	300.00
Total annual credit facilities	4,700.00
Interest expenses for Financing Services on an actual basis	21.00
Other Financial Services	
Handling fees and Other Financial Services	0.66

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

Comprehensive 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.

On 4 December 2023, in view of the expiration of the Comprehensive Service Framework Agreement on 31 December 2023, the Company entered into a new Comprehensive Service Framework Agreement (the “**New Comprehensive Service Framework Agreement**”) with SDG Group Co. on 4 December 2023 to renew such continuing connected transactions, and set annual caps for 2024, 2025 and 2026 thereunder. The New Comprehensive Service Framework Agreement is valid for three years from 1 January 2024 to 31 December 2026. The New Comprehensive Service Framework Agreement and the annual cap thereunder have been approved by the Company’s independent Shareholders at the extraordinary general meeting held on 28 December 2023. For details, please refer to the announcements of the Company dated 4 December 2023 and 28 December 2023 as well as the circular of the Company dated 11 December 2023 published on the website of the Hong Kong Stock Exchange.

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 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 2023.

	Annual cap (RMB million)		
	For the year ended 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 2023 (RMB million)
Historical transaction amount of procurements of supplies, products and services by our Group			2,236.1

REPORT OF THE DIRECTORS

Sales from our Group to SDG Group Co. and its associates

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

In view of the increase in demand for supplies, products and services from the Group, the Company revised the annual cap of Sales and Procurements under the Comprehensive Service Framework Agreement for the year ended 31 December 2022, on 28 March 2022; and revised the annual cap of Sales and Procurements under the Comprehensive Service Framework Agreement for the year ended 31 December 2023 on 29 March 2023.

	Annual cap (RMB million)		
	For the year ended 31 December		
	2021	2022	2023
Annual cap of sales of supplies, products and services by our Group	274.13	558.73	748.03

	Historical transaction amount for the year ended 31 December 2023 (RMB million)
Historical transaction amount of sales of supplies, products and services by our Group	727.01

SDG Group Co. is the controlling Shareholder of the Company 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 Sales and Procurement under the Comprehensive Service Framework Agreement is more than 0.1% but less than 5%, the annual caps for the procurement and sales of supplies, products and services 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 29 September 2021, 28 March 2022 and 29 March 2023.

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 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 2023.

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 ended 31 December 2023 on 29 March 2023.

	Annual cap (RMB million) For the year ended 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 2023 (RMB million)
Historical transaction amount of the Trademark Licensing and Property Leasing from SDG Group Co. to the Company	40.74

SDG Group Co. is the controlling Shareholder of the Company 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 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 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 2023.

	Annual cap (RMB million)		
	For the year ended 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 2023 (RMB million)
Historical transaction amount of the Property Leasing Services from the Company to SDG Group Co.	1.48

SDG Group Co. is the controlling Shareholder of the Company 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.

REPORT OF THE DIRECTORS

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 31 December 2021, 2022 and 2023 and the historical transaction amount of the Equity Entrustment Services for the year ended/ending 31 December 2023.

	Annual cap (RMB million)		
	For the year ended 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

	Historical transaction amount for the financial year ended 31 December 2023 (RMB million)
Historical transaction amount of the Equity Entrustment Services from the Company to SDG Group Co.	0.66

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

0.66

SDG Group Co. is the controlling Shareholder of the Company 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.

REPORT OF THE DIRECTORS

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.

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions and confirmed that for the year ended 31 December 2023:

- (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 43 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.

REPORT OF THE DIRECTORS

ANALYSIS AND EXPLANATION ON THE CHANGES IN ACCOUNTING POLICIES AND IMPACTS BY 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 PRIOR TO THE LISTING OF H SHARES

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 Company has not issued any shares under the Employee Shareholding Scheme since then. The relevant Shares were subject to a lockup period of 36 months and were unlocked and vested to the said participants. As of 28 March 2024, there were 556,576 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 0.01244% of the total number of our issued Shares. The Employee Shareholding Scheme does not constitute a share scheme under Chapter 17 of the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

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, please refer to this "Report of the Directors" and the "2023 Environmental, Social and Governance (ESG) and Social Responsibility Report" published by the Company.

ENVIRONMENTAL POLICIES

The Company always adheres to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implements Xi Jinping Thought on Ecological Civilization and the development concept that "lucid waters and lush mountains are invaluable assets", and fully implements the spirit of the 20th National Congress of the CPC and the National Ecological Environment Conference. The Company insists on the goal of accelerating harmonious and symbiotic modernization of human and nature, continues to consolidate and improve the construction of green mines, promotes "carbon peaking and carbon neutral" in an orderly manner, collaborates in promoting carbon reduction, pollution reduction, and green expansion, and continues to accelerate the new pace of green, low-carbon and high-quality development, so as to constantly polish the brand image of "Shandong Gold, Ecological Mining".

For further discussion on the Group's environmental policies and performance, please refer to the "2023 Environmental, Social and Governance (ESG) and 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 2023 are set out in note 37(a) to the consolidated financial statements in this annual report.

REPORT OF THE DIRECTORS

RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on pages 124 to 126 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, pursuant to the relevant laws and regulations, the Group's distributable reserves amounted to RMB14,418,534,000 (31 December 2022 (restated): RMB13,011,034,000). Details of the Company's distributable reserves are set out in the consolidated statement of changes in equity on pages 124 to 126 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Group during the year ended 31 December 2023 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 RMB2.25 million.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings for the year ended 31 December 2023 are set out in note 31 to the consolidated financial statements of this annual report.

ASSETS PLEDGED OR CHARGED

As of 31 December 2023, the Group did not have any other material pledge of assets save as the pledges disclosed in this annual report.

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.

REPORT OF THE DIRECTORS

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.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2023 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*)
Mr. Wang Lijun (resigned on 12 January 2024)
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.

REPORT OF THE DIRECTORS

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 14 January 2024, Mr. Wang Lijun resigned as the non-executive Director, a member of the strategy committee of the Board and a member of the nomination committee of the Board, due to the change of work positions on 12 January 2024. Save as disclosed above and as disclosed in the section headed “Brief Biographies of Directors, Supervisors and Senior Management” of this annual report, 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.

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 196 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 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 2023.

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. The Company believes that all of the independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of 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 EXECUTIVES OF THE COMPANY

As at 31 December 2023, the interests and short positions of the Directors, Supervisors and chief executives 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 C3 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 2023, none of the Directors, Supervisors and chief executives 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 2023, so far as the Directors, Supervisors and chief executives 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 Substantial Shareholder	Nature of Interest	Class of Shares	Number of Shares or underlying Shares interested	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 ⁽²⁾	A Shares	194,872,049	Long	5.39%	4.36%
Gold Virtue Limited	Beneficial owner	H Shares	94,189,655	Long	10.97%	2.11%
			11,000,000	Short	1.28%	0.25%
Schroders PLC	Investment manager	H Shares	85,127,850	Long	9.91%	1.90%
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)	Beneficial owner	H Shares	76,639,270	Long	8.92%	1.71%
CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 (廣發資管-國調基金1號定向資產管理計劃)	Trustee	H Shares	76,639,270	Long	8.92%	1.71%
BlackRock, Inc ⁽³⁾	Interest held by controlled corporation	H Shares	47,479,522	Long	5.53%	1.06%
			5,164,750	Short	0.60%	0.12%

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 Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. ("**SDG Non-ferrous**"), 31,467,157 A Shares held by Shandong Gold Group Qingdao Gold Co., Ltd. ("**Qingdao Gold**") and 3,257,045 A Shares held by SDG (Beijing) Industry Investment Co., Ltd. ("**Beijing Industry Investment**"). Each of SDG Resources Development, SDG Non-ferrous, Qingdao Gold and Beijing Industry Investment is wholly-owned by SDG Group Co.. As such, SDG Group Co. is deemed to be interested in the Shares held by SDG Resources Development, SDG Non-ferrous, Qingdao Gold and Beijing Industry Investment for the purpose of the SFO.
- (2) SDG Resources Development is wholly-owned by SDG Group Co., and therefore, SDG Group Co. is deemed to be interested in all the Shares held by SDG Resources Development for the purpose of the SFO.
- (3) BlackRock, Inc. is deemed to hold a total of long position of 47,479,522 H Shares and a short position of 5,164,750 H Shares due to its control rights over a number of companies. Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à r.l., BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, BlackRock Canada Holdings 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, hold directly or indirectly H Shares.

Save as disclosed above, as at 31 December 2023, 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 disclosed in the section headed "Connected transactions" of this annual report, there were no transactions, arrangements or contracts or agreements of providing services of significance related to the Group's business to which the Company, its subsidiary, its controlling company or subsidiaries of its controlling company was a party to and in which a Director or Supervisor of the Company or an entity connected with such Director or Supervisor had a material interest, either directly or indirectly, subsisted 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 section headed "Continuing 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 2023.

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.

For details of the Corporate Governance Report, please refer to pages from 91 to 112 of this annual report.

STAFF OF THE GROUP

As of 31 December 2023, the Group had a total of 17,602 full-time employees (31 December 2022: 16,993 employees). For the year ended 31 December 2023, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB5.261 billion (2022: RMB3.836 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	2,598
The number of current staff of the major subsidiaries	15,004
Total number of current staff (including staff of domestic enterprises and Chinese staff of overseas enterprises)	17,602
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	11,585
Sales	157
Technical	2,313
Finance	227
Administration	3,320
Total	17,602

Education

Classification	Number of Staff
Master's degree and above	624
Bachelor's degree	4,376
Tertiary education	4,308
Technical secondary school, high school and below	8,294
Total	17,602

TRAINING PROGRAMMES

In 2023, we continued to perfect our talent development efforts, advancing the systematization, specialization and digitization of our training. We established the “Smart Shandong Gold” learning and exchange platform, strengthened exchanges and cooperation with external institutions in employee training, and conducted activities of “training delivered to the enterprise”. Throughout the year, we completed 169 training sessions of various types, effectively enhancing the comprehensive quality and capabilities of our employees, achieving full coverage of our “three teams” in operation management, professional technology, and vocational skills.

For operation management training, we aligned with Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, aiming to become an internationally first-class enterprise, with lean management as our goal and improving operational management as our purpose. We conducted training for management personnel at all levels, covering production operations, human resources, project management, financial auditing, financial management, resource acquisition, and party building and discipline inspection, etc. Professional and technical personnel training was oriented towards enhancing scientific and technological innovation capabilities, with continuing education for professional and technical personnel as a focus, and facilitating the technological progress of the enterprise as the objective. This is achieved through the organization of continuing education for professionals in geophysical exploration, selection, and electrical mechanics, among others, and specialized lectures by expert committees from various disciplines. The training of vocational skills employees starts with the cultivation of gold craftsmen, emphasizes the improvement of skill quality, and aims to enhance technical abilities, through which the pre-employment training, continuing education, and self-assessment for skilled employees have been successfully accomplished.

REPORT OF THE DIRECTORS

OUTSOURCING STATUS

Total working hours of outsourcing services	18,837,115 hours
Total outsourcing payment	RMB729,910,000

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2023.

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 2023 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 2023 are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

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.

REPORT OF THE DIRECTORS

INFORMATION OF CORPORATE BONDS

As at the end of the Reporting Period, the Company had the following 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 2023 Public Issuance of Technology Innovation Renewable Corporate Bonds to Professional Investors by Shandong Gold Mining Co., Ltd. (the First Tranche) (See Note 1 for details)	Lujin KY01	240265	15 November 2023	17 November 2023	17 November 2026	20.00	3.19	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional institutional investors	Match transaction, click transaction, inquiry transaction, bidding transaction, negotiation transaction	No
The 2023 Public Issuance of Technology Innovation Renewable Corporate Bonds to Professional Investors by Shandong Gold Mining Co., Ltd. (the Second Tranche) (See Note 2 for details)	Lujin KY02	240334	23 November 2023	27 November 2023	27 November 2026	20.00	3.22	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional institutional investors	Match transaction, click transaction, inquiry transaction, bidding transaction, negotiation transaction	No

Note 1: The 2023 Public Issuance of Technology Innovation Renewable Corporate Bonds to Professional Investors by Shandong Gold Mining Co., Ltd. (the First Tranche) takes every three interest-bearing years as one cycle, and at the end of each cycle, the Company has the right to choose to extend the bond term by one cycle (i.e. extend three years), or choose to settle the bond in full when it matures at the end of the cycle.

Note 2: The 2023 Public Issuance of Technology Innovation Renewable Corporate Bonds to Professional Investors by Shandong Gold Mining Co., Ltd. (the Second Tranche) takes every three interest-bearing years as one cycle, and at the end of each cycle, the Company has the right to choose to extend the bond term by one cycle (i.e. extend three years), or choose to settle the bond in full when it matures at the end of the cycle.

REPORT OF THE DIRECTORS

Settlement of interests and principals of the bonds during the Reporting Period

Name of Bonds	Description of Interest Payment Status
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 4 December 2023 (postponed to the first trading day thereafter as 3 December 2023 is a non-trading day) for the period from 3 December 2022 to 2 December 2023, and settled the current bond in full. For details, please refer to the overseas regulatory announcement of the Company dated 23 November 2023 published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).
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 2023 for the period from 21 December 2022 to 20 December 2023, and settled the current bond in full. For details, please refer to the overseas regulatory announcement of the Company dated 23 November 2023 published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

Particulars of debt financing instruments of non-financial enterprises

Unit: RMB100 million

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Initial Interest Accrued	Date of Maturity	Outstanding 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 2023 First Tranche of Ultra-short-term Financing Bonds of Shandong Gold Mining Co., Ltd. (Technology Innovation Instrument)	23 Lujin SCP001 (Technology Innovation Instrument)	012382035.IB	30 May 2023	31 May 2023	26 January 2024	6.00	2.13	Principal and interest to be repaid at maturity, which were due and paid	Inter-bank	Institutional investors in the national interbank bond market	Circulation and transfer in the national inter-bank bond market	No
The 2023 Second Tranche of Ultra-short-term Financing Bonds of Shandong Gold Mining Co., Ltd. (Technology Innovation Instrument)	23 Lujin SCP002 (Technology Innovation Instrument)	012382055.IB	31 May 2023	1 June 2023	2 February 2024	7.00	2.12	Principal and interest to be repaid at maturity, which were due and paid	Inter-bank	Institutional investors in the national interbank bond market	Circulation and transfer in the national inter-bank bond market	No

REPORT OF THE DIRECTORS

Settlement of interests and principals of the bonds during the Reporting Period

Name of Bonds	Description of Interest Payment Status
The Second Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd.	The Company settled the principal on 13 January 2023 and paid interest for the period from 21 April 2022 to 13 January 2023. For details, please refer to the Announcement on the Settlement Arrangement of the Second Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd. published on the website of China Money (www.chinamoney.com.cn) on 4 January 2023
The Fourth Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd.	The Company settled the principal on 20 July 2023 and paid interest for the period from 27 October 2022 to 20 July 2023. For details, please refer to the Announcement on the Settlement of the Fourth Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd. published on the website of China Money (www.chinamoney.com.cn) on 13 July 2023
The Fifth Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd.	The Company settled the principal on 1 September 2023 and paid interest for the period from 5 December 2022 to 1 September 2023. For details, please refer to the Announcement on the Settlement Arrangement of the Fifth Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd. published on the website of China Money (www.chinamoney.com.cn) on 23 August 2023
The Sixth Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd.	The Company settled the principal on 4 June 2023 and paid interest for the period from 6 December 2022 to 4 June 2023. For details, please refer to the Announcement on the Settlement of the Sixth Tranche of 2022 Ultra Short-term Financing Bonds of Shandong Gold Mining Co., Ltd. published on the website of China Money (www.chinamoney.com.cn) on 29 May 2023

SHARE SCHEME

During the Reporting Period, the Company has no share 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.

REPORT OF THE DIRECTORS

RETAINED PROFITS

As at 31 December 2023, details of the Group's retained profits are set out in the consolidated statement of changes in equity on pages 124 to 126 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, the Company 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 the average annual distributable profits of the Company 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.

RESULTS AND DIVIDENDS DISTRIBUTION

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 120 to 121 of this annual report.

A payment of cash dividend of RMB1.40 per 10 Share (tax inclusive) 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 approximately RMB626,280,133.50. 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, i.e. on or before 31 August 2024. 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.

REPORT OF THE DIRECTORS

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 organizations 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 H Shareholders’ register of the Company 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 registrar, Tricor 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 H Shareholders whose names appear on the H Shareholders’ register 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.

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 A Shareholders.

REPORT OF THE DIRECTORS

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 H Shareholders 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.

OTHER EVENTS DURING THE REPORTING PERIOD

Save as disclosed elsewhere of this annual report, the Company also had the following events during the Reporting Period:

On 15 August 2023, the 44th meeting of the sixth session of the Board of Directors considered and approved the Resolution on the Extension of the Validity Period of the Shareholders' Resolution in relation to the Company's Issuance of A Shares to Target Subscribers. In view of the implementation of the stock issuance registration system (股票發行註冊制), the issuance to target subscribers is now subject to the approval of the Shanghai Stock Exchange and the consent of the CSRC for registration. As the matters relating to the issuance to target subscribers are still in progress, in order to ensure the continuity and effectiveness of the issuance to target subscribers and the smooth progress of the relevant work, the Board of Directors resolved to propose extension of the validity period of the shareholders' resolution in relation to the issuance to target subscribers to 29 January 2024. The relevant resolution was considered and approved at the 2023 fourth extraordinary general meeting and the 2023 second H Shares class meeting of the Company held on 1 September 2023. For details, please refer to the Company's announcement dated 15 August 2023 and circular dated 16 August 2023 published on the website of the Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

On 22 August 2023, the 45th meeting of the sixth session of the Board of Directors considered and approved the Resolution on the Plan for the Public Issuance of Corporate Bonds. In order to further satisfy the capital requirements for the development of the Company's business operations, ensure the long-term stable supply of capital for the Company's development, further broaden the financing channels, leverage its sound capital market image and the cost advantages of direct financing, and reasonably match various financing channels, the Company intends to apply to the Shanghai Stock Exchange and the CSRC for the registration and issuance of corporate bonds (with the approval to be valid within 2 years), with a total amount of not exceeding RMB10 billion (inclusive of RMB10 billion). The relevant resolution was considered and approved at the 2023 fifth extraordinary general meeting of the Company held on 12 September 2023. For details, please refer to the Company's announcement dated 22 August 2023 and circular dated 25 August 2023 published on the website of the Hong Kong Stock Exchange.

