



SD GOLD

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

Stock Code 股份代號 : 1787

(A joint stock company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立的股份有限公司)



2021 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 Guohong
Mr. Wang Lijun
Ms. Wang Xiaoling

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

STRATEGY COMMITTEE

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

JOINT COMPANY SECRETARIES

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

HONG KONG LEGAL ADVISER

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INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

DOMESTIC AUDITOR

TianYuanQuan Certified Public Accountants
(Special General Partnership)

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STOCK CODE

Hong Kong Stock Exchange: 01787
Shanghai Stock Exchange: 600547

WEBSITE

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

FINANCIAL HIGHLIGHTS

2017-2021 FINANCIAL INFORMATION AS EXTRACTED FROM CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS:

	2021 RMB'000	For the year ended 31 December				2017 RMB'000 (Note)
		2020 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000	2018 RMB'000	
Revenue	33,932,646	63,689,514	62,613,141	56,250,494	51,041,303	
Cost of sales	(31,557,552)	(56,956,948)	(57,601,794)	(52,213,915)	(47,398,660)	
Gross profit	2,375,094	6,732,566	5,011,347	4,036,579	3,642,643	
Selling expenses	(361,149)	(107,147)	(188,120)	(126,995)	(31,152)	
General and administrative expenses	(2,409,669)	(2,831,702)	(1,768,667)	(1,445,860)	(1,214,344)	
Research and development expenses	(345,606)	(390,492)	(333,050)	(321,041)	(273,559)	
Other income	21,104	27,183	37,704	14,398	15,979	
Other gains and losses, net	1,347,506	143,773	107,585	253,554	(30,625)	
Finance income	71,645	73,714	71,466	67,646	37,445	
Finance costs	(732,639)	(832,827)	(866,894)	(936,319)	(575,966)	
Share of results of associates	21,820	10,669	1,319	38,066	34,024	
(Loss)/profit before tax	(11,894)	2,825,737	2,072,690	1,580,028	1,604,445	
Income tax expenses	(217,620)	(574,202)	(660,376)	(559,231)	(431,452)	
(Loss)/profit for the year	(229,514)	2,251,535	1,412,314	1,020,797	1,172,993	
(Loss)/profit for the year attributable to:						
Owners of the Company	(221,301)	1,998,918	1,290,503	964,411	1,118,920	
Non-controlling interests	(8,213)	252,617	121,811	56,386	54,073	
	(229,514)	2,251,535	1,412,314	1,020,797	1,172,993	
Basic and diluted (loss)/earnings per share (RMB) (Note)	(0.10)	(restated) 0.46	(restated) 0.30	(restated) 0.25	(restated) 0.31	

Note: During the Reporting Period, the loss 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 RMB205,047,000 during the Reporting Period. After deducting the perpetual bond interest, the loss for the year attributable to ordinary shareholders of the listed company during the Reporting Period was RMB426,348,000. The effect of interest on perpetual bonds is deducted in the calculation of basic and diluted (loss)/earnings 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.

The profit attributable to owners of the Company used for the calculation of basic and diluted earnings per share was extracted from the Prospectus without taking into consideration the profit attributable to owners of the Company as if the acquisition of SDG Capital Management and its subsidiaries were completed on 1 January 2017.

	2021 RMB'000	2020 RMB'000 (restated)	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Note)
Assets and liabilities					
Total assets	79,036,550	70,105,973	58,848,726	54,560,477	43,131,721
Total liabilities	47,075,671	34,437,650	32,780,401	28,886,040	25,637,955
Non-controlling interests	2,632,225	4,644,236	2,860,413	1,943,845	1,026,341
Perpetual bonds	6,249,387	3,999,387	–	–	–
Total equity attributable to owners of the Company	29,328,654	31,024,088	23,207,912	23,730,592	16,467,425

Note: The consolidated financial information for the years ended 31 December 2017 was extracted from the Prospectus that do not incorporate the financial information of SDG Capital Management and its subsidiaries which were acquired by the Company through business combination involving entities under common control during the year ended 31 December 2019.

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 2021 annual report of Shandong Gold and to report on the Company's performance for the period to all shareholders.

OVERVIEW OF THE COMPANY'S OPERATION

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

The core business operations of the Company during the Reporting Period

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

The mining enterprises under the Company's management are located in Shandong, Fujian, Inner Mongolia, Gansu, Xinjiang and other regions in the PRC, and overseas in Argentina, South America and Ghana, Africa and other countries, forming an integrated industry chain covering exploration, mining, beneficiation, smelting (refining) of gold and deep processing and sales of gold products, as well as the production and sales of mining equipment and materials, with an industry-leading scientific and technological research and development system, and a supporting financial platform for the industry chain.

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 been able to enhance its scale advantage and modern production level of its gold resources in the Laizhou region of the Jiaodong Peninsula. The Company's Linglong Gold Mine, Jiaojia Gold Mine, Sanshandao Gold Mine and Xincheng Gold Mine achieved cumulative gold production of over 100 tonnes in the PRC, making the Company the only enterprise which owns four mines with cumulative gold production exceeding 100 tonnes in the PRC. The Company aims to boost its large-scale operations by improving the level of mechanical operation and enhancing corporate efficacy through the construction and promotion of the project of world-class exemplary mine. At present, our mining enterprises occupy the leading position in the domestic mining industry in terms of equipped production level and mechanization degree. Moreover, the underground trackless mining equipment configuration has maintained an advanced level internationally. Currently, the Company is accelerating the construction of a world-class gold base and has set up the construction plan of a world-class gold base leveraging on the mining rights resources covering "Sanshandao Resource Belt, Jiaojia Resource Belt and Xincheng Resource Belt" and relying on the six major segments of mining, refining, circular economy, intelligent mine, ecological mine and industrial synergies, which provides strong resource support for the Company's large-scale production, operation and growth.

CHAIRMAN'S STATEMENT

Technology and innovation-driven model

The Company always places its emphasis on technological innovation with the aim of building core competitiveness in the era of corporate digitalization to accelerate in-depth integration of the new generation of information technology and industrial automation. The three laboratories of the Company, namely the deep underground mining laboratory, filling engineering laboratory and beneficiation laboratory, have gradually played a leading role in science and technology, with significant enhancement in innovation and technology capability, and outstanding performance in technology innovation. The national key research and development plan projects undertaken and participated by the Company have achieved remarkable results, and continuous improvement has been made in the innovation platform and system. In 2021, certain advanced information technologies such as the ERP project, underground Internet of Things, production big data and artificial intelligence for equipment operation were further promoted and applied. Some of the scientific research results are playing or will play a key supporting role in the Company's technology innovation development. In 2021, 26 achievements obtained the awards at the provincial and ministerial level or above, and 24 scientific and technological achievements with strong practicality, outstanding innovation and wide application were promoted and applied in the Company. The Company launched a three-year special improvement action "to replace workers with machineries and to reduce workers with automation", resulting in a significant year-on-year increase in the total amount of mechanised mining.

Safe and green development

The Company insists on respecting life and safety first, and increases the scale of investment in safety and environmental protection year on year. The Company has continued to improve environmental management, deepened energy conservation and emission reduction, consciously placed the green and low-carbon development model into practice, and further strengthened the construction of green mines. The "thorough" investigation of the "carbon emission" base of the affiliated enterprises was successfully completed in 2021. Under the leadership of tailings-free and waste-free mines represented by Shandong Gold Mining Industry (Xinhui) Co., Ltd., the construction projects for the comprehensive utilisation of tailings in the core mining enterprises in Zhaoyuan and Laizhou areas have been accelerated. The projects have been pushed forward to achieve no external discharge of tailings by the end of 2022, thus continuously enhancing and enlarging the international influence and reputation of "Shandong Gold, Ecological Mining".

CHAIRMAN'S STATEMENT

Industry Development and the Position of the Company in the Industry

From the perspective of the international environment, as the pandemic is still raging and the international situation is volatile, the global economic outlook is still subject to great uncertainty. The world has entered a new period of turbulence and change in the midst of the tremendous reform and pandemic of the century. In terms of domestic economic performance, China's national economy continued to recover steadily in 2021, with the national gross domestic product ("GDP") growth year-on-year ranking among the top of the world's economies. However, it was faced with a significant increase in uncertainties and a more complex and severe external environment.

From a macro policy perspective, in 2021, with the popularization of vaccines, the global economy gradually emerged from the gloom of the pandemic. At the same time, the loose fiscal and monetary policies introduced in response to the pandemic were also under pressure to gradually withdraw, and the foundation for economic recovery was still unstable. The global economy and the supply and demand pattern of mineral resources underwent in-depth adjustments, and the challenge of a stable global supply of mineral resources became prominent, with prices of major mineral products fluctuating significantly, which brought both opportunities and challenges for the development of the mining industry. As the pandemic was first fully contained in the PRC, the domestic rapid and stable socio-economic recovery boosted the demand for mineral products, becoming an important force in promoting the global rebound of the mining industry and driving the global economic recovery.

In terms of gold price performance, the overall gold prices were fluctuating at high levels with slightly weak trend in 2021. On the one hand, the recovering demand, tight supply chains and rising commodity prices led to a marked rise in global inflation, with the combination of the contest of big powers and intensified geopolitical risks providing some support to gold prices. However, on the other hand, the excessively high inflation caused the intensifying expectations on monetary policy tightening in Western developed countries, which became a major drag on gold prices. In 2021, the London spot gold reported an opening price of US\$1,903.71/ounce with the highest and lowest prices of US\$1,959.33/ounce and US\$1,676.10/ounce, respectively, and closed at US\$1,829.24/ounce, representing an annual decrease of approximately 3.6%. The average London spot gold price, as calculated based on the afternoon fixing price, was US\$1,798.61/ounce, representing a year-on-year increase of approximately 1.6%. The Shanghai Gold Exchange gold Au9999 reported an opening price of RMB397.48/g with the highest and lowest prices of RMB402.48/g and RMB260.88/g, respectively, and closed at RMB373.85/g, representing an annual decrease of approximately 4.1%. The weighted average price for the year was RMB373.67/g, representing a year-on-year decrease of approximately 3.7%.

In terms of supply and demand, domestic gold production declined volume while consumption rebounded significantly in 2021. The latest statistics of the China Gold Association shows that, the gold produced with domestic raw materials in 2021 was 328.98 tonnes, representing a year-on-year decrease of 36.36 tonnes or 9.95% as compared with that of 2020. Among them, the gold mine-produced gold was 258.09 tonnes, and the non-ferrous by-products was 70.89 tonnes. In addition, the gold produced from imported raw materials was 114.58 tonnes in 2021. If this part was added, the nationwide gold production was 443.56 tonnes in total, representing a year-on-year decrease of 7.50%. The nationwide actual gold consumption was 1,120.90 tonnes in 2021, representing an increase of 36.53% as compared with the same period of 2020, which included: gold jewelry of 711.29 tonnes, representing an increase of 44.99% as compared with the same period of 2020; gold bars and gold coins of 312.86 tonnes, representing an increase of 26.87% as compared with the same period of 2020; industrial and other gold products of 96.75 tonnes, representing a year-on-year increase of 15.44%.

CHAIRMAN'S STATEMENT

In terms of market transactions, the domestic trading volume and turnover of gold both declined in 2021. Among them, the accumulated bilateral trading volume of all gold products on the Shanghai Gold Exchange was 34,800 tonnes (unilateral: 17,400 tonnes), representing a year-on-year decrease of 40.62%, with a bilateral turnover of RMB13.08 trillion (unilateral: RMB6.54 trillion), representing a year-on-year decrease of 41.99%. The accumulated bilateral trading volume of all gold products on the Shanghai Futures Exchange was 97,100 tonnes (unilateral: 48,500 tonnes), representing a year-on-year decrease of 11.33%, with a bilateral turnover of RMB34.19 trillion (unilateral: RMB17.10 trillion), representing a year-on-year decrease of 17.54%.

In 2021, domestic gold production declined, but the concentration of the industry increased, and some large gold enterprises accelerated the pace of “going global”. At the beginning of the year, two gold mine safety accidents occurred in Yantai area, Shandong Province, which led to a decision by the government of Shandong Province to conduct safety inspections on all underground non-coal mines in the province. According to the China Gold Association, gold production in Shandong Province dropped by more than 50% year-on-year in 2021, while in Lingbao, the main gold-producing region of Henan Province, small and medium-sized gold enterprises carried out rectification, resulting in a significant drop in mine-produced gold production. The phased suspension of production in Shandong and Henan, two major gold-producing provinces, resulted in a decline in the nationwide gold production in 2021.

Meanwhile, the domestic gold industry has been increasing its efforts in resource consolidation and mergers and acquisitions, further increasing the concentration of the industry. According to the China Gold Association, in 2021, large gold enterprises produced 121.68 tonnes of gold from their domestic mines, accounting for 47.14% of the national output. In addition, large gold enterprises have been actively developing overseas mining resources and have frequently yielded good results. According to the China Gold Association, in 2021, major gold-producing enterprises, such as Shandong Gold, Zijin Mining and Chifeng Gold, produced 38.63 tonnes of gold from their overseas mines, representing a year-on-year increase of 19.86%.

Shandong Province is the largest gold producing province in the PRC, and Shandong Gold is one of the major producers of mine-produced gold in the PRC, ranking among the top in gold production volume for many consecutive years. In 2021, in line with the development concept of “strengthening the foundation and starting from the bottom”, Shandong Gold strived to resolve various risks and challenges such as safety inspection on underground non-coal mines in the province, significant decline in production efficiency and increasingly stringent supervision of certificates, and focused on solving difficult issues such as improvement of certificates, management of blasting operations and regulation of safety production, with a view to minimising and eliminating various risks, promptly restoring normal production and operation order, thus making a major breakthrough in the integration of resources in the province, and comprehensively improving the basic management level and operation quality of the enterprises. In 2021, the gold mine production volume of the Company amounted to 24.781 tonnes (796.70 koz), representing a decrease of 13.98 tonnes or 36.06% as compared with the same period last year. In 2021, the gold mine production volume of the Company accounted for 9.6% of the total production volume in the PRC.

In 2022, the Company will position itself for “overseas stabilisation and domestic expansion”. In addition to steadily improving the operational management and gold production of overseas enterprises, the Company will focus on merging and restructuring high-quality domestic resources projects to further enhance the domestic gold resources reserve. The Company will strive to achieve new breakthroughs and improvements in various areas by comprehensively optimising and enhancing production and operation, project construction, state-owned enterprise reform, livelihood improvement and safety and environmental protection.

CHAIRMAN'S STATEMENT

ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Strategic Advantage

The Company was committed to strategy-leading development, and remained determined to its strategy. Focusing closely on the development concept of “Safe Shandong Gold, Ecological Shandong Gold, Vibrant Shandong Gold and Humanistic Shandong Gold”, the Company regarded “Technology Development, Resource Exploration, M&A Integration and Industrial Chain Extension” as its four key business areas. In Shandong Province, we firmly grasped the strategic opportunity period of gold resource integration, actively participated in the integration of gold resources in Shandong Province and vigorously promoted the construction of major projects. Outside the province, we closely focused on our existing mines and important mineralization zones to accelerate the merger and reorganization of high-quality resource projects and fully utilize the synergy of local mines. We steadily improved the operational management of overseas enterprises, paid close attention to the exploration of mines for increasing reserves, and optimised technical improvements and measures to ensure the output of overseas mines. The Company fully optimised and enhanced its project construction, operational management, state-owned enterprise reform, technological innovation, livelihood improvement and safety and environmental protection to build a world-class mining enterprise with global competitiveness.

Advantage in Resource Superiority

The Company adhered to the concept of “resource first” and strived to enhance its resource reserves. In line with the direction of “internal and external expansion to grow strong and wider”, the Company continuously increased our exploration efforts, and actively carried out external resource mergers and acquisitions. It firmly grasped the strategic opportunity period of gold resource integration, and actively participated in the integration of gold resources in Shandong Province, so as to optimise the industrial layout. Through the acquisition of 100% equity interests in Shandong Laizhou Ludi Gold Mine and Shandong Dikuang Laijin, 45% equity interests in Laizhou Hongsheng Mining and 100% equity interests in Shandong Tiancheng Mining, which were under SDG Group, the Company completed the merger and acquisition of high-quality resources such as Nanlv-Xinmu and ZhuguoLijia mineral rights in Laizhou area, which strongly promoted the integration of resources in the Jiaojia-Xincheng metallogenic belt in the province, effectively consolidated and enhanced the Company's resource reserves and laid a solid resource foundation for building a world-class gold production base in Jiaodong region. Outside of the province, we closely focused on the surrounding and deep parts of in-production mines, and accelerated the prospecting and re-mining of resources, effectively transforming the resource advantages into economic advantages. We unswervingly implemented the “going global” strategy, actively participated in global resources allocation with an open and inclusive attitude. The Company has further expanded its global resource deployment by successfully acquiring Cardinal Resources Limited and Hengxing Gold Holding Company Limited.

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 through implementing the key project “to replace workers with machineries and to reduce workers with automation” and rapidly improving the mechanization and automation level of “production, excavation, loading, support and transportation”. The construction of an international first-class exemplary mine at Sanshandao Gold Mine has led the pace of mechanization, automation and intelligent mine construction of large and medium-sized mines. The mechanization rate of mining operations of a number of 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%. Shandong Gold Smelting Co., Ltd. has enjoyed a leading position in terms of national mine-produced gold processing and trading volume etc. As of now, the cumulative gold production of Jiaojia Gold Mine, Linglong Gold Mine, Sanshandao Gold Mine and Xincheng Gold Mine all exceeded 100 tonnes, making the Company the only domestic listed company which owns four mine enterprises each with cumulative gold production exceeding 100 tonnes. Jiaojia Gold Mine, Sanshandao Gold Mine, Xincheng Gold Mine and Linglong Gold Mine have been on the list of “China Top Ten Gold Mines”, and Jiaojia Gold Mine, Sanshandao Gold Mine and Xincheng Gold Mine have been on the list of “Top Ten Cost Efficient Gold Mines in the PRC” for several consecutive years.

Advantage in Technological Innovation

The Company thoroughly implements the new development concept of “innovation, coordination, green, openness and sharing”, closely follows the theme of ecological protection and high-quality development, and conforms to the development direction of “intelligent mine” and “ecological mining”, striving to build a “1,000-tonne gold resource base” in Jiaodong region based on its resource strategy and technology-driven green exploration. The Company, by focusing on mastering cutting-edge and core mining technologies, increased investment in scientific and technological research and development, and actively participated in and undertook key research and development projects at provincial and ministerial levels. The three laboratories of the Company, namely the deep underground mining laboratory, filling engineering laboratory and beneficiation laboratory, have been working on the construction of deep shafts, paste filling technology, construction of tailing-free mines, non-ferrous metal processing and precious metal smelting, etc., the independent innovation results from which have increasingly supported the quality development of the Company. The Company paid high attention to intellectual property protection and emphasized converting independent innovation into the driving forces for corporate development. In 2021, applications of 222 patents were submitted and accepted, 249 patents were granted, including 14 invention patents, and 26 science and technology awards at the provincial and ministerial levels were obtained throughout the year.

CHAIRMAN'S STATEMENT

Talent Advantage

The Company has established a clear staffing direction of “morality first, equal stress on integrity and ability, emphasis on actual performance and public recognition”, continuously optimised the candidate selection and appointment mechanism, broadened the channels of talent introduction and cultivation, and coordinated the construction of the three talent teams in “management, technology and skill”. The Company vigorously selected and appointed young cadres to optimize the its talent echelon construction, with the number of post-80s middle-level cadres accounting for an increasing proportion. The Company constantly improved the professional and technical post ranking system to offer a smooth career development channel for professional and technical personnel. It established the self-assessment system for professional workers with specialized skills in gold mining industry as the Company’s vocational skills appraisal platform, which filled the gap of the national specialized skill assessment for professional workers in the gold mining industry. In 2021, a total of 255 individuals passed the assessment and obtained vocational qualifications. The Company signed strategic cooperation agreements with Shandong Talent Development Group and Shandong University of Science and Technology, and it was invited to join the Shandong Talent Development Alliance to develop close cooperation in the cultivation and introduction of talents.

Brand Advantage

The Company puts safety production in the position of “prioritizing everything, prior to everything, above everything, and overriding everything”, and firmly changes the concept of safety production from “zero accidents” to “zero hidden dangers”, strengthens the investigation and rectification of hidden dangers, and strengthens prevention and control at source, building a solid foundation for safety production. Centering on the construction of “ecological mining”, the Company further promoted pollution prevention and control, implemented carbon peaking and carbon neutrality actions, advanced synergy effects of pollution reduction and carbon reduction, improved the level of green and low-carbon development, and continuously enhanced the brand image of “Safe Shandong Gold, Ecological Shandong Gold”. The Company was successively included into the three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices, as well as the Shanghai Stock Exchange 50 Index. In 2021, the Company was granted the twelfth Tianma Award for the PRC Listed Companies with Best Investor Relationship Forum– “Best Investor Relationship Award” and “Best Board of Directors Award”, the fifteenth Value Selection of the PRC Listed Companies – Social Responsibility Award for A-share Listed Companies, the third New Fortune – Best Listed Companies, the eleventh China Securities Golden Bauhinia Award – Best ESG Practice for Listed Companies and other awards. The Company was selected as one of the “ESG Practice Cases for Listed Companies” by the China Association for Public Companies, and was rated A Grade for Information Disclosure for 2020-2021 by the SSE, which has been awarded for four consecutive years.