SUBSEQUENT EVENTS

In the view of the fact that the issuance of A shares to target subscribers by the Company has not yet been completed, the Company proposed to extend the validity period of the shareholders' resolution in relation to the issuance of A shares to target subscribers and the validity period of the authorization by the shareholders' meeting to the board and its authorized persons with full discretion to deal with the relevant matters relating to the issuance of shares to target subscribers, in order to ensure the smooth progress of the relevant work. The Company convened the 53rd meeting of the sixth session of the Board and the 32nd meeting of the sixth session of the Supervisory Committee on 27 December 2023, which considered and approved the Resolution on the Extension of the Validity Period of the Authorization by the Shareholders' Meeting to the Board and its Authorized Persons with Full Discretion to Deal with the Relevant Matters relating to the Issuance of A Shares to Target Subscribers, which proposed to extend the validity period of the authorization by the shareholders' meeting of the Company to the Board and its authorized persons with full discretion to handle matters related to the issuance of A shares to target subscribers. As for the authorization, if it involves specific implementations after the approval of the Issuance from the regulatory authority and the stock exchange, the validity period of the authorization shall be from the date of consideration and approval by the general meeting of the Company to the date of completion of such specific implementations, while the validity period of remaining authorization shall be extended to 29 July 2024. The Company convened the 53rd meeting of the sixth session of the Board and the 32nd meeting of the sixth session of the Supervisory Committee on 27 December 2023, which considered and approved the Resolution on the Extension of the Validity Period of the Shareholders' Resolution in relation to the Issuance of A Shares of the Company to Target Subscribers to extend the validity period of the shareholders' resolution on the issuance to target subscribers to 29 July 2024. The relevant resolutions were considered and approved at the 2024 first extraordinary general meeting, the 2024 first A Shares class meeting and the 2024 first H shares class meeting of the Company held on 29 January 2024. For details, please refer to the Company's announcement dated 27 December 2023 and circular dated 12 January 2024 published on the website of the Hong Kong Stock Exchange.

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

28 March 2024

REPORT OF THE SUPERVISORY COMMITTEE

In 2023, 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 2023 is as follows:

I. DAILY WORK OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held a total of 15 meetings, and the specific matters were reviewed as follows:

Convening of the Meeting	Participants	Resolution of the Meeting
On 12 January 2023, the 18th 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 the Change of A-share Accounting Firm and Internal Control Auditor for the Year 2022”
On 24 February 2023, the 19th 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	<p>Reviewed and approved the “Resolution on Satisfaction of the Conditions for the Issuance of A Shares to Target Subscribers by the Company”</p> <p>Reviewed and approved the “Resolution on Adjustment of the Plan of the Issuance of A Shares to Target Subscribers by the Company”</p> <p>Reviewed and approved the “Resolution on the Proposal of the Issuance of A Shares to Target Subscribers by the Company (Revision)”</p> <p>Reviewed and approved the “Resolution on the Demonstration and Analysis Report on the Plan of Issuance of A Shares to Target Subscribers by the Company”</p> <p>Reviewed and approved the “Resolution on the Feasibility Analysis Report on the Use of Proceeds Raised from the Issuance of A Shares to Target Subscribers by the Company (Revision)”</p> <p>Reviewed and approved the “Resolution on the Dilution of Immediate Return Resulting from the Issuance of A Shares to Target Subscribers by the Company and the Remedial Measures (Revision) and Undertakings by Relevant Entities”</p> <p>Reviewed and approved the “Resolution on Formulating Shareholders’ Return Plan for the Next Three Years (2023–2025)”</p> <p>Reviewed and approved the “Resolution on the Purchase of Assets by the Wholly-owned Subsidiary SDG Heavy Industry Co., Ltd.”</p>

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 29 March 2023, the 20th 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	<p>Reviewed and approved the "Company's 2022 Work Report of the Supervisory Committee"</p> <p>Reviewed and approved the "2022 Final Financial Report of the Company"</p> <p>Reviewed and approved the "2023 Financial Budget Report of the Company"</p> <p>Reviewed and approved the "Company's Annual Report and its Summary for 2022"</p> <p>Reviewed and approved the "Company's Plan of Profit Distribution for 2022"</p> <p>Reviewed and approved the "Resolution Regarding the Provision for Impairment of Assets by the Company for the Year 2022"</p> <p>Reviewed and approved the "Resolution on Company's Appointment of Auditors for 2023"</p> <p>Reviewed and approved the "Resolution Regarding the Company's 2022 Appraisal Report on Internal Control"</p> <p>Reviewed and approved "Resolution Regarding the Company's Social Responsibility Report for 2022"</p> <p>Reviewed and approved the "Resolution Regarding the Special Report on Saving and Actual Use of Proceeds of the Company for 2022"</p> <p>Reviewed and approved the "Resolution Regarding the Annual Guarantee Facility for the Hong Kong Subsidiary by the Company for 2023"</p> <p>Reviewed and approved the "Resolution Regarding the Maximum Daily Limit for Entrusted Financial Management by Subsidiaries for 2023"</p> <p>Reviewed and approved the "Resolution Regarding the Maximum Daily Limit for Company Conducting Securities Investment by Subsidiaries for 2023"</p> <p>Reviewed and approved the "Resolution Regarding the Company Conducting Futures and Derivatives Transactions in 2023"</p> <p>Reviewed and approved the "Resolution Regarding the Company Conducting Gold Forward Transactions and Gold Leasing Portfolio Business in 2023"</p> <p>Reviewed and approved "Resolution on the Company's External Donations in 2023"</p> <p>Reviewed and approved the "Resolution Regarding the Adjustment of the Caps for Normal Connected Transactions by the Company in 2023"</p> <p>Reviewed and approved the "Report on the Company's Continuous Risk Assessment of Shandong Gold Group Finance Co., Ltd."</p> <p>Reviewed and approved the "Resolution on the Acquisition of Minority Shareholders' Equity in Controlling Subsidiaries by the Company"</p>

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 12 April 2023, the 21st 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 the Special Report on the Use of Previous Proceeds by the Company”
On 27 April 2023, the 22nd 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 2023”
On 16 June 2023, the 23rd 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	<p>Reviewed and approved the “Resolution on the Reduction of the Total Amount of Proceeds Raised by the Company by Issuance of A-Shares to Target Subscribers and the Adjustment of the Issuance Program”</p> <p>Reviewed and approved the “Resolution on the Proposal of the Issuance of A Shares to Target Subscribers by the Company (Second Revision)”</p> <p>Reviewed and approved the “Resolution on the Demonstration and Analysis Report on the Plan of Issuance of A Shares to Target Subscribers by the Company (Revision)”</p> <p>Reviewed and approved the “Resolution on the Feasibility Analysis Report on the Use of Proceeds Raised from the Issuance of A Shares to Target Subscribers by the Company (Second Revision)”</p> <p>Reviewed and approved the “Resolution on the Dilution of Immediate Return Resulting from the Issuance of A Shares to Target Subscribers by the Company and the Remedial Measures (Second Revision) and Undertakings by Relevant Entities”</p>

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 25 July 2023, the 24th 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 Bidding the Qigouyifen Mine Assets Package Project Affiliated to Shandong Jinchuang Co., Ltd. and Entering into the Transaction Contract”
On 2 August 2023, the 25th 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 the Wholly-owned Subsidiary Undertaking the Corresponding Liabilities of the Listed Assets of Jinchuang and the Personnel Affiliated to the Mineral Rights”
On 15 August 2023, the 26th 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 the Extension of the Validity Period of the Shareholders’ Resolution in relation to the Company’s Issuance of A Shares to Target Subscribers”
On 22 August 2023, the 27th 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 the Acquisition of Mineral Rights and Other Assets in Yanshan Mine Area of Shandong Gold Jinchuang Group Co., Ltd. and the Entering into of Relevant Transfer Contract” Reviewed and approved the “Resolution on Satisfaction of the Conditions for Public Issuance of Corporate Bonds by the Company” Item-by-item reviewed and approved the “Resolution on the Plan for the Public Issuance of Corporate Bonds”

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 29 August 2023, the 28th 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 "Half-year Report and its Summary for 2023" Reviewed and approved the "Resolution Regarding the Half-year Special Report on Saving and Use of Proceeds for 2023" Reviewed and approved the "Company's Continuous Risk Assessment Report on Shandong Gold Group Finance Co., Ltd."
On 27 October 2023, the 29th 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 2023"
On 4 December 2023, the 30th 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 Entering into the Integrated Service Framework Agreement and Confirming the Caps for Normal Connected Transactions for 2024-2026"

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 12 December 2023, the 31st 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 Returning the Proceeds and Continuing to Utilize the Unused Proceeds to Temporarily Replenish the Working Capital of the Company”
On 27 December 2023, the 32nd 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	<p>Reviewed and approved the “Resolution on the Reduction of the Total Amount of Proceeds Raised by the Company by Issuance of A Shares to Target Subscribers and the Adjustment of the Issuance Program”</p> <p>Reviewed and approved “Resolution on the Proposal of the Issuance of A Shares to Target Subscribers by the Company (Third Revision)”</p> <p>Reviewed and approved the “Resolution on the Demonstration and Analysis Report on the Plan of Issuance of A Shares to Target Subscribers by the Company (Second Revision)”</p> <p>Reviewed and approved the “Resolution on the Feasibility Analysis Report on the Use of Proceeds Raised from the Issuance of A Shares to Target Subscribers by the Company (Third Revision)”</p> <p>Reviewed and approved the “Resolution on the Dilution of Immediate Return Resulting from the Issuance of A Shares to Target Subscribers by the Company and the Remedial Measures (Third Revision) and Undertakings by Relevant Entities”</p> <p>Reviewed and approved the “Resolution on the Extension of the Validity Period of the Shareholders’ Resolution in relation to the Company’s Issuance of A Shares to Target Subscribers”</p> <p>Reviewed and approved the “Resolution on the Extension of the Validity Period of the Shareholders’s General Meeting to Authorize the Board of Directors and its Authorized Persons to Fully Handle the Matters Relating to the Issuance of A Shares to Target Subscribers”</p>

REPORT OF THE SUPERVISORY COMMITTEE

II. OPINIONS OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2023

(I) Lawful operation of the Company

During the Reporting Period, through various forms, such as actively attending the shareholders' general meetings and Board meetings and daily inspection, the Supervisory Committee of the Company supervised the standardized operation of the Company. The Supervisory Committee believes that, the convening and decision-making procedures of the shareholders' general meetings and Board meetings of the Company comply with relevant laws and regulations, the contents of the resolutions are lawful and effective, the internal control mechanism is in good working order, and the governance of the Company is standardized and efficient. The Directors and senior management of the Company worked diligently and conscientiously in safeguarding the interests of the Shareholders and the Company, with integrity and self-discipline, and made scientific and reasonable business decisions, without any violation of relevant laws and regulations and the Articles of Association or any prejudice to the interests of the Company. 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 of the Company conducted a careful and thorough inspection of the Company's financial system and financial conditions. 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 financial statements for the year 2022 comply with laws and regulations, the Articles of Association and the Company's internal management system, and the financial reports can truly reflect the financial condition and operating results of the Company. 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. In 2023, the preparation and consideration procedures of the Company's periodic reports also complied with the laws and regulations, the Articles of Association and the Company's internal management system. The Supervisory Committee strictly fulfilled its supervisory functions in respect of the preparation and consideration of the Company's periodic reports, and no violations were found.

(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 Actual Use of Proceeds of the Company for 2022", the "Resolution on the Special Report on the Use of Previous Proceeds by the Company", "Resolution Regarding the Half-year Special Report on Saving and Use of Proceeds for 2023" and "Resolution Regarding Returning the Proceeds and Continuing to Utilize the Unused Proceeds to Temporarily Replenish the Working Capital of the Company". The Supervisory Committee believes that, the saving and actual use of proceeds of the Company comply with the relevant laws and regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange in relation to the saving and use of proceeds, and there is no violation of relevant laws and regulations in the saving or use of proceeds. The Board of Directors and the Supervisory Committee of the Company reviewed and approved the Resolution Regarding Using Certain Idle Proceeds to Temporarily Replenish Working Capital of the Company in strict accordance with the decision-making procedures, and the procedure was compliant and lawful. The use of part of the unutilized 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 seven related resolutions including the “Resolution Regarding the Adjustment of the Caps for Normal Connected Transactions by the Company in 2023”, “Report on the Company’s Continuous Risk Assessment of Shandong Gold Group Finance Co., Ltd.”, “Resolution on the Purchase of Assets by the Wholly-owned Subsidiary SDG Heavy Industry Co., Ltd.”, “Resolution on Bidding the Qigouyifen Mine Assets Package Project Affiliated to Shandong Jinchuang Co., Ltd. and Entering into the Transaction Contract”, “Resolution on the Wholly-owned Subsidiary Undertaking the Corresponding Liabilities of the Listed Assets of Jinchuang and the Personnel Affiliated to the Mineral Rights”, “Resolution on the Acquisition of Mineral Rights and Other Assets in Yanshan Mine Area of Shandong Gold Jinchuang Group Co., Ltd. and the Entering into of Relevant Transfer Contract” and “Resolution on Entering into the Integrated Service Framework Agreement and Confirming the Caps for Normal Connected Transactions for 2024-2026”. The Supervisory Committee believes that the connected transactions between the Company and the related parties were priced in accordance with fair market principles, in strict compliance with the principles of fairness, impartiality and openness, in fulfilment of the statutory decision-making procedures, in compliance with the Listing Rules, and in compliance with the norms and transparency of information disclosure. No prejudice to the interests of 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 2022. 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 2022 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 profit distribution policy by the Board of Directors

During the Reporting Period, the Supervisory Committee reviewed and approved the “Company’s Plan of Profit Distribution for 2022”. After the above-mentioned Plan of Profit Distribution was approved by the shareholders’s general meeting, the Supervisory Committee supervised the Company’s profit distribution for 2022, and the Company completed the profit distribution within the specified time in strict accordance with the Plan of Profit Distribution. The profit distribution policy formulated by the Company 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 and approved the “Resolution Regarding the Annual Guarantee Facility for the Hong Kong Subsidiary by the Company for 2023”. 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) Issuance of A Shares to Target Subscribers

During the Reporting Period, the Company adjusted its plan for the Issuance of A shares to Target Subscribers in accordance with the actual situation of the fund-raising projects and the audit requirements of the regulatory authorities. The adjusted plan is prepared reasonably, and the content is true, accurate and complete with no false records, misleading statements or major omissions. The proceeds raised from the Issuance of A Shares to Target Subscribers 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) Change of accounting firm

In view of the fact that TianYuanQuan Certified Public Accountants (Special General Partnership), the Company's original accountant firm for auditing the annual report, was unable to undertake the audit of the Company's 2022 annual report due to work reasons. In order to ensure the independence, objectivity and fairness of the Company's audit, and in conjunction with the needs for the Company's audit work in 2022 and future business development, the Company changed its 2022 A share accounting firm to ShineWing Certified Public Accountants (Special General Partnership). The procedures for the change of accounting firm are in compliance with relevant laws, regulations and rules, and ShineWing Certified Public Accountants has the ability and experience to provide annual report audit services for the Company, and the change of accounting firm is in line with the needs of the business development of the Company and is a reasonable change based on the actual development of the Company.

(X) 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 Insider Information Management System of the Company is sound and effective, ensuring the security of inside information.

III. THE WORK PLAN FOR 2024

In 2024, as the new year of supervision, the Supervisory Committee will perform its supervisory duties with the sense of responsibility of "keeping everything in mind", and will continue to strengthen the daily supervision and the construction of the collaborative supervision system, continue to increase the supervision in key areas, continue to deepen its professional capacity building, continually build a solid operational management supervision barrier, promote the supervision work to keep pace with the times, and serve the high-quality development of the Company with high standard and high level services.

(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 of the Company, and have a timely understanding on major matters of the Company and each decision-making procedure, supervise the Board of Directors and senior managers of the Company 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**

28 March 2024

CORPORATE GOVERNANCE REPORT

OVERVIEW

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 laws and regulations.

The Company's enterprise spirit is the pursuit of excellence, innovation, and entrepreneurship. Its core values are openness, inclusivity, loyalty, responsibility. The Company's brand image is "Shandong Gold, Ecological Mining". The Company's ideal target is to make more individuals and more places benefit from Shandong Gold. The Company's strategic vision is to become a world first-class sustainable gold mining enterprise with excellent technology and management. The Company's tenet is benefiting employees, repaying shareholders, benefiting society and contributing to a powerful country. The Company's management philosophy is resource focused, benefit first, innovation centered. The Company's cooperation philosophy is respect, integration, mutual benefit and sharing. The Company's safety & environmental protection philosophy is "Zero accident" in both safety and environmental protection. The Company's talent philosophy is to select capable and high-caliber talents with both moral integrity and professional competence. The Company's party building philosophy is sticking to our revolutionary heritage, keeping in mind our original aspiration and missions. The Company's philosophy of integrity is honesty, simplicity, and integrity. The Company's care philosophy is "Three Yeses" and "Three Nos" commitment.

This corporate governance report is presented for the Reporting Period.

The Company is committed to maintaining good corporate governance practices, with reference to the CG Code as set out in Part 2 of Appendix C1 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors and Supervisors. Having made specific enquiries with all the Directors and Supervisors, each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code during the Reporting Period.

BOARD COMPOSITION AND PRACTICE

As at the date of this annual report, the Board comprises eight Directors, including three executive Directors, two 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 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.

CORPORATE GOVERNANCE REPORT

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 financial 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.

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

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, the 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, the chairman of the Company is Mr. Li Hang and the general manager of the Company is Mr. Liu Qin. 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 systems 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 8 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.

During the year ended 31 December 2023, the Board has performed the functions set out in code provision A.2.1 of the CG Code.

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 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 21 Board meetings, and 11 general meetings (including 2022 annual general meeting and 4 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	No. of general meetings attended
Li Hang	No	21	6	15	0	0	11
Wang Lijun (resigned with effect from 12 January 2024)	No	21	6	15	0	0	9
Wang Xiaoling	No	21	6	15	0	0	1
Liu Qin	No	21	6	15	0	0	10
Wang Shuhai	No	21	5	16	0	0	1
Tang Qi	No	21	6	15	0	0	11
Wang Yunmin	Yes	21	1	20	0	0	10
Liew Fui Kiang	Yes	21	0	21	0	0	1
Zhao Feng	Yes	21	1	20	0	0	11
Number of Board meetings held this year			21				
In which: Number of physical meetings			0				
Meetings via telecommunication			6				
Physical meetings with telecommunication			15				

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.

CORPORATE GOVERNANCE REPORT

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.

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 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 31 to 37 of this annual report, for the year are set out below:

	No. of individuals
HK\$1 to HK\$500,000	0
HK\$500,001 to HK\$1,000,000	4

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

During the year ended 31 December 2023, the Company totally held 11 general meetings (including 2022 annual general meeting and 4 class meetings). The Company shall convene and hold Shareholders' general meetings 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
2023 first extraordinary general meeting	8 February 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	8 February 2023	Reviewed and approved the "Resolution on the Change of A-share Accounting Firm and Internal Control Auditor for the Year 2022". For details, please refer to the announcement of the Company dated 8 February 2023.
2023 second extraordinary general meeting	22 March 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	22 March 2023	Reviewed and approved three resolutions including the "Resolution on the Demonstration and Analysis Report on the Plan of Issuance of A Shares to Target Subscribers". For details, please refer to the announcement of the Company dated 22 March 2023.
2023 first A Share and H Share class meetings	22 March 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	22 March 2023	Reviewed and approved two resolutions including the "Resolution on the Demonstration and Analysis Report on the Plan of Issuance of A Shares to Target Subscribers". For details, please refer to the announcement of the Company dated 22 March 2023.
2022 annual general meeting	7 June 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	7 June 2023	Reviewed and approved 15 resolutions including the "2022 Work Report of the Board of Directors". For details, please refer to the announcement of the Company dated 7 June 2023.
2023 third extraordinary general meeting	30 June 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	30 June 2023	Reviewed and approved "Resolution on Entering into the Supplemental Agreement to the Share Transfer Agreement". For details, please refer to the announcement of the Company dated 30 June 2023.
2023 fourth extraordinary general meeting	1 September 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	3 September 2023	Reviewed and approved the "Resolution on the Extension of the Validity Period of the Shareholders' Resolution in relation to the Company's Issuance of A Shares to Target Subscribers". For details, please refer to the announcement of the Company dated 3 September 2023.

CORPORATE GOVERNANCE REPORT

Session of meeting	Convening date	Index of the designated website publishing the resolutions	Date of publishing the resolutions	Resolution(s) of the meeting
2023 second A Share and H Share class meetings	1 September 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	3 September 2023	Reviewed and approved the "Resolution on the Extension of the Validity Period of the Shareholders' Resolution in relation to the Company's Issuance of A Shares to Target Subscribers". For details, please refer to the announcement of the Company dated 3 September 2023.
2023 fifth extraordinary general meeting	12 September 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	12 September 2023	Reviewed and approved four resolutions including the "Resolution on the Acquisition of Mineral Rights and Other Assets in Yanshan Mine Area of Shandong Gold Jinchuang Group Co., Ltd. and the Entering into of Relevant Transfer Contract". For details, please refer to the announcement of the Company dated 12 September 2023.
2023 sixth extraordinary general meeting	28 December 2023	Website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	28 December 2023	Reviewed and approved "Resolution on Entering into the Comprehensive Service Framework Agreement and the Confirmation of the Caps for Continuing Connected Transactions for the Year 2024-2026". For details, please refer to the announcement of the Company dated 28 December 2023.

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 Shareholders' general meeting, 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>).

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment of Director(s), each new Director receives an induction package covering business operations, policies 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 all the Directors (including Mr. Liu Qin, Mr. Wang Shuhai, Mr. Tang Qi, Mr. Li Hang, Ms. Wang Xiaoling, Mr. Wang Yunmin, Mr. Liew Fui Kiang, Ms. Zhao Feng and Mr. Wang Lijun (resigned)) to develop and refresh their professional knowledge during the Reporting Period.

NOMINATION COMMITTEE

The Board has established the Nomination Committee. As at the date of this annual report, the Nomination Committee comprises of four Directors, Mr. Liu Qin as an executive Director, 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. The terms of reference of the Nomination Committee are published on the website of the Company and the Hong Kong Stock Exchange's website.

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.

CORPORATE GOVERNANCE REPORT

Procedure and Basis for Nomination

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 twice 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;
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 adjustments to the heads of the Company's subsidiaries and matters regarding the recruitment of high-end professional talents. 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 (resigned with effect from 12 January 2024)	2/2
Mr. Liu Qin	2/2
Mr. Liew Fui Kiang	2/2
Ms. Zhao Feng	2/2

CORPORATE GOVERNANCE REPORT

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 execute 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 25% 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 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 Diversity Policy and were of the view that the Diversity Policy and its implementation were sufficient and effective.

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.

CORPORATE GOVERNANCE REPORT

Workforce Diversity

For the year ended 31 December 2023, the gender ratio (male to female) in the workforce (including senior management) of the Company is around 14,599:3,003. 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 has established the remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**"). As at the date of this annual report, the Remuneration and Appraisal Committee 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 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.

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;
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;

CORPORATE GOVERNANCE REPORT

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 under 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 supports the performance culture and enables 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 payment of remuneration to senior management of the Company and review the implementation and settlement of the Company's total salary budget for 2022 and total salary budget plan for 2023. 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 has established the audit committee (the “**Audit Committee**”). As of the date of this annual report, the Audit Committee 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 include:

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.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Audit Committee held nine 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 change and 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	9/9
Mr. Li Hang	9/9
Ms. Wang Xiaoling	9/9
Mr. Wang Yunmin	9/9
Mr. Liew Fui Kiang	9/9

STRATEGY COMMITTEE

The Board has established the strategy committee (the "**Strategy Committee**"). As at the date of this annual report, the Strategy Committee comprises of four Directors, Mr. Li Hang and Ms. Wang Xiaoling as non-executive Directors, and Mr. Wang Yunmin and Mr. Liew Fui Kiang as independent non-executive Directors. Mr. Li Hang is the chairman of the Strategy Committee. 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 include:

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.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, two meetings of the Strategy Committee were held to discuss the long-term development of the Company, clarify the Company's strategic positioning and three year development path as well as the significant investment 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	2/2
Mr. Wang Lijun (resigned with effect from 12 January 2024)	2/2
Ms. Wang Xiaoling	2/2
Mr. Wang Yunmin	2/2
Mr. Liew Fui Kiang	2/2

SUPERVISORS AND THE SUPERVISORY COMMITTEE

As of 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 representatives 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.

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.

CORPORATE GOVERNANCE REPORT

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 systems 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 systems of the Company on an annual basis; to discuss the risk management and internal control systems with the management and to ensure that the management has performed its duties in establishing effective systems; 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.

The Company's procedures for identifying, evaluating and managing major risks include but are not limited to: 1. Identify, analyze and scientifically predict possible risks, focusing on key and difficult issues such as gold prices, production safety and resource reserves, and formulate practical and feasible response plans; 2. In accordance with the principles of concentration and classification, review the implementation and management of major and important risk responses at the beginning of the year for each subsidiary at the end of each quarter, and strengthen risk management and control; 3. Combine comprehensive risk management and special risk management, strengthen risk management of major business matters, and conduct special risk assessments on significant investments, major mergers and acquisitions, etc.; 4. Use internal audit as an important means of risk prevention and control to complete overseas audit, economic responsibility, large fund use and safety special audits and other audit projects with financial audit, engineering audit, mining project acceptance and settlement and other special audits as the focus.

The Company continues to improve the construction of comprehensive risk management and internal control system, clarifying the risk management and internal control responsibilities of the Board of Directors, management, various departments and positions, so as to form a comprehensive, all-staff, whole-process, complete-system, and full-coverage risk management and internal control mechanisms to provide a solid guarantee for the Company's sustainable development.

The Company's procedures for checking the effectiveness of risk management and internal control systems include: formulating an evaluation work plan, establishing an evaluation working group, conducting on-site testing, identifying control deficiencies, summarizing evaluation results, and forming an evaluation report. The Board of Directors of the Company has studied and determined the specific identification of internal control defects applicable to the Company based on the identification requirements of major defects, important defects and general defects in the corporate internal control standard and system, combined with factors such as company size, industry characteristics, risk preference and risk tolerance. The Company promptly adopts response strategies for identified deficiencies to effectively control risks within tolerable limits.

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 2023, 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 enterprises 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., Xihe Zhongbao Mining Co., Ltd. (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., Yintai Gold, Xinjiang Jinchuan Mining Co., Ltd., 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 management, guarantee business, financial reporting, tax administration, financial 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.

Conclusion on Internal Control Evaluation

According to the 2023 Appraisal Report on Internal Control and based on the identification of major deficiencies in the Company's internal control over financial reporting, as at the reference date of the appraisal report on internal control (i.e. 31 December 2023), there were no major deficiencies in internal control over financial reporting. The Board of Directors believes that the Company has maintained effective internal control over financial reporting in all major aspects in accordance with the requirements of the corporate internal control standard and system and relevant regulations. According to the identification of major deficiencies in the Company's internal control over non-financial reporting, the Company found no major deficiencies in internal control over non-financial reporting as at the reference date of the appraisal report on internal control.

INFORMATION DISCLOSURE AND TRANSPARENCY

The Company strictly follows the listing rules of the PRC and Hong Kong, fulfilled information disclosure obligations in accordance with laws and complies 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 aims to enhance transparency, guided by securities regulation and investor demand, constructing a disclosure system that integrates mandatory and voluntary disclosures. This system enriches the content of company strategic planning, financial analysis, and operational management information disclosures, centers around regulatory rules and significant company events, as well as regular reporting. During the Reporting Period, the Company completed the preparation and disclosure of 234 A Shares compliance documents including regular reports, temporary announcements and other disclosure documents, and completed the disclosure of 270 H Shares documents. The Company was evaluated and awarded grade A for its information disclosure work on the Shanghai Stock Exchange for the year 2022-2023 for six 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 (《内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, the director of the Listing Services Department 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 2023, 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.

INVESTOR RELATIONS

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

In order to promote effective communication with the Shareholders, the Company has adopted a shareholders' communication policy (the "**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 investors 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 the 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.

CORPORATE GOVERNANCE REPORT

Continuously strengthening the investor relations management system, the Company fully respects and safeguards the legal rights and interests of all Shareholders. In 2023, the Company persistently increased its activity in the capital market, maintained high-frequency exchanges, deep communication, and multi-angle analysis. Proactively connecting with domestic and international institutional investors, small and medium investors, research institutions, and brokerage analysts, the Company organized over 60 investor communication meetings through video, teleconferences and on-site research, and hosted more than 1,500 investors. These meetings facilitated regular communication with investors on various aspects including industry macro trends, development strategies, production and operations, financial data, social responsibility and capital operations. Through the SSE Roadshow Centre, SSE E-Interaction, investor relations mailbox, and an investor hotline, the Company engaged in effective and sincere communication with small and medium investors, further enhancing the capital market's understanding of the Company and solidifying the foundation of investor relations management.

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 Shareholder's Communication Policy has been appropriately implemented and remains effective during the year ended 31 December 2023.

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

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.

CORPORATE GOVERNANCE REPORT

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 2023 respectively.

The fees in respect of audit service provided to the Group by SHINEWING (HK) CPA Limited for the year 2023 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 2023 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 Certified Public Accountants (Special General Partnership) (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.

ARTICLES OF ASSOCIATION

During the Reporting Period, there were no changes to the Articles of Association.

Please refer to the section headed “Subsequent Events of the Corporate Governance” of this “Corporate Governance Report” for the proposed amendments to the Articles of Association subsequent to the Reporting Period.

CORPORATE GOVERNANCE REPORT

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

During the Reporting Period, in accordance with the PRC Company Law, the Code of Corporate Governance for Listed Companies, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other relevant regulations, the Supervisory Committee performed duties compliantly in accordance with the law, and with focus on risk prevention and control, conducted solid supervision around major matters in the Company's operation and management, financial conditions, internal controls, directors and senior management's performance of duties. The Supervisory Committee had no objection to the supervision matters during the Reporting Period.

SUBSEQUENT EVENTS OF CORPORATE GOVERNANCE

As disclosed in the announcement of the Company dated 14 January 2024, Mr. Wang Lijun resigned as the non-executive Director, a member of the Strategy Committee and a member of the Nomination Committee, due to the change of work positions on 12 January 2024.

On 26 January 2024, in accordance with the latest provisions of the Management Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》) of the China Securities Regulatory Commission and the Hong Kong Listing Rules and based on the actual conditions of the Company, the Company made amendments to the Articles of Association and the amendments to the Articles of Association were approved by shareholders at the 2024 second extraordinary general meeting of the Company held on 20 February 2024. For details, please refer to the Company's announcement dated 26 January 2024 and the circular dated 21 February 2024 published on the website of the Hong Kong Stock Exchange.

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 120 to 249, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the carrying amounts of the property, plant and equipment and intangible assets were approximately RMB50,357,955,000 and RMB32,988,312,000 respectively, which are mainly related to the assets arising from the Group's gold mining and refining activities.</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>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 discussed and reviewed the impairment assessment prepared by the management of the Group, including the identification of possible impairment.</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>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

Recognition and impairment assessment on goodwill

Refer to the note 21 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the carrying amount of the goodwill was approximately RMB11,475,523,000, which is mainly related to the acquisition of subsidiaries and joint operation through business combinations. During the year, the goodwill arose from the acquisition of Yintai Gold Co., Ltd. ("Yintai Gold") and its subsidiaries was approximately RMB9,784,150,000 and the carrying amount of such goodwill was RMB9,784,150,000 as at 31 December 2023.</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 market approach and the discounted cash flows model, of each cash-generating unit were prepared by the independent valuers engaged by the Group.</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>Our audit procedures were designed to review the management's judgements used in the recognition of goodwill and the identification of cash-generating units and the impairment amount on goodwill.</p> <p>We have assessed the reasonableness of the identification of cash-generating units for annual impairment testing (including the goodwill recognised during the year).</p> <p>We have assessed whether the Group controls Yintai Gold and its subsidiaries and the timing of control of Yintai Gold and its subsidiaries acquired during the year by the Group.</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 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.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the aggregate carrying amounts of the financial assets at FVTPL and financial liabilities at FVTPL are approximately RMB8,995,248,000 and RMB801,362,000 respectively.</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 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>	<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>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>

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

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	5	59,275,275	50,305,754
Cost of sales		(50,647,596)	(44,138,322)
Gross profit		8,627,679	6,167,432
Selling expenses		(147,179)	(176,421)
General and administrative expenses		(2,614,946)	(2,465,844)
Research and development expenses		(487,195)	(399,567)
Other income	7	28,494	26,070
Other gains and (losses), net	8	(510,713)	(318,771)
Finance income	9	145,110	85,147
Finance costs	9	(1,568,275)	(1,051,000)
Share of results of associates		15,237	35,273
Profit before tax		3,488,212	1,902,319
Income tax expenses	10	(664,969)	(548,525)
Profit for the year	11	2,823,243	1,353,794
Profit for the year attributable to:			
Holders of equity instruments of the Company			
– Ordinary shares		1,803,893	840,337
– Perpetual bonds		463,490	353,096
		2,267,383	1,193,433
Non-controlling interests		555,860	160,361
		2,823,243	1,353,794
EARNINGS PER SHARE			
– Basic and diluted (RMB)	14	0.40	0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (Restated)
Profit for the year	2,823,243	1,353,794
Other comprehensive (expenses) income: <i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(14,129)	469,582
Other comprehensive (expenses) income	(14,129)	469,582
Total comprehensive income for the year	2,809,114	1,823,376
Total comprehensive income for the year attributable to:		
Holders of equity instruments of the Company		
– Ordinary shares	1,791,442	1,309,919
– Perpetual bonds	463,490	353,096
Non-controlling interests	2,254,932	1,663,015
	554,182	160,361
	2,809,114	1,823,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	17	50,357,955	37,028,403
Investment properties	18	164,392	176,190
Right-of-use assets	19(a)	1,492,974	852,397
Intangible assets	20	32,988,312	20,556,647
Goodwill	21	11,475,523	1,673,190
Investments in associates	22	2,521,951	1,988,901
Financial assets at fair value through other comprehensive income	24	28,720	7,900
Financial assets at fair value through profit or loss	25	4,829,857	5,160,074
Inventories	26	1,135,305	1,415,830
Deferred income tax assets	34	722,744	364,706
Other non-current assets	27	668,928	591,840
		106,386,661	69,816,078
Current assets			
Inventories	26	8,848,047	4,092,280
Prepayment, trade and other receivables	28	5,352,317	4,683,615
Prepaid income tax		41,983	105,146
Financial assets at fair value through profit or loss	25	4,165,391	2,959,904
Restricted bank deposits	29(a)	1,871,539	1,880,825
Bank balances and cash	29(b)	8,352,903	7,753,482
		28,632,180	21,475,252
Current liabilities			
Trade and other payables	30	19,976,443	13,144,075
Lease liabilities	19(b)	47,906	64,506
Current income tax liabilities		529,476	303,418
Borrowings	31	27,932,634	9,780,631
Financial liabilities at fair value through profit or loss	32	801,362	11,265,745
Current portion of other non-current liabilities	33	205,055	131,562
		49,492,876	34,689,937
Net current liabilities		(20,860,696)	(13,214,685)
Total assets less current liabilities		85,525,965	56,601,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Non-current liabilities			
Borrowings	31	23,211,331	13,548,305
Lease liabilities	19	108,361	143,670
Deferred income tax liabilities	34	6,826,963	4,137,729
Deferred revenue	35	12,787	16,084
Provision for asset retirement obligations	36	842,789	733,117
Other non-current liabilities	33	1,226,020	1,206,566
		32,228,251	19,785,471
Net assets			
		53,297,714	36,815,922
Capital and reserves			
Share capital	37(a)	4,473,430	4,473,430
Treasury shares	37(b)	–	–
Reserves		18,667,125	18,533,645
		23,140,555	23,007,075
Perpetual bonds	38	9,938,377	9,937,528
Non-controlling interests		20,218,782	3,871,319
		53,297,714	36,815,922