By order of the Board of Directors

Li Guohong

Chairman

Jinan, the PRC
28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's:

- **revenue** decreased by 46.72% to approximately RMB33,932.6 million from approximately RMB63,689.5 million for the same period in 2020, which was mainly due to the decrease in the sales volume of self-produced gold and externally procured gold of the Group and the decrease in sales price during the period.
- **cost of sales** decreased by 44.59% to approximately RMB31,557.6 million from approximately RMB56,956.9 million for the same period in 2020, which was mainly due to the decrease in the purchase volume of externally procured gold during the period.
- **gross profit** decreased by 64.72% to approximately RMB2,375.1 million from approximately RMB6,732.6 million for the same period in 2020, which was mainly due to the decrease in the sales volume of self-produced gold and externally procured gold of the Group and the decrease in sales price during the period.
- **selling expenses** increased by 237.06% to approximately RMB361.1 million from approximately RMB107.1 million for the same period in 2020, which was mainly due to the increase in sales commission of a subsidiary of the Company, Shandong Gold Futures Co., Ltd. during the period.
- **other gains and losses, net** increased by 837.07% to approximately RMB1,347.5 million from approximately RMB143.8 million for the same period in 2020, which was mainly due to the gains from disposal of subsidiaries and gains from financial products.
- **general and administrative expenses** decreased by 14.90% to approximately RMB2,409.7 million from approximately RMB2,831.7 million for the same period in 2020, which was mainly due to a decrease in the Group's provision for intangible assets, property, plant and equipment during the 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 2021, the Group's reserves amounted to approximately RMB18,612.13 million and short-term borrowings amounted to approximately RMB9,805.31 million. The bank balances and cash of the Group as at 31 December 2021 were approximately RMB4,525.4 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, and thus will continue to generate operating cash flows from future business operations; (b) the Group has been maintaining long-term business relationships with its principal bankers.

MANAGEMENT DISCUSSION AND ANALYSIS

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Group include short-term loans and accrued interest due to related parties in an aggregate amount of approximately RMB577.54 million from SDG Group Finance at an interest rate ranging from 3.4% to 4.0% per annum. The Company has issued two tranches of renewable corporate bonds. Please refer to “Information of Corporate Bonds” below for details.

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

CASH FLOWS

The Group’s bank balances and cash have increased from approximately RMB3,182.5 million as at 31 December 2020 to approximately RMB4,525.4 million as at 31 December 2021.

ASSETS AND LIABILITIES

As at 31 December 2021, the Group’s:

- **prepayment, trade and other receivables** decreased by 18.76% to approximately RMB3,579.4 million from approximately RMB4,405.9 million as at 31 December 2020, which was mainly due to the increase in customer deposits transferred to the futures exchange by Shandong Gold Futures Co., Ltd., a subsidiary of the Company.
- **trade and other payables** increased by 94.44% to approximately RMB15,249.4 million from approximately RMB7,842.6 million as at 31 December 2020, which was mainly due to the construction payment and equity purchase payment payable by the Company’s subsidiaries.
- **borrowings (including current and non-current liabilities)** increased by 32.79% to approximately RMB15,144.95 million from approximately RMB11,405.0 million as at 31 December 2020, which was mainly due to the increase in borrowing and financing of the Company and its subsidiaries and the issuance of ultra-short-term financing bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

- **non-current portion of other non-current liabilities** increased by 76.42% to approximately RMB951.7 million from approximately RMB539.5 million as at 31 December 2020, which was mainly due to the increase in the royalty of mining rights of subsidiaries.
- **financial liabilities at fair value through profit or loss** increased by 10.55% to approximately RMB9,587.3 million from approximately RMB8,672.6 million as at 31 December 2020, which was mainly due to the increase in gold leasing business during the year.

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 2021, 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 RMB831.6 million.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2021, the Group recorded financial assets at fair value through profit or loss (“**FVTPL**”) amounting to approximately RMB8,334.94 million (31 December 2020: approximately RMB8,626.8 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits. As at 31 December 2021, the Group, through its subsidiaries, held securities of Donghai Securities Co., Ltd. (“**Donghai Securities**”), a company listed on national equities exchange and quotations of the PRC which conducts principal business of brokerage business, online trading and investment consultation. The Group held 327,169,166 shares of Donghai Securities in aggregate, representing 17.6% 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 2021 was approximately RMB4,774.2 million, which was approximately 6.1% of the Group’s total assets as at 31 December 2021. For the year ended 31 December 2021, there is a fair value gain of RMB1,034.4 million from the securities of Donghai Securities held by the Group and Donghai Securities did not distribute any dividend. We are optimistic about the on-going performance of Donghai Securities. Nevertheless, we will closely monitor the performance of Donghai Securities on an on-going basis.

The Group considers that, save for the investments in Donghai Securities, no other single investment that was designated as financial assets at FVTPL in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Save as disclosed in this annual report, for the year ended 31 December 2021, the Group had no major investments (including investments with an asset ratio of more than 8% in any entities) nor major acquisitions or disposals of subsidiaries, associates and joint ventures.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

The year 2021 was the opening year of the Fourteenth Five-year Plan, and also a very special and challenging year in the Company's development history. As a result of the safety accidents occurred in early 2021 in Qixia Hushan Gold Mine (栖霞市笏山金礦) of Shandong Wucailong Investment Company Limited (山東五彩龍投資有限公司) and Caojiawa Gold Mine (曹家窪金礦) of Shandong Zhaoyuan (山東招遠), two local enterprises in Shandong Province not owned by the Company, underground non-coal mines in Shandong Province conducted safety inspection as required by the government, therefore the Company experienced a significant decline in key production and operation indicators in the first half of the year. In the face of these severe challenges, the Company tackled the difficulties, took various measures and made every effort to resume production, reduce costs and increase efficiency through a multi-pronged approach, deepened reform and stimulated vitality, as well as paid strict attention to safety and environmental protection to ensure stability. Since the second half of 2021, gold production at the Company's mines has been gradually increasing, with greater growth in profitability in the second half of the year. As various tasks have been carried out in an orderly manner, the overall situation has shown strong momentum and continued positive development, laying a good foundation for the realisation of the 14th Five-Year Plan.

In 2021, the Company recorded a gold mine production volume of 24,781 tonnes, representing a decrease of 13.98 tonnes or 36.06% as compared to the corresponding period of last year. Great efforts were exerted to the following work:

- (I) **The direction of development has become clearer.** Scientifically adjust the 14th Five-Year Plan strategic plan to establish the Company's strategic positioning of "accelerating to become a world-class gold mining enterprise with global competitiveness by virtue of its prominent advantages, excellent corporate governance, and outstanding value creation capabilities". The Company has determined that on the basis of "consolidating the fundamentals, bottoming up", and striving to resolve various risks and challenges in 2021, it will stabilize externally and expand internally to steadily improve the operation and management level and gold production of overseas enterprises, with focus on mergers and acquisitions of domestic high-quality resource and projects in 2022. In 2023, the Company will have internal and external coordination to promote leap-forward improvement of the Company's work, and comprehensively implement the Company's industry-leading "three-year" rolling development plan. It will make every effort to build "Safe Shandong Gold, Ecological Shandong Gold, Vibrant Shandong Gold and Humanistic Shandong Gold". By holding a half-year work meeting and a decisive fourth-quarter work conference, the Company will strengthen publicity and propaganda at all levels, and vigorously advocate the concept of "confidence is as important as gold" and work requirements of "emphasizing politics, learning, development, solidarity, style, and discipline", so as to widely build up a consensus and synergy to fight and win the decisive battle in the second half of the year.
- (II) **Resumption of work and production were vigorously pushed forward.** The Company adhered to problem-oriented and targeted treatment, summarized and sorted out six major types of problems, and set up 12 task forces led by the leadership team to "take command of the battle". We insisted on weekly scheduling, weekly summing up and weekly deployment, reversed work schedule and operated on the basis of wall chart. The Company resumed production in the province in an orderly manner, while the mines outside the province strengthened operational control and took the initiative to exert their efforts. As a result, the Company's production capacity increased month-on-month, with gold production in a single month rising from 1,629 tonnes in June to 2,811 tonnes in December 2021. The Company achieved profit for the month from August 2021 onwards, with a greater increase in profit in the third and fourth quarters.

MANAGEMENT DISCUSSION AND ANALYSIS

- (III) **A major breakthrough in resource integration was achieved.** The acquisition of 100% equity interests in Hengxing Gold Holding Company Limited was completed, and the Gold Mountain Mine, the largest single gold mine in Xinjiang region, was acquired, with the gold production of 2.35 tonnes in 2021, exceeding its gold production throughout the year of 2020. The acquisition of 100% shares in Cardinal Resources Limited in Ghana was completed, becoming the Company's first project in Africa, which is now steadily advancing the preliminary work of construction. The Company completed the acquisition of 100% equity interests in Laizhou Zhangjian Investment Co., Ltd. (萊州章鑿投資有限公司), 100% equity interests in Shandong Tiancheng Mining, Shandong Laizhou Ludi Gold Mine, Shandong Dikuang Laijin and 45% equity interests in Laizhou Hongsheng Mining, which were under SDG Group, as well as Jiaojia mining rights, which promoted the integration of gold resources in Laizhou region and further increased the Company's gold resources reserves. After the completion of the resource integration, the Company's production scale will be expanded, and the overall synergy of resource development and utilization will be brought into play, thus enhancing the Company's core competitiveness.
- (IV) **The development quality continued to improve.** The Company insisted on practising strict economy, operating a diligent and frugal business, and comprehensively implemented a full range of cost reduction and efficiency improvement measures for all staff, all processes, all nodes and all aspects. We strengthened project construction management and implemented a dynamic supervision and assessment mechanism for the entire project process; conducted a comprehensive inventory of idle assets and significantly reduced management expenses; actively expanded financing channels and financing methods, reasonably optimised the financing structure and continuously reduced financial costs. A centralised procurement centre was set up to manage and centralise the procurement of materials and equipment, thereby reducing procurement costs. The Company steadily advanced the scientific and technological innovation, and received 26 awards at the provincial and ministerial levels or above; promoted the application of 24 technological achievements with strong practicality, outstanding innovation points and wide application. The innovation among staff has achieved remarkable results, which brought more than 400 technological innovation achievements; in response to the common problem of utilizing bulk tailings resources, a joint innovation research base for the utilization of gold tailings resources has been established. The Company strengthened the construction of mechanized, automated and intelligent mines, and launched a three-year special improvement action "to replace workers with machineries and to reduce workers with automation", resulting in a significant year-on-year increase in the total amount of mechanised mining.
- (V) **The corporate vitality was fully released.** The Company insisted on deepening reform and promoting innovation, and sorted out the management hierarchy and the boundaries of authority and responsibility. In accordance with the general idea of "strengthening the strategic management and control functions of the headquarters, enhancing the service capability of the headquarters, clarifying the professional management boundary of the second-tier units and optimising the ownership of the third-tier enterprises", the four former mining divisions in Yantai, Qingdao, Greater China and overseas were merged and integrated to establish the Mining Management Branch of Shandong Gold Mining Co., Ltd., building a professional and synergistic, scientific and standardised organisational structure with efficient operation as the production organisation centre, safety and environmental protection centre, technology innovation centre and cost control centre of the mining enterprises.
- (VI) **The situation of safety and environmental protection remained stable.** The Company insisted on putting safety production in the position of "prioritizing everything, prior to everything, above everything, and overriding everything". Despite the significant reduction in various management costs, safety investment increased rather than decreased, with the safety investment in tonnage mines in 2021 reaching about three times of the national requirement. We strengthened the daily management of the "double base" construction of safety and environmental protection and the safety education and training of all employees, increased the efforts to investigate and rectify the risks of hidden dangers, and improved the safety reward and punishment methods. We continued to consolidate and enhance the achievements of green mine construction, completed the "thorough" investigation of the "carbon emission" base of the affiliated enterprises, and continuously enhanced the brand image of "Safe Shandong Gold, Ecological Shandong Gold".

MANAGEMENT DISCUSSION AND ANALYSIS

(VII) **The leadership of Party building was strengthened.** The Company gave full play to the leading and safeguarding role of comprehensive and strict Party management, meticulously organised group studies, guidance reports, grassroots lectures and special training, and solidly promoted the learning and education of Party history. The CCTV reported on “130,000 taels of gold sent to Yan’an” from Linglong Gold Mine. We comprehensively improved the quality of Party building at the grassroots level, pressed ahead with the creation of excellent Party branches, fully launched star-rating management for Party branches, and assessed 28 five-star Party branches. The Company established a clear staffing direction of selecting and appointing talented candidates, encouraged cadres to take up their roles and distinguished skilled talents. We strengthened the supervision and disciplinary accountability, and launched special inspections and “looking-back” inspection and rectification on the Party organisations of our affiliated enterprises to create a clear and upright atmosphere for officers in business operation.

MAJOR OPERATIONS DURING THE REPORTING PERIOD

As a result of two gold mine safety accidents in Shandong Province in early 2021, the Company’s affiliated enterprises in Shandong Province conducted safety inspection and rectification, which materially impacted and affected the Company’s production and operation. In the face of the severe situation, the Company immediately took the establishment of a special task team to expand production capacity as the starting point and seriously implemented the requirements of the work plan. With the solution of insufficient production capacity as the guide, and with the capacity expansion, production improvement and continuous production as the breakthrough points, the Company took the initiative to face difficulties, achieving remarkable results in production and operation. In particular, the gold mine production volume of the Company amounted to 24.781 tonnes (796.70 koz), representing a year-on-year decrease of 13.98 tonnes or 36.06%.

The Company completed processing (leaching) of 29.16 million tonnes, representing a year-on-year decrease of 728,200 tonnes or 2.44%. Among which, the mine processing (leaching) amount in the PRC reached 18.04 million tonnes, representing a year-on-year increase of 180,000 tonnes or 1.00%. The increase was due to the new acquisition of Gold Mountain Mine under Hengxing Gold Holdings Limited (“**HXG**”) by the Company in 2021, resulting in a year-on-year increase in processing (leaching) volume. The leaching amount of Veladero Mine in Argentina overseas amounted to 11.11 million tonnes, representing a year-on-year decrease of 900,000 tonnes or 7.51%. The decrease was due to the impact of the pandemic in 2021, which resulted in labour shortage and affected the ore mining, thus the leaching amount reduced year-on-year.

The raw ore grade was 1.12g/t, representing a year-on-year decrease of 0.37g/t or 24.95%. The decrease in the raw ore grade was mainly attributable to the recovery of some low grade resources by domestic underground mining companies, resulting in a 0.19g/t decrease in the raw ore grade selected, which in turn lowered the overall raw ore grade of the Company.

The gold beneficiation recovery rate of domestic underground mining companies was 91.25%, representing a year-on-year decrease of 0.55 percentage point or 0.60%, while the gold beneficiation recovery rate of Veladero Mine in Argentina was 72.62%, representing a year-on-year decrease of 0.64 percentage point or 0.87%.

MANAGEMENT DISCUSSION AND ANALYSIS

ANNUAL PRODUCTION DATA AND ANALYSIS

The following table sets forth the ore mined volume, ore processed volume and gold production volume of our mines for the periods indicated:

Projects	Year ended 31 December					
	2020			2021		
	Ore mined volume (Mt)	Ore processed volume (Mt)	Gold production volume (koz) ⁽⁵⁾	Ore mined volume (Mt)	Ore processed volume (Mt)	Gold production volume (koz) ⁽⁵⁾
Shandong Province						
Sanshandao Gold Mine	3.80	4.05	229.40	2.08	2.32	85.87
Jiaojia Gold Mine	4.50	4.68	240.23	2.69	2.75	146.67
Xincheng Gold Mine	2.20	2.32	145.23	0.93	1.23	71.27
Tiancheng Mining ⁽⁴⁾	0.18	0.44	30.88	–	–	–
Linglong Gold Mine	2.13	2.60	122.59	0.61	0.96	32.15
Guilaizhuang Gold Mine	0.14	0.20	24.11	0.02	0.04	5.37
Jinzhou Gold Mine	0.30	0.39	42.25	0.30	0.36	32.54
Qingdao Gold Mine ⁽²⁾	1.12	1.18	59.99	1.25	1.36	64.78
Penglai Gold Mine	0.43	0.38	27.17	0.03	0.06	3.47
Yinan Gold Mine	0.43	0.50	11.51	0.25	0.34	9.20
Other Provinces						
Chifengchai Gold Mine	0.60	0.60	45.04	0.65	0.67	49.71
Fujian Yuanxin	0.23	0.26	15.98	0.25	0.30	14.31
Xihe Zhongbao	0.26	0.26	25.88	0.30	0.30	32.38
Xinjiang Jinchuan	–	–	0.00	5.35	7.35	75.65
Sub-total ⁽¹⁾	16.31	17.86	1,020.26	14.71	18.04	623.36
Attributable to the Company	14.75	16.08	906.85	13.69	16.84	550.49
Argentina						
Veladero Mine ⁽³⁾	13.67	12.02	225.80	10.63	11.11	173.34
Total	29.98	29.88	1,246.06	25.34	29.16	796.70

Notes:

1. Includes the ore mined volume, ore processed volume and gold production volume of each PRC Mine on a 100% basis.
2. Qingdao Gold Mine includes Xinhui Gold Mine and Laixi Gold Mine.
3. Includes the ore mined volume, ore processed volume and gold production volume of the Veladero Gold Mine on a 50% basis. As of 31 December 2021, the Company owned 50% interest in the Veladero Gold Mine.
4. The Company had a business combination involving entities under common control (including Tiancheng Mining) in 2021. In the statistical table above, the gold production in 2020 (including Tiancheng Mining) was 960.5 kg. Tiancheng Mining includes Matang mining area and Hongbu mining area. In 2021, the Matang mining area and Hongbu mining area of Tiancheng Mining have been integrated into Jiaojia Gold Mine and Xincheng Gold Mine, respectively, with their annual output in 2021 included in Jiaojia Gold Mine and Xincheng Gold Mine.
5. 1 ounce = 31.1035 grams.
6. Due to the rounding of numbers, the total may not equal the sum of the numbers.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF MAIN BUSINESS

Operating results

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

Unit: RMB'000

Item	Amount of this Reporting Period	Amount of corresponding period in prior year	Increase/ (Decrease) (%)
Revenue	33,932,646	63,689,514	(46.72%)
Cost of sales	(31,557,552)	(56,956,948)	(44.59%)
Selling expenses	(361,149)	(107,147)	237.06%
General and administrative expenses	(2,409,669)	(2,831,702)	(14.90%)
Research and development costs	(345,606)	(390,492)	(11.49%)
Finance costs	(732,639)	(832,827)	(12.03%)

Analysis on revenue and costs

The decrease in revenue of the Company was mainly due to the decrease in the sales volume of self-produced gold and externally procured gold of subsidiaries and the decrease in sales price during the year. The decrease in operating costs was mainly due to the decrease in the purchase amount of externally procured gold during the year.

Information on major suppliers and customers

For the year ended 31 December 2021, the total purchases from the Company's top five suppliers amounted to approximately RMB22.990 billion, representing 72.85% of the Company's cost of sales for the year, out of which the total purchases from the largest supplier accounted for 35.03% of the Company's cost of sales for the year.

For the year ended 31 December 2021, the total sales to the Company's top five customers amounted to approximately RMB23.679 billion, representing 69.78% of the Company's total sales for the year, out of which the total sales to the largest customer accounted for 56.08% of the Company's total sales for the year.

During the year, to the best of the Directors' knowledge, Directors and their close associates (as defined under the Hong Kong Listing Rules) or shareholders (who, to the best of the Directors' knowledge, own more than 5% of the issued share capital of the Company) have no interest in the five top suppliers or customers.

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 2021, the Group's consolidated total debt (including lease liabilities, borrowings and financial liabilities at fair value through profit or loss) was approximately RMB24,864 million (31 December 2020 (restated): RMB20,178 million), and the Group's consolidated total equity was approximately RMB31,961 million (31 December 2020 (restated): RMB35,668 million). As at 31 December 2021, the Group's gearing ratio was 77.79% (31 December 2020 (restated): 56.57%).

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	238,604	Security deposits for issuance of notes payable
Monetary funds	233,633	Security deposits for environmental restoration and governance
Monetary funds	10,116	Security deposits for gold trading account and others
Total	482,353	

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on business information of the industry

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

1. Major industry policy changes in 2021

- (1) On 25 November 2020, the Ministry of Ecology and Environment, the National Development and Reform Commission, the Ministry of Public Security, the Ministry of Transport and the National Health Commission jointly issued the National Catalogue of Hazardous Waste (2021 Edition), which was officially implemented on 1 January 2021. A total of 467 types of hazardous wastes are included in the newly revised catalogue, and 16 types of hazardous wastes are newly exempted, bringing the total number of exempted hazardous wastes to 32 types. According to the newly revised catalogue, the cyanide tailings and cyanide-containing wastewater treatment sludge produced in the gold beneficiation process using cyanide are listed in the catalogue of hazardous wastes. However, in the Hazardous Waste Exemption Management List, if the cyanide tailings meet the requirements of the "Technical Specification for Pollution Control of Cyanide Leaching Residue in Gold Industry" (《黃金行業氰渣污染控制技術規範》) and enter the tailings depot for disposal or enter the cement kiln for co-disposal, the disposal process will not be managed as hazardous waste.
- (2) On 12 May 2021, the National Mine Safety Administration issued and implemented the "Implementation Rules for Mine Safety Production Reporting Rewards (Trial)" (《礦山安全生產舉報獎勵實施細則(試行)》). The Rules provided that the mine safety supervision and administration departments at the provincial level and below should follow the principles of "legal reporting, territorial management, and hierarchical responsibility", "whoever accepts, whoever rewards" and "whoever reports, whoever is rewarded" in carrying out the work of reward for reporting. According to the regulations, whistleblowers can report in real name or anonymously. In the case of real-name reporting, the whistleblower should provide both his real name and real and valid contact information. For anonymous reporting, the whistleblowers should also provide a mobile phone number with smooth communication. The acceptance, verification and reward of anonymous reports are subject to password agreement and "three special interlocking" management.
- (3) On 18 June 2021, the Ministry of Natural Resources issued the "Specifications for Green Geological Exploration" (《綠色地質勘查工作規範》), which officially raised green exploration to the national level. It is mainly applicable to geological surveys and mineral exploration activities in land areas, and reflects environmental protection requirements in the entire process and each link of geological exploration, advocates the use of advanced and applicable technologies, methods, processes and equipment to effectively reduce the scope, degree and duration of the impact of geological exploration on the ecological environment.