The consolidated financial statements on pages 120 to 249 were approved and authorised for issue by the board of directors on 28 March 2024 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 2023

	Attributable to owners of the Company											Total RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000 (note (a))	Statutory	Transactions	Foreign	Retained profits RMB'000	Sub-total RMB'000	Perpetual bonds RMB'000 (note 38)	Non- controlling interests RMB'000		
				and other reserve funds RMB'000 (note (b))	with non- controlling interests RMB'000 (note (c))	currency translation reserve RMB'000						
At 1 January 2023, as restated	4,473,430	-	5,788,983	1,065,380	(1,465,776)	90,854	43,170	13,011,034	23,007,075	9,937,528	3,871,319	36,815,922
Profit for the year	-	-	-	-	-	-	-	1,803,893	1,803,893	463,490	555,860	2,823,243
Other comprehensive income:												
Currency translation differences	-	-	-	-	-	(12,451)	-	-	(12,451)	-	(1,678)	(14,129)
Total comprehensive income	-	-	-	-	-	(12,451)	-	1,803,893	1,791,442	463,490	554,182	2,809,114
Appropriations	-	-	-	83,454	-	-	-	(83,454)	-	-	-	-
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	3,998,000	-	3,998,000
Repayment of perpetual bonds	-	-	-	-	-	-	(439)	-	(439)	(3,999,561)	-	(4,000,000)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	14,232,717	14,232,717
Incorporation of new subsidiaries	-	-	-	-	-	-	-	-	-	-	3,192,000	3,192,000
Dividends to shareholders of the Company (note 13)	-	-	-	-	-	-	-	(313,140)	(313,140)	-	-	(313,140)
Distributions made to holders of perpetual bonds	-	-	-	-	-	-	-	-	-	(461,080)	-	(461,080)
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(182,957)	(182,957)
Acquisition of non-controlling interests (note 15 (c)(i), 15(c)(ii) and 15(c)(iii))	-	-	-	-	(1,304,272)	-	-	-	(1,304,272)	-	(1,448,479)	(2,752,751)
Others	-	-	-	-	-	-	(40,111)	-	(40,111)	-	-	(40,111)
At 31 December 2023	4,473,430	-	5,788,983	1,148,834	(2,770,048)	78,403	2,620	14,418,333	23,140,555	9,938,377	20,218,782	53,297,714

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2022, as originally stated	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
Effect of change in accounting policies	-	-	-	-	-	-	-	11,142	11,142	-	281	11,423
At 1 January 2022, as restated	4,473,430	(6,293)	5,747,648	914,814	(225,182)	(378,728)	19,786	12,544,934	23,090,409	6,249,387	2,632,506	31,972,302
Profit for the year	-	-	-	-	-	-	-	840,337	840,337	353,096	160,361	1,353,794
Other comprehensive income:												
Currency translation differences	-	-	-	-	-	469,582	-	-	469,582	-	-	469,582
Total comprehensive income	-	-	-	-	-	469,582	-	840,337	1,309,919	353,096	160,361	1,823,376
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)(iv))	-	-	-	-	-	-	-	-	-	-	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)(v), 15(c)(vi) and 15(c)(viii))	-	-	-	-	(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 share	-	6,293	41,335	-	-	-	-	-	47,628	-	26,668	74,296
Others	-	-	-	-	-	-	23,384	-	23,384	-	-	23,384
At 31 December 2022, as restated	4,473,430	-	5,788,983	1,065,380	(1,465,776)	90,854	43,170	13,011,034	23,007,075	9,937,528	3,871,319	36,815,922

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

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” or “China”) 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. Details of such transactions are in note 15.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	39(a)	10,248,812	3,618,704
Income tax paid		(795,995)	(1,091,859)
NET CASH FROM OPERATING ACTIVITIES		9,452,817	2,526,845
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(9,658,962)	(4,246,683)
Consideration paid for acquisition of combined entities under common control		–	(5,179,241)
Withdrawal of restricted bank deposits		514,192	–
Placement of restricted bank deposits		–	(1,398,472)
Payments for purchase of financial assets at fair value through profit or loss		(1,790,400)	(1,375,964)
Payments for purchase of intangible assets		(1,034,694)	(510,375)
Repayments from related parties		166,866	–
Advanced to related parties		–	(304,515)
Payments for settlement of gold futures/forward contracts		(50,446)	(193,115)
Payments for right-of-use assets		(86,467)	(47,331)
Payments for investment properties		–	(261)
Proceeds from disposal of financial assets at fair value through profit or loss		429,045	1,382,955
Proceeds from disposal of property, plant and equipment		3,386	215,442
Interest received		145,110	85,147
Dividends received from financial assets at fair value through profit or loss		56,742	80,743
Dividends received from an associate		34,190	–
Proceeds from treasury shares sold		–	74,296
Net cash outflow from acquisition of subsidiaries		(11,913,760)	–
Capital injection in an associate		(552,003)	–
NET CASH USED IN INVESTING ACTIVITIES		(23,737,201)	(11,417,374)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		41,215,892	20,246,085
Proceeds from gold leasing arrangements		3,974,920	10,439,853
Proceed from issue of perpetual bonds		3,998,000	3,670,000
Repayment of perpetual bonds		(4,000,000)	–
New borrowings from related parties raised		3,988,000	3,202,000
Proceeds from non-controlling interests shareholders capital contributions		3,192,000	2,584,899
Government grants received		25,197	28,990
Repayments of bank borrowings		(15,690,384)	(10,905,089)
Settlement of gold leasing arrangements		(14,453,246)	(8,700,340)
Repayments of borrowings from related parties		(2,852,300)	(3,113,000)
Consideration paid for acquisition of non-controlling interests		(2,752,751)	(2,500,000)
Interests paid		(1,685,918)	(1,033,972)
Repayment of corporate bonds		–	(1,032,026)
Payments for finance costs associated with gold leasing contracts		(304,593)	(294,030)
Dividends paid to non-controlling shareholders		(182,957)	(273,709)
Dividends paid to shareholders of the Company		(313,140)	(223,671)
Payments for provision for asset retirement obligations		(59,632)	(85,826)
Repayments of lease liabilities		(85,296)	(64,115)
Payments of guarantee and arrangement fee for borrowings		(33,238)	(38,580)
NET CASH FROM FINANCING ACTIVITIES		13,980,554	11,907,469
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(303,830)	3,016,940
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,347,098	3,215,587
Effect of foreign exchange rate changes		(9,185)	114,571
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		6,034,083	6,347,098
Analysis of cash and cash equivalents:			
Bank balances and cash		8,352,903	7,753,482
Less: cash held on behalf of customers for futures contracts trading	29(b)	(2,318,820)	(1,406,384)
		6,034,083	6,347,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the “Company”) was established in the PRC 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; and (iv) gold and non-ferrous metals trading. The address of the Company’s registered office is No. 2503 Jingshi Road, Licheng District, Jinan, Shandong 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. MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 IFRSs 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 2023, the Group's recorded current liabilities exceeded its current assets by approximately RMB20,860,696,000. 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 RMB48,000,000,000 as at 31 December 2023 and available at least next twelve months from the date of these consolidated financial statements.

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 date of these consolidated financial statements. 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Changes in the principal accounting policies and disclosures

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

In the current year, the Group has applied, for the first time, the following new and amendments to standards to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2023:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and 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.

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 2.

Impact on application of Amendments to IAS 8 – Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in the principal accounting policies and disclosures (Continued)

(a) *New and amendments to standards that are effective for the current year (Continued)*

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The Group previously applied IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption. Upon application of the amendments, the Group has recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities and restoration, and the corresponding amounts recognised as part of the cost of the related assets. The Group recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented. This change in accounting policy did not have any impact on the cash flows for the years ended 31 December 2022 and 2023. The quantitative impact on the financial statements is summarised below.

Impact on basic and diluted earnings per share:

	For the year ended	
	31 December	
	2023	2022
	RMB	RMB
Basic and diluted earnings per share before adjustment	0.40	0.19
Adjustment arising from change in accounting policy in relation to application of amendments to IAS 12	–	–
Reported basic and diluted earnings per share	0.40	0.19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Changes in the principal accounting policies and disclosures *(Continued)*

(a) *New and amendments to standards that are effective for the current year (Continued)*

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(Continued)*

The effects of change in accounting policies as a result of application of amendments to IAS 12 on the consolidated statements of financial position at the end of the immediately preceding financial year, 31 December 2022, and the beginning of the comparative period, 1 January 2022, are as follows:

	As at 31 December 2022 (Originally stated) RMB'000	Adjustment RMB'000	As at 31 December 2022 (Restated) RMB'000
Deferred tax assets	289,468	75,238	364,706
Deferred tax liabilities	(4,076,245)	(61,484)	(4,137,729)
Total effect on net assets	(3,786,777)	13,754	(3,773,023)
Non-controlling interests	3,870,781	538	3,871,319
Reserves	18,520,429	13,216	18,533,645
Total effect on equity	22,391,210	13,754	22,404,964

	As at 1 January 2022 (Originally stated) RMB'000	Adjustment RMB'000	As at 1 January 2022 (Restated) RMB'000
Deferred tax assets	475,874	75,386	551,260
Deferred tax liabilities	(4,793,109)	(63,963)	(4,857,072)
Total effect on net assets	(4,317,235)	11,423	(4,305,812)
Non-controlling interests	2,632,225	281	2,632,506
Reserves	18,612,130	11,142	18,623,272
Total effect on equity	21,244,355	11,423	21,255,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in the principal accounting policies and disclosures (Continued)

(a) *New and amendments to standards that are effective for the current year (Continued)*

Impact on the consolidated statements of profit or loss:

	For the year ended	
	31 December 2023 RMB'000	31 December 2022 RMB'000
Decrease in income tax expense	(8,918)	(2,331)
Net increase in profit for the year	8,918	2,331
Increase in profit for the year attributable to:		
Ordinary shares of the Company	4,070	2,074
Non-controlling interests	4,848	257
	8,918	2,331
Increase in total comprehensive income for the year	8,918	2,331
Increase in total comprehensive income for the year attributable to:		
Ordinary shares of the Company	4,070	2,074
Non-controlling interests	4,848	257
	8,918	2,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Changes in the principal accounting policies and disclosures *(Continued)*

(b) Amendments to standards in issue but not yet effective

New and amendments to standards, including IFRSs, IAS, amendments and interpretations, which are not yet effective for the financial year commencing on 1 January 2023 and have not been applied in preparing these consolidated financial statements are listed below:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of Exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025

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.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

- 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

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.

2.2.5 Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisition of businesses are accounted for using the acquisition method, except for business combination under common control. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.5 Business combinations or asset acquisitions *(Continued)*

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 Income Taxes;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.5 Business combinations or asset acquisitions *(Continued)*

Business combinations (Continued)

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts recognised at the acquisition date are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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.

2.8.5 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.10 Financial assets *(Continued)*

2.10.2 Recognition and measurement *(Continued)*

Debt instruments (Continued)

- 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.

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 there has been a significant increase in credit risk since initial recognition, in which case 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 debtor 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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

For 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023, no forfeited contribution under the Defined Contribution Schemes is available to offset the future contributions or reduce the existing and future levels of contributions (2022: 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 to which the Group expects to be entitled 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(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 2023

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 2023 and 2022, 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 2023

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 Secured Overnight Financing Rate ("SOFR") 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 (2022: 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.

	2023	2022
	RMB'000	RMB'000
Impact on post-tax profit of 50 basis points higher	(129,119)	(59,134)
Impact on post-tax profit of 50 basis points lower	129,119	59,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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% (2022: 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% (2022: 5%) higher/lower, post-tax profit for the year ended 31 December 2023 would increase/decrease by approximately RMB197,442,000 (2022: RMB203,635,000) 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 75% (2022: 72%) of the total trade receivables was due from the Group's the five largest customers. There was no outstanding trade receivables due from the Group's largest customer as at 31 December 2023 and 2022.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong (2022: the PRC), which accounted for 55% (2022: 82%) of the total trade receivables as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023, carrying amount of approximately RMB3,775,588,000 (2022: RMB3,178,738,000) 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 RMB318,449,000 (2022: RMB265,181,000) has been identified as at 31 December 2023.

(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 2023					
Expected loss rate	2.25%	10.0%	20.0%	86.5%	
Gross carrying amount (RMB'000)	523,858	6,937	572	8,886	540,253
Impairment of trade receivables (RMB'000)	11,798	694	114	7,682	20,288
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023

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 2023						
Trade and other payables	17,628,155	-	-	-	17,628,155	17,628,155
Lease liabilities	50,219	50,100	48,415	14,438	163,172	156,267
Borrowings	30,357,803	6,624,747	17,104,302	1,315,207	55,402,059	51,143,965
Other non-current liabilities	205,055	538,946	673,624	13,450	1,431,075	1,431,075
Financial liabilities at FVTPL	801,362	-	-	-	801,362	801,362
	49,042,594	7,213,793	17,826,341	1,343,095	75,425,823	71,160,824

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 (other than commodity options contracts and foreign currency forward contracts), 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 2023 and 2022, the net debt to total capital ratio was as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Borrowings	51,143,965	23,328,936
Lease liabilities	156,267	208,176
Financial liabilities at FVTPL	781,221	11,265,745
	52,081,453	34,802,857
Less: restricted bank deposits (note 29(a))	(1,871,539)	(1,880,825)
Less: bank balances and cash (note 29(b))	(8,352,903)	(7,753,482)
Net debt	41,857,011	25,168,550
Equity	53,297,714	36,815,922
Total capital	95,154,725	61,984,472
Gearing ratio	44%	41%

The increase in the gearing ratio as at 31 December 2023 was primarily due to the increase in borrowings more than the increase in the Group's equity as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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
		2023	2022			
		RMB' 000	RMB' 000			
Financial assets at FVTPL – listed equity investments	Level 1	147,511	417,572	Quoted bid price in an active market	N/A	N/A
Financial assets at FVTPL – listed gold futures contracts	Level 1	256,320	–	Quoted bid price in an active market	N/A	N/A
Financial assets at FVTPL – listed equity investments	Level 2	4,861,285	5,012,696	Market approach – price to book ratio	N/A	N/A
Financial assets at FVTPL – investments in equity funds	Level 2	1,688,672	1,710,496	Quoted price in the fund's statements	N/A	N/A
Financial assets at FVTPL – structured deposits	Level 2	1,051,488	10,517	Quoted rate of return by issuing bank	N/A	N/A
Financial assets at FVTPL – investments in other equity funds (note)	Level 3	851,183	906,263	Income approach	Long term revenue growth rate, taking into account management's experience and knowledge of market conditions of specific industries: From 7.4% to 12.5% (2022: 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	138,789	62,434	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: RMB279,009,000 (2022: RMB187,575,000)	The higher NAV of the investment, the higher the fair value
		8,995,248	8,119,978			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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)

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
		2023	2022			
		RMB' 000	RMB' 000			
Financial liabilities at FVTPL – commodity options contracts and foreign currency forward contracts	Level 1	20,141	–	Quoted bid price in an active market	N/A	N/A
Financial liabilities at FVTPL – gold leasing contracts and gold forward/futures contracts	Level 2	781,221	11,265,745	Market approach – reference to the similar contracts	N/A	N/A
		801,362	11,265,745			

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 RMB37,124,000 (2022: RMB36,326,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2022	1,442,225
Disposals	(443,445)
Realised gain in profit or loss	44,947
Unrealised loss	(75,030)
At 31 December 2022	968,697
Purchases	79,887
Disposals	(88,507)
Realised loss in profit or loss	(486)
Unrealised gain	30,381
At 31 December 2023	989,972

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 2023

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 S.R.L. (“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.

(c) Scope of consolidation – the Group holding half or less than half of the total voting rights of Yintai Gold Co., Ltd. (“Yintai Gold”)

The Group has determined that it has obtained the controlling power in Yintai Gold even it holds less than half of the total voting rights of Yintai Gold. It is because the Group is the largest single shareholder of Yintai Gold, holding 28.89% of its shares and its voting rights. The rest of the shares of Yintai Gold are widely held by a number of other shareholders. There are no other shareholders having exercised voting rights collectively or holding more shares of Yintai Gold than the Group since the acquisition date and at the end of the reporting date. At the same time, the Group can direct the board resolutions of Yintai Gold to be passed and approve the appointment of key management personnel of Yintai Gold by holding more than half of the total voting rights in the board of directors of Yintai Gold. Therefore, the Group includes Yintai Gold in the scope of consolidation. Details are mentioned in Note 42(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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 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.

(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 2023, the carrying amounts of property, plant and equipment and intangible assets are approximately RMB50,357,955,000 (2022: RMB37,028,403,000) and RMB32,988,312,000 (2022: RMB20,556,647,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(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 2023, the carrying amount of the goodwill was approximately RMB11,475,523,000 (2022: RMB1,673,190,000). No impairment loss has been recognised during the years ended 31 December 2023 and 2022.

(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 2023, the carrying amounts of the financial assets and liabilities at FVTPL were approximately RMB8,995,248,000 (2022: RMB8,119,978,000) and RMB801,362,000 (2022: RMB11,265,745,000).