MANAGEMENT DISCUSSION AND ANALYSIS

- (4) On 5 July 2021, the National Mine Safety Administration issued and implemented “Certain Regulations on Enhancing the Safety Management of Outsourcing Projects in Metal and Non-metal Underground Mines” (《關於加強金屬非金屬地下礦山外包工程安全管理的若干規定》). Based on the “Interim Measures for Safety Management of Outsourcing Projects in Non-Coal Mines” (《非煤礦山外包工程安全管理暫行辦法》), the Regulations has further raised the safety entry threshold for outsourcing projects in metal and non-metal underground mines by clearly specifying the number of outsourcing units of different mine sizes, the provision of safety management and professional and technical personnel, daily supervision and inspection and performance assessment, and clarified the main responsibility for safety production and the responsibility for safety supervision, providing a basis and support for the effective regulation of safety management of outsourcing projects and the targeted implementation of safety supervision. According to the Regulations, there shall be no more than two large and medium-sized mine contractors, and no more than one small mine contractor, and subcontracting of mining works shall be strictly prohibited. The metal and non-metal underground mining enterprises are encouraged to set up their own mining and construction teams and gradually cancel the external contracting of mining works, or to implement overall trusteeship.
- (5) On 22 September 2021, the Central Committee of the Communist Party of China and the State Council issued the “Opinions of the Central Committee of the Communist Party of China and the State Council on the Complete and Accurate Implementation of the New Development Concept to Perform Carbon Peaking and Carbon Neutrality” (《中共中央、國務院關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》). The Opinions put forward five main objectives, including building a green, low-carbon and circular development economic system, improving energy utilizing efficiency, increasing the proportion of non-fossil energy consumption, reducing carbon dioxide emission levels and enhancing the carbon sink capacity of ecosystems, so as to ensure that carbon peaking and carbon neutrality will be achieved on schedule. The Opinions clarify the key tasks of carbon peaking and carbon neutral work: firstly, to promote the comprehensive green transformation of economic and social development; secondly, to deeply adjust the industrial structure; thirdly, to accelerate the construction of a clean, low-carbon, safe and efficient energy system; fourthly, to accelerate the construction of a low-carbon transportation system; fifthly, to improve the development quality of green and low-carbon urban and rural construction; sixthly, to strengthen major green and low-carbon scientific and technological research and promotion and application; seventhly, to continuously consolidate and enhance the carbon sink capacity; eighthly, to improve the level of green and low-carbon development in opening up to the outside world; ninthly, to perfect laws, regulations, standards and statistical monitoring systems; and tenthly, to improve policy mechanisms.
- (6) On 2 November 2021, the Central Committee of the Communist Party of China and the State Council issued the “Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Battle of Pollution Prevention and Control” (《中共中央、國務院關於深入打好污染防治攻堅戰的意見》). The Opinions made specific deployments in accelerating the promotion of green and low-carbon development, and deepening the battle for defending the blue sky, green water and clean earth. The Opinions clearly put forward that by 2025 the ecological environment will continue to improve, heavy polluted weather and urban black smelly water bodies will be basically eliminated, the risk of soil pollution will be effectively controlled, etc. By 2035 a green way of production and life will be widely formed, carbon emissions will be steadily reduced after reaching the peak, the ecological environment will be fundamentally improved, and the main goal of building a beautiful China will be basically achieved.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Resource tax and environmental protection tax

The amount of tax payable for resource by the Company's domestic subsidiaries in 2021 was RMB373,961,900, of which RMB400,047,400 was paid in; the amount of tax payable for environmental protection was RMB746,600, of which RMB727,000 was paid in.

3. Resource tax rate and tax incentives

According to the "Resource Tax Law of the People's Republic of China" (《中華人民共和國資源稅法》), the resource tax rate for gold metal in domestic mines is 2%-6%; among which, mines in Shandong Province are subject to a resource tax rate of 4.2%, and Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司) and Shandong Gold Guilaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司) enjoy a preferential policy of 30% reduction in resource tax.

Analysis on business information of the industry

Operations of respective region during the Reporting Period

Unit: RMB'000

	Revenue amount		% to total revenue	
	2021	2020	2021	2020
Revenue from contracts with customers within the scope of IFRS 15				
The PRC	31,470,320	61,382,941	92.75%	96.38%
Outside the PRC	2,448,095	2,293,251	7.21%	3.60%
	33,918,415	63,676,192		
Revenue from other sources				
The PRC	14,231	13,322	0.04%	0.02%
	33,932,646	63,689,514		

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/T 17766-2020), which is basically the same as the resource/reserve classification standard of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO). However, it is slightly different in the estimation method of resources and reserves, the application of 3D ore body model, and the application of mining analysis and simulation software. The 2020 classification standard is applicable to the statistics and release of domestic solid mineral resources, the formulation of relevant technical standards for mineral resource exploration and development, the estimation, evaluation and information disclosure of resources and reserves. NI43-101 and JORC code are internationally accepted codes and standards for resource reserve and project disclosure.

In order to promote the international level of the Company's mineral resources management, according to the internationally accepted NI43-101 standard, the Company's mineral resources reserves and mineral reserves as of 31 December 2021 are summarized as below:

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources ⁽¹⁾⁽²⁾				Reserves ⁽¹⁾⁽⁴⁾				Remaining resources mining year (year)	Validity period of permits/ mining rights	Risk warning						
		Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)				Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)
Sanstandao Gold Mine	Gold	-	24.30	24.30	26.73	51.03	3.03	154.73	147.47	-	20.77	20.77	2.88	55.60	52.99	8.0	Mining right (2043.09.01)	
																		Mining right (2022.11.11)
																		Mining right (2022.06.01)
																		Exploration right (2023.03.31)
Jiajia Gold Mine	Gold	-	53.09	53.09	53.11	106.19	3.43	364.51	347.41	-	22.98	22.98	3.87	89.02	84.85	4.0	Mining right (2025.09.01)	
																		Mining right (2035.8.18)
																		Mining right (2025.5.25)
																		Exploration right (2025.06.30)
																		Mining right (2022.6.30)
																		Mining right (2025.9.30)
																		Mining right (2025.9.30)
																	Mining right (2035.12.02)	
																	Exploration right (2022.12.31)	
																	Exploration right (2023.9.30)	
																	Exploration right (2024.6.30)	
																	Exploration right (2022.9.30)	

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources ⁽¹⁾					Reserves ⁽²⁾					Validity period of permits/ mining rights	Risk warning					
		Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Proven (Mt)	Probable (Mt)	Total (Mt)			Grade (g/t)	Gold content (100% basis) (t)	Remaining resources mining year (year)		
																	Gold content (equity basis) (t)	
Xincheng Gold Mine	Gold	-	18.90	18.90	44.02	62.92	3.27	205.45	-	17.89	17.89	3.33	59.59	7.0	Mining right (2031.12.24)			
																Exploration right (2023.06.28)		
																Exploration right (2022.10.16)		
																Mining right (2022.6.28)		
Linglong Gold Mine	Gold	-	7.13	7.13	47.81	54.95	2.85	156.70	-	6.61	6.61	2.28	15.05	5.0	Mining right (2018.6.2)	Due to the		
																ecological red		
																	line involved,	
																	the renewal of	
Guizhuang Gold Mine	Gold	-	0.77	0.77	1.81	2.58	3.52	9.10	-	0.56	0.56	3.64	2.03	9.0	Mining right (2023.12.31)	Due to the		
																ecological red		
																	line involved,	
																	the renewal of	
Jinzhou Gold Mine	Gold	-	2.14	2.14	2.07	4.21	3.13	13.17	-	2.14	2.14	2.90	6.20	7.0	Mining right (2021.12.14)	Due to the		
																ecological red		
																	line involved,	
																	the renewal of	

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources ^(%)						Reserves ^(%)						Validity period of permits/ mining rights	Risk warning			
		Measured (Mt)	Indicated (Mt)	Measured and indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)			Gold content (equity basis) (t)	Remaining resources mining year (year)	
																		2023
Qingdao Gold Mine	Gold	-	4.19	4.19	2.52	6.71	5.41	36.32	26.84	-	4.22	4.22	4.99	21.05	16.15	21.0	Mining right (2034.9.30) Mining right (2031.11.29)	
Pengjia Gold Mine	Gold	-	1.13	1.13	0.88	2.01	7.03	14.15	14.15	-	1.19	1.19	5.09	6.08	6.08	3.0	Mining right (2022.7.11) Mining right (2018.4.7) in the process of renewal Mining right (2022.4.28) Exploration right (2017.12.31) in the process of renewal	Due to the ecological red line involved, the renewal of mineral rights is in progress.
Yinan Gold Mine	Gold	-	1.83	1.83	4.33	6.16	1.57	9.70	9.70	-	1.73	1.73	1.36	2.34	2.34	6.0	Mining right (2023.11.11) Mining right (2031.7.15) Exploration right (2022.8.19)	
Shandong Province	Gold	-	113.5	113.5	183.3	286.8	3.25	963.82	882.42	-	78.09	78.09	3.29	256.96	238.44			
Chifengchai Gold Mine	Gold	-	0.30	0.30	0.57	0.87	4.60	4.00	2.94	-	0.30	0.30	5.11	1.55	1.14	1.0	Mining right (2025.12.8) Exploration right (2026.2.14) Exploration right (2022.12.9) Exploration right (2026.10.30)	
Fujian Yuanxin Gold Mine	Gold	-	0.46	0.46	0.24	0.70	4.42	3.11	2.80	-	0.42	0.42	3.51	1.46	1.31	5.0	Mining right (2029.6.21) Exploration right (2026.4.16)	

MANAGEMENT DISCUSSION AND ANALYSIS

Name of mine	Major type	Resources ⁽¹⁾				Reserves ⁽²⁾				Remaining resources mining year (year)	Validity period of permits/ mining rights	Risk warning				
		Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)				Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)
Xihe Zhongbao Gold Mine	Gold	-	6.57	6.57	7.23	13.80	2.25	31.06	21.74	5.70	2.24	12.75	8.93	12.0	Mining right (2034.4.28) Mining right (2039.8.30)	
Xinjiang Jinchuan	Gold	6.78	37.17	43.95	8.21	52.16	0.88	46.10	46.10	23.85	0.84	22.71	22.71	5.0	Mining right (2024.6.27)	
Total of other provinces	Gold	6.78	44.50	51.28	16.25	67.53	1.25	84.27	73.59	30.27	1.15	38.47	34.09			
China sub-total	Gold	6.78	157.97	164.75	199.53	364.28	2.88	1,048.09	956.01	3.11	108.36	285.43	272.53			
Veledero Gold Mine	Gold	11.04	126.96	138.00	18.17	156.16	0.88	213.06	106.53	80.37	0.78	139.78	89.89	9.0	8 Mining rights are leased until 2028, and self-owned 5 mining rights are indefinite	
Cardinal	Gold	7.48	174.20	181.68	12.45	194.13	1.12	218.11	218.11	7.38	1.13	157.20	157.20	13.0	Mining right (2035.2.8) Exploration right (2023.01.14) Exploration right (2022.01.22) in the process of renewal; Exploration right (2022.01.22) in the process of renewal Exploration right (2023.01.14) Exploration right (2022.02.11) in the process of renewal Exploration right (2023.01.14) Exploration right (2023.01.14) Exploration right (2023.01.14) Exploration right (2023.06.30)	Normal renewal
Total	Gold	25.29	459.13	484.42	230.15	714.57	1.91	1,479.26	1,280.65	20.25	319.93	592.41	499.62			

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Mineral resources are reported as in-place tonnes and do not take into account mining losses and dilution.
2. Mineral resources are inclusive of mineral reserves.
3. Due to the rounding of numbers, the total may not be equal to the sum of the numbers.
4. Mt = million tonnes.
5. As of 31 December 2021, the Company owned 95.31%, 95.31%, 74.57%, 70.65%, 73.52%, 90.31% and 70% of equity interest of Sanshandao Gold Mine, Jiaojia Gold Mine, Linglong Gold Mine, Guilaizhuang Gold Mine, Chifengchai Gold Mine, Fujian Yuanxin Gold Mine and Xihe Zhongbao Gold Mine. In view of the interest of the Company in Jinzhou Group, Fuling Mining and Qianling Mining, the resource of Jinzhou Gold Mine is also included. Jinzhou Gold Mine consists of mining rights owned by Jinzhou Group and its 100% and 90% owned subsidiaries, Fuling Mining and Qianling Mining, respectively. The Company beneficially owned 60.78% and 54.70% of Fuling Mining and Qianling Mining through its 60.78% interest in Jinzhou Group. The Company also owned 100% interests of the remaining five PRC mines companies as of the same date.
6. Qingdao Gold Mine includes Xinhui Gold Mine and Laixi Gold Mine.
7. Mineral reserves: price is assumed to be US\$1,231.0 per ounce at an exchange rate of US\$1: RMB6.571.

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

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

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

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

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

Reserves in Qingdao Gold Mine were based on a cut-off grade 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 Gold Mine were based on a cut-off grade: 0.5 g/t open pit and 0.9 g/t underground.

8. The amount of ore in Veladero Gold Mine was calculated at 50%. Mineral reserve was estimated based on a gold price of US\$1,200/oz and a silver price of US\$16.5/oz; cut-off grade: 0.33 g/t for Type 1 ore and 0.55 g/t for Type 2 ore;

Mineral resource was estimated based on cut-off grade: 0.29 g/t for Type 1 ore and 0.44 g/t for Type 2 ore;

9. Mineral reserve in Cardinal Namdini Gold Mine was estimated based on a gold price of US\$1,300/oz and a cut-off grade of 0.5 g/t; mineral resource was estimated based on a gold price of US\$1,950/oz and a cut-off grade of 0.5 g/t.

In addition, Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司) participated in Laizhou Huijin Mining Investment Co., Ltd. (萊州匯金礦業投資有限公司) Shaling gold mine project, with an amount of 145 tonnes of attributable metals (according to the Mineral Resources Reserves Review Record Certificate set out in the Report on the Verification of Gold Mine Resources Reserves in the Shaling Mining Area of Laizhou City, Shandong Province in 2018).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM GLOBAL OFFERING

The H Shares were listed on 28 September 2018 on the Main Board of the Hong Kong Stock Exchange with net proceeds amounted to approximately HK\$5,245.7 million (approximately RMB4,618.8 million) after deducting transaction fees and other expenses. As of the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 31 December 2021, approximately RMB4,601.1 million (excluding exchange loss due to changes in exchange rate of approximately RMB2.1 million, and net interest income and bank account handling fees received on utilised proceeds of approximately RMB0.1 million) has been utilized, namely:

Item	Percentage	Net proceeds (RMB million)				Expected timeline for the use of the unutilised proceeds ⁽¹⁾
		Available to utilise	From the Listing Date to 31 December 2021 Utilised	For the year ended 31 December 2021 Utilised	As of 31 December 2021 Unutilised	
Repayment of syndicated term loan	97.6%	4,506.1	4,506.1	-	-	-
Payment of listing expenses ⁽²⁾	2.4%	112.7	95.0	-	17.8	On or before 31 December 2022
Total	100%	4,618.8	4,601.1	-	17.8	

Notes:

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

RESEARCH AND DEVELOPMENT EXPENDITURE

Table of research and development expenditure

	2021	2020 (Restated)
Expensed research and development expenditure for the period (RMB'000)	345,606	390,492
Number of research and development staff (persons)	1,798	1,181
Number of research and development staff to total number of staff of the Company (%)	11.23	7.49

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

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

Name	Age	Position	Date of Appointment as Director	Month of Joining the Company
Li Guohong (李國紅)	51	Chairman, Non-executive Director	16 May 2016	May 2016
Liu Qin (劉欽)	53	Vice Chairman, Executive Director	30 December 2020	January 2008
Wang Shuhai (王樹海)	59	General Manager, Executive Director	30 December 2020	January 2008
Wang Lijun (王立君)	53	Non-executive Director	20 May 2014	January 2014
Wang Xiaoling (汪曉玲)	58	Non-executive Director	16 May 2016	July 2000
Tang Qi (湯琦)	44	Executive Director	21 November 2017	July 2000
Wang Yunmin (王運敏)	66	Independent Non-executive Director	30 December 2020	December 2020
Liew Fui Kiang (劉懷鏡)	55	Independent Non-executive Director	30 December 2020	December 2020
Zhao Feng (趙峰)	53	Independent Non-executive Director	30 December 2020	December 2020

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Mr. Li Guohong (李國紅), successively served as the section chief of the auditing department of Anhui Huangshan Cigarette General Factory (安徽黃山捲煙總廠), the principal staff member of the auditing department of China Tobacco Anhui Industrial Co., Ltd. (安徽中煙工業公司), the chief financial officer of China Tobacco Anhui Industrial Co., Ltd. Hefei Cigarette Factory (安徽中煙工業公司合肥捲煙廠), the chairman of the board of supervisors and a director of Shandong International Trust Investment Co., Ltd. (山東國際信託投資有限公司), the chairman of Shanghai Shengju Asset Operation and Management Co., Ltd. (上海盛鉅資產經營管理有限公司), the general manager of SDG Capital Management Co., Ltd. (山金控資本管理有限公司), the chairman of Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), the chairman of SDG (Shanghai) Precious Metals Investment Co., Ltd. (山金控(上海)貴金屬投資有限公司), the deputy general manager of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), and temporarily held the position of deputy general manager of China Securities Inter-agency Quotation Systems Co., Ltd. (中證機構間報價系統股份有限公司). He currently serves as the general manager of Shandong Gold Group Co., Ltd. and the chairman of the Company.

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

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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, and 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). She currently serves as the deputy general manager of Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), and a Director.

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

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 Maanshan Institute of Mining Research Co., Ltd (中國中鋼有限集團馬鞍山礦山研究院有限公司). He currently serves as the director and chief scientist of the Science and Technology Innovation Committee of Sinosteel Group Corporation Limited (中國中鋼集團有限公司), an academician of the Chinese Academy of Engineering, 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) and an independent non-executive Director.

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 and China Apex Group Limited.

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

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

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

Name	Age	Position	Date of Appointment as Supervisor	Month of Joining the Company
Li Xiaoping (李小平)	57	Chairman of the Supervisory Committee, Supervisor	16 May 2016	May 2016
Liu Yanfen (劉延芬)	42	Supervisor	8 November 2019	November 2019
Luan Bo (樂波)	49	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 (“M&A”) 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.

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) and a special auditor of auditing and risk control department of SDG Group Co., Ltd. and the Company. He currently serves as the vice general manager of the auditing and risk control 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 Industrial Development Group Co., Ltd. (山東黃金產業發展集團有限公司) and Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司).

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
Wang Shuhai (王樹海)	59	General manager	30 December 2020	January 2008
Tang Qi (湯琦)	44	Secretary to the Board	21 November 2017	July 2000
Song Zengchun (宋增春)	57	Deputy general manager	16 May 2016	September 2013
Wang Deyu (王德煜) (Resigned on 4 June 2021)	57	Deputy general manager	15 October 2013	October 2013
Xu Jianxin (徐建新)	49	Deputy general manager	29 August 2019	April 2016
Lyu Haitao (呂海濤)	49	Deputy general manager	29 August 2019	August 2003
Huang Weimin (黃衛民) (Resigned on 26 August 2021)	47	Financial controller	21 May 2019	October 2009
Zheng Canwu (鄭燦武)	47	Financial controller	26 August 2021	October 2009

Mr. Wang Shuhai (王樹海) – for biographical details of Mr. Wang Shuhai, 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 and the chief informatization expert of SDG Group.

As of 31 December 2021, Mr. Song was interested in 158,994 Shares under the Employee Shareholding Scheme, representing approximately 0.0036% of our total share capital.

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

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

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zheng Canwu (鄭燦武), served as the project manager of Shandong Lutai Investment Consulting Co., Ltd. (山東魯泰投資顧問有限公司), the senior manager of the franchise business department of Shandong Branch of Wanlong Asia CPA Co., Ltd. (萬隆亞洲會計師事務所), the manager of the finance department of SDG Capital Management Co., Ltd. (山金金控資本管理有限公司), the vice president of the overseas mining division of SDG Group, and the chief financial officer of Shangdong Gold Financial Holdings Group (Hong Kong) Co., Limited (金控集團(香港)有限公司). He currently serves as the financial controller and head of the finance department of the Company.

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 (formerly known as The Hong Kong Institute of Chartered Secretaries) 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 2021.

PRINCIPAL BUSINESS

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

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

On the one hand, the Company endeavors to leverage on the core advantage of domestic resources. On the other hand, it implements the "going global" strategy and participates in global resource allocation in an active manner. The mining enterprises under the Company's management are located in Shandong, Fujian, Inner Mongolia, Gansu, Xinjiang and other provinces in the PRC, and in Argentina, South America and Ghana, Africa, forming an integrated industry chain covering exploration, mining, processing, smelting (refining) of gold and deep processing and sales of gold products, as well as the production and sales of mining equipment and materials, with a supporting scientific and technological research and development system.

RESULTS

Results of the Group for the year ended 31 December 2021 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 116 and the audited consolidated statement of financial position on pages 118 to 119, respectively in this annual report.

ANALYSIS ON INVESTMENT STATUS

Overall analysis on external equity investment

The Company firmly established the concept of "resource first", and based on the actual situation of the Company, giving priority to ensuring its stable development, and actively carried out mergers and acquisitions by identifying key opportunities and challenges to further consolidate its resource advantages. During the Reporting Period, the Company completed the acquisition of 100% equity interest in Hengxing Gold Holdings Limited, Cardinal Resources Limited and Laizhou Zhangjian Investment Co., Ltd., as well as main gold business assets and other projects of the controlling shareholder, SDG Group, located in the Laizhou area.

REPORT OF THE DIRECTORS

Key equity investments

① *Acquisition of TMAC Resources Inc.*

The 33rd meeting of the fifth session of the Board held on 8 May 2020 considered and approved the Resolution on the Acquisition of TMAC Resources Inc. and the Signing of Documents related to the Acquisition under the Arrangement Agreement and the Resolution on the Subscription of Additional Shares of TMAC Resources Inc. by a Wholly-owned Subsidiary. On 8 May 2020, the Company, SDG Hong Kong and TMAC entered into the Arrangement Agreement. The Company, through a subsidiary newly established by SDG Hong Kong in Canada, proposed an acquisition arrangement to TMAC (a gold mining company in Canada, listed on the Toronto Stock Exchange of Canada with stock code “TMR”) to acquire all shares in issue and to-be-diluted shares of TMAC Resources Inc. in cash at a price of CAD1.75 per share, and the Company will provide guarantee for SDG Hong Kong for its performance of the Arrangement Agreement. At the same time, SDG Hong Kong and TMAC entered into the Concurrent Non-public Placement and Subscription Agreement to subscribe for ordinary shares additionally issued by TMAC at a price of CAD1.75 with the total subscription price of USD15 million.

On 18 December 2020, Investment Review Bureau Canada (加拿大投資審查局), for the purpose of safeguarding national security, ordered Streamers Gold Mining Corporation Limited (a subsidiary newly established in Canada by SDG Hong Kong, “**Streamers Gold**”) not to proceed with the arrangement plan pursuant to the Arrangement Agreement. The 2nd meeting of the sixth session of the Board held on 5 January 2021 considered and approved the Resolution on the Transfer of Arrangement Agreement under the TMAC Project. The Company, SDG Hong Kong and Streamers Gold jointly as the transferors entered into the Assignment, Assumption and Novation Agreement (《轉讓、受讓和約務更替協議》) with Agnico Eagle Mines Limited and TMAC on 5 January 2021, pursuant to which, the Company, SDG Hong Kong and Streamers Gold transferred all rights and obligations under the Arrangement Agreement and the relevant agreements to Agnico Eagle Mines Limited. Agnico Eagle Mines Limited acquired all outstanding shares of TMAC at a price of CAD2.2 per share.

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 8 May 2020, 27 November 2020, 22 December 2020 and 5 January 2021. The Assignment, Assumption and Novation Agreement came into effect officially on 20 January 2021 and has been completed on 1 April 2021.

② *Offer to acquire Cardinal Resources Limited*

The 36th meeting of the fifth session of the Board considered and approved the Resolutions in relation to the Acquisition of Cardinal Resources and the Signing of Relevant Documents. SDG Hong Kong, an overseas wholly-owned subsidiary of the Company, and Cardinal entered into a bid implementation agreement on 18 June 2020 pursuant to which, SDG Hong Kong proposed an off-market conditional takeover offer to shareholders holding all shares in issue of Cardinal at a price of AUD0.60 per share by way of off-market takeover offer, and subscribed for 26 million ordinary shares newly issued by Cardinal at a price of AUD0.46 per share, with a total subscription price of AUD12 million. The Company provided guarantee for SDG Hong Kong for its performance of the bid implementation agreement. Cardinal is a gold exploration and development company headquartered in Australia and its major assets are three gold projects in Ghana, Africa, namely Namdini development project and Bolgatanga exploration project in the Bole-Nangodi metallogenic belt in the northeast of Ghana, and Subranum exploration project in the Sefwi metallogenic belt in the southwest of Ghana.

REPORT OF THE DIRECTORS

The subscription of SDG Hong Kong for 26 million new ordinary shares of Cardinal was completed on 7 July 2020 with the total subscription price of AUD11.96 million. In view of the fact that during the offer period, Nord Gold S.E., the largest shareholder of Cardinal, and Engineers & Planners Company Limited, a Ghanaian company, had made offers to Cardinal Resources, in order to facilitate the acquisition, as considered and approved at the 38th meeting, 40th meeting, 42nd meeting, 44th meeting, 45th meeting, 47th meeting, 49th meeting, 50th meeting and 51st meeting of the fifth session of the Board, the Company eventually increased the offer price from AUD0.66 per share originally to AUD1.075 per share, extended the offer period, and amended relevant terms of the bid implementation agreement. As of 8 March 2021, the Company has completed the acquisition of 100% shares of Cardinal and Cardinal has become a wholly-owned subsidiary of SDG Hong Kong.

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange during the period from 18 June 2020 to 15 March 2021.

As of the end of the Reporting Period, Cardinal was actively carrying out the preliminary work of the project construction.

③ *Acquisition of Hengxing Gold Holding Company Limited*

The 43rd meeting of the fifth session of the Board held on 30 September 2020 considered and approved the Resolution on the Acquisition of Hengxing Gold Holding Company Limited and the Resolution on Issue of and the Listing of the New H Shares on the Hong Kong Stock Exchange. The Company privatized HXG by way of a scheme of arrangement and acquired all the shares of HXG. The consideration of the acquisition was settled fully by the issue of H Shares by the Company. The share exchange ratio for the acquisition was determined as follows: 5/29 H Shares will be issued for each scheme share cancelled. All the new H Shares issued by the Company were used to pay the consideration of acquisition of HXG, and the total number of H Shares issued did not exceed 159,482,759 Shares (inclusive) with a nominal value of RMB1 each. The issue was made to the shareholders of HXG under the scheme of arrangement (subject to the joint announcement issued on the same day by the Company and HXG). HXG is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Hong Kong Stock Exchange. It is principally engaged in gold mining and production, and its core asset is the mining right project of Gold Mountain Mine located in Yining County, Kazakh Autonomous Prefecture, Xinjiang Uyghur Autonomous Region. As of 30 June 2020, HXG issued 925,000,000 shares. Ke Xiping and his son Ke Jiaqi indirectly controlled 75% of the shares of HXG and other shareholders held 25% of the shares of HXG, and Ke Xiping, the chairman, was the de facto controller of HXG.

As of 31 January 2021, HXG has become a wholly-owned subsidiary of the Company. The shares of HXG had been delisted on the Hong Kong Stock Exchange since 2 February 2021. The 159,482,759 new H Shares issued by the Company have been listed and traded on the Hong Kong Stock Exchange since 5 February 2021, and the total number of Shares has been changed from 4,313,946,766 Shares to 4,473,429,525 Shares.

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange during the period from 30 September 2020 to 31 January 2021.

Xinjiang Jinchuan Mining, a wholly-owned subsidiary of HXG, produced 2.35 tonnes of gold in 2021, exceeding its production for the corresponding period of last year.

REPORT OF THE DIRECTORS

④ Acquisition of 100% equity interest in Laizhou Zhangjian Investment Co., Ltd. (萊州章鑿投資有限公司) from shareholders

On 2 February 2021, the third meeting of the sixth session of the Board considered and approved the Resolution on the Acquisition of Laizhou Zhangjian Investment Co., Ltd., which resolved to acquire a total of 100% equity interests in Laizhou Zhangjian Investment Co., Ltd. held by natural persons Zhang Guoqing, Jiang Wenzhong and Ji Xinyang by Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a controlling subsidiary of the Company, with the amount of RMB48,000,000. Laizhou Zhangjian Investment Co., Ltd. has an exploration right under its name, the exploration project of which is gold exploration in the northern area of Houzhao of Laizhou City, Shandong Province.

For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 2 February 2021. The change of legal representative and shareholders of the company was completed on 22 February 2021.

According to the Approval of the People's Government of Shandong Province on the Gold Mineral Resources Consolidation Plan for the Eight Districts (Cities) of Yantai City (《山東省人民政府關於煙臺市8個區(市)金礦礦產資源整合方案的批覆》) and the requirements of the Laizhou Gold Mineral Resources Consolidation Plan, the prospecting right and the exploration right of the gold mine in the northern area of Houzhao of Laizhou City, Shandong Province were in the process of consolidation with the Jiaojia integration area of Laizhou Company.

⑤ Establishment of Shanghai Shanjin Industrial Development Co., Ltd. (上海山金實業發展有限公司)

The 36th meeting of the fifth session of the Board held on 18 June 2020 considered and approved the Resolution on the Establishment of a Risk Management Company by a Wholly-owned Subsidiary, SDG Capital Management, a wholly-owned subsidiary of the Company, and its wholly-owned subsidiary Shandong Gold Futures Co., Ltd. jointly invested in the establishment of Shandong Gold Risk Management Co., Ltd. (山金風險管理有限公司) (tentative name, subject to the approval of the Authority for Market Supervision), of which the registered capital is RMB100 million with RMB51 million (51%) contributed by Shandong Gold Futures Co., Ltd. and RMB49 million (49%) contributed by SDG Capital Management. The scope of business of Shandong Gold Risk Management Co., Ltd. is: basis difference trading; warehouse order services; cooperative hedging; over-the-counter derivatives business; market-making business; consulting business; other business related to risk management services, etc. (for business activities which require approval by law, they can only be commenced after approval by the relevant authorities).

For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 18 June 2020. On 22 June 2021, the registration of that company was completed and the name of that company was approved by the local market supervision authority as Shanghai Shanjin Industrial Development Co., Ltd. (上海山金實業發展有限公司).

The warehouse order services business and the basis difference trading business of Shanghai Shanjin Industrial Development Co., Ltd. completed the filing with the CFA on 7 September 2021, and the cooperative hedging business completed the filing with the CFA on 13 October 2021.

REPORT OF THE DIRECTORS

⑥ *Establishment of SDG Sinking and Driving Engineering (Shandong) Co., Ltd. (山金井巷工程(山東)有限公司)*

On 4 June 2021, the seventh meeting of the sixth session of the Board considered and approved the Resolution on the Establishment of SDG Sinking and Driving Engineering (Shandong) Co., Ltd. (山金井巷工程(山東)有限公司), which is funded by the capital contribution from the Company and has a registered capital of RMB100 million.

The registration of SDG Sinking and Driving Engineering (Shandong) Co., Ltd. (山金井巷工程(山東)有限公司) was completed on 11 June 2021. Scope of business: permitted items: all kinds of engineering construction activities; mining of mineral resources (non-coal mines); geological exploration of metal and non-metal mineral resources; construction engineering survey; construction engineering design; building demolition operation (except blasting operation); professional construction operation; general contracting of housing construction and municipal infrastructure projects; subcontracting of construction labour; installation, remolding and repair of special equipment; installation, repair and testing of electrical facilities; surveying and mapping services; occupational intermediary activities (items subject to approval shall be approved by the relevant departments before commencing business activities, the specific business items are subject to approval documents or permits of the relevant departments). General items: earthwork construction; machinery and equipment leasing; sales of mining machinery sales; loading and unloading; general machinery and equipment installation services; engineering management services; engineering technical services (except planning management, survey, design, supervision); safety consulting services; digital content production services (excluding publication and distribution); human resources services (excluding employment intermediary activities and labour dispatch services); business training (excluding education training, vocational skills training and other training requiring permission); technical services, technical development, technical consultation, technical exchange, technical transfer and technical promotion (except for items subject to approval in accordance with the law, carry out business activities independently according to the business licence). For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 4 June 2021.

As of the end of the Reporting Period, SDG Sinking and Driving Engineering (Shandong) Co., Ltd. has not yet carried out specific business.

⑦ *Acquisition of part of the controlling shareholder's principal gold business assets*

The 10th meeting of the sixth session of the Board of the Company held on 5 August 2021 and the Second Extraordinary General Meeting of the Company of the year held on 24 September 2021 considered and approved the Resolution Regarding the Cash Acquisition and Connected Transaction of 100% Equity Interest in Shandong Tiancheng Mining Co., Ltd. by Controlling Subsidiary, the Resolution Regarding the Cash Acquisition and Connected Transaction of 100% Equity Interest in Shandong Laizhou Ludi Gold Mine Company Limited by Controlling Subsidiary, the Resolution Regarding the Cash Acquisition and Connected Transaction of 100% Equity Interest in Shandong Dikuang Lajin Holdings Co., Ltd. and 45% Equity Interest in Laizhou Hongsheng Mining Investment Co., Ltd. by Controlling Subsidiary, and the Resolution on the Estimate of New Daily Connected Transactions after the Controlling Subsidiary Acquires the Equity of Shandong Tiancheng Mining Co., Ltd. The controlling subsidiary of the Company, Laizhou Company, acquired 100% equity interest in Shandong Tiancheng Mining, 100% equity interest in Shandong Laizhou Ludi Gold Mine, 100% equity interest in Shandong Dikuang Lajin and 45% equity interest in Laizhou Hongsheng Mining to acquire part of the mineral rights assets of Jiaojia and Xincheng metallogenic belts of SDG Group Co.. The transfer price was based on the appraisal report of the above-mentioned assets, and the total price was RMB7,132,241,300.

REPORT OF THE DIRECTORS

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 5 August 2021 and 24 September 2021.

As of 31 October 2021, the closing of the subject equity interest was completed for the above transactions and the above four companies became wholly-owned subsidiaries of Laizhou Company, a controlling subsidiary of the Company. Through this transaction, the Company has realised the acquisition of mining rights assets of SDG Group located in Jiaojia-Xincheng metallogenic belt in Laizhou area to implement the overall approval of the Shandong Provincial People's Government on the integration of gold mining resources. This transaction will expand the production scale and resource reserves of the Company and enhance the scale of assets and profitability of the Company with its synergy effect. It is also conducive to further reducing the competition between SDG Group, helping to realise the overall listing of high-quality gold resources within SDG Group. As of the end of the Reporting Period, Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司) was promoting the integration of the above-mentioned acquired mineral rights with the mineral rights of Jiaojia integration area and Xincheng integration area.

⑧ *Participation in Donghai Securities by SDG Capital Management*

The eleventh meeting of the sixth session of the Board of the Company held on 12 August 2021 considered and approved the Resolution on the Capital Increase of Donghai Securities by SDG Capital Management, a Wholly-owned Subsidiary. SDG Capital Management subscribed for 65,104,166 shares privately issued by Donghai Securities at an issue price of RMB7.68 per share, representing an investment amount of not more than RMB500 million and 35.09% of the shares privately issued by Donghai Securities this time and 3.51% of its total share capital after the issue. The Company participated in the issue with its own funds.

Investee: Donghai Securities Co., Ltd. Main business: securities brokerage; securities investment consultation; financial consultations in relation to securities trading and securities investment; securities underwriting and sponsorship; proprietary securities trading; securities asset management; agency sale of securities investment funds; intermediary business for futures companies; margin financing and securities lending business; agency sale of financial products.

For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 12 August 2021.

After participating in the capital increase, the total shareholding of SDG Capital Management and its subsidiaries in Donghai Securities Co., Ltd. was 17.63%. The above-mentioned shares to be privately issued are still in the lock-up period and there is uncertainty regarding future investment returns.

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

Under the impact of the epidemic of the 21st century, the great changes not seen in a century have accelerated the evolution, the game between big countries has intensified significantly, and the global political and economic pattern is undergoing profound changes. The current gold price is still in an upward cycle in general. With the increasingly fierce competition for global mineral resources, the pattern of mineral resources is being reshaped at an accelerated rate. The gold industry will play a big role in terms of ensuring national financial security, and the status and value of gold will be further highlighted. Interest in gold by central banks around the world has also increased unabated, with central banks adding a total of 463.1 tonnes of gold reserves in 2021, 82% higher than in 2020, raising the world's central bank gold reserves to their highest level in nearly 30 years.

Judging from the trend of gold prices in 2022, it is expected that gold may continue its high and volatile trend and still have a high allocation value. First of all, from the perspective of economic performance, the current global economy is still in the weak recovery stage of the economic downturn. Considering the repeated epidemics and the withdrawal of stimulus policies, the global economy in 2022 may face a further slowdown. At the same time, subject to the constraints of supply bottlenecks, even if the inflation level falls, it may be significantly higher than that before the epidemic. Secondly, from the perspective of monetary policy, although the monetary policies of major economies may be tightened in 2022, considering the uncertain situation of the epidemic and the possibility of the slowdown in economic growth, it is expected that the tightening may be relatively limited. Finally, from the perspective of risk avoidance, there is great uncertainty in China US relations, the conflict between Russia and Ukraine and the situation in the Middle East, and there is a certain demand for risk avoidance in the market.

Industry development trend

In 2020, China announced to the world the goal of peaking carbon dioxide emissions before 2030 and achieving carbon neutrality by 2060. This is not only an energy revolution, but also an extremely broad and profound green industrial revolution. For the gold industry, the proposal of this goal will surely bring about a new round of industrial transformation and bring new opportunities for the development of the gold industry.

In the final analysis, achieving the goal of "dual-carbon" depends on innovation driven and fundamentally changing the mode of production. In recent years, China's gold industry has actively responded to the national requirements for high-quality development, carefully planned and vigorously promoted system innovation, scientific and technological innovation, management innovation and development model innovation, and promoted the high-quality development of the industry through dynamic change and growth mode transformation. At the same time, it is also actively integrated into the "Belt and Road" national strategy, speeding up the pace of "going global", giving full play to its own advantages, realizing transnational development through joint ventures and cooperation of various modes, and leading the gold industry into a new era with high-quality development.

REPORT OF THE DIRECTORS

As one of the leading enterprises in the domestic gold industry, Shandong Gold has been in the forefront in exploring the road of high-quality development of the industry. On the one hand, through the reform of mining technology and the upgrading of mining equipment, the production efficiency has been greatly improved. On the other hand, we promoted digital empowerment and constantly promoted the application of new technologies such as intelligent mines, digital factories, artificial intelligence, big data, Internet of Things, industrial robots, 5G communications, and so on, to improve the level of green technology in mining, production and processing and other important links. In addition, Shandong Gold has also accurately grasped the opportunity of in-depth adjustment of the global industrial structure. While focusing on the merger and acquisition and integration of domestic resources and building a world-class gold production base, Shandong Gold unswervingly implemented the “going global” strategy, reserved large-scale high-quality mineral resources, consolidated overseas resource production and reserve base, constantly expanded the financing and development space in the international capital market, and created a high-quality development path with unique Shandong Gold characteristics.

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, firmly grasp the strategic opportunity period of gold resources integration, and actively participate in the integration of gold resources in Shandong Province. We will strive to build a world-class gold production base and accelerate to become a world-class mining enterprise with global competitiveness with outstanding main business advantages, excellent corporate governance and excellent value creation ability.

3. Three-year development pathway

Solidifying foundation **in 2021**. Efforts were made to resolve various risks and challenges currently faced, seeking to solve problems such as the improvement of warrants, blasting operation management, and safety production remediation. The normal production and operation order has been quickly restored. A breakthrough has been made in the integration of resources in the province, and the basic management level and operation quality of the Company have been comprehensively improved.

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

REPORT OF THE DIRECTORS

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

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

Business Plans

In 2022, the production and operation plan determined by the Company is that the gold output is no less than 39.267 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 will make corresponding adjustments in due course depending on the future development of the situation.

In 2022, our work will focus on the following areas:

(1) Strengthen goal orientation and promote high-quality development to achieve new breakthroughs.

According to the tasks indicators in the annual responsibility statement, we will decompose and implement them one by one, convey pressure layer by layer, formulate highly targeted assessment and incentive policies based on the actual situation, carry out labor competition activities in depth, to fully stimulate the enthusiasm, initiative and creativity of all employees. Under the guidance of strengthening dynamic assessment and incentive, we shall scientifically plan production organization, continuously optimize stope layout, strengthen the promotion of mining system engineering, tailings reservoir construction project and tailings comprehensive utilization project. We will accelerate the 600t/d mining and dressing project of Xihe Zhongbao Xiaodonggou Gold Mine, the -150m to -300m expansion project of Guilaizhuang Company, the development project of No. 6 well of Xinhui Company, and the seventh phase of loading ore on the leach pad of Veladero Mine and other key projects, turning resource advantages into production capacity advantages as soon as possible. We will speed up the expansion of heap leaching yard of Xinjiang Jinchuan Mining, the 2,000t/d capacity expansion of Chifengchai Gold Mine, the second phase of Cangshang tailings pond in Sanshandao Gold Mine, and Gold Smelting Company's gold concentrate comprehensive recycling and expansion and other project establishment work to enhance the development potential of the enterprise.

(2) Strengthen problem orientation and promote new breakthroughs in weak areas.

We will continue to give full play to the role of the special class work mechanism, strengthen the promotion of work, and promote key work to achieve greater breakthroughs. We are serious about summarizing the rules of geological mineralization to step up efforts to "find mines by mines, explore the edges and all parts (依礦找礦、探邊掃盲)", highlighting the exploration of mines to increase reserves. We will improve the system engineering after resource integration, optimize the resource development plan, focus on the construction of resource bases such as the Sanshandao Belt, Jiaojia Belt, Xincheng Belt and Penglai Belt, and continue to expand production capacity and resource scale advantages to accelerate the promoting of resource merger and acquisition project, focusing on project in production which can quickly form production capacity.