(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 2023, the carrying amount of the trade receivables was approximately RMB519,965,000 (2022: RMB141,181,000), net of accumulated impairment of approximately RMB20,288,000 (2022: RMB12,042,000).

As at 31 December 2023, the carrying amount of the other receivables was approximately RMB3,775,588,000 (2022: RMB3,178,738,000), net of accumulated impairment of approximately RMB318,449,000 (2022: RMB265,181,000).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

(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.

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:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	59,185,816	50,008,737
Brokerage and other fees earned from trading of futures contracts	76,380	276,983
	59,262,196	50,285,720
Revenue from other sources		
Rental income from investment properties	13,079	20,034
	59,275,275	50,305,754

Disaggregation of revenue from contracts with customers by timing of recognition:

	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	59,262,196	50,285,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. REVENUE (Continued)

Set out below is the reconciliation of the Group's revenue from contracts with customers disclosed in the segment information:

	Gold and Non-ferrous Metals Mining RMB'000	Gold and Non-ferrous Metals Refining RMB'000	Investment Management RMB'000	Trading RMB'000	Total RMB'000
For the year ended 31 December 2023					
<i>Revenue from contracts with customers within the scope of IFRS 15</i>					
Sales of gold bullion, gold related products and others	3,666,243	37,143,979	14,940,030	3,435,564	59,185,816
Brokerage and other fees earned from trading of futures contracts	-	-	76,380	-	76,380
	3,666,243	37,143,979	15,016,410	3,435,564	59,262,196
<i>Revenue from other sources</i>					
Rental income from investment properties	13,079	-	-	-	13,079
	3,679,322	37,143,979	15,016,410	3,435,564	59,275,275

	Gold and Non-ferrous Metals Mining RMB'000	Gold and Non-ferrous Metals 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

The contracts for the sale of goods are with an original expected duration of one year or less or contracts for which revenue is recognized at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocation to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 and Non-ferrous Metals Mining – mining and sales of gold ore and others;
- Gold and Non-ferrous Metals Refining – production and sales of gold and others;
- Investment Management – investments in equity funds and provision of futures contracts trading services; and
- Trading – trading of gold bullion and non-ferrous metals.

Segment revenue and results

For the year ended 31 December 2023

	Gold and Non-ferrous Metals Mining RMB'000	Gold and Non-ferrous Metals Refining RMB'000	Investment Management RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	17,214,709	37,297,493	15,045,530	3,435,564	(13,718,021)	59,275,275
Less: inter-segment revenue	(13,535,387)	(153,514)	(29,120)	-	13,718,021	-
Revenue from external customers	3,679,322	37,143,979	15,016,410	3,435,564	-	59,275,275
Operating profit	4,532,844	10,200	54,114	418,883	(119,901)	4,896,140
Finance income	141,988	6,744	44,021	24,819	(72,462)	145,110
Finance costs	(1,411,548)	(5,909)	(205,186)	(18,094)	72,462	(1,568,275)
Share of results of associates	15,221	-	16	-	-	15,237
Profit/(loss) before tax	3,278,505	11,035	(107,035)	425,608	(119,901)	3,488,212
Income tax (expenses) credit	(687,512)	(916)	107,939	(84,480)	-	(664,969)
Profit/(loss) for the year	2,590,993	10,119	904	341,128	(119,901)	2,823,243
Other segment information:						
Depreciation and amortisation	4,031,285	60,194	5,549	585	-	4,097,613
Loss on disposals/write-off of property, plant and equipment	12,448	-	-	-	-	12,448
Government grants	(24,385)	(2,581)	(1,528)	-	-	(28,494)
(Reversal of) provision for impairment of trade and other receivables, net	(7,936)	-	69,450	-	-	61,514
Provision for impairment of inventories	3,517	-	-	-	-	3,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2022 (Restated)

	Gold and Non-ferrous Metals Mining RMB'000	Gold and Non-ferrous Metals 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	(592,362)	(8,316)	52,153	-	(548,525)
Profit/(loss) for the year	1,569,487	32,769	(239,797)	(8,665)	1,353,794
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 impairment of inventories	(26)	-	-	-	(26)

Segment assets and liabilities

As at 31 December 2023

	Gold and Non-ferrous Metals Mining RMB'000	Gold and Non-ferrous Metals Refining RMB'000	Investment Management RMB'000	Trading RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	92,947,582	4,180,546	21,442,584	23,626,482	(7,178,353)	135,018,841
Including:						
Investments in associates	2,517,843	-	4,108	-	-	2,521,951
Total liabilities	67,629,366	3,356,336	12,409,797	5,503,981	(7,178,353)	81,721,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2022 (Restated)

	Gold and Non-ferrous Metals Mining RMB'000	Gold and Non-ferrous Metals Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	76,366,274	3,773,511	16,072,510	(4,920,965)	91,291,330
Including:					
Investments in associates	1,984,809	-	4,092	-	1,988,901
Total liabilities	45,338,594	2,914,901	11,151,543	(4,929,630)	54,475,408

Analysis of revenue

	2023 RMB'000	2022 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	56,585,687	47,257,420
Outside the PRC	2,676,509	3,028,300
	59,262,196	50,285,720
Revenue from other sources		
The PRC	13,079	20,034
	59,275,275	50,305,754

Revenue is attributed to countries based on the customers' locations.

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Analysis of non-current assets

	2023 RMB'000	2022 RMB'000
The PRC, excluding HKSAR of the PRC	86,614,423	51,691,595
Outside the PRC	14,190,917	12,591,803
	100,805,340	64,283,398

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

	2023 RMB'000	2022 RMB'000
Government grants (note)	28,494	26,070

Note: Included in other income was government grants of approximately RMB23,899,000 (2022: RMB21,858,000) 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 2023 of RMB4,595,000 (2022: RMB4,212,000) are set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. OTHER GAINS AND (LOSSES), NET

	2023 RMB'000	2022 RMB'000
Fair value loss on gold futures/forward contracts	(64,389)	(132,088)
Loss on disposals/write-off of property, plant and equipment	(12,448)	(17,983)
Net foreign exchange losses	(101,128)	(58,351)
Realised and unrealised fair value loss of financial assets at FVTPL	(486,085)	(114,826)
Dividends income from financial assets at FVTPL	56,742	80,743
Gain on bargain purchase	5,245	–
Fair value gain on step acquisition	94,307	–
Others	(2,957)	(76,266)
	(510,713)	(318,771)

9. FINANCE INCOME AND FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Finance income		
Interest income from		
– bank deposits	103,836	57,738
– deposits with an associate (note 43(b))	35,989	26,427
– entrusted loans	5,285	982
	145,110	85,147
Finance costs		
Interest expenses from		
– bank borrowings	1,201,822	667,986
– borrowings from related parties (note 43(b))	20,085	22,068
– corporate bonds	–	6,474
– interest charge on unwinding of discounts from provision for asset retirement obligations (note 36)	34,837	21,867
– lease liabilities (note 19(c))	11,454	23,430
Finance costs for arranging gold leasing contracts	304,593	294,030
Realised and unrealised fair value losses on gold leasing contracts	2,931	2,489
Guarantee and arrangement fees for borrowings	33,238	38,580
	1,608,960	1,076,924
Less: amounts capitalised on qualifying assets (note)	(40,685)	(25,924)
	1,568,275	1,051,000

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.72% (2022: 3.70%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000 (Restated)
Current income tax:		
– The PRC	1,023,074	1,233,410
– Outside the PRC	62,142	40,602
	1,085,216	1,274,012
Deferred income tax (note 34)	(420,247)	(725,487)
	664,969	548,525

- (a) The provision for PRC enterprise income tax (“EIT”) is calculated based on the statutory income tax rate of 25% (2022: 25%). The EIT is calculated based on the applicable income tax rate of 25% (2022: 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% or 20% (2022: 15% or 20%) based on the relevant PRC tax laws and regulations.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

- (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% (2022: 35%) in accordance with the Argentina income tax law.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements.

In addition, withholding tax of approximately RMB38,307,000 (2022: RMB37,057,000) has been provided during the year ended 31 December 2023 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 2023

10. INCOME TAX EXPENSES (Continued)

The income tax expenses for the year can be reconciled to profit before tax per consolidated statement of profit or loss as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Profit before tax	3,488,212	1,902,319
Tax calculated at domestic income tax rate of 25% (2022: 25%)	872,053	475,580
Effect of different tax rates applicable to certain subsidiaries	(130,142)	(63,216)
Tax effect of income not taxable for tax purpose	(1,835)	(1,633)
Tax effect of expenses not deductible for tax purposes	17,741	20,090
Utilisation of tax losses previously not recognised	(143,656)	(19,077)
Tax effect of tax losses not recognised	137,142	207,103
Additional expenses allowance for tax deduction	(122,105)	(105,972)
Withholding tax on interest income and dividend income from the joint operation	38,307	37,057
Others	(2,536)	(1,407)
Income tax expenses	664,969	548,525

Details of deferred taxation are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2023 RMB'000	2022 RMB'000
Directors' and chief executive emoluments (note 12(i))	6,210	6,499
Other staff:		
– salaries, wages, allowances and other benefits	4,560,887	3,304,920
– retirement benefit scheme contributions	699,724	524,664
	5,266,821	3,836,083
Amortisation of intangible assets	1,013,151	686,761
Depreciation of property, plant and equipment	2,919,397	1,754,476
Depreciation of investment properties	8,801	10,130
Depreciation of right-of-use assets	156,264	115,165
Auditors' remuneration	4,800	4,800
Loss on disposals/write-off of property, plant and equipment	12,448	17,983
Provision for impairment of property, plants and equipment	4,269	–
Provision for impairment of trade and other receivables, net (note 28(e))	61,514	122,819
Provision for (reversal of) impairment of inventories (note 26(b))	3,517	(26)
Research and development expenses	487,195	399,567
Amount of inventories recognised as expenses	50,647,596	44,138,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

- (i) The emoluments paid or payable to each of the 9 (2022: 10) directors and the chief executive of the Company were as follows:

For the year ended 31 December 2023

	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)	-	156	496	108	760
Mr. Liu Qin (劉欽)	-	176	738	107	1,021
Mr. Wang Shu Hai (王樹海)	-	-	482	-	482
<i>Non-executive directors</i>					
Mr. Li Hang (李航) (note (i))	220	-	486	107	813
Mr. Wang Lijun (王立君) (note (iii))	176	-	839	107	1,122
Ms. Wang Xiaoling (汪曉玲)	176	-	828	108	1,112
<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	1,472	332	3,869	537	6,210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

- (i) The emoluments paid or payable to each of the 9 (2022: 10) directors and the chief executive of the Company were as follows: (Continued)

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) (note (iii))	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:

- (i) Appointed on 12 July 2022
- (ii) Retired on 16 June 2022
- (iii) Resigned on 12 January 2024
- (iv) 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 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

- (i) The emoluments paid or payable to each of the 9 (2022: 10) 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 2023 and 2022.

The directors of the Company did not receive any termination benefits during the years ended 31 December 2023 and 2022.

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 2023 and 2022.

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 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(ii) The emoluments paid or payable to each of the 3 (2022: 3) supervisors of the Company were as follows:

For the year ended 31 December 2023

	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)	-	176	839	107	1,122
Ms. Liu Yanfen (劉延芬)	-	150	336	108	594
Mr. Luan Bo (樂波)	-	149	366	153	668
Total	-	475	1,541	368	2,384

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023	2022
	Number of individuals	Number of individuals
Director	–	–
Non-directors	5	5
	5	5

The emoluments payable to the non-directors are as follows:

	2023	2022
	RMB'000	RMB'000
Wages, salaries and allowances	4,200	3,680
Performance related bonuses	5,829	4,784
Retirement benefit scheme contributions	540	477
	10,569	8,941

The emoluments to the non directors fell within the following bands:

	2023	2022
	Number of individuals	Number of individuals
Emolument bands (in Hong Kong dollars ("HK\$"))		
HK\$1,500,001 to HK\$2,000,000	1	3
HK\$2,000,001 to HK\$2,500,000	4	2

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 2023 and 2022, no emoluments were paid by the Group to the Directors and 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 2023

13. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Final dividend for the year ended 31 December 2021 of RMB0.05 per share	–	223,671
Final dividend for the year ended 31 December 2022 of RMB0.07 per share	313,140	–
	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. Accordingly, the dividend paid during the year ended 31 December 2023 was approximately RMB313,140,000 (2022: RMB223,671,000). The payment of dividend has been resolved by the ordinary resolution in the shareholders' meeting of the Company on 7 June 2023.

Dividends proposed after the end of the reporting period and not being recognised are as below:

	2023 RMB'000	2022 RMB'000
Proposed final dividend after the date of the reporting period: RMB0.14 (2022: RMB0.07) per share	626,280	313,140

On 28 March 2024, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2023 of RMB0.14 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 PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company by the weighted average number of the Company's outstanding ordinary shares during the year:

	2023	2022 (Restated)
Profit attributable to owners of the Company (RMB'000)	1,803,893	840,337
Weighted average number of shares in issues (thousands of shares)	4,473,430	4,473,430
Basic earnings per share (RMB per share)	0.40	0.19

As the Company did not have any dilutive instruments during the years ended 31 December 2023 and 2022, 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 2023

15. SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries of the Company at 31 December 2023 and 2022:

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
				2023		2022		
				Direct	Indirect	Direct	Indirect	
Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司) ("SDG Laizhou")	The PRC	Contributed	RMB430,176,364	100%	-	100%	-	Gold mining in the PRC
						(note 15(c)(vi))		
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%	-	100%	-	Gold mining in the PRC
						(note 15(c)(vi))		
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%	-	100%	-	Gold mining in the PRC
						(note 15(c)(vii))		
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 Guliaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司) ("Guliaizhuang")	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	100%	-	60.78%	-	Gold mining in the PRC
				(note 15(c)(i))				
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 Chaihuilanzi Gold Mining Co., Ltd. (赤峰柴胡蘭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 (HongKong) Co., Limited	Hong Kong	Ordinary shares	RMB4,531,145,600	100%	-	100%	-	Investment holding
SDG Capital Management Co., Ltd. (山金金控資本管理有限公司)	The PRC	Contributed	RMB1,500,000,000	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. (萊州章鑿投資有限公司)	The PRC	Contributed	RMB48,000,000	-	100%	-	100%	Gold exploration in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. SUBSIDIARIES OF THE COMPANY (Continued)

The following is a list of the principal subsidiaries of the Company at 31 December 2023 and 2022: (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
				2023		2022		
				Direct	Indirect	Direct	Indirect	
Cardinal Resources Limited	Australia	Ordinary shares	AUD554,350,609	-	100%	-	100%	Mineral exploration and development in Ghana
Cardinal Namdini Mining Limited ("Cardinal Namdini")	Ghana	Ordinary shares	USD500,000	-	85%	-	85%	Mining and processing of gold and sales of gold products in Ghana (note 15(c)(iv))
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	RMB200,000,000	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 Laijin 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 Ludi 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
Yintai Gold (銀泰黃金股份有限公司)	The PRC	Contributed	RMB2,776,722,265	28.89% (note (i), 15(c)(iii) and 42)	-	-	-	Precious metal and non-ferrous metal mining and processing and trading of metal in the PRC
Inner Mongolia Yulong Kuangye Co., Ltd.* ("Inner Mongolia Yulong") (內蒙古玉龍礦業股份有限公司)	The PRC	Contributed	RMB401,520,000	-	22.15% (note (i))	-	-	Precious metal and non-ferrous metal mining and processing and trading of metal in the PRC

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For the year ended 31 December 2023

15. SUBSIDIARIES OF THE COMPANY (Continued)

The following is a list of the principal subsidiaries of the Company at 31 December 2023 and 2022: (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
				2023		2022		
				Direct	Indirect	Direct	Indirect	
Jilin Banmiaozi Kuangye Ltd.* (吉林敖子礦業有限公司)	The PRC	Contributed	RMB125,041,000	-	27.45% (note (i))	-	-	Mining and processing of gold and sales of gold products in the PRC
Qinghai Dachaidan Kuangye Ltd.* (青海大柴旦礦業有限公司)	The PRC	Contributed	RMB194,838,510	-	26% (note (i))	-	-	Mining and processing of gold and sales of gold products in the PRC
Yintai Shenghong Gongyinglian Guanli Ltd.* (銀泰盛鴻供應鏈管理股份有限公司)	The PRC	Contributed	RMB293,790,000	-	27.91% (note (i))	-	-	Product chain management in the PRC
Mangshi Huasheng Jinkuang Kaifa Ltd.* (芒市華盛金礦開發有限公司)	The PRC	Contributed	RMB5,000,000	-	17.33% (note (i))	-	-	Mining and processing of gold and sales of gold products in the PRC
Heihe Luoke Kiyangye Kaifa Ltd. (黑河洛克礦業開發有限責任公司)	The PRC	Contributed	USD40,660,000	-	28.89% (note (i))	-	-	Mining and processing of gold and sales of gold products in the PRC
Shandong Jinzhou Group Qianling Mining Limited* (山東金洲集團千嶺礦業有限公司) ("Qianling Mining")	The PRC	Contributed	RMB10,000,000	-	100% (note 15(c)(ii))	-	54.7%	Gold mining in the PRC
Shanjin Mine Project (Shandong) Limited* (山金礦山工程(山東)有限公司)	The PRC	Contributed	RMB40,000,000	-	70% (note (ii))	-	-	Mine project services in the PRC
Gansu Jinshun Mining Limited* (甘肅金舜礦業有限責任公司)	The PRC	Contributed	RMB450,000,000	-	60% (note (ii))	-	-	Gold mining in the PRC

Except for Yintai Gold and Inner Mongolia Yulong which are registered as company limited by shares under the PRC law, 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.

Notes:

- (i) The Group owns 28.89% equity interest and holds 28.89% voting rights of Yintai Gold as at 31 December 2023. According to the factors as stated in Note 4, Yintai Gold and its subsidiaries (collectively referred to as the "Yintai Gold Group") are accounting for as subsidiaries of the Group.
- (ii) Capital injection to the subsidiaries during the year ended 31 December 2023.