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- (3) **Strengthen quality orientation and promote quality improvement and efficiency improvement to achieve new breakthroughs.** We will establish the development concept of “profitable income and profit with positive cash flow”, deeply promote the improvement of quality and efficiency to ensure the healthy and sound development of the enterprise. We will make full use of all kinds of direct and indirect financing means, broaden low-cost financing channels to strengthen fund management, optimize capital structure and reduce financial costs. A lean management model will be implemented to reduce operating costs and improve operating quality. We will give full play to the role of the centralized procurement center, integrate and optimise the supply chain system, and fully implement centralized procurement of materials, equipment and services. We will optimize the capital operation plan, implement the “rolling” acquisition of the main gold business assets of the controlling shareholder, SDG Group to smooth the virtuous circle of “funds-resources-capital”, and improve the efficiency of capital operation.
- (4) **Strengthen development orientation and promote reform and innovation to achieve new breakthroughs.** We will continue to deepen the reform of the three systems, further sort out the positioning of post responsibilities, and clarify the scope of decentralization and the depth of management and control of the first-and second-tier functional lines to realize “cadres can take a lower as well as a higher post, employees can go in and out, and salaries can go up and down”. We will vigorously implement innovation-driven development, increase investment in research and development, focus on the innovation of key and core technologies in industries such as mining, beneficiation and filling, and strengthen technological research of tailings heavy medium beneficiation and cyanide slag wet treatment, as well as 1,000-meter mineral resources development, beneficiation pre-treatment, etc., striving to achieve technological breakthroughs in the reduction of floating tails and the recycling of cyanide residues within the year.
- (5) **Strengthen safety orientation and promote safety and environmental protection to achieve new breakthroughs.** The Company will strengthen the “double base” construction, implement hierarchical responsibilities, deepen the three-year action of safety regulation, further promote the treatment of tail waste, comprehensively build no-tail and no-waste mines, effectively carry out carbon peak, carbon neutralization, ensuring the realization of the “double zero” goal of safety and environmental protection. We will continue to consolidate and improve the achievements in the construction of intelligent mines in Sanshandao Gold Mine, speed up the construction of intelligent demonstration mines, strictly control the number of underground operators, and continue to implement unattended remote automatic control of mine lifting, drainage, power supply and ventilation systems, striving to achieve an automation rate of 100% for major fixed facilities and reduce the number of people working underground by more than 40% by the end of 2022.
- (6) **Strengthen the leadership of party building, and promote party building to achieve new breakthroughs.** We will deepen the evaluation of the quality and effectiveness of the construction of party branches and improve the management of star evaluation and grading of party branches, consolidate the establishment of “One Branch One Brand (一支部一品牌)”, focusing on building 3-5 brands of party building work. We will improve the “four-in-one (四位一體)” normalized supervision and assessment mechanism of responsibility, supervision, rectification and evaluation, and reinforce duty performance. We should strengthen the publicizing and implementation of corporate culture, enrich the construction of brand culture, do a good job in mass work under the new situation in depth and meticulously, and effectively enhance employees’ sense of gain, belonging and happiness.

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Possible Risks

In recent years, it has been a critical period for the Company to deepen corporate reforms and achieve high-quality development. It faces both the severe challenges of economic downturn, superimposed contradictions, and tightening supervision, as well as development opportunities to release vitality and increase momentum. The Company and enterprises at all levels attach great importance to potential risks ideologically, pay attention to the hidden and deep-level risk points behind the appearance of problems, fully evaluate various possibilities, and scientifically and meticulously sort out various existing problems and risk points.

1. Risks in prices fluctuation

As the primary product of the Company, the fluctuation in gold prices determines the profit level of the Company to a certain degree. Political factors directly affect the trading sentiment in the financial market, thereby affecting the price of gold, which is extremely sensitive to market sentiment. On the other hand, political factors will have a long-term impact on fiscal policy and monetary policy, which will affect the allocation of financial assets. The adjustment of financial asset allocation by investment institutions will undoubtedly directly reflect the trend of gold prices. Therefore, policy changes will also have a greater impact on the price of gold. In addition, inflation expectations, the trend of US dollar, interest rates, the supply and demand in the gold market and many other factors also have a greater impact on the price of gold. Under the combined effect of these factors, there will be large fluctuations in the supply, demand and prices in the international commodity market. Due to the uncontrollable nature of the above factors, their changes may adversely affect the Company's operations.

Countermeasures: Firstly, implement the gold transaction decision-making procedure, rely on the transaction decision-making committee and the transaction center, expand the depth and breadth of price research, and regularly conduct in-depth exchanges with external institutions, improve its own price research and judgment capabilities comprehensively to grasp the price trend, and centrally sell gold. Secondly, use hedging tools to establish a set of hedging business operation system that matches the variety, scale, direction, and duration of physical goods, and is compatible with the Company's capital strength and transaction processing capabilities, so as to effectively avoid the impact caused by price fluctuations and maintain stable profitability. Thirdly, further reduce cost and increase efficiency, continue to promote lean management, strengthen cost and expense management and comprehensive budget management, deepen asset inventory, clear warehouses, fully revitalize idle assets, effectively improve cost control capabilities and level.

2. Safety management risks

Currently, the Company has established a complete safety accountability system, improved the safety management system, formed a professional safety management team and shaped an effective safety management model, which contributes to the continuous improvement of work safety management level. However, in view of the current national safety regulatory requirements and the increased threshold for mine production and construction, the production safety still has some weaknesses and improvement points in management, equipment, system and personnel quality. These weaknesses have a restrictive impact on the achievement of the mine's essential safety objectives, and the occurrence of personal injury and property damage would have a profound impact on the Company's brand and social reputation.

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Countermeasures: Firstly, sign the safety responsibility contract of all staff to urge the true fulfillment of responsibility at every level by promoting all staff production safety responsibility, risk management and control, identification of potential safety risks (safety confirmation) list management. Secondly, release the Opinions on Effectively Strengthening Safety Work in 2022 to guide the safety work of the year. Thirdly, strengthen safety precise investment and management to ensure significant investments in improvement for eliminating potential risks, system optimization, quality improvement, equipment upgrade, and emergency rescue in each entity. Fourthly, intensify professional safety technical support and technological research in safety, reward scientific and technological achievements in safety, build mechanized and intelligent mines, and achieve intrinsic safety. Fifthly, strengthen risk prevention at source, improve risk prevention and control system, enhance safety inspections to reinforce the identification of potential safety risks and the relevant improvements. Sixthly, strictly manage and control weaknesses, deepen special safety rectification activities, and gradually solve various safety and environmental protection problems existing in mining enterprises. Seventhly, improve the six major systems for mines, strengthen emergency response drills to improve the safety management level and the accident response capability. Eighthly, carry out safety training to improve the safety quality of safety management personnel and operators. Ninthly, strengthen the building of safety culture, and create a safe atmosphere.

3. Environmental management risk

Currently, the Company has established the environmental protection accountability system and improved the environmental management system and mechanism, and the ecological and environmental management level witnesses continuous improvement. However, if compared to the Company's developments and new environmental requirements, there still have some weaknesses and gaps. The situation of ecological and environmental protection is getting more and more severe. Especially under the influence of the "double carbon" policy, the pressure on ecological and environmental protection is still high, so that these weaknesses will limit the achievement by the Company of its green and low carbon development goals. If an environmental pollution incident occurs or is exposed as a typical case, it will have a profound impact on the Company's brand and social reputation.

Countermeasures: Firstly, sign the environmental protection responsibility contract to urge the true fulfillment of responsibility at every level, and strengthen the whole-process ecological and environmental management and assessment. Secondly, establish and improve various ecological and environmental protection systems, improve the management systems, strengthen the pollution prevention and compliant emission in respect of hazardous chemicals, tailings pond, "three wastes", the utilization and disposal of hazardous wastes, and the management of pollutant discharge permit, green mine construction and "three simultaneous" environmental protection, to reduce the environmental risk. Thirdly, establish and improve the inspection system and the assessment system for environmental protection, conduct environmental inspection and assessment on regular basis, and establish the long-term dynamic management mechanism. Fourthly, strengthen the construction of environmental expertise and management team, establish a database of environmental protection experts, enhance training on environmental protection, and effectively increase the level of environmental management and professional technology. Fifthly, intensify technology innovation and environmental protection input, continuously improve the pollution prevention level, further promote the synergy of pollution and carbon reduction, reduce pollution discharge, and continue to improve the ecological environment of mining areas (plants). Sixthly, speed up the construction of circular economy, expand the utilization and increase the comprehensive utilization rate of tailings, waste rocks and other solid wastes, and promote the construction of no-tail and no-waste mines. Seventhly, improve the dynamic management system of green mines, promote the construction of consolidating and upgrading projects, continue to improve, and increase the level of green mine construction. Eighthly, build the identification and improvement system for potential ecological and environmental risks, establish the long-term dynamic management mechanism, and strengthen the emergency response capability in unexpected environmental accidents, so as to prevent the environmental risk. Ninthly, strengthen the construction of emergency response system, organize enterprises to formulate (revise) emergency plans for unexpected environmental accidents in a timely manner, and improve the emergency response capability. Tenthly, strengthen environmental publicity and training and education, increase the environmental protection awareness of employees, make the concept of environmental protection deeply rooted in their hearts, and create a good atmosphere for ecological environmental protection.

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4. Risk of mining enterprise shutdown

Mine accidents have repeatedly become the focus of public opinion, and the state has become more strict with industry supervision. It is possible that mines may be shut down and rectified due to safety and environmental protection accidents. Enterprises may be shut down due to problems such as procedures for safety, environmental protection, and occupational health lag simultaneously, and pace of approval mismatches with construction, or safety and environmental events caused by factors including the roof fall and wall collapse, water inrush, poisoning choke, collapse, gunpowder explosion, tailings dam collapse, dangerous chemical leakage, waste water discharge, surface subsidence, irregular disposal of hazardous wastes and environmental pollution in the production, as well as inability of extending mineral rights normally due to the ecological red line range involved, or shutdown due to a severe outbreak of epidemic in the area where the mines are located.

Countermeasures: Firstly, draw lessons from the accidents that have happened on other enterprises in the industry, organize comprehensive inspection and improvement for eliminating potential safety risks and work safety, and various special safety improvement actions, strengthen risk management and control and inspection and improvement for eliminating potential risks. Secondly, strengthen the safety management of outsourced construction team, and carry out standard remediation activities of the outsourced construction team to avoid safety risks. Thirdly, rely on the information system platform to control the status quo of mining rights in real time, including whether the certificates of rights are complete, the mining rights need to be renewed when expire, or the mining rights are subject to regular annual inspections; accelerate the progress of exploration to mining and mining right expansion to ensure that mining rights operate in a legal framework and avoid legal risks. Fourthly, conduct environmental monitoring, and strengthen hazardous waste management; focus on the possibility of major environmental pollution, and actively deal with the problems of mining production areas and exploration right areas within the ecological red line area. Fifthly, take prompt actions in response to national work safety policies and principles, and strengthen communication with local authorities. Sixthly, pay close attention to research on national and regional epidemic policies, and comprehensively improve the epidemic prevention and control and response capabilities to minimize the adverse impact of the epidemic on production and operations.

EXCHANGE RATE VOLATILITY RISK

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

REPORT OF THE DIRECTORS

Resumption of work and production of Linglong Gold Mine and Penglai Mining

After expiry of the mining rights of the Linglong mining area and the mining rights of the Dongfeng mining area of Linglong Gold Mine, the renewal of mining rights is being processed. A few areas of mineral rights mentioned above are involved in the Shandong Province Ecological Protection Red Line Plan (2016-2020), while the new round of ecological protection red line delineation in Shandong Province is being revised and improved, and has not yet been approved (expected to be approved in the second half of 2022). Therefore, as of the date of this annual report, the renewal of the above-mentioned mineral rights has not been completed. Affected by the uncompleted renewal of the above-mentioned mineral rights, some mining areas of Linglong Gold Mine have not been producing since January 2022. Penglai Mining conducted corresponding inspections in 2021 in accordance with Shandong Province's safety inspection requirements for underground non-coal mines. As of March 2022, the renewal of the safety production license has been completed. It is currently actively promoting the resumption of work and production and it is expected to resume work and production in April.

The Linglong mining area and Dongfeng mining area of Linglong Gold Mine and Penglai Mining in 2020 accounted for approximately 10% of the Company's annual gold production in 2020. The Company's planned production of gold in 2022 has taken into account the output of the above-mentioned mining areas since their resumption of work and production from July 2022. If their resumption of work and production is delayed, it will have a partial impact on the Company's production of gold in 2022. The Company is actively communicating with the relevant government authorities, and will complete the renewal of the involved mining rights as soon as possible following the new round of ecological red line delineation in Shandong Province, so as to resume work and production in the above-mentioned mining areas.

The impact of the epidemic on the Company's production and operation

Since the beginning of March 2022, there have been repeated outbreak of the pandemic in many parts of the country. Due to the impact of the epidemic, some of the Company's mines in Shandong Province have been partially restricted in material transportation and personnel flow, which has a certain impact on production and operation. In accordance with the relevant regulations of local government, subsidiaries of the Company strictly undertake work responsibilities, quickly and accurately implement epidemic prevention requirements, and minimize the impact of the epidemic on production and operation by reserving materials in advance and reducing the flow of personnel. The Company's Veladero Gold Mine in Argentina was less affected by the epidemic in 2022, and the mine is currently operating normally.

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CONTROLLING SHAREHOLDER

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

SDG Group (excluding our Group) engages in gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialized equipment and supplies and construction materials for gold mines (the “**Retained Businesses**”). The gold resources of SDG Group (excluding our Group) are mainly located in the PRC. According to the new standard of Classification of Solid Mineral Resources and Reserves (GB/T17766-2020) released by the state, SDG Group conducted classification conversion and modification of domestic mines, which was then reviewed by experts organised by the natural resources management departments of various municipal bureaus. As at 31 December 2021, it owned 29 gold mine exploration permits in the PRC with an aggregate of approximately 430.31 tonnes of gold resources initially measured with reference to PRC mining permit appraisal methods and filed with relevant authorities; and 13 gold mine mining permits in the PRC with an aggregate of approximately 114.81 tonnes of measured gold resources. Except a few exploration permits under which the gold mines are either with insignificant resources detected or subject to government approval for consolidation, all the exploration and mining permits held by SDG Group (excluding our Group) have been under entrustment arrangement pursuant to the Equity Entrustment Framework Agreement between our Company and SDG Group Co.. The Company will continue to disclose the status of the transfer of the exploration and mining permits in its interim and annual reports, including but not limited to, any change in the list of entrusted targets, whether the relevant permits granted to the Company under the non-competition undertaking have been exercised, the status of boundary and capacity expansion (if applicable). For details of the exploration and mining permits and relevant permits held by SDG Group, please refer to the paragraph headed “Exploration and Mining Permits Held by SDG Group (excluding our Group) in the PRC as of the date of preparation of this annual report” below.

In addition, SDG Group holds a controlling interest in Focus Minerals Limited (an Australian listed company principally engaged in gold exploration and production, stock code: FML) through SDG International Capital Management Co., Ltd. (“**SDG International**”). Focus Minerals Limited is owned as to approximately 49.53% by SDG International, and SDG International is owned as to approximately 65% by SDG Group Co..

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 and November 2014, 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 is no breach by SDG Group Co. of the Non-competition Undertaking during the Reporting Period.

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

Statistics of the resources under the exploration permits of SDG Group

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content based on the latest assessment date (tonnes)	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
1	The gold mine at Cangshang-Panjiawuzi District in Laizhou, Shandong Province (exploration) (山東省萊州市倉上—潘家屋子地區金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Jincang Street, Laizhou City, Shandong Province	0.39	The general prospecting report was submitted in April 2019	Yes
2	The middle and deep level of Liucun gold mine at Laizhou, 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, Shandong Province	2.00	The resources reserves report was submitted in April 2016	Yes
3	Zhaojia gold mine in Laizhou, 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, Shandong Province	Not detected yet	The geological report was submitted in March 2019	Yes
4	Shangmajia gold mine in Laizhou, 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, Shandong Province	0.22	The general prospecting report was submitted in November 2017	Yes
5	Xiling Village gold mine in Laizhou City, Shandong Province (exploration) (山東省萊州市西嶺村金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Sanshandao, Laizhou, Shandong Province	382.58	The general exploration report was submitted in December 2016 and in the process of exploration	Yes
6	The gold mine at Dayinjia mine area in Laizhou City, Shandong Province (exploration) (山東省萊州市大尹家礦區金礦勘探)	Shandong Jindi Mining Co., Ltd.	Pinglidian Town, Zhuqiao Town, Laizhou, Shandong Province	Not detected yet	The summary report was submitted in November 2017	Yes
7	The gold mine at Cishan mine area in Penglai, Shandong Province (exploration) (山東省蓬萊市磁山礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	East Tuwu Village, Daluohang Town, Penglai, Shandong Province	3.86	The general exploration report was submitted in July 2017	Yes

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No.	Name of exploration permit	Holder of exploration permit	Location	Gold content based on the latest assessment date (tonnes)	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
8	The gold mine at Shanglanzi mine area in Penglai, 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, Shandong Province	3.6	The general exploration report was submitted in January 2015	Yes
9	The gold mine at the deep level of Tuwu gold mine area in Penglai, Shandong Province (general exploration) (山東省蓬萊市土屋金礦區深部金礦詳查)	Shandong Gold Jinchuang Group Co., Ltd.	West Tuwu Village, Penglai, Shandong Province	0.57	The general exploration report was submitted in April 2013	Yes
10	The gold mine at the deep level and outer rim of Qigouyifen mine area in Penglai City, Shandong Province (exploration) (山東省蓬萊市齊溝一分礦區深部及外圍金礦勘探)	Shandong Jinchuang Co., Ltd.	Xiaomenjia Town, Penglai, Shandong Province	0.87	The resources reserves report was submitted in December 2019	Yes
11	The deep level and outer rim of Heliangou 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, Shandong Province	1.48	The resources reserves report was submitted in July 2018	Yes
12	The deep level of Jiudian gold mine area in Pingdu City, Shandong Province (general exploration) (山東省平度市舊店金礦區深部普查)	Qingdao Jinxing Mining Co., Ltd.	Pingdu City, Shandong Province	1.48	The resource reserve report was submitted in December 2021	Yes
13	Baolun gold mine in Ledong County, Hainan Province (general exploration) (海南省樂東縣抱倫金礦詳查)	Hainan Shanjin Mining Co., Ltd.	Qianjia Town, Ledong County, Hainan Province	10.04	The general exploration report was submitted in March 2017	Yes
14	The deep level of Songxian Shanjin Mining Co., Ltd. (general exploration) (嵩縣山金礦業有限公司深部詳查)	Songxian Shanjin Mining Co., Ltd.	Jiuzhangou, Dazhang Town, Song County, Luoyang City, Henan Province	1.34	The general investigation report was reviewed in November 2021	Yes
15	The silver (gold) mine in Xiangluping mine area, Zhenghe, Fujian Province (general exploration) (福建省政和縣香爐坪礦區香爐坪礦區銀(金)礦詳查)	Fujian Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	Au: 0.77 tonne Ag: 87.31 tonnes	The general exploration report was submitted in August 2020	Yes

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No.	Name of exploration permit	Holder of exploration permit	Location	Gold content based on the latest assessment date (tonnes)	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
16	The gold mine at the peripheral rim of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦外圍地質詳查)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Not detected yet	N/A	Yes
17	The gold mine at the deep level of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦深部詳查)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Au: 0.89 tonne Ag: 21.09 tonnes	The report was submitted in November 2020	Yes
18	The gold mine at Asiha (Kere) District in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣阿斯哈(可熱)地區金礦普查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	2.27	The general prospecting report was submitted in December 2017	Yes
19	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	2.78	The general prospecting report was submitted in December 2017	Yes
20	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	In the process of prospecting physical workload	Yes
21	Guoluolongwa gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣果洛龍窪金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	12.94	The general exploration report was submitted in March 2010	Yes
22	Annage gold mine in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣按納格金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.67	The general prospecting report was submitted in December 2017	Yes
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	The general prospecting report was submitted in December 2012	Yes

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No.	Name of exploration permit	Holder of exploration permit	Location	Gold content based on the latest assessment date (tonnes)	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
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	N/A	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	N/A	Yes
26	The gold mine at Hongqidian, Tuoli County, Xinjiang (新疆托裏縣紅旗點金礦普查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Tuoli County, Tacheng District, Xinjiang	Not detected yet	N/A	Yes
27	Wuzunbulake gold mine in Gaochang District, Turpan City, Xinjiang (general exploration) (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. (內蒙古山地質礦產勘查有限公司)	Gaochang District, Turpan City, Xinjiang	Not detected yet	N/A	Yes
28	East Wuzunbulake gold mine in Gaochang District, Turpan City, Xinjiang (general exploration) (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	N/A	Yes
29	Guoluolongwa gold mine of Qinghai Shanjin (below 3,740 meters) (general exploration) (青海山金果洛龍窪金礦(3,740米以下)普查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	N/A	Yes
Total				430.31		

REPORT OF THE DIRECTORS

Statistics of the resources under the mining permits of SDG Group

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content based on the latest assessment date (tonnes)	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
1	Laizhou Ludi Mining Investment and Development Co., Ltd. Jincheng Gold Mine (萊州魯地礦業投資開發有限公司金城金礦)	Laizhou Ludi Mining Investment and Development Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	73.4	In the process of integration of mineral rights. The amount of resources is based on the verification report of resource reserves	Yes
2	Shandong Gold Jinchuang Group Co., Ltd. Yanshan mine area (山東黃金金創集團有限公司燕山礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yanshan area, Daluohang Town, Penglai, Shandong Province	3,484	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in January 2022	Yes
3	Shandong Gold Jinchuang Group Co., Ltd. Yankou mine area (山東黃金金創集團有限公司奄口礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yankou area, Daluohang Town, Penglai, Shandong Province	6.25	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Yantai City in January 2022	Yes
4	Shandong Jinchuang Co., Ltd. Shangkouwangji gold mine area (山東金創股份有限公司上口王李金礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	3,879	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in January 2022	Yes
5	Shandong Jinchuang Co., Ltd. Heijinding mine area (山東金創股份有限公司黑金頂礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1,538	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in January 2022	Yes
6	Shandong Jinchuang Co., Ltd. Heilangou mine area (山東金創股份有限公司黑崗溝礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	6,721	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Yantai City in January 2022	Yes
7	Shandong Jinchuang Co., Ltd. Qigouyifen mine (山東金創股份有限公司齊溝一分礦)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1,645	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in January 2022	Yes

REPORT OF THE DIRECTORS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content based on the latest assessment date (tonnes)	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
8	Qingdao Jinxing Mining Co., Ltd. (青島金星礦業股份有限公司)	Qingdao Jinxing Mining Co., Ltd.	Jiudian Town, Pingdu, Shandong Province	5.79	In commercial production stage. The annual resources reserves report was submitted in January 2022	Yes
9	Hainan Shanjin Mining Co., Ltd. Baolun gold mine in Ledong County (海南山金礦業有限公司樂東縣抱倫金礦)	Hainan Shanjin Mining Co., Ltd.	Ledong County, Hainan Province	5.81	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Ledong County, Hainan Province in January 2022	Yes
10	Songxian Shanjin Mining Co., Ltd. (嵩縣山金礦業有限公司)	Songxian Shanjin Mining Co., Ltd.	Shuigou Village, Dazhang Town, Song County, Luoyang	4.06	In commercial production stage. The annual dynamic reserves monitoring report was submitted to the Land and Resources Bureau of Luoyang City, Henan Province in January 2022	Yes
11	Fujian Province Zhenghe Hongkun Mining Co., Ltd. Dayaokeng gold mine (福建省政和縣宏坤礦業有限公司大蔡坑金礦)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Au: 0.993t Ag: 7.955t	In commercial production stage. The reserves report was submitted to the Land and Resources Bureau of Zhenghe County, Fujian Province in January 2022	Yes
12	Qinghai Shanjin Mining Co., Ltd. Guoluolongwa gold mine in Dulan County (青海山金礦業有限公司都蘭縣果洛龍窪金礦)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.2	In commercial production stage. The annual reserves report was submitted to the Land and Resources Bureau of Haixi Prefecture, Qinghai Province in January 2022	Yes
13	Fujian Province Zhenghe Xiangluping Mining Co., Ltd. Xiangluping silver mine (福建省政和縣香爐坪礦業有限公司香爐坪銀礦)	Fujian Province Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	Au: 0.04t Ag: 11.12t	A new mining permit was obtained on 22 February 2022, and it is in the process of applying for a safety production license, with no annual reserve report submitted	Yes
Total				114.81		

Note: SDG Group is in the process of sorting out the resources and perfecting the certificates and permits of the above-mentioned mineral rights and will actively promote the transfer of eligible mineral rights to the Company and disclose them in due course.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

One-off connected transaction – acquisition of mining and exploration rights and related land assets of Jiaojia Gold Mine

On 25 June 2021, Shandong Gold Mining (Laizhou) entered into an asset transfer agreement with SDG Group Co., pursuant to which SDG Group Co. agreed to sell the mining and exploration rights and related land assets of Jiaojia Gold Mine at a consideration of RMB169,317,000. On the same day, the parties also entered into the cancellation agreement of the Mining Right Lease Agreement to terminate the lease of relevant mining rights with effect from the date of completion. Shandong Gold Mining (Laizhou) is a 95.31% owned subsidiary of the Company. As at the date of this annual report, Shandong Gold Mining (Laizhou) has paid RMB12,644.24, representing approximately 74.7% of the consideration. It is expected that the remaining 25.3% of the consideration will be paid from internal funds and the transfer will be completed in due course.

One-off connected transaction – acquisition of 100% equity interest of Tiancheng Mining

On 5 August 2021, Shandong Gold Mining (Laizhou) entered into an equity acquisition agreement with SDG Group Co., pursuant to which SDG Group Co. agreed to transfer 100% equity interest of Tiancheng Mining at a consideration of RMB431,031,818.49. Shandong Gold Mining (Laizhou) is a 95.31% owned subsidiary of the Company. As at the date of this annual report, Tiancheng Mining has completed the equity transfer and industrial and commercial registration, and the consideration for the equity transfer has been paid.

One-off connected transaction – acquisition of 100% equity interest of Ludi Gold Mine

On 5 August 2021, Shandong Gold Mining (Laizhou) entered into an equity acquisition agreement with SDG Group Co., pursuant to which SDG Group Co. agreed to transfer 100% equity interest of Ludi Gold Mine at a consideration of RMB2,034,195,071.54. Shandong Gold Mining (Laizhou) is a 95.31% owned subsidiary of the Company. As at the date of this annual report, Ludi Gold Mine has completed the equity transfer and industrial and commercial registration, and the consideration for the equity transfer has been paid.

One-off connected transaction – acquisition of 100% equity interest of Dikuang Laijin and 45% equity interest of Hongsheng Mining

On 5 August 2021, Shandong Gold Mining (Laizhou) entered into an equity acquisition agreement with SDG Group Co., pursuant to which SDG Group Co. agreed to transfer 100% equity interest of Dikuang Laijin and 45% equity interest of Hongsheng Mining at a total consideration of RMB4,667,014,358.15. Shandong Gold Mining (Laizhou) is a 95.31% owned subsidiary of the Company. As at the date of this annual report, Dikuang Laijin and Hongsheng Mining have completed the equity transfer and industrial and commercial registration, and the consideration for the equity transfer has been paid.

REPORT OF THE DIRECTORS

One-off connected transaction – sale of assets

On 22 December 2021, the Company entered into a sale and purchase agreement with Shandong Guoxin Yiyang Healthcare Group Investment Development Co., Ltd. (山東國欣頤養集團投資發展有限公司) (“**Guoxin Yiyang Investment**”) (now known as: Shandong Yiyang Healthcare Group Real Estate (Group) Co., Ltd. (山東頤養健康集團置業(集團)有限公司)), pursuant to which, the Company agreed to sell and Guoxin Yiyang Investment agreed to purchase the assets located at Building No.3, Shuntai Plaza, Shunhua Road No. 2000, High-tech Zone, Jinan, the PRC for a total consideration of approximately RMB414.6 million. As at the date of this annual report, the Company has received an initial payment of RMB207,307,600 from Guoxin Yiyang Investment, and the remaining payment is provided with legal and valid guarantee, on which the interest during the deferred payment period shall be paid according to the bank loan interest rate for the same period, and the payment period shall not exceed one year. Both parties have completed the asset handover procedures, and the asset transfer procedures are currently being processed.

Guoxin Yiyang Investment is a limited liability company established in the PRC. As at the date of the Company’s announcement dated 22 December 2021, Shandong Energy Group Co., Ltd. and SDG Group Co. hold approximately 59.82% and 37.07% of the issued share capital of Guoxin Yiyang Investment, respectively. Shandong Energy Group Co., Ltd. and SDG Group Co. are both state-owned enterprises controlled by Shandong SASAC. Guoxin Yiyang Investment is mainly engaged in (i) general items such as investment activities, nursing institution services (excluding medical services), elderly care services and health care services (non-medical) with its own funds; and (ii) approved items such as medical services, various engineering construction activities, accommodation services, catering services, and real estate development and operation.

Continuing connected transaction – mining right leasing agreement

On 16 April 2020, the Company approved the renewal of the mining right leasing agreement between Laizhou Mining Jiaojia Gold Mine, a subsidiary of the Company, and SDG Group Co. (the “**Mining Right Leasing Agreement**”), pursuant to which, SDG Group Co. leased a mining permit of Jiaojia Gold Mine to the Company. The Mining Right Leasing Agreement has been terminated, for details of which, please refer to “One-off Connected Transaction – Acquisition of Mining and Exploration Rights and Related Land Assets of Jiaojia Gold Mine” above.

The annual caps for the transactions under the Mining Right Leasing Agreement for the three years ended/ending 31 December 2020, 2021 and 2022 are as follows.

	For the financial year ended/ ending 31 December (RMB million)		
	2020	2021	2022
Annual caps of leasing fees	38.3	38.3	38.3

For the year ended 31 December 2021, the Company has paid the historical amount of the transaction under the Mining Right Leasing Agreement of RMB9.56 million to SDG Group Co.

REPORT OF THE DIRECTORS

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 16 April 2020, 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 and related financing services (the “**Loan and Other Financing Services**”), (iii) overdraft services (the “**Overdraft Services**”), and (iv) other financial services for a term from 1 January 2020 to 31 December 2022 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 2020, 2021 and 2022 are as follows.

	Annual cap (RMB million)		
	For the year ended/ending 31 December		
	2020	2021	2022
Maximum Daily Balance of Deposit Services	2,000	2,500	2,700
Interest Income from Deposit Services on an actual basis	33	35	42
Maximum Daily Balance of Loan and Other Financing Services	1,200	1,600	1,800
Interest Expenses for Loan and Other Financing Services and Overdraft Services on an actual basis	37	45	65
Maximum Daily Balance of Overdraft Services	800	900	900
Handling Fees and Other Financial Services	50	50	50

For the year ended 31 December 2021, the historical amounts of the transactions are as follows:

	Historical transaction amount for the year ended 31 December 2021 (RMB million)
Maximum Daily Balance of Deposit Services	2,499.99
Interest Income from Deposit Services on an actual basis	18.00
Maximum Daily Balance of Loan and Other Financing Services	1,596.00
Interest Expenses for Loan and Other Financing Services and Overdraft Services on an actual basis	21.00
Maximum Daily Balance of Overdraft Services	400.00
Handling Fees and Other Financial Services	6.00

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 16 April 2020.

In view of its increasing needs for capital for the future business development, the Company has entered into a new financial services framework agreement on 28 March 2022 to meet the Group’s operational needs for financial services. For details, please refer to the announcement of the Company dated 28 March 2022.

REPORT OF THE DIRECTORS

Integrated Service Framework Agreement

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

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

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

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

	Annual cap (RMB million)		
	For the year ended/ending 31 December		
	2021	2022	2023
Annual cap of procurements of supplies, products and services by our Group	2,585.8	2,552.2	2,632.5
Historical transaction amount for the year ended 31 December 2021 (RMB million)			1,883

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 our Group to SDG Group Co. and its associates for the supplies, products and services for the years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of the relevant sales from our Group to SDG Group Co. and its associates for the supplies, products and services for the year ended 31 December 2021.

In view of the increase in demand for supplies, products and services from the Company and its subsidiaries, the Company amended the annual caps of sales and procurements under the Comprehensive Service Framework Agreement for the year ended 31 December 2021 on 29 September 2021 to meet the Group's operating requirements. The Company also further revised the annual caps of sales and procurements under the Comprehensive Service Framework Agreement on 28 March 2022. For details, please refer to the announcement of the Company dated 28 March 2022.

	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	11.25 (Note)	11.41

Note: On 28 March 2022, the Company revised the cap for the year ending 31 December 2022 to RMB558.73 million.

	Historical transaction amount for the year ended 31 December 2021 (RMB million)
Historical transaction amount of sales of supplies, products and services from our Group	205.75

SDG Group Co. is a controlling Shareholder and therefore a connected person of the Company. As the percentage ratio(s) (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the procurement and sale under the Integrated 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 3 December 2020, 29 September 2021 and 28 March 2022.

REPORT OF THE DIRECTORS

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

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

	Annual cap (RMB million)		
	For the year ended/ending 31 December		
	2021	2022	2023
Annual cap of the Trademark Licensing and Property Leasing from SDG Group Co. to the Company	32.44	32.29 (Note)	32.21

Note: On 28 March 2022, the Company revised the cap for the year ending 31 December 2022 to RMB87.78 million.

	Historical transaction amount for the year ended 31 December 2021 (RMB million)
Historical transaction amount of the Trademark Licensing and Property Leasing from SDG Group Co. to the Company	23.86

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

23.86

SDG Group Co. is a controlling Shareholder and therefore a connected person of the Company. As the percentage ratio(s) (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the Trademark Licensing and Property Leasing from SDG Group Co. under the Comprehensive Service Framework Agreement is more than 0.1% but less than 5%, the annual caps of the Trademark Licensing and Property Leasing from SDG Group Co. are subject to the reporting and announcement requirements as set out in Rule 14A.35 of the Hong Kong Listing Rules but exempt from the independent shareholders' approval requirement under Rules 14A.36 to 14A.39 of the Hong Kong Listing Rules. For details, please refer to the announcement of the Company dated 3 December 2020.

In view of the increase in its leasing expenses, the Company has revised the annual caps of the Trademark Licensing and Property Leasing from SDG Group Co. under the Comprehensive Service Framework Agreement on 28 March 2022 to meet the Group's operational needs. For details, please refer to the announcement of the Company dated 28 March 2022.

REPORT OF THE DIRECTORS

Property Leasing Services from the Company to SDG Group Co.

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

	Annual cap (RMB million)			Historical transaction amounts for the year ended 31 December 2021 (RMB million)
	For the year ended/ending 31 December			
	2021	2022	2023	
Annual cap of the Property Leasing Services from the Company to SDG Group Co.	8.68	8.68	8.68	
				1.41

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

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

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

	Historical transaction amount for the financial year ended 31 December 2021 (RMB million)
Historical transaction amount of the Equity Entrustment Services from the Company to SDG Group Co.	3.96

SDG Group Co. is a controlling Shareholder and therefore a connected person of the Company. As all the percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the Equity Entrustment Services under the Comprehensive Service Framework Agreement are less than 0.1%, the relevant transactions are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements 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, except for the Procurement and Sale Framework Agreement entered into with SDG Group Co. and its subsidiaries, for the details of which, please refer to the above disclosure of "Procurement and Sale Framework Agreement".

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions and confirmed that for the year ended 31 December 2021:

- (i) these transactions were entered into in the ordinary and usual course of business of the Group;
- (ii) these transactions were entered into either on normal commercial terms, or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) these transactions were entered into according to the agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

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

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

Analysis and explanation on changes in accounting policies of the Company are set out in note 2.1.3 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DETAILS OF SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

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

On 17 October 2016, our Company completed registration and custody procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) of 11,645,629 Shares to 128 individuals at the price of RMB14.30 per Share under the Employee Shareholding Scheme for a subscription amount of RMB166,532,494.70. The relevant Shares were subject to a lockup period of 36 months and were unlocked and vested to the said participants. As of 28 March 2022, there were 11,424,214 unsold shares under the Employee Shareholding Scheme (inclusive of the bonus shares issued in accordance with the 2019 and 2018 equity distribution plan). These Shares accounted for approximately 0.26% of the total number of our issued Shares. As of 31 December 2021, no further Shares under the Employee Shareholding Scheme have been granted, lapsed or cancelled. Certain Directors and senior management of the Company are currently interested in our Shares under the Employee Shareholding Scheme. For details of their shareholding, please see the sections headed “Disclosure of Interests and Short Positions of the Directors, Supervisors and Key Executives of the Company” and “Brief Biographies of Directors, Supervisors and Senior Management” in this annual report. The Employee Shareholding Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules.

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

BUSINESS REVIEW

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

For discussion on the Group's compliance with relevant laws and regulations that have a significant impact on the Group and the Group's environmental policies and performance, please refer to the “2021 Corporate 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.

REPORT OF THE DIRECTORS

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 2021 are set out in note 37(a) to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on pages 120 to 122 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, pursuant to the relevant laws and regulations, the Group’s distributable reserves amounted to RMB12,533,792,000 (31 December 2020: RMB13,229,750,000). Details of the Company’s distributable reserves are set out in the consolidated statement of changes in equity on pages 120 to 122 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 2021 are set out in note 17 to the consolidated financial statements of this annual report.

SUMMARY 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 RMB2.12 million.

REPORT OF THE DIRECTORS

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings for the year ended 31 December 2021 are set out in note 31 to the consolidated financial statements.

ASSETS PLEDGED OR CHARGED

As of 31 December 2021, the Group did not have any material pledge of assets.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

Save as disclosed in this annual report, there is no financial assistance to affiliated companies of the Company, or guarantees given for facilities granted to affiliated companies of the Company which together in aggregate exceeds 8% of the assets ratio defined under Rule 14.07(1) of the Hong Kong Listing Rules.

EQUITY-LINKED AGREEMENTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

PERMITTED INDEMNITY PROVISION

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

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2021 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 Guohong (*Chairman*)
Mr. Wang Lijun
Ms. Wang Xiaoling

Independent Non-Executive Directors:

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

Supervisors:

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

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

BRIEF BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

During the Reporting Period and up to the date of this annual report, there were no changes to information which are required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

REPORT OF THE DIRECTORS

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

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

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

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

The remuneration of the Directors is subject to review of the Remuneration and Appraisal Committee and approval by the Board, such remuneration is determined by taking into account the relevant Director's experience, responsibilities, workload and time commitment to the Group and the operating results of the Group and comparable market statistics.

No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2021.

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 respective position and fulfilment of one's target responsibility signed by the senior management annually.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REPORT OF THE DIRECTORS

COMPETING BUSINESS

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

DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND KEY EXECUTIVES OF THE COMPANY

As at 31 December 2021, the interests and short positions of the Directors, Supervisors and key 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 key executives of the Company are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Long/Short Positions	Approximate percentage of shareholding in the relevant class Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Tang Qi ⁽¹⁾	Executive Director	Beneficial Interest	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 2021, none of the Directors, Supervisors and key executives of the Company or their associates has any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations 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 2021, so far as the Directors, Supervisors and key executives of the Company are aware, the following persons (not being a Director, Supervisor or key executives of the Company) had interests and long/short positions in the Shares or underlying Shares which 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 Shareholders	Nature of Interest	Class of Shares	Number of Shares or underlying Shares held directly or indirectly	Long/Short Positions	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
SDG Group Co.	Beneficial owner ⁽¹⁾	A Shares	1,687,091,324	Long	46.68%	37.71%
	Interest held by controlled corporation ⁽²⁾	A Shares	345,073,733	Long	9.55%	7.71%
Shandong Gold Geological Mine Exploration Co., Ltd. ("SDG Exploration")	Beneficial owner ⁽³⁾	A Shares	194,872,049	Long	5.39%	4.36%
Shandong Gold Resources Development Co., Ltd. ("SDG Resources Development")	Interest held by controlled corporation ⁽³⁾	A Shares	194,872,049	Long	5.39%	4.36%
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 ⁽⁴⁾	H Shares	76,639,270	Long	8.92%	1.71%
CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1	Trustee ⁽⁴⁾	H Shares	76,639,270	Long	8.92%	1.71%
Postal Savings Bank of China Co., Ltd.	Beneficiary of a trust ⁽⁴⁾	H Shares	76,639,270	Long	8.92%	1.71%
Jianxin Trust Co., Ltd. (建信信託有限責任公司)	Interest held by controlled corporation ⁽⁴⁾	H Shares	76,639,270	Long	8.92%	1.71%
Jianxin (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司)	Interest held by controlled corporation ⁽⁴⁾	H Shares	76,639,270	Long	8.92%	1.71%
Schroders PLC	Investment manager	H Shares	145,143,450	Long	16.90%	3.24%
Gold Virtue Limited	Beneficial owner	H Shares	94,189,655	Long	10.97%	2.11%
Schroder International Selection Fund – Emerging Asia Fund	Beneficial owner	H Shares	43,255,100	Long	5.04%	0.97%

REPORT OF THE DIRECTORS

Notes:

- (1) On 20 January 2017 and 25 September 2017, SDG Group Co. pledged 100,000,000 and 160,000,000 tradable shares not subject to trading moratorium of the Company held by it to Industrial and Commercial Bank of China Limited, Shandong Branch (中國工商銀行股份有限公司山東省分行) respectively. As a result of the conversion of capital reserve into share capital of the Company in 2018 and 2019 (with the conversion ratio of 4 shares for every 10 shares in each of 2018 and 2019), the number of abovementioned pledged Shares was changed to 509,600,000 Shares. Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use, which accounted for approximately 11.39% of total number of our Shares as of 31 December 2021. Industrial and Commercial Bank of China is an authorized institution under the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).
- (2) These 345,073,733 A Shares comprise 194,872,049 A Shares held by SDG Exploration, 115,477,482 A Shares held by SDG Non-ferrous, 31,467,157 A Shares held by Shandong Gold Group Qingdao Gold Co., Ltd. ("**Qingdao Gold**") and 3,257,045 A Shares held by SDG (Beijing) Industry Investment Co., Ltd. ("**Beijing Industry Investment**"). SDG Exploration is wholly-owned by SDG Resources Development. Each of SDG Resources Development, Qingdao Gold and Beijing Industry Investment is wholly-owned by SDG Group Co.. SDG Group Co. holds 100% equity interest of SDG Non-ferrous. As such, SDG Group Co. is deemed to be interested in the Shares held by SDG Exploration, SDG Non-ferrous, Qingdao Gold and Beijing Industry Investment for the purpose of the SFO.
- (3) SDG Exploration is wholly-owned by SDG Resources Development, and therefore SDG Resources Development is deemed to be interested in all the Shares held by SDG Exploration for the purpose of the SFO.
- (4) Each of Jianxin (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司) (the largest shareholder of China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("**China Structural Reform Fund**") held as to 38.2% as at the end of the Reporting Period) and Jianxin Trust Co., Ltd. (建信信託有限責任公司) (the sole shareholder of Jianxin (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司) as at 31 December 2021) is deemed to be interested in the Shares held by China Structural Reform Fund for the propose of the SFO. The remaining approximately 58.0% of shares of China Structural Reform Fund were ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) ("**SASAC**"). The controlling person of Postal Savings Bank of China Co., Ltd. is the trust settlor who can influence the rights of Jianxin Trust Co., Ltd. and Jianxin (Beijing) Investment Fund Management Co., Ltd. to exercise its voting powers in China Structural Reform Fund. China Structural Reform Fund has engaged GF Securities Asset Management Guangdong Co., Ltd., an asset manager that is qualified domestic institutional investor as approved by the relevant PRC authority, in the name of CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 to subscribe for and hold such Shares on a discretionary basis on behalf of the China Structural Reform Fund.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any person (who were not Directors, Supervisors and key executives 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 10% or more of the nominal value of any class of the share capital carrying the rights to vote in all circumstances at general meetings of the Company or had an interest or short position which would be required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO.

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

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraphs headed "Continuing connected transactions", no controlling Shareholder or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company is committed to maintaining good corporate governance practices with reference to the CG Code. The Board is of the opinion that the Company had complied with all the applicable code provisions as set out in the CG Code during the year ended 31 December 2021.

For details of the Corporate Governance Report, please refer to pages from 91 to 108 of this annual report.

STAFF OF THE GROUP

As of 31 December 2021, the Group had a total of 16,012 full-time employees (31 December 2020: 15,770 employees). For the year ended 31 December 2021, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB3.613 billion (2020: RMB2.487 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	1,903
The number of current staff of the major subsidiaries	14,109
Total number of current staff (including staff of domestic enterprises and Chinese staff of overseas enterprises)	16,012
The number of retired employees that parent company and the major subsidiaries are responsible for the retirement expenses	0

REPORT OF THE DIRECTORS

Professional Structure

Classification	Number of Staff
Production	10,911
Sales	73
Technical	1,800
Finance	247
Administration	2,981
Total	16,012

Education

Classification	Number of Staff
Postgraduate or above	388
Bachelor degree	3,232
Tertiary education	3,043
Technical secondary school, high school or below	9,349
Total	16,012

TRAINING PROGRAMMES

In order to facilitate the personnel training and adhere to the key task of the year on the Group's strategic plan, the Group has made plans based on an extensive research on training needs, with targets to strengthen weaknesses, improve capability and enhance efficiency of its employees. The Company's training covered "three teams" including operation management personnel, professionals and technicians. Throughout the year, 12,586 individuals received training from the 158 training sessions held with a rating of satisfaction of 99.31% in general.