* For identification only

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For the year ended 31 December 2023

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	
		2023	2022
Investment holding	The PRC	2	1
Investment holding	Hong Kong	4	2
Inactive	Canada	1	1
Inactive	Ghana	3	3
Inactive	Australia	1	1
Inactive	The PRC	10	8
Inactive	Singapore	1	–
		22	16

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:

	2023	2022
	RMB'000	RMB'000
Yintai Gold Group	13,493,591	–
Shandong Jinzhou and its subsidiaries (collectively referred to as the “Shandong Jinzhou Group”)	–	491,796
Xihe Zhongbao	316,702	426,692
Guilaizhuang	232,101	216,481
Chifeng Chai Gold	292,451	209,148
Fujian Zhenghe	43,134	41,180
	14,377,979	1,385,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Current assets	N/A	207,072	259,175	97,936
Non-current assets	N/A	1,278,757	2,219,946	2,083,154
	N/A	1,485,829	2,479,121	2,181,090
Current liabilities	N/A	(212,220)	(693,100)	(521,417)
Non-current liabilities	N/A	(39,838)	(204,060)	(237,065)
	N/A	(252,058)	(897,160)	(758,482)
Net assets	N/A	1,233,771	1,581,961	1,422,608

	The Yintai Gold Group		Guilaizhuang	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (Restated)
Current assets	7,615,766	N/A	253,840	239,773
Non-current assets	16,010,716	N/A	906,778	840,525
	23,626,482	N/A	1,160,618	1,080,298
Current liabilities	(2,406,421)	N/A	(348,509)	(319,935)
Non-current liabilities	(3,097,560)	N/A	(21,305)	(21,416)
	(5,503,981)	N/A	(369,814)	(341,351)
Net assets	18,122,501	N/A	790,804	738,947

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For the year ended 31 December 2023

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)

	Chifeng Chai Gold		Fujian Zhenghe	
	2023	2022	2023	2022
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
Current assets	108,715	90,394	96,340	75,137
Non-current assets	1,687,374	1,297,954	518,091	498,592
	1,796,089	1,388,348	614,431	573,729
Current liabilities	(616,363)	(583,463)	(168,103)	(147,428)
Non-current liabilities	(104,709)	(49,463)	(1,193)	(1,191)
	(712,072)	(632,926)	(169,296)	(148,619)
Net assets	1,075,017	755,422	445,135	425,110

Summary of statement of comprehensive income

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2023	2022	2023	2022
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
Revenue	N/A	455,146	512,946	390,658
Profit before tax	N/A	165,827	184,298	92,931
Income tax expenses	N/A	(38,678)	(24,944)	(18,770)
Profit and total comprehensive income for the year	N/A	127,149	159,354	74,161
Total comprehensive income allocated to non-controlling interests	N/A	50,698	47,806	22,248
Dividends paid to non-controlling interests	N/A	–	–	22,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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)

	The Yintai Gold Group		Guilaizhuang	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Revenue	3,435,564	N/A	388,162	257,579
Profit before tax	425,608	N/A	50,385	12,477
Income tax (expenses) credit	(84,480)	N/A	394	(30,513)
Profit (loss) and total comprehensive income (expenses) for the year	341,128	N/A	50,779	(18,036)
Total comprehensive income (expenses) allocated to non-controlling interests	238,167	N/A	14,904	(5,294)
Dividends paid to non-controlling interests	–	N/A	–	–

	Chifeng Chai Gold		Fujian Zhenghe	
	2023	2022	2023	2022
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000 (Restated)
Revenue	739,822	674,570	148,265	126,541
Profit before tax	366,021	287,498	22,042	3,166
Income tax (expenses) credit	(46,427)	(78,503)	(2,045)	1,143
Profit and total comprehensive income for the year	319,594	208,995	19,997	4,309
Total comprehensive income allocated to non-controlling interest	84,619	55,336	1,937	418
Dividends paid to non-controlling interests	–	18,534	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from operating activities	N/A	30,286	162,518	167,285
Net cash used in investing activities	N/A	(136,353)	(166,785)	(131,483)
Net cash (used in) from financing activities	N/A	(928)	(2,018)	6,172
Net (decrease) increase in cash and cash equivalents	N/A	(106,995)	(6,285)	41,974
Cash and cash equivalents at the beginning of the year	N/A	150,500	57,803	15,829
Cash and cash equivalents at the end of the year	N/A	43,505	51,518	57,803

	The Yintai Gold Group		Guilaizhuang	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from (used in) operating activities	794,482	N/A	64,634	(25,642)
Net cash from (used in) investing activities	73,956	N/A	(12,336)	(30,677)
Net cash (used in) from financing activities	(597,132)	N/A	5,536	48,286
Net increase (decrease) in cash and cash equivalents	271,306	N/A	57,834	(8,033)
Effect of foreign exchange rate changes	1,213	N/A	—	—
Cash and cash equivalents at the date of acquisition/ beginning of the year	1,551,090	N/A	14,863	22,896
Cash and cash equivalents at the end of the year	1,823,609	N/A	72,697	14,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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)

	Chifeng Chai Gold		Fujian Zhenghe	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash from operating activities	364,939	312,711	35,213	32,275
Net cash used in investing activities	(367,947)	(169,204)	(62,067)	(38,570)
Net cash from (used in) financing activities	22,282	(68,015)	34,177	19,831
Net increase in cash and cash equivalents	19,274	75,492	7,323	13,536
Cash and cash equivalents at the beginning of the year	81,270	5,778	14,511	975
Cash and cash equivalents at the end of the year	100,544	81,270	21,834	14,511

Note: The above financial information has been shown before inter-company eliminations.

(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) During the year ended 31 December 2023, the Company acquired additional 39.22% equity interests in Shandong Jinzhou with cash consideration of approximately RMB399,692,000 from independent third parties. Upon the completion of the acquisition, the Company's interest in Shandong Jinzhou increased from 60.78% to 100%. The Group recognised a decrease in non-controlling interests of approximately RMB506,672,000 and an increase in equity attributable to owners of the Company of approximately RMB106,980,000.
- (ii) During the year ended 31 December 2023, the Company acquired additional 10% equity interests in Qianling Mining with cash consideration of approximately RMB750,000 from an independent third party. Upon the completion of the acquisition, the Company's interest in Qianling Mining increased from 90% to 100%. The Group recognised a decrease in non-controlling interests of approximately RMB13,699,000 and an increase in equity attributable to owners of the Company of approximately RMB12,949,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. SUBSIDIARIES OF THE COMPANY (Continued)

(c) Changes in ownership interest in subsidiaries (Continued)

- (iii) On 16 November 2023, the Company intended to acquire additional equity interest of Yintai Gold within six months from the open market at an aggregate consideration of not less than RMB1,288,000,000 and not more than RMB2,576,000,000. For details, please refer to the announcement of the Company dated 16 November 2023.

During 16 November 2023 to 31 December 2023, the Company acquired additional 5.79% equity interests in Yintai Gold with cash consideration of approximately RMB2,352,309,000 from the open market. The Company's interest in Yintai Gold increased from 23.1% to 28.89%. The Group recognised a decrease in non-controlling interests of approximately RMB928,108,000 and a decrease in equity attributable to owners of the Company of approximately RMB1,424,201,000.

- (iv) On 8 December 2022, an independent third party made a capital injection of approximately USD75,273,000 (equivalent to approximately RMB584,899,000) in Cardinal Namdini, a wholly-owned subsidiary of the Company. The Group recognised an increase in non-controlling interests of approximately RMB584,899,000.
- (v) 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.
- (vi) 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.
- (vii) 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.

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For the year ended 31 December 2023

16. JOINT OPERATION

As at 31 December 2023 and 2022, 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
			2023		2022		
			Direct	Indirect	Direct	Indirect	
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 2023

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 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 (note 18)	–	–	–	(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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023					
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
Year ended 31 December 2023					
Opening net book amount	7,101,987	18,539,807	5,404,062	5,982,547	37,028,403
Additions	921,421	5,560,700	766,083	5,119,612	12,367,816
Acquired on acquisition of subsidiaries	738,670	1,757,398	86,542	353,624	2,936,234
Transfers upon completion of construction	828,755	2,383,241	-	(3,211,996)	-
Transfers from investment properties (note 18)	6,403	-	-	-	6,403
Disposals/write-off (note (a))	(821)	(32,663)	(15,013)	-	(48,497)
Depreciation charges	(712,634)	(1,558,647)	(648,116)	-	(2,919,397)
Impairment	-	-	(4,269)	-	(4,269)
Currency translation differences	58,861	687,638	214,940	29,823	991,262
Closing net book amount	8,942,642	27,337,474	5,804,229	8,273,610	50,357,955
As at 31 December 2023					
Cost	12,601,631	35,385,175	11,641,381	8,293,429	67,921,616
Accumulated depreciation	(3,630,146)	(7,921,128)	(5,794,051)	-	(17,345,325)
Accumulated impairment	(22,160)	(55,358)	(12,859)	-	(90,377)
Currency translation differences	(6,683)	(71,215)	(30,242)	(19,819)	(127,959)
Net book amount	8,942,642	27,337,474	5,804,229	8,273,610	50,357,955

Notes:

- (a) The disposals/write-off of the property, plant and equipment for the year ended 31 December 2023 included an amount of approximately RMB32,663,000 (2022: RMB24,050,000) 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:

	2023 RMB'000	2022 RMB'000
Net book value	580,659	583,690

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For the year ended 31 December 2023

18. INVESTMENT PROPERTIES

	RMB'000
As at 1 January 2022	
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 (note 17)	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
Year ended 31 December 2023	
Opening net book amount	176,190
Acquired on acquisition of subsidiaries	3,406
Transfer to property, plant and equipment (note 17)	(6,403)
Depreciation	(8,801)
Closing net book amount	164,392
As at 31 December 2023	
Cost	283,347
Accumulated depreciation	(118,955)
Net book amount	164,392

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18. INVESTMENT PROPERTIES (Continued)

The fair value valuation of the Group's investment properties was performed by China United Assets Appraisal Co., Ltd. (中聯資產評估集團有限公司) ("China United"), an independent professional valuer not connected to the Group, (2022: 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) 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:

	2023 RMB'000	2022 RMB'000
Fair value of investment properties	255,024	245,771

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

	2023 RMB'000	2022 RMB'000
Rental income (note 5)	13,079	20,034
Less: direct operating expenses from investment properties that generated rental income	(445)	(620)
	12,634	19,414

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19. LEASES

(a) Right-of-use assets

	2023 RMB'000	2022 RMB'000
– leasehold land	1,346,814	692,169
– buildings	85,166	79,460
– machinery and others	60,994	80,768
	1,492,974	852,397

Right-of-use assets of approximately RMB1,346,814,000 (2022: RMB692,169,000) 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 (2022: 2 to 26 years).

Additions to right-of-use assets of approximately RMB88,473,000 (2022: RMB164,726,000) of RMB86,467,000 (2022: RMB47,331,000) due to new land use rights and RMB2,006,000 (2022: RMB117,395,000) due to new leases of buildings and machinery and others. Lease liabilities of approximately RMB2,006,000 (2022: RMB117,395,000) represented the new leases entered by the Group during the year ended 31 December 2023.

Acquired on acquisition of subsidiaries to right-of-use assets of approximately RMB680,735,000 and RMB27,633,000 were land use rights and buildings respectively.

(b) Lease liabilities

	2023 RMB'000	2022 RMB'000
Analysed as:		
– non-current	108,361	143,670
– current	47,906	64,506
	156,267	208,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. LEASES (Continued)

(b) Lease liabilities (Continued)

Amounts payable under lease liabilities:

	2023 RMB'000	2022 RMB'000
Within one year	47,906	64,506
After one year but within two years	47,658	50,971
After two years but within five years	46,415	62,094
Over five years	14,288	30,605
	156,267	208,176
Less: amounts due for settlement within 12 months (shown under current liabilities)	(47,906)	(64,506)
Amounts due for settlement after 12 months	108,361	143,670

(c) Amounts recognised in profit or loss

	2023 RMB'000	2022 RMB'000
Depreciation expenses on right-of-use assets:		
– leasehold land	112,557	96,118
– buildings	23,933	9,331
– machinery and others	19,774	9,716
	156,264	115,165
Interest expense on lease liabilities	11,454	23,430
Expense relating to short-term leases	6,075	4,081

(d) Others

During the year ended 31 December 2023, the total cash outflows for leases amounted to approximately RMB91,371,000 (2022: RMB68,196,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2022					
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
Year ended 31 December 2023					
Opening net book amount	20,453,012	27,269	64,181	12,185	20,556,647
Additions	1,026,755	–	7,939	–	1,034,694
Acquired on acquisition of subsidiaries	12,396,220	–	13,902	–	12,410,122
Amortisation charges	(982,178)	(5,796)	(18,722)	(6,455)	(1,013,151)
Closing net book amount	32,893,809	21,473	67,300	5,730	32,988,312
As at 31 December 2023					
Cost	41,097,543	70,454	159,354	35,813	41,363,164
Accumulated amortisation	(7,990,823)	(48,981)	(92,054)	(30,083)	(8,161,941)
Impairment provision	(212,911)	–	–	–	(212,911)
Net book amount	32,893,809	21,473	67,300	5,730	32,988,312

During the year, the amortisation of intangible assets of the Company amounting to approximately RMB1,013,151,000 (2022: RMB686,761,000) was mainly included in cost of sales.

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For the year ended 31 December 2023

21. GOODWILL

	2023	2022
	RMB'000	RMB'000
AT COST AND CARRYING AMOUNT		
Goodwill on business combinations in the PRC (note (a))	10,385,099	600,949
Goodwill on acquisition of the joint operation (note (b))	1,042,959	1,042,959
Currency translation differences	47,465	29,282
	11,475,523	1,673,190

(a) Goodwill on business combinations in the PRC

The amount represented the goodwill arising from the Group's acquisition of subsidiaries in the PRC.

	2023	2022
	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
Gold and non-ferrous metals mining, processing and trading – Yintai Gold	9,784,150	–
Investment management – Shanjin Futures	53,576	53,576
	10,385,099	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 Shandong Gold Group in 2020 and taken upon by the Group through a business combination involving entities under common control; (v) goodwill from acquisition of Hengxing in January 2021 of approximately RMB87,252,000; and (vi) goodwill from acquisition of Yintai Gold in August 2023 of approximately RMB9,784,150,000.

During the year ended 31 December 2023, 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 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023, the management of the Group has engaged China United (2022: 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 12.19% (2022: 11.04%) with growth rate of gold price at -1.95% (2022: 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 2023, the management of the Group has engaged China United (2022: 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 9.2% (2022: 9.62%) with growth rate of gold price at -0.67% (2022: 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 2023

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 2023, the management of the Group has engaged China United (2022: 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 14.07% (2022: 11.92%) with growth rate of 1.84% (2022: 1.72%). 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 2023, the management of the Group has engaged China United (2022: 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 11.61% (2022: 11.44%) with growth rate of gold price at -0.34% (2022: 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 2023

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 2023, the management of the Group has engaged China United (2022: 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 10.45% (2022: 8.76%) with growth rate of gold price at –0.84% (2022: 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 reasonably 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.

(vi) Goodwill taken up upon the acquisition of Yintai Gold

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 – Yintai Gold Group and concluded that no impairment required to be recognised. The recoverable amount has been determined based on the fair value less costs of disposal (“FVLCD”) of the Yintai Gold Group. The key assumptions and estimates used in determining the FVLCD are control premium and synergy effect. In addition, assumptions are related to observable market evaluation metrics, including the share price of Yintai Gold. The management of the Group considered that the above valuation as at 31 December 2023 was grouped into the fair value hierarchy level 3.

(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 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 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 2023

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.
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\$188,440,000, equivalent to approximately RMB1,334,663,000 (2022: US\$195,000,000, equivalent to approximately RMB1,358,097,000) as at 31 December 2023.

The details of the key assumptions used in the calculation of the recoverable amount of the Veladero Mine are as follows:

	2023	2022
Gold price per ounce	US\$1,950	US\$1,850
Post-tax discount rate (%)	10.75%	9.75%
Net asset value multiples for gold assets	1.15	1.10
LOM years	11	12

The management of the Group considered that the above valuation as at 31 December 2023 and 2022 was grouped into the fair value hierarchy level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
At the beginning of the year	1,988,901	1,953,628
Injection of share capital in an associate	552,003	–
Share of post-acquisition results and other comprehensive income, net of dividends received	(18,953)	35,273
At the end of the year	2,521,951	1,988,901

Details of the associates of the Group as at 31 December 2023 and 2022 are set out below:

Name of associates	Place of incorporation/ establishment	Class of shares held	Effective equity interest of the Company				Principal activities
			2023		2022		
			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
Laizhou Huijin Mining Investment Ltd.* (萊州匯金礦業投資有限公司) ("Huijin Mining")	The PRC	Contributed	–	39%	–	39%	Provision for gold mining in the PRC

* For identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

	2023 RMB'000	2022 RMB'000 (Restated)
Non-current assets	2,770,083	2,187,867
Current assets	10,553,144	8,363,662
Current liabilities	(9,729,412)	(6,946,532)
Net assets	3,593,815	3,604,997

Summary of statement of comprehensive income

	2023 RMB'000	2022 RMB'000
Revenue	210,589	207,166
Profit for the year and total comprehensive income for the year	102,785	117,465
Group's share of result and other comprehensive income	30,836	35,239
Dividends received from the associate during the year	34,190	-

Reconciliation of summarised financial information to the carrying amount of the investment in SDG Group Finance is set out below:

	2023 RMB'000	2022 RMB'000
Net assets of SDG Group Finance	3,593,815	3,604,997
Proportion of the Group's ownership in SDG Group Finance	30%	30%
Carrying amount of the Group's investment in SDG Group Finance	1,078,144	1,081,499

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For the year ended 31 December 2023

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	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Group's share of result and other comprehensive income for the year	16	65	(15,615)	(31)
Carrying amount of the Group's interest	4,108	4,092	1,439,699	903,310

23. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost	Financial assets at FVTPL	Financial assets at FVTOCI	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023				
Financial assets at FVTOCI	-	-	28,720	28,720
Financial assets at FVTPL	-	8,995,248	-	8,995,248
Trade and other receivables, excluding non-financial assets	4,495,930	-	-	4,495,930
Restricted bank deposits	1,871,539	-	-	1,871,539
Bank balances and cash	8,352,903	-	-	8,352,903
Total	14,720,372	8,995,248	28,720	23,744,340

	Financial liabilities at amortised cost	Financial liabilities at FVTPL	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2023			
Trade and other payables, excluding non-financial liabilities	17,628,155	-	17,628,155
Borrowings	51,143,965	-	51,143,965
Financial liabilities designated at FVTPL	-	801,362	801,362
Other non-current liabilities	1,431,075	-	1,431,075
Total	70,203,195	801,362	71,004,557

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23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI 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	8,119,978	7,900	21,144,789

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL 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	36,739,221	11,265,745	48,004,966

24. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI include the following:

	2023 RMB'000	2022 RMB'000
Unlisted equity securities, classified under non-current assets	28,720	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 2023 and 2022 are not material to the consolidated financial statements.