Training for operation management was based on the guiding principles of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the Nineteenth National Congress with targets of going international and securitization as well as refined management. The Group aimed at enhancing its strategic planning and creativity through focusing on corporate governance, capital operations, strategic exits, high-quality development, basic management, first-class mine construction etc. During the year, 4,112 individuals received training from the 48 training sessions held.

REPORT OF THE DIRECTORS

Trainings for professionals focused on providing updates on current knowledge and creative enhancement. New trainings on geology, survey, mining, processing, smelting, machinery, electrical appliances, safety, construction and others were provided with focus on enhancing capabilities in profession, implementation and creativity. During the year, 4,638 individuals received training from the 40 training sessions held.

With a focus on the skill training of the unique types of work in mines and by way of skill assessment and skill competitions, the training of skilled personnel highlights the standardization of practical operation and continuously improves the ability and quality of skilled personnel. 3,836 individuals received training from the 70 training sessions held throughout the year. The effect of training was remarkable, as shown by the fact that 1 individual was awarded the National May Day Labour Medal (全國五一勞動獎章), 6 individuals were awarded the title of National Technical Expert (全國技術能手), 14 individuals were awarded the title of National Gold Industry Technical Expert (全國黃金行業技術能手), and 5 individuals were awarded the title of Shandong Gold Group Chief Technician (山東黃金集團首席技師); and 215 individuals became high-skilled talents through skill assessment, increasing the proportion of high-skilled talents in the Company's skilled personnel by 7.62%.

OUTSOURCING STATUS

Total working hours of outsourcing services	19,861,488 Hours
Total outsourcing payment	RMB852,661,000

SHARE CAPITAL

Changes in ordinary Shares

Details of changes in ordinary Shares of the Group for the year ended 31 December 2021 are set out in note 37(a) to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities during the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee currently comprises of two non-executive Directors, Mr. Li Guohong 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 2021 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 2021, which have been agreed by the Company's auditors, are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

REPORT OF THE DIRECTORS

ISSUANCE AND LISTING OF SECURITIES

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

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

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

Unit: RMB in billion

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Initial Interest Accrued	Date of Maturity	Out-standing Balance of Bonds	Coupon Rate (%)	Payment of Principal and Interest	Place of Trading	Appropriate Arrangement of Investors (if any)	Mechanism of Trading	Whether There is a Risk of Termination of the Listing Transaction
The 2019 Public Issuance of Green Corporate Bonds by Shandong Gold Mining Co., Ltd.	G19 Lujin 1	155270	2019.3.20	2019.3.22	2022.3.22	1.0	3.85	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the First Tranche)	20 Lujin Y1	175514	2020.12.1	2020.12.3	2023.12.3	2.7	4.80	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the Second Tranche)	20 Lujin Y2	175566	2020.12.17	2020.12.21	2023.12.21	1.3	4.69	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No

REPORT OF THE DIRECTORS

Settlement of interests and principals of the corporate bonds

Name of Bonds	Description of interest payment status
The 2019 Public Issuance of Green Corporate Bonds (for Qualified Investors) by Shandong Gold Mining Co., Ltd.	The Company paid interest on 22 March 2021 for the period from 22 March 2020 to 21 March 2021. For details, please refer to the announcement published on the website of the Hong Kong Stock Exchange on 11 March 2021.
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 3 December 2021 for the period from 3 December 2020 to 2 December 2021. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 23 November 2021.
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 2021 for the period from 21 December 2020 to 20 December 2021. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 9 December 2021.

Description of the Employee Shareholding Scheme

The procedures of registration and custody for the newly-added shares under the Phase One Employee Shareholding Scheme of Shandong Gold were completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 17 October 2016. There are a total of 11,645,629 Shares subscribed for under the Employee Shareholding Scheme with a subscription amount of RMB166,532,494.70 and a final issue price of RMB14.30 per Share. The newly-added Shares are floating Shares subject to trading moratorium for a period of 36 months. The listing and trading of Shares subject to trading moratorium under the non-public issue commenced on 21 October 2019.

SHARE OPTION SCHEME

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

PRE-EMPTIVE RIGHTS

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

DEBENTURES

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

ACQUISITIONS, DISPOSALS AND MERGERS

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

REPORT OF THE DIRECTORS

RETAINED PROFITS

As at 31 December 2021, details of the Group's retained profits are set out in the consolidated statement of changes in equity on pages 120 to 122 of this annual report.

CONTINGENCIES

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

TAXATIONS

Details of the Group's taxation are set out in note 10 to the consolidated financial statements.

DIVIDEND POLICY

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

TAX RELIEF AND EXEMPTION

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

RESULTS AND DIVIDENDS DISTRIBUTION

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 116 to 117 of this annual report.

A payment of cash dividend of RMB0.50 per 10 Share (inclusive of taxes) is proposed to be paid to all Shareholders. As of the date of this annual report, the Company has a total share capital of 4,473,429,525 Shares, based on which the cash dividend proposed to be paid is calculated to be RMB223,671,476.25. The remaining undistributed profits are carried forward for the subsequent annual distribution. The above proposal will be put forward at the forthcoming annual general meeting of the Company for consideration and approval. The specific arrangements regarding the final dividend and its distribution and the time and arrangement of the closure of register of members of H Shares will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the Company shall distribute the dividend within two months after the date of the annual general meeting. The Company shall announce separately the exact expected dividend payment date. 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 organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

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

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

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

PROFIT DISTRIBUTION TO INVESTORS OF NORTHBOUND TRADING

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

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

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

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

PUBLIC FLOAT

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

AUDITOR

TianYuanQuan Certified Public Accountants (Special General Partnership) (“**Tianyuanquan**”) and SHINEWING (HK) CPA Limited (“**Shinewing**”) have been acting as domestic and international auditor of the Company during the year ended 31 December 2021, respectively.

In 2021, the annual report audit fee of Tianyuanquan was RMB3.40 million, and the internal control audit fee was RMB1.55 million. The original 2021 financial report assurance fee of Shinewing was RMB4.28 million. Due to the change in the number of subsidiaries within the scope of the Company's consolidation during the Reporting Period, especially the increase in the number of overseas subsidiaries, the scope of work and engagement of the financial report assurance agency increased. Therefore, the 2021 financial report assurance fee increased by RMB400,000 and amounted to RMB4.68 million.

REPORT OF THE DIRECTORS

EVENTS DURING THE REPORTING PERIOD

Amendments to the Articles of Association

On 30 March 2021, the Company announced the amendments to the Articles of Association arising out of the newly issued 159,482,759 H Shares as consideration for the privatisation of HXG, which was subsequently approved by the Shareholders at the annual general meeting of the Company held on 10 June 2021. For details, please refer to the announcement of the Company dated 30 March 2021 published on the website of the Hong Kong Stock Exchange.

EVENTS AFTER REPORTING PERIOD

Up to the date of this annual report, the Group has no subsequent events after 31 December 2021 which are required to be disclosed.

By order of the Board of Directors

Li Guohong

Chairman

Jinan, the PRC

28 March 2022

REPORT OF THE SUPERVISORY COMMITTEE

In 2021, the Sixth Supervisory Committee of Shandong Gold Mining Co., Ltd. strictly complied with the requirements of the PRC Company Law, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other relevant laws, regulations and departmental rules, and in a responsible attitude to the Company and all Shareholders, earnestly performed its supervisory duties and actively carried out relevant tasks. It supervised the Company's finance, internal control, major business activities and important matters of Directors and chief executive of the Company, protecting the legitimate rights and interests of the Company and its Shareholders, and continually improving the Company's standardized operation level. The main work report of the Supervisory Committee in 2021 is as follows:

I. DAILY WORK OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held a total of eight meetings to review the periodic reports prepared by the Board of Directors with written review opinions issued thereon, to review the profit distribution plan for 2020 of the Company, and equity acquisition and other matters of the Company, and to supervise and inspect the Company's financial position, the use of proceeds, the implementation of decisions made by the Board of Directors, the establishment of risk management and control system and major business management issues. The specific matters were reviewed as follows:

Convening of the Meeting	Participants	Resolution of the Meeting
On 30 March 2021, the 2nd meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved 13 resolutions, including the "2020 Work Report of the Supervisory Committee", the "2020 Final Financial Report", the "Annual Report and its Summary for 2020", the "Plan of Profit Distribution for 2020", the "Resolution Regarding the Provision for Impairment of Assets for the Year 2020", the "Resolution Regarding Appointment of the Accounting Firms for 2021", the "Resolution Regarding Appointment of Internal Control Auditing Firm for 2021", the "Resolution Regarding the 2020 Appraisal Report on Internal Control", the "Social Responsibility Report for 2020", the "Resolution Regarding the Special Report on Saving and Use of Proceeds for 2020", the "Resolution Regarding the Company's Guarantee Facility for The Hong Kong Subsidiary for 2021", the "Resolution Regarding the Maximum Daily Limit for Entrusted Financial Management by Subsidiaries for 2021", and the "Resolution Regarding the Confirmation of the Excess of Normal Connected Transactions over Estimates for 2020".
On 29 April 2021, the 3rd meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Full Text and Main Text of the First Quarterly Report of the Company for 2021".

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 25 June 2021, the 4th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Resolution Regarding the Acquisition of the Mining Rights and Related Assets of Jiaojia Gold Mine of Shandong Gold Group Co., Ltd. by Controlling Subsidiary and the Cancellation of the Mining Right Leasing Agreement".
On 5 August 2021, the 5th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved 4 resolutions, including the "Resolution Regarding the Cash Acquisition of 100% Equity Interest in Shandong Tiancheng Mining Co., Ltd. by Controlling Subsidiary and the Connected Transaction", the "Resolution Regarding the Cash Acquisition of 100% Equity Interest in Shandong Laizhou Ludi Gold Mine Company Limited by Controlling Subsidiary and the Connected Transaction", the "Resolution Regarding the Cash Acquisition of 100% Equity Interest in Shandong Dikuang Lajin Holdings Co., Ltd. and 45% Equity Interest in Laizhou Hongsheng Mining Investment Co., Ltd. by Controlling Subsidiary and the Connected Transaction" and "Resolution on the Estimate of New Daily Connected Transactions after the Controlling Subsidiary Acquires the Equity of Shandong Tiancheng Mining Co., Ltd."
On 26 August 2021, the 6th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved 3 resolutions including the "Half-year Report and its Summary for 2021", the Resolution on Amending the "Administrative Measures for Information Disclosure of Shandong Gold Mining Co., Ltd." and the Resolution on Resignation and Appointment of Financial Controller.
On 29 September 2021, the 7th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Resolution Regarding the Adjustment of Caps for Normal Connected Transactions of the Company in 2021".

REPORT OF THE SUPERVISORY COMMITTEE

Convening of the Meeting	Participants	Resolution of the Meeting
On 27 October 2021, the 8th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved 2 resolutions, including the "Full Text and Main Text of the Third Quarterly Report of the Company for 2021" and the "Resolution Regarding the Temporary Use of Certain Idle Funds from the Fundraising to Replenish Working Capital".
On 30 November 2021, the 9th meeting of the Sixth Session of the Supervisory Committee was held in the Company's conference room by means of onsite	3 Supervisors should attend the meeting and 3 Supervisors actually attended the meeting	Reviewed and approved the "Resolution on the Provision of Guarantee for the Financing of Shandong Gold Mining (Laizhou) Co., Ltd.".

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2021

(I) Lawful operation of the Company

In 2021, through various forms of supervision, such as attending the general meetings and Board meetings and daily inspection, the Supervisory Committee of the Company supervised the duty performance of the Directors and senior management. The Supervisory Committee believes that, the Company's decision-making procedures were in strict accordance with the Company Law, the Securities Law, the Articles of Association and other relevant laws and regulations, and the operation of the Board of Directors was compliant, its operational decisions were reasonable and effective, it has conscientiously implemented the resolutions of the general meeting. The Directors and senior management worked diligently during the Reporting Period, without any violation of laws and regulations and the Articles of Association or any prejudice to the interests of the Company and its Shareholders. Various internal control systems are relatively sound and effectively implemented.

(II) Inspection of the Company's financial position

During the Reporting Period, the Supervisory Committee supervised the financial operation of the Company in 2021 through careful examination and review of the Company's accounting statements, financial reports and other financial information. The Supervisory Committee believes that, the Company strictly implemented the Accounting Standards for Business Enterprises. The financial system and internal control system of the Company were relatively sound, its financial operation was compliant, and its financial position was healthy. The periodic reports and review procedures of the Company were formulated in compliance with the requirements of laws, regulations and the Articles of Association. The audit report with compliant unqualified opinion for 2021 issued by TianYuanQuan Certified Public Accountants (Special General Partnership) and SHINEWING (HK) CPA gave a fair and objective view of the financial position and operating results of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

(III) The use of proceeds

During the Reporting Period, the Supervisory Committee supervised the saving and use of proceeds of the Company, reviewed the Company's Special Report on Saving and Use of Proceeds for 2021. The Supervisory Committee believes that, the Company formulated the Measures for the Management of Proceeds, established the management system of proceeds, and managed and used the proceeds in strict accordance with the requirements of the system. The procedures for the use of proceeds were compliant, and the Company saved the proceeds in a special account for special use. The actual investment project was in line with the committed investment project, without any changes in the use of the proceeds and any prejudice to the interests of the Shareholders as well as violations in the use of proceeds. The Board of Directors and the Supervisory Committee of the Company reviewed and approved the Resolution of the Company Regarding Temporary Use of Certain Idle Funds from the Fundraising to Replenish Working Capital in strict accordance with the decision – making procedures, and the procedure was compliant, lawful and effective. The use of part of the unused proceeds to temporarily replenish its working capital improved the proceeds utilization efficiency and saved the financial costs of the Company.

(IV) Connected transactions of the Company

The Supervisory Committee supervised and verified the connected transactions conducted during the Reporting Period, and reviewed the “Resolution Regarding the Confirmation of the Excess of Normal Connected Transactions over Estimates for 2020”, the “Resolution Regarding the Acquisition of the Mining Rights and Related Assets of Jiaojia Gold Mine of Shandong Gold Group Co., Ltd. by Controlling Subsidiary and the Cancellation of the Mining Right Leasing Agreement”, the Cash Acquisition of the Mining Rights and Assets of the Jiaojia-Xincheng Metallogenic Belt in the Laizhou Area of Shandong Gold Group Co., Ltd. by Controlling Subsidiary, the “Resolution on the Estimate of New Daily Connected Transactions after the Controlling Subsidiary Acquires the Equity of Shandong Tiancheng Mining Co., Ltd.” and the “Resolution Regarding the Adjustment of the Caps for Normal Connected Transactions in 2021”. The Supervisory Committee believes that, the Company's connected transactions followed the objective, just and fair trading principles. The connected transactions conducted by the Company were fully demonstrated and cautiously decided by the Board of Directors and the management, and those transactions were necessary for the normal production and operation of the Company. The price, content, pricing method and basis of the connected transactions were objective and fair and in the interests of the Company and all of its Shareholders, without any prejudice to the interests of the medium and minority Shareholders and other non-connected Shareholders. The resolutions involved connected transactions fulfilled corresponding legal procedures and the resolutions were voted through in the absence of related parties. The independent non-executive Directors made objective and independent judgments over the connected transactions, and the relevant information disclosure was adequately made in a timely manner, without any prejudice to the interests of the Company and its Shareholders.

(V) The acquisition of major assets by the Company

The Supervisory Committee has reviewed the cash acquisition of 100% equity interest in Shandong Tiancheng Mining Co., Ltd. and Shandong Laizhou Ludi Gold Mine Company Limited by controlling subsidiary and the connected transaction, and the cash acquisition of 100% equity interest in Shandong Dikuang Laijin Holdings Co., Ltd. and 45% equity interest in Laizhou Hongsheng Mining Investment Co., Ltd. by controlling subsidiary and the connected transaction during the Reporting Period. The Supervisory Committee is of the view that, the relevant resolutions and decision-making procedures for the Company's acquisition of Tiancheng Mining, Ludi Gold Mine, Dikuang Laijin and Hongsheng Mining were lawful and compliant, and the prices were fair and reasonable without any insider trading or prejudice to the interests of the Company and the Shareholders.

REPORT OF THE SUPERVISORY COMMITTEE

(VI) 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 2020. 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 2020 has comprehensively, objectively, truly and accurately reflected the actual situation of the establishment, improvement and operation of the Company's internal control system.

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

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

(VIII) External guarantee

During the Reporting Period, the Supervisory Committee verified the Company's provision of guarantee for financing of Shandong Gold Mining (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company, and Shandong Gold Mining (Laizhou) Co., Ltd., a controlling subsidiary of the Company. The Supervisory Committee believes that, the procedures of the guarantee were compliant and legal, and there was no violation of external guarantee. The Company's provision of guarantee for financing of the wholly-owned subsidiary and the controlling subsidiary would meet their capital demand of merger and acquisition as well as operation, effectively leveraging domestic and overseas capital markets for financing, which was in the interest of the Company and the Shareholders as a whole.

III. THE WORK PLAN FOR 2022

In 2022, we will continue to fulfill our duties diligently in strict accordance with the PRC Company Law, the Securities Law and other laws and regulations as well as the Articles of Association, urge the Board of Directors and management of the Company to make decisions and operate according to law, conscientiously carry out daily supervision and process supervision, and protect the legitimate interests of the Company and all of its Shareholders.

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

Attend the general meetings and the Board meetings in a timely manner to earnestly perform the duties of the Supervisory Committee. Firstly, carry out daily supervision work, strengthen the work communication with the Board of Directors and the management, and have a timely understanding on major matters of the Company and each decision-making procedure, supervise the Board of Directors and senior managers according to law, to make their decision-making and business activities more standardized and legal, so as to better protect the interests of the Shareholders; secondly, comprehensively grasp the establishment and operation of the internal control system of the Company, pay attention to the legitimacy, effectiveness and adaptability of the internal control system, and inspect the implementation of the internal control system. Thirdly, continue to maintain communication with the internal and external auditing firms through supervising and inspecting financial position of the Company, keep strengthening the supervision and inspection on the corporations, prevent operational risks and further protect the interests of the Company and its Shareholders.

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, strengthen financial management, improve the capital utilization efficiency and reduce operational risks. Secondly, regularly track changes in the Company's asset operation and major financial information, so as to make clear judgments, identify problems and make quick responses. Thirdly, pay attention to the progress of asset acquisitions, sales and connected transactions, and prevent the loss of assets and other operational risks of the Company. Continue to strengthen the implementation of supervisory duties, sufficiently discuss the basic resolutions formulated by the Board of Directors and the various resolutions reviewed and approved by it, and actively propose revisions and improvements to ensure that each of the decisions is conducive to the long-term development of the Company and can protect the legitimate rights and interests of all the Shareholders.

(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, and raise supervisory level. The Supervisory Committee will constantly strengthen supervision over the duty performance of the Directors and senior management of the Company, establish efficient communication channels and methods, continuously improve the quality and efficiency of the duty performance of the Supervisory Committee, better exert the supervisory functions of the Supervisory Committee, and promote the sustainable and healthy development of the Company.

Shandong Gold Mining Co., Ltd.

Supervisory Committee

28 March 2022

CORPORATE GOVERNANCE REPORT

OVERVIEW

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

The Corporate Governance Report is presented for the Reporting Period.

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

BOARD COMPOSITION AND PRACTICE

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

The executive Directors are Mr. Liu Qin, Mr. Wang Shuhai and Mr. Tang Qi; the non-executive Directors are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive Directors are Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng. The biographical details of each Director are set out in the section headed “Brief Biographies of Directors, Supervisors and Senior Management” in this annual report. To the best of the Board’s knowledge, there is no relationship among the members of the Board.

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

Each of the non-executive Directors was engaged on a service contract or letter of appointment for a fixed term and shall be subject to retirement by rotation once every three years.

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 accounting plans of the Company, preparing the profit distribution plan and loss makeup 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.

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

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

EXPLANATION ON THE RELEVANT MATTERS OF CORPORATE GOVERNANCE

The Board is responsible for the performance of the functions of corporate governance. During the year ended 31 December 2021, the Board has performed the functions set out in code provision A.2.1 (previous code provision D.3.1) of the CG Code.

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

CHAIRMAN AND THE GENERAL MANAGER

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

CORPORATE GOVERNANCE REPORT

DIRECTORS AND THE BOARD

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

CORPORATE GOVERNANCE 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.

CORPORATE GOVERNANCE REPORT

ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS AND GENERAL MEETINGS

The Board convened 17 Board meetings and four general meetings during the Reporting Period. The attendance of the Directors at the meetings was as follows:

Name of Director	Independent non-executive Director	No. of Board meetings ought to be attended this year	Attendance of the Board meetings				Attendance of general meetings	
			Attended in person	Attended via telecommunication	Attended by proxy	Absent	Not attending in person for 2 consecutive meetings	No. of general meetings attended
Li Guohong	No	17	4	13	0	0	No	4
Wang Lijun	No	17	4	13	0	0	No	3
Wang Xiaoling	No	17	4	13	0	0	No	2
Liu Qin	No	17	4	13	0	0	No	3
Wang Shuhai	No	17	4	13	0	0	No	3
Tang Qi	No	17	4	13	0	0	No	4
Wang Yunmin	Yes	17	0	17	0	0	No	1
Liew Fui Kiang	Yes	17	0	17	0	0	No	1
Zhao Feng	Yes	17	1	16	0	0	No	2

Number of Board meetings held this year	17
In which: Number of physical meetings	0
Meetings via telecommunication	13
Physical meetings with telecommunication	4

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

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

Each of the non-executive Directors was engaged on a service contract or letter of appointment for a fixed term and shall be subject to retirement by rotation once every three 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 34 to 36 of this annual report, for the year are set out below:

	No. of individuals
HK\$1 to HK\$500,000	3
HK\$500,001 to HK\$1,000,000	3

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

During the year ended 31 December 2021, the Company totally held four general meetings (including 2020 annual general meeting) and did not hold class shareholders' meetings during the Reporting Period. The Company shall convene and hold general meetings of Shareholders in strict compliance with the regulations and requirements of the Articles of Association and the rules of procedures of the Shareholders' general meeting of the Company to ensure that all Shareholders (especially minority Shareholders) can enjoy equal rights and fully exercise their voting rights.