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For the year ended 31 December 2023

25. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include the following:

	2023 RMB'000	2022 RMB'000
Financial assets at FVTPL include the following:		
– listed equity investments	5,008,796	5,430,268
– investments in equity funds	2,678,644	2,679,193
– structured deposits	1,051,488	10,517
– listed gold futures contracts	256,320	–
	8,995,248	8,119,978

	2023 RMB'000	2022 RMB'000
Analysed as:		
– listed	5,265,116	5,430,268
– unlisted	3,730,132	2,689,710
	8,995,248	8,119,978

	2023 RMB'000	2022 RMB'000
Analysed for reporting purpose as:		
– current assets	4,165,391	2,959,904
– non-current assets	4,829,857	5,160,074
	8,995,248	8,119,978

Details of the fair value measurement of financial assets at FVTPL are disclosed in note 3.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	1,600,527	1,572,439
Work in progress	4,475,371	2,196,336
Finished goods	3,381,523	1,315,732
Others	525,931	423,603
	9,983,352	5,508,110
Less: non-current portion (note (a))	(1,135,305)	(1,415,830)
	8,848,047	4,092,280

(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:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	387	413
Provision/(reversal), net	3,517	(26)
At the end of the year	3,904	387

27. OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments for:		
– construction in progress and equipment	397,553	272,826
– mining and exploration rights	–	56,000
– land use rights	105,103	95,625
Value-added tax recoverable	105,243	129,084
Others	61,029	38,305
Total	668,928	591,840

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For the year ended 31 December 2023

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables (note (a))		
– related parties (note 43(d))	105,557	115,340
– third parties	434,696	37,883
	540,253	153,223
Less: impairment of trade receivables (note (e))	(20,288)	(12,042)
Trade receivables, net	519,965	141,181
Notes receivables (note (f))	200,377	62,685
Value-added tax recoverable	333,040	476,559
Prepayments		
– related parties (notes (c) and 43(d))	–	443
– third parties	523,347	824,009
	523,347	824,452
Other receivables		
– amounts due from related parties (notes (d) and 43(d))	10,316	177,182
– deposits	161,371	22,094
– payments on behalf of third parties	355,576	341,122
– gold leasing receivables	566,374	28,102
– deposits with exchanges and non-bank financial institutions (note (g))	2,614,139	2,007,459
– entrusted loans receivables	–	334,080
– others	386,261	533,880
	4,094,037	3,443,919
Less: impairment of other receivables (note (e))	(318,449)	(265,181)
Other receivables, net	3,775,588	3,178,738
	5,352,317	4,683,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023 RMB'000	2022 RMB'000
Within 1 year	523,858	125,094
1-2 years	6,937	1,425
2-3 years	572	2,362
Over 3 years	8,886	24,342
	540,253	153,223
Less: impairment of trade receivables (note (e))	(20,288)	(12,042)
	519,965	141,181

As at 31 December 2023, the gross amount of trade receivables arising from contracts with customers amount to approximately RMB540,253,000 (2022: RMB153,223,000).

- (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 43(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 2023

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES (Continued)

(e) Movement of the impairment of trade receivables is as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	12,042	17,481
Provision/(reversal), net	8,246	(5,439)
At the end of the year	20,288	12,042

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 2022	11,458	38,063	87,402	136,923
Impairment losses recognised	28	10,761	117,469	128,258
As at 31 December 2022 and 1 January 2023	11,486	48,824	204,871	265,181
Transfer	–	(48,824)	48,824	–
Impairment losses recognised	6,038	–	47,230	53,268
As at 31 December 2023	17,524	–	300,925	318,449

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 RMB200,377,000 (2022: RMB62,685,000) 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

For the year ended 31 December 2023

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:

	2023 RMB'000	2022 RMB'000
Deposits with futures and commodity exchanges in the PRC	2,529,789	1,887,244
Shanghai International Energy Exchange Co., Ltd. (上海國際能源交易中心股份有限公司)	84,350	120,215
At the end of the year	2,614,139	2,007,459

29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Restricted bank deposits

	2023 RMB'000	2022 RMB'000
Restricted bank deposits		
– current	1,871,539	1,880,825

The analysis of restricted bank deposits at the end of each reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Security deposits for issuance of notes payable (note 30(b))	1,531,200	600,608
Security deposits for environmental restoration and governance	319,409	246,884
Security deposits for gold trading accounts and others	20,930	33,333
Security deposits for proposed acquisition	–	1,000,000
	1,871,539	1,880,825

The restricted bank deposits carried prevailing market interest rates at the end of each reporting period.

As at 31 December 2022, the security deposits for proposed acquisition amounting to RMB1,000,000,000 was related to the proposed purchase the shares of 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. The acquisition was completed on 14 August 2023, details of the acquisition please refer to note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH (Continued)

(b) Bank balances and cash

	2023 RMB'000	2022 RMB'000
Cash on hand	649	393
Short-term deposits of original maturity within 3 months in the banks and other financial institutions	2,824,652	3,349,853
Short-term deposits in the associate, SDG Group Finance (note 43(d))	3,208,782	2,996,852
Cash held on behalf of customers for futures contracts trading (note)	2,318,820	1,406,384
	8,352,903	7,753,482

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:

	2023 RMB'000	2022 RMB'000
Cash and bank balances on the consolidated statement of financial position	8,352,903	7,753,482
Less: cash held on behalf of customers for futures contracts trading	(2,318,820)	(1,406,384)
	6,034,083	6,347,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	RMB'000
Trade payables (note (a))		
– third parties	2,377,937	1,619,470
– related parties (note 43(d))	248,811	233,163
	2,626,748	1,852,633
Notes payable (note (b))		
– third parties	3,783,344	1,628,977
– related parties (note 43(d))	134,244	1,722,690
	3,917,588	3,351,667
Contract liabilities (note (c))	327,350	246,865
Payable for purchases of property, plant and equipment and mining rights	3,254,543	1,791,827
Deposits received from contractors	1,812,663	657,678
Purchase consideration payable	1,007,823	637,564
Other taxes payable	208,275	167,375
Dividends payable (note 43(d))	22,506	22,506
Dividends payable to former shareholder of a subsidiary	36,161	163,425
Amounts due to related parties (notes (d) and 43(d))	2,205,540	42,072
Salaries and staff welfare payable	514,624	382,008
Payable to brokerage clients (note (e))	3,605,611	3,360,149
Others	437,011	468,306
	19,976,443	13,144,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023 RMB'000	2022 RMB'000
Less than 1 year	2,602,006	1,823,030
1-2 years	11,092	18,124
2-3 years	5,417	4,079
Over 3 years	8,233	7,400
	2,626,748	1,852,633

- (b) Ageing analysis of notes payable at the end of the reporting period based on issue dates of the notes payable were as follows:

	2023 RMB'000	2022 RMB'000
Less than 1 year	3,917,588	3,351,667

Certain of the Group's restricted bank deposits have been secured to banks for the issue of certain notes payable, and presented as follows:

	2023 RMB'000	2022 RMB'000
Restricted bank deposits secured to banks for issuance of notes (note 29(a))	1,531,200	600,608
Notes payable being secured	1,071,846	895,231

- (c) As at 1 January 2023, the contract liabilities amounted to approximately RMB246,865,000. Contract liabilities include advances received for the sales of gold and related products. As at 31 December 2023, the increase in contract liabilities was due to the increase in sales transactions and more deposits are received in 2023. 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 2023 that was included in the contract liabilities at the beginning of the year was approximately RMB246,865,000 (2022: RMB50,643,000). 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 2023

31. BORROWINGS

	2023 RMB'000	2022 RMB'000
Non-current:		
Long-term bank borrowings		
– unsecured (note (a)(i))	23,136,631	13,548,305
Borrowings from SDG Group Finance (note 43(c))		
– unsecured (note (a)(ii))	74,700	–
	23,211,331	13,548,305
Current:		
Short-term bank borrowings		
– unsecured (note (a)(i))	14,595,268	6,399,780
Borrowings from SDG Group Finance (note 43(c))		
– unsecured (note (a)(ii))	1,727,000	666,000
Ultra short-term financing bonds (note (b))	1,316,184	2,714,851
Gold leasing		
– unsecured (note (a)(iii))	10,294,182	–
	27,932,634	9,780,631
	51,143,965	23,328,936

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2023 RMB'000	2022 RMB'000
Within one year	27,932,634	9,780,631
After one year but within two years	5,847,881	6,116,075
After two years but within five years	16,113,450	6,397,230
Over five years	1,250,000	1,035,000
	51,143,965	23,328,936
Amount shown under current liabilities	27,932,634	9,780,631
Amount shown under non-current liabilities	23,211,331	13,548,305
	51,143,965	23,328,936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. BORROWINGS (Continued)

(a) Borrowings

- (i) The unsecured bank borrowings of approximately RMB4,245,831,000 (2022: RMB4,850,633,000) carry interests at fixed market rates of 0.05% to 4.3% (2022: 2.55% to 3.8%) per annum.

The unsecured bank borrowings of approximately RMB33,486,068,000 (2022: RMB15,097,452,000) carry interests at floating interest rate of People's Bank of China's Benchmark Lending Rate minus by 0.24% to 1.7% per annum or floating interest rate of SOFR plus 0.95% to 1.53% (2022: 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 London Interbank Offered Rate plus 0.9% to 1.25%).

- (ii) As at 31 December 2023, the unsecured borrowings from SDG Group Finance carried fixed interest rate ranging from 2.2% to 3.8% (2022: 2.55% to 4%) per annum.
- (iii) For gold leasing, the Group entered into forward contracts with the same quantity, specification and maturity with the same gold leasing banks, and agreed that on maturity of the leases, the Group would purchase gold from those gold leasing banks with the same quantity and specification at specific prices denominated in Renminbi to return the leased gold. The Group considered that under such gold leasing business model, the banks entirely bore the risk of gold price fluctuation during the gold leasing period. The Group only bore the agreed gold leasing fee and the related handling fee. Therefore, the Group included the leased gold in short-term borrowings.

(b) Ultra short-term financing bonds

During the year ended 31 December 2023, the Company issued ultra short-term financing bonds on 30 May 2023 and 31 May 2023 respectively. These ultra short-term financing bonds, with nominal values amounting to RMB600,000,000 and RMB700,000,000 respectively, carried a coupon rate of 2.13% and 2.12% per annum respectively, will become due and payable in 26 January 2024 and 2 February 2024, respectively.

During the year ended 31 December 2022, 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.

- (c) The average interest rate of the Group's borrowings at the end of the reporting period are summarised as below.

	2023	2022
Average interest rates	2.66%	3.92%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. FINANCIAL LIABILITIES AT FVTPL

Financial liabilities at FVTPL include the following:

	2023 RMB'000	2022 RMB'000
Financial liabilities at FVTPL include the following:		
– Gold leasing contracts (note)	781,221	11,265,745
– Foreign currency forward contracts	7,822	–
– Commodity options contracts	12,319	–
	801,362	11,265,745

Note: 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 1.89% to 2.2% (2022: ranging from 1.25% to 6.11%) 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

	2023 RMB'000	2022 RMB'000
Consideration payable for acquisition of a portfolio of assets and liabilities (note (a))	19,571	27,342
Payable for mining rights (note (c))	1,367,007	1,265,409
Provision for legal claims (note (b))	11,084	10,312
Others	33,413	35,065
	1,431,075	1,338,128
Less: current portion	(205,055)	(131,562)
	1,226,020	1,206,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023, the carrying amount of the Remaining Consideration included as “Other non-current liabilities” amounted to approximately RMB15,000,000 (2022: RMB17,881,000) and the current portion of which to be settled within the next twelve months amounted to approximately RMB5,669,000 (2022: RMB7,500,000).

- (b) During the year ended 31 December 2023, the additional provision for legal claim of approximately US\$84,000, equivalent to approximately RMB595,000 (2022: US\$249,000, equivalent to approximately RMB1,734,000) was recognised in connection with certain outstanding labour claims of MAS. As at 31 December 2023, total provision recognised was US\$1,565,000, equivalent to approximately RMB11,084,000 (2022: US\$1,481,000, equivalent to approximately RMB10,312,000).
- (c) During the year ended 31 December 2021, the Group acquired of a mining right from Shandong Gold Group and its subsidiaries at a cash consideration of approximately RMB233,863,000. The balances had been fully repaid during the year ended 31 December 2022.

34. DEFERRED TAXATION

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Deferred income tax assets	722,744	364,706
Deferred income tax liabilities	(6,826,963)	(4,137,729)
Deferred income tax liabilities, net	(6,104,219)	(3,773,023)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. DEFERRED TAXATION (Continued)

The gross movement on the deferred income tax is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
At the beginning of the year	(3,773,023)	(4,305,812)
Acquisition of subsidiaries (note 42)	(2,668,028)	–
Credited to profit or loss (note 10)	420,247	725,487
Currency translation differences	(83,415)	(192,698)
At the end of the year	(6,104,219)	(3,773,023)

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 2022 (Restated)	(1,921,575)	(1,750,411)	(388,322)	(245,504)	(4,305,812)
Credited (charged) to profit or loss	13,523	685,734	49,133	(22,903)	725,487
Currency translation differences	(191,353)	–	–	(1,345)	(192,698)
At 31 December 2022 and at 1 January 2023 (Restated)	(2,099,405)	(1,064,677)	(339,189)	(269,752)	(3,773,023)
Acquisition of subsidiaries	(292,480)	(2,375,548)	–	–	(2,668,028)
Credited (charged) to profit or loss	14,173	337,393	41,758	26,923	420,247
Currency translation differences	(81,741)	–	–	(1,674)	(83,415)
At 31 December 2023	(2,459,453)	(3,102,832)	(297,431)	(244,503)	(6,104,219)

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:

	2023 RMB'000	2022 RMB'000
The corresponding accumulated tax losses of the subsidiaries of the Company which deferred income tax assets have not been recognised	2,615,624	2,491,970
Deferred income tax assets not recognised	512,821	486,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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:

	2023 RMB'000	2022 RMB'000
2023	–	5,380
2024	41,971	75,088
2025	8,415	9,740
2026	531,703	621,576
2027	607,946	398,256
2028	153,887	185,517
2029	192,087	191,033
2030	34,375	34,375
2031	835,634	873,891
2032	209,606	97,114
	2,615,624	2,491,970

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 RMB4,595,000 (2022: RMB4,212,000).

36. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

	2023 RMB'000	2022 RMB'000
At the beginning of the year	733,117	875,111
Interest charge on unwinding of discounts (note 9)	34,837	21,867
Acquisition of subsidiaries	48,125	–
Additional provision	111,626	30,356
Payments	(59,632)	(85,826)
Change in discount rate (note 17(a))	(32,663)	(24,050)
Currency translation differences	7,379	(84,341)
At the end of the year	842,789	733,117

Provision for asset retirement obligations represented the estimated amount and timing of future closure and restoration projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

37. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

Shares, issued and fully paid:

	2023		2022	
	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

(b) Treasury shares

	2023		2022	
	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000
At the beginning of the year	–	–	4,814	6,293
Derecognised during the year	–	–	(4,814)	(6,293)
At the end of the year	–	–	–	–

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. Subsequently, the Company redeemed the perpetual bond 1 and perpetual bond 2 on 4 December 2023 and 21 December 2023 respectively.

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For the year ended 31 December 2023

38. PERPETUAL BONDS (Continued)

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.

On 17 November 2023, the Company issued RMB200,000,000 perpetual bond 6 at an initial interest rate of 3.19% per annum. The face value of the perpetual bond 6 were RMB200,000,000. Coupon payments of 3.19% per annum are paid annually in arrears and may be deferred at the discretion of the Company.

On 27 November 2023, the Company issued RMB200,000,000 perpetual bond 7 at an initial interest rate of 3.22% per annum, The face value of the perpetual bond 7 were RMB200,000,000. Coupon payment of 3.22% per annum is paid annually in arrears and may be deferred at the discretion of the Company.

Perpetual bond 6 and perpetual bond 7 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.

Accordingly, the perpetual bonds 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.

During the year ended 31 December 2023, approximately RMB461,080,000 (2022: RMB334,995,000) interest payment was paid by the Group to the holders of perpetual bonds.

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For the year ended 31 December 2023

39. INFORMATION TO CASH FLOWS

(a) Cash generated from operations

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	3,488,212	1,902,319
Adjustments for:		
Depreciation of property, plant and equipment	2,919,397	1,754,476
Depreciation of investment properties	8,801	10,130
Depreciation of right-of-use assets	156,264	115,165
Amortisation of intangible assets	1,013,151	686,761
Loss on disposals/write-off of property, plant and equipment	12,448	17,983
Provision for impairment on property, plant and equipment	4,269	–
Provision for impairment on trade and other receivables, net	61,514	122,819
Provision for/(reversal of) impairment of inventories	3,517	(26)
Fair value loss on gold futures/forward contracts	64,389	132,088
Realised and unrealised fair value loss of financial assets at FVTPL	486,085	114,826
Fair value gain on step acquisition	(94,307)	–
Gain on bargain purchase	(5,245)	–
Dividend income from financial assets at FVTPL	(56,742)	(80,743)
Finance income	(145,110)	(85,147)
Finance costs	1,568,275	1,051,000
Government grants	(28,494)	(26,070)
Share of results of associates	(15,237)	(35,273)
Operating cash flows before movements in working capital	9,441,187	5,680,308
Increase in inventories	(1,399,945)	(1,284,017)
Increase in trade and other receivables	(1,029,547)	(1,037,760)
Decrease (increase) in deposits with exchanges and non-bank financial institutions	606,680	(163,115)
Increase in cash held on behalf of customers for futures contracts trading	(912,436)	(96,606)
Increase in payables to brokerage clients	245,462	206,027
Increase in trade and other payables	3,297,411	313,867
Cash generated from operations	10,248,812	3,618,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 (note 31) RMB'000	Deferred revenue (note 35) RMB'000	Lease liabilities (note 19) RMB'000	Financial liabilities at FVTPL (note 32) RMB'000	Total RMB'000
As at 1 January 2023	23,328,936	16,084	208,176	11,265,745	34,818,941
Investing cash flows	-	-	-	(50,446)	(50,446)
Financing cash flows	25,439,301	1,298	(85,296)	(10,782,919)	14,572,384
Non-cash changes:					
Foreign exchange adjustments	(61,189)	-	-	-	(61,189)
Finance costs charged	1,221,907	-	11,454	304,593	1,537,954
Fair value loss	-	-	-	64,389	64,389
Income recognised	-	(4,595)	-	-	(4,595)
Acquired on acquisition of subsidiaries (note 42)	1,215,010	-	19,927	-	1,234,937
New leases arrangement	-	-	2,006	-	2,006
Balance at 31 December 2023	51,143,965	12,787	156,267	801,362	52,114,381

	Liabilities from financing activities				
	Borrowings (note 31) RMB'000	Deferred revenue (note 35) RMB'000	Lease liabilities (note 19) RMB'000	Financial liabilities at FVTPL (note 32) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2022 and 2023, 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:

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	150,450	589,108
Mining and exploration rights	1,155,053	692,408
	1,305,503	1,281,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 5 years (2022: 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:

	2023 RMB'000	2022 RMB'000
Within 1 year	2,988	2,870
From 1 year to 5 years	1,768	1,254
After 5 years	-	32
	4,756	4,156

42. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 23.1% equity interest of Yintai Gold

On 9 December 2022, the Company entered into a share transfer agreement with China Yintai Holdings Co., Ltd. and Mr. Shen Guojun, pursuant to which the Company agreed to acquire 581,181,068 shares ("Acquired Shares") representing 20.93% of equity interest in Yintai Gold, which is a joint stock company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 000975), for consideration of approximately RMB12,759,395,000 ("Yintai Gold Agreement"). According to the Yintai Gold Agreement, the subsequent dividend paid amounting to approximately RMB162,730,000 by Yintai Gold of the Acquired Shares are belong to the Company. Subsequently, from 27 April 2023 to 30 June 2023, the Company acquired 60,217,092 shares representing 2.17% of equity interest in Yintai Gold from the open market at a consideration of approximately RMB724,043,000 ("1st Acquired Shares") and subsequently the fair value of the 1st Acquired Shares was RMB818,350,000 at the date of Yintai Gold control being obtained. After completion of the transaction, the Company holds the voting rights of 641,398,160 shares of Yintai Gold in total through direct shareholding representing 23.1% of the total voting rights of Yintai Gold. The board of Yintai Gold consists of 9 directors, including 6 non-independent directors and 3 independent directors. The Company has the right to nominate 5 non-independent directors. Therefore, the Company obtained more than half of the voting rights of the board of directors and thus the controlling power of Yintai Gold. The ownership transfer registration procedures of such equity transaction were completed on 14 August 2023 ("Completion Date"). The amount of goodwill arising as a result of the acquisition was approximately RMB9,784,150,000. The principal activity of Yintai Gold Group is engaged in precious metal and non-ferrous metal mining and processing and trading of metal in the PRC. Yintai Gold Group was acquired so as to continue the expansion of the Group's mining, processing and sale of gold and gold production operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of 23.1% equity interest of Yintai Gold (Continued)

Goodwill arose in the acquisition of Yintai 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 Yintai Gold. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the year ended 31 December 2023 of approximately RMB341,128,000 was generated by Yintai Gold Group. Revenue for the year ended 31 December 2023 was approximately RMB3,435,564,000 generated from Yintai Gold Group.

(b) Acquisition of 80% of equity interest and 100% creditor's right of Laizhou Gold Coast Ecology Co., Ltd.* (萊州金岸生態有限公司) ("Laizhou Gold Coast")

On 3 February 2023 ("Laizhou Gold Coast Acquisition Date"), SDG Laizhou, a wholly owned subsidiary of the Company, acquired 80% of equity interest and 100% creditor's right, a company established in the PRC with limited liability, for consideration of approximately RMB194,142,000. The principal activity of Laizhou Gold Coast is 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 gain on bargain purchase was attributable to the increase in fair value of the net assets acquired, from the date of valuations that the considerations were based on, to the Laizhou Gold Coast Acquisition Date.

Included in the profit for the year ended 31 December 2023 of approximately RMB528,000 was generated by Laizhou Gold Coast. Revenue for the year ended 31 December 2023 was approximately RMB26,307,000 generated from Laizhou Gold Coast.

No pro forma information for the acquisitions of Laizhou Gold Coast are prepared as the acquisitions would have no significant contribution to the Group's revenue or financial performance for the period from 1 January 2023 to respective dates of acquisition and the pro forma revenue and results of operations of the Group for the acquisitions approximate the Group's revenue and results for the year ended 31 December 2023.

* For identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

42. ACQUISITION OF SUBSIDIARIES (Continued)

Details of acquisitions were summarised as follows:

Assets and liabilities recognised at the date of acquisition

	Yintai Gold Group RMB'000	Laizhou Gold Coast RMB'000	Total RMB'000
Property, plant and equipment	2,823,254	112,980	2,936,234
Intangible assets	12,410,122	–	12,410,122
Investment properties	–	3,406	3,406
Right-of-use assets	620,658	87,710	708,368
Deferred tax assets	240,924	–	240,924
Other non-current assets	81,355	8,051	89,406
Bank balances and cash	1,551,090	–	1,551,090
Other current assets	5,099,820	1,401	5,101,221
Deferred tax liabilities	(2,908,952)	–	(2,908,952)
Long term borrowings	(79,000)	–	(79,000)
Other non-current liabilities	(235,917)	–	(235,917)
Short term borrowings	(1,136,010)	–	(1,136,010)
Lease liabilities	(19,927)	–	(19,927)
Other current liabilities	(587,343)	(196,008)	(783,351)
Net assets	17,860,074	17,540	17,877,614
Non-controlling interests	(2,141,439)	–	(2,141,439)
Net assets attributable to owners of the parent	15,718,635	17,540	15,736,175
Net assets attributable to the Company upon Completion	3,630,865	14,032	3,644,897
Consideration			
Cash consideration	13,483,438	194,142	13,677,580
Less: Dividend received	(162,730)	–	(162,730)
Less: Shareholder's loan	–	(185,355)	(185,355)
	13,320,708	8,787	13,329,495
Fair value gain on step acquisition	94,307	–	94,307
	13,415,015	8,787	13,423,802
Gain on bargain purchase	–	5,245	5,245
Goodwill arising from acquisition	(9,784,150)	–	(9,784,150)
Net cash outflow from acquisition of subsidiaries:			
Cash consideration	13,483,438	194,142	13,677,580
Less: Cash consideration paid in previous year	–	(50,000)	(50,000)
Less: Dividend received	(162,730)	–	(162,730)
Less: Cash and bank balances acquired	(1,551,090)	–	(1,551,090)
Business combination	11,769,618	144,142	11,913,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

42. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition-related costs amounting to approximately RMB3,024,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

43. 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

	2023	2022
	RMB'000	RMB'000
Purchases of electricity	668,452	624,495
Purchases of construction services	116,423	13,752
Purchases of processing services	29,763	13,915
Purchases of gold	1,275,153	1,016,428
Purchases of other services	146,295	76,352
Total purchases	2,236,086	1,744,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with Shandong Gold Group, its fellow subsidiaries and associate (Continued)

	2023	2022
	RMB'000	RMB'000
Provision of processing services	–	114
Sales of gold	660,762	277,571
Sales of other metals	48,169	5,448
Sales of other materials and services	18,080	121,631
Total sales	727,011	404,764

Property and land leasing

	2023	2022
	RMB'000	RMB'000
Trademark licensing and property leasing received from Shandong Gold Group and its fellow subsidiaries	41,399	53,035
Rental fees received from Shandong Gold Group and its fellow subsidiaries	1,482	1,829
Equity entrustment services fee received from Shandong Gold Group and its fellow subsidiaries	3,774	3,585
Leasing fee received from Shandong Gold Group	30,141	18,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with SDG Group Finance

	2023 RMB'000	2022 RMB'000
Interest income from deposits	35,989	26,427
Interest expenses from borrowings	20,085	22,068
Handling fees and other financial services	1,576	983
Total annual credit facilities	4,700,000	4,300,000
Maximum daily balance of deposit services during the year	3,297,842	2,999,881
Maximum daily balance of loan and other financing services during the year	3,068,801	2,392,159
Maximum daily balance of overdraft services during the year	300,000	510,000

(c) Borrowings obtained from related parties

	2023 RMB'000	2022 RMB'000
Borrowings obtained from SDG Group Finance:		
At the beginning of the year	666,000	577,000
Drawdown during the year	3,988,000	3,202,000
Repayment during the year	(2,852,300)	(3,113,000)
At the end of the year	1,801,700	666,000

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:

	2023	2022
Interest rates	2.2% – 3.8%	2.55% – 4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. RELATED PARTY TRANSACTIONS (Continued)

(d) Year-end balances

	2023 RMB'000	2022 RMB'000
Receivables from related parties		
Trade receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	105,557	115,340
Less: provision for impairment	(7,051)	(5,232)
Trade receivables, net	98,506	110,108
Prepayments		
– Shandong Gold Group and its fellow subsidiaries	–	443
Other receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	10,316	177,182
Less: provision for impairment	(449)	(777)
Other receivables, net	9,867	176,405
Deposits to a financial institution		
– SDG Group Finance	3,208,782	2,996,852
Prepayments for mining and exploration rights included in other non-current assets		
– Shandong Gold Group	–	56,000
Others included in other non-current assets		
– Shandong Gold Group and its fellow subsidiaries	6,528	1,707
	3,215,310	3,054,559
Payables to related parties		
Trade payables		
– Shandong Gold Group and its fellow subsidiaries	248,811	233,163
Notes payables		
– Shandong Gold Group and its fellow subsidiaries	134,244	1,722,690
Contract liabilities		
– Shandong Gold Group and its fellow subsidiaries	64,935	570
Other payables		
– Shandong Gold Group and its fellow subsidiaries	2,205,540	42,072
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	31,094	75,400
	2,707,130	2,096,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. 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:

	2023 RMB'000	2022 RMB'000
Salaries and other short-term employee benefits		
– directors and supervisors of the Company	8,594	8,725
– other key management personnel	13,947	8,941
	22,541	17,666

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	2023 RMB'000	2022 RMB'000
Non-current assets		
Property, plant and equipment	5,972,349	4,422,041
Investment properties	109,587	115,826
Right-of-use assets	33,656	51,287
Intangible assets	1,470,654	1,270,342
Investment in subsidiaries (note (i))	43,535,755	25,081,739
Investment in an associate	1,078,144	1,081,499
Financial assets at FVTOCI	500	500
Other non-current assets	195,485	173,422
	52,396,130	32,196,656
Current assets		
Inventories	24,403	28,916
Trade and other receivables	747,779	369,066
Amounts due from subsidiaries (note (ii))	19,841,744	17,620,418
Restricted bank deposits	148,707	42,610
Bank balances and cash	766,652	3,994,849
	21,529,285	22,055,859
Current liabilities		
Trade and other payables	4,967,728	4,558,797
Income tax payable	31,906	–
Lease liabilities	9,847	12,054
Borrowings	15,967,967	5,016,546
Financial liabilities at FVTPL	–	6,019,927
	20,977,448	15,607,324
Net current assets	551,837	6,448,535
Total assets less current liabilities	52,947,967	38,645,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

(a) Statement of financial position of the Company (Continued)

	2023 RMB'000	2022 RMB'000
Non-current liabilities		
Borrowings	21,163,126	7,375,970
Lease liabilities	25,658	35,077
Deferred income tax liabilities	8,571	8,068
Deferred revenue	500	500
Provision for asset retirement obligations	32,768	30,476
	21,230,623	7,450,091
Net assets	31,717,344	31,195,100
Capital and reserves		
Share capital (note 37(a))	4,473,430	4,473,430
Perpetual Bonds (note 38)	9,938,377	9,937,528
Reserves (note (b))	17,305,537	16,784,142
Total equity	31,717,344	31,195,100

Notes:

- (i) As at 31 December 2023, investment in subsidiaries are carried at cost of RMB43,535,755,000 (31 December 2022: RMB25,081,739,000).
- (ii) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) Reserves movement of the Company

	Retained profits RMB'000	Other Reserves RMB'000	Total RMB'000
At 1 January 2023	6,990,873	9,793,269	16,784,142
Profit for the year	834,535	–	834,535
Appropriations	(83,454)	83,454	–
Dividends	(313,140)	–	(313,140)
At 31 December 2023	7,428,814	9,876,723	17,305,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

44. 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 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

45. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group entered into new leasing arrangements in respect of buildings, and machinery and others. Right-of-use assets and lease liabilities of approximately RMB2,006,000 (2022: RMB117,395,000) were recognised at the commencement of the leases (note 19).

46. EVENT AFTER THE REPORTING PERIOD

i) Proposed acquisition of the exploration and prospecting right of the gold mine at Xiling Village in Laizhou City, Shandong Province (“Xiling Gold Mine Exploration Right”)

On 26 January 2024, the Company and Shandong Gold Geological Mine Exploration Co., Ltd.* (山東黃金地質礦產勘查有限公司) (“Shandong Gold Exploration”), a company held by Shandong Gold Resources Development Co., Ltd. which in turn is held by Shandong Gold Group, entered into an acquisition agreement. Pursuant to which Shandong Gold Exploration agreed to sell and the Company agreed to acquire the Xiling Gold Mine Exploration Right at a consideration of approximately RMB10,334,249,000 (the “Proposed Exploration Right Acquisition”). The Proposed Exploration Right Acquisition was approved by an ordinary resolution of the shareholders of the Company on 7 March 2024. Details of the Proposed Exploration Right Acquisition are set out in the Group’s announcement, circular and resolution dated 26 January 2024, 21 February 2024 and 7 March 2024, respectively.

* For identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

46. EVENT AFTER THE REPORTING PERIOD (Continued)

ii) Proposed acquisition of Osino Resources Corp. (“Osino Resources”)

On 25 February 2024, the board of directors considered and approved the resolutions in relation to the acquisition of Osino Resources (the “Proposed Osino Resources Acquisition”). Yintai Gold, a subsidiary of the Company, and Osino Resources entered into a binding arrangement agreement, pursuant to which, Yintai Gold proposed to acquire all of the issued common shares of Osino Resources by way of a plan of arrangement (the “Yintai Gold Arrangement”), for cash consideration of Canadian dollar (“C\$”) 1.90 per share, with a total consideration of approximately C\$368 million. Yintai Gold has also provided Osino Resources with a loan comprising of approximately (i) US\$10 million facility provided concurrently with the execution of the arrangement agreement to enable the continued, fast-tracked development of the Twin Hills gold project and to fund other liquidity needs of Osino Resources and (ii) an amount equal to the termination fee paid by Osino Resources following the termination of the arrangement agreement with Dundee Precious Metals Inc.

Osino Resources is a Canadian gold exploration and development company founded in 2005 and head office in Vancouver, Canada. The shares of Osino Resources are listed on the TSX Venture Exchange (symbol: OSI) and OTC Markets on the OTCQX Exchange (symbol: OSIIF). The major assets of Osino Resources are Twin Hills gold project in Namibia, Southern Africa.

The Proposed Osino Resources Acquisition is not yet completed and subjected to the approval of the court and the approval of security holders of Osino Resources. Details of the Proposed Osino Resources Acquisition is set out in the Group’s announcement dated 25 February 2024.

iii) Proposed acquisition of Baotou Changtai Mining Co., Ltd.* (包頭市昶泰礦業有限責任公司) (“Baotou Changtai”)

On 11 March 2024, the board of directors considered and approved the resolution on the acquisition of 70% equity interests of Baotou Changtai at an aggregate consideration of RMB471,100,000 held by independent third parties. Baotou Changtai is principally engaged in gold mining and production, and its core asset is the mining right project of gold mountain mine located in Inner Mongolia. For details, please refer to the announcement of the Company dated 11 March 2024.

* For identification 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 C1 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;
“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;
“CSRC”	China Securities Regulatory Commission;
“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, 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 2023 to 31 December 2023;
“RMB”	Renminbi, the lawful currency of China;
“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling shareholder of the Company; as of the date of this annual report, SDG Group Co. is held as to 70%, 20% and 10% by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Holding Group Co., Ltd. (山東國惠投資控股集團有限公司) and Shandong Caixin Asset Management Co., Ltd. (山東省財欣資產運營有限公司), respectively. Shandong Guohui Investment Holding Group Co., Ltd. is a limited liability company established in the PRC and is held as to 100% by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government;
“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;

DEFINITIONS

“Shanghai Gold Exchange”	Shanghai Gold Exchange (上海黃金交易所);
“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;
“USD”	United States dollar, the lawful currency of the United States;
“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; and
“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 (000975.SZ).