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 of the meeting
2021 first extraordinary general meeting	21 January 2021	SSE website (http://www.sse.com.cn)	22 January 2021	Reviewed and approved the "Resolution on the Changes of Registered Capital" and the "Resolution on the Amendments to the Articles of Association".
2020 annual general meeting	10 June 2021	SSE website (http://www.sse.com.cn)	11 June 2021	Reviewed and approved the "2020 Work Report of the Board of Directors", the "2020 Work Report of the Supervisory Committee", the "2020 Work Report of the Independent Non-executive Directors", the "2020 Final Financial Report", the "Annual Report and its Summary of the Company for 2020", the "Resolution on the 2020 Profit Distribution", the "Resolution Regarding the Provision for Impairment of Assets for the Year 2020", the "Resolution Regarding the Appointment of Accounting Firms for 2021", the "Resolution Regarding the Appointment of Internal Control Auditing Firm for 2021", the "Resolution Regarding the 2020 Appraisal Report on Internal Control", the "2020 Social Responsibility Report", the "Resolution Regarding the Special Report on the Deposit and Use of Proceeds in 2020", the "Resolution on General Mandate to Issue H Shares", the "Resolution Regarding the Company's Guarantee Facility for The Hong Kong Subsidiary for 2021", the "Resolution on the Change in Registered Capital" and the "Resolution on the Amendments to the Articles of Association".

CORPORATE GOVERNANCE REPORT

Session of meeting	Convening date	Index of the designated website publishing the resolutions	Date of publishing the resolutions	Resolution of the meeting
2021 second extraordinary general meeting	24 September 2021	SSE website (http://www.sse.com.cn)	25 September 2021	Reviewed and approved the "Resolution Regarding the Cash Acquisition and Related Party Transaction of 100% Equity Interest in Shandong Tiancheng Mining Co., Ltd. by Controlling Subsidiary and the Connected Transaction", the "Resolution Regarding the Cash Acquisition and Related Party Transaction of 100% Equity Interest in Shandong Laizhou Ludi Gold Mine Company Limited by Controlling Subsidiary and the Connected Transaction", the "Resolution Regarding the Cash Acquisition and Related Party Transaction of 100% Equity Interest in Shandong Dikuang Laijin Holdings Co., Ltd. and 45% Equity Interest in Laizhou Hongsheng Mining Investment Co., Ltd. by Controlling Subsidiary and the Connected Transaction" and the "Resolution on the Estimate of New Daily Connected Transactions after the Controlling Subsidiary Acquires the Equity of Shandong Tiancheng Mining Co., Ltd.".
2021 third extraordinary general meeting	22 December 2021	SSE website (http://www.sse.com.cn)	23 December 2021	Reviewed and approved the "Resolution on Proposed Issuance of Ultra Short-term Financing Bonds", the "Resolution on Full Authorization at the General Meeting of the Company to the Board of Directors to Deal with the Matters in Relation to the Issuance of Ultra Short-term Financing Bonds" and the "Resolution on Provision of Guarantee for the Financing of Shandong Gold Mining (Laizhou) Co., Ltd.".

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 business 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 10 full business days or 15 days (whichever is longer) before the date of the meeting to notify all of the Shareholders whose names appear in the share register of the matters to be considered and the date and the place of the meeting.

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

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

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

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. The Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Hong Kong Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. Pursuant to code provision C.1.4 (previous code provision A.6.5) of the CG Code, the Company has also provided reading materials to the Directors to develop and refresh their professional knowledge.

NOMINATION COMMITTEE

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

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

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

The selection process of Directors and managers is as follows:

1. The Nomination Committee should actively communicate with relevant departments and study the Company's demand for Directors and managers, and formulate written materials;
2. The Nomination Committee may search extensively for candidates for Directors and managers from the Company, its holding (associate) enterprises and the market;
3. Gather information about the occupation, academic qualifications, post title, detailed work experience and all the concurrent posts of the candidates and present such information in writing;
4. Seek the nominees' consent for nomination; otherwise, the nominees cannot be the candidates for Directors or managers;
5. Convene a Nomination Committee meeting to review the qualifications of the candidates on the criteria for Directors and managers;
6. Make suggestion to the Board regarding the candidates for Directors and new managers and submit the relevant information to the Board one to two months prior to the election of new Directors and appointment of new managers; and
7. Complete other follow-up work according to the decision and feedback from the Board.

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

Name of the members of the Nomination Committee	Number of meetings attended/convened
Mr. Wang Yunmin	2/2
Mr. Wang Lijun	2/2
Mr. Liu Qin	2/2
Mr. Liew Fui Kiang	2/2
Mr. 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 complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

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

REMUNERATION AND APPRAISAL COMMITTEE

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

Responsibilities and authorities of the Remuneration and Appraisal Committee

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

1. to make recommendations to the Board on remuneration plans or proposals and establishment of formal and transparent procedures for the formulation of the above remuneration plans or proposals according to the primary scope, responsibilities, importance of the management positions of Directors and senior management members and the remuneration standards of relevant positions in other relevant enterprises;
2. to formulate remuneration plans or proposals include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems;

CORPORATE GOVERNANCE REPORT

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;
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; and
9. 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.

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

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

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

CORPORATE GOVERNANCE REPORT

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

Name of the members of the Audit Committee	Number of meetings attended/ convened
Ms. Zhao Feng	8/8
Mr. Li Guohong	8/8
Ms. Wang Xiaoling	8/8
Mr. Wang Yunmin	8/8
Mr. Liew Fui Kiang	8/8

STRATEGY COMMITTEE

The Board established the strategy committee (the "**Strategy Committee**"). It comprises of five Directors, Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling as non-executive Directors, and Mr. Wang Yunmin and Mr. Liew Fui Kiang as independent non-executive Directors. Mr. Li Guohong 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 comprises of conducting research and making recommendations on significant decisions and strategic planning of the Company including:

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

CORPORATE GOVERNANCE REPORT

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

Name of the members of the Strategy Committee	Number of meetings attended/convened
Mr. Li Guohong	2/2
Mr. Wang Lijun	2/2
Ms. Wang Xiaoling	2/2
Mr. Wang Yunmin	2/2
Mr. Liew Fui Kiang	2/2

SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

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 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 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 management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control.

Further, during the Reporting Period, we have appointed an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. The internal control consultant did not identify any material deficiencies in its review. We have adopted corresponding internal control measures to make improvement on certain ordinary internal control issues identified in relation to our IT system development and upgrade. As of 31 December 2021, our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions in relation to our IT system development and did not identify any material deficiencies in our internal control system.

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 and internal control systems for the year ended 31 December 2021, 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.

Tianyuanquan had audited the effectiveness of the Company's internal control system in relation to financial reports and provided an auditor's report with unqualified opinions.

WORK ON INTERNAL CONTROL EVALUATION

Scope of internal control evaluation

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

Major enterprise included in the scope of evaluation were:

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

CORPORATE GOVERNANCE REPORT

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

Organizational structure, development strategy, human resources, social responsibility, corporate culture, fund-related activities, procurement business, assets management, sales, research and development, engineering projects, financial reporting, comprehensive budget, contract management, internal information transmission and information systems.

High-risk areas which were given special attention include:

Fund management risk, asset management risk, financial reporting risk, safety and environmental protection risk, procurement management risk, sales business management risk, contract management risk, engineering project management risk, information system general control risk and etc.

INFORMATION DISCLOSURE AND TRANSPARENCY

In 2021, the Company actively responded to new changes in the securities market supervision policy, and constantly adapted to the new requirements of the regulatory agencies for information disclosure. The Company continued to adhere to complying with both statutory information disclosure and independent information disclosure, enhance the relevance and effectiveness of the content of regular reports, and effectively improve the quality of corporate information disclosure. In accordance with the “Administrative Measures for the Disclosure of Information”, the SSE Listing Rules and the Hong Kong Listing Rules, the Company has truly, accurately, promptly and fully disclosed the relevant information to ensure that all Shareholders have equal access to information and effectively prevent insider trading. The Company was evaluated and awarded grade A for its information disclosure work on the SSE for the year 2020-2021.

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 during the preparation of periodic reports, profit distribution, interim announcements and during the planning of significant events such as merger and acquisition projects, ensuring openness, fairness and impartiality in information disclosure without leaks.

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

JOINT COMPANY SECRETARIES

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

In order to uphold good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Sau Mei, a director of TMF Hong Kong Limited, a company secretarial service provider, as the joint company secretary to assist Mr. Tang in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. Tang. During the year ended 31 December 2021, 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.

CORPORATE GOVERNANCE REPORT

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 30 March 2021, the Company announced the amendments to the Articles of Association arising out of the newly issued 159,482,759 H Shares as consideration for the privatisation of HXG, which was subsequently approved by the Shareholders at the annual general meeting of the Company held on 10 June 2021. For details, please refer to the announcement of the Company dated 30 March 2021 published on the website of the Hong Kong Stock Exchange.

INVESTOR RELATIONS

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

According to the Investor Relations Management System (《投資者關係管理制度》), the Company has further broadened the channels of communication with investors and fully respects and safeguards the legitimate rights and interests of relevant stakeholders. The Company has increased its communication with investors through a variety of activities including results presentation, investor visits, general meetings and investor collective reception day activities, fully exerts the functions of investors' hotlines, IR mailbox and Shanghai Stock Exchange e-interaction platform, listens carefully to and handles suggestions and advices from Shareholders and investors well. In 2021, the Company received more than 580 calls from investors, and replied to 107 questions from investors on the SSE E-Interaction Platform. The Company organized several online investor conferences to further deepen the investors and market's understanding of the Company. Investor relations management experience was published and promoted by the Investor Education Department of Shanghai Stock Exchange as a typical case, and was selected into the Annual Reports on Investor Relations Work of Listed Companies (2020) (《上市公司投資者關係工作年度報告(2020)》) by p5w.net. The practice of convening business performance presentation meeting was selected as the "Best Practices of Business Performance Presentation" by the China Association for Public Companies.

Shareholders are also encouraged to access the corporate communication including results announcements of the Company posted on the Company's website (<http://www.sdhjgf.com.cn>), SSE Website and the Hong Kong Stock Exchange's website for better understanding of the Company.

INQUIRY TO THE BOARD

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

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

Telephone: (+86) 0531-67710376

Fax: (+86) 0531-67710380

Email: hj600547@163.com

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL REPORTS

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

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

DIRECTORS' AND OFFICERS' LIABILITIES

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

RELATIONS WITH THE CONTROLLING SHAREHOLDER

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

REMUNERATION OF EXTERNAL AUDITORS

Tianyuanquan and Shinewing, respectively, were the domestic and international auditors of the Company for 2021.

The fees in respect of audit and non-audit services provided to the Group by Shinewing and its affiliate firm for the year 2021 amounted to RMB4.68 million and RMB0.32 million respectively. The fees in respect of audit service and internal control and auditing service provided to the Group by Tianyuanquan for the year 2021 amounted to RMB3.4 million and RMB1.55 million respectively.

AUDITORS

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

Domestic Auditors:	Tianyuanquan (2019-present)
International Auditors:	PricewaterhouseCoopers (Sep 2018-Jun 2019)
	Deloitte Touche Tohmatsu Certified Public Accountants (Jun 2019-Jan 2020)
	Shinewing (Jan 2020-present)

Tianyuanquan and Shinewing shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the reappointment as domestic and international auditors of the Company will be proposed at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43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 116 to 242, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Impairment assessment on property, plant and equipment and intangible assets

Refer to the notes 17 and 20 to the consolidated financial statements and the accounting policies on page 136.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the carrying amounts of the property, plant and equipment and intangible assets were approximately RMB31,597,991,000 and RMB20,733,033,000 respectively, which are mainly related to the assets arising from the Group's gold mining and refining activities.</p> <p>The management of the Group has performed impairment assessment on the property, plant and equipment and intangible assets at the end of the reporting period. When indication of possible impairment has been identified, recoverable amount is determined based on the higher of fair value less cost of disposal or value-in-use of each cash-generating unit, in which the property, plant and equipment and intangible assets were allocated to.</p> <p>We have identified the impairment assessment on property, plant and equipment and intangible assets as a key audit matter because of their significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment assessment.</p>	<p>Our audit procedures were designed to review the management's judgements and estimates used in determining the indication of possible impairment and its impairment testing on the property, plant and equipment and intangible assets.</p> <p>We have discussed and reviewed the impairment assessment prepared by the management of the Group, including the identification of possible impairment.</p> <p>For the impairment testing, we have reviewed the underlying data and assumptions used in the calculation of fair value less cost of disposal or value-in-use of the respective cash-generating unit as recoverable amount, including the gold price, recoverable reserves, exploration potentials, production costs estimates, future operating costs and pre-tax discount rates. We have compared those underlying data and assumptions used to the historical data and other available market sources.</p>

INDEPENDENT AUDITOR'S REPORT

Impairment assessment on goodwill

Refer to the note 21 to the consolidated financial statements and the accounting policies on page 138.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the carrying amount of the goodwill was approximately RMB1,582,526,000, which is mainly related to the acquisition of subsidiaries and joint operation through business combinations.</p>	<p>Our audit procedures were designed to review the management's judgements used in the identification of cash-generating units and the impairment amount on goodwill.</p>
<p>The management of the Group has performed impairment assessment on goodwill based on recoverable amount, which is the higher of fair value less cost of disposal and value-in-use of each cash-generating unit. Fair value less cost of disposal and value-in-use, based on the discounted cash flows model, of each cash-generating unit were prepared by the independent valuers engaged by the Group.</p>	<p>We have assessed the reasonableness of the identification of cash-generating units for annual impairment testing.</p>
<p>We have identified the impairment assessment on goodwill as a key audit matter because of its significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment testing.</p>	<p>We have 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 and the accounting policies on page 155.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the aggregate carrying amounts of the financial assets at FVTPL and financial liabilities at FVTPL are approximately RMB8,334,937,000 and RMB9,587,259,000 respectively.</p>	<p>Our audit procedures were designed to review the fair value measurement performed by the management of the Group and independent valuer, including the review of the valuation technique and the underlying data and assumptions used in fair value measurement.</p>
<p>The management of the Group has performed fair value assessment of financial assets at FVTPL and financial liabilities at FVTPL at the end of the reporting period. Significant judgements and estimates, including selection of appropriate valuation techniques and the use of unobservable market data, have been used by the management of the Group and the independent valuer in the fair value measurement.</p>	<p>We have discussed with the management of the Group and the independent valuer for the appropriateness of valuation techniques adopted and reviewed fair value calculations.</p>
<p>We have 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>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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Revenue	5	33,932,646	63,689,514
Cost of sales		(31,557,552)	(56,956,948)
Gross profit		2,375,094	6,732,566
Selling expenses		(361,149)	(107,147)
General and administrative expenses		(2,409,669)	(2,831,702)
Research and development expenses		(345,606)	(390,492)
Other income	7	21,104	27,183
Other gains and losses, net	8	1,347,506	143,773
Finance income	9	71,645	73,714
Finance costs	9	(732,639)	(832,827)
Share of results of associates		21,820	10,669
(Loss)/profit before tax		(11,894)	2,825,737
Income tax expenses	10	(217,620)	(574,202)
(Loss)/profit for the year	11	(229,514)	2,251,535
(Loss)/profit for the year attributable to:			
Holders of equity instruments of the Company			
– Ordinary shares		(426,348)	1,998,918
– Perpetual bonds		205,047	–
		(221,301)	1,998,918
Non-controlling interests		(8,213)	252,617
		(229,514)	2,251,535
(LOSS) /EARNINGS PER SHARE			
– Basic and diluted (RMB)	14	(0.10)	0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000 (Restated)
(Loss)/profit for the year	(229,514)	2,251,535
Other comprehensive expense:		
<i>Item that will not be reclassified subsequent to profit or loss:</i>		
Fair value loss of an equity investment designated at fair value through other comprehensive income, net of tax	–	(425)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(116,256)	(306,489)
Other comprehensive expense	(116,256)	(306,914)
Total comprehensive (expense)/income for the year	(345,770)	1,944,621
Total comprehensive (expense)/income for the year attributable to:		
Holders of equity instruments of the Company		
– Ordinary shares	(542,604)	1,692,171
– Perpetual bonds	205,047	–
	(337,557)	1,692,171
Non-controlling interests	(8,213)	252,450
	(345,770)	1,944,621

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)	1 January 2020 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	17	31,597,991	29,191,157	26,565,437
Investment properties	18	185,341	250,992	264,276
Right-of-use assets	19	743,670	614,785	612,440
Intangible assets	20	20,733,033	15,447,476	13,607,478
Goodwill	21	1,582,526	1,597,425	1,327,478
Investments in associates	22	1,953,628	1,931,808	1,042,259
Financial assets at fair value through other comprehensive income	24	7,900	2,600	3,100
Financial assets at fair value through profit or loss	25	5,653,317	5,568,568	5,688,098
Inventories	26	1,240,310	1,227,314	500,992
Deferred income tax assets	34	475,874	172,841	130,000
Other non-current assets	27	594,612	592,615	566,974
		64,768,202	56,597,581	50,308,532
Current assets				
Inventories	26	2,983,757	2,550,927	3,646,460
Prepayment, trade and other receivables	28	3,579,403	4,405,929	1,918,540
Prepaid income tax		15,850	33,217	14,134
Financial assets at fair value through profit or loss	25	2,681,620	3,058,213	1,528,785
Restricted bank deposits	29	482,353	277,638	258,860
Bank balances and cash	29	4,525,365	3,182,468	3,031,759
		14,268,348	13,508,392	10,398,538
Current liabilities				
Trade and other payables	30	15,249,378	7,842,563	6,026,841
Lease liabilities	19	40,685	36,655	42,043
Current income tax liabilities		224,667	383,802	239,667
Borrowings	31	9,805,312	9,727,870	5,974,299
Financial liabilities at fair value through profit or loss	32	9,587,259	8,672,590	13,145,643
Current portion of other non-current liabilities	33	104,835	72,383	65,911
		35,012,136	26,735,863	25,494,404
Net current liabilities		(20,743,788)	(13,227,471)	(15,095,866)
Total assets less current liabilities		44,024,414	43,370,110	35,212,666

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)	1 January 2020 RMB'000 (Restated)
Non-current liabilities				
Borrowings	31	5,339,636	1,677,098	2,199,267
Lease liabilities	19	90,781	63,427	65,940
Deferred income tax liabilities	34	4,793,109	4,544,301	4,427,122
Deferred revenue	35	13,164	15,406	12,444
Provision for asset retirement obligations	36	875,111	862,090	923,325
Other non-current liabilities	33	951,734	539,465	424,495
		12,063,535	7,701,787	8,052,593
Net assets				
		31,960,879	35,668,323	27,160,073
Capital and reserves				
Share capital	37(a)	4,473,430	4,313,947	3,099,612
Treasury shares	37(b)	(6,293)	(6,385)	(6,385)
Reserves		18,612,130	22,717,139	21,180,453
		23,079,267	27,024,701	24,273,680
Perpetual bonds	38	6,249,387	3,999,387	–
Non-controlling interests		2,632,225	4,644,235	2,886,393
Total equity				
		31,960,879	35,668,323	27,160,073

The consolidated financial statements on pages 116 to 242 were approved and authorised for issue by the board of directors on 28 March 2022 and are signed on its behalf by:

Li Guohong
Director

Tang Qi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company												
	Share capital	Treasury shares	Capital reserve	Statutory	Transactions	Foreign	Others	Retained profits	Sub-total	Perpetual Bonds	Non-controlling interests	Total	
				reserve	and other	with non-							currency
				funds	and other	controlling							translation
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
		(note a)	(note b)	(note c)					(note 38)				
At 1 January 2021	4,313,947	(6,385)	9,101,586	868,631	(225,182)	(262,472)	4,826	13,229,750	27,024,701	3,999,387	4,644,235	35,668,323	
Loss for the year	-	-	-	-	-	-	-	(426,348)	(426,348)	205,047	(8,213)	(229,514)	
Other comprehensive expense:													
Currency translation differences	-	-	-	-	-	(116,256)	-	-	(116,256)	-	-	(116,256)	
Total comprehensive income	-	-	-	-	-	(116,256)	-	(426,348)	(542,604)	205,047	(8,213)	(345,770)	
Appropriations	-	-	-	46,183	-	-	-	(46,183)	-	-	-	-	
Issue of shares upon acquisition of a subsidiary (note 42)	159,483	-	2,018,156	-	-	-	-	-	2,177,639	-	-	2,177,639	
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	2,250,000	-	2,250,000	
Dividends to shareholders of the Company (note 13)	-	-	-	-	-	-	-	(223,427)	(223,427)	-	-	(223,427)	
Distributions made to holders of perpetual bonds	-	-	-	-	-	-	-	-	-	(205,047)	-	(205,047)	
Acquisition of non-controlling interest in Laizhou Hongsheng Mining Investment Co., Ltd.	-	-	1,760,147	-	-	-	-	-	1,760,147	-	(1,760,147)	-	
Consideration for the business combination involving entities under common control (note 2.1.2)	-	-	(7,132,241)	-	-	-	-	-	(7,132,241)	-	-	(7,132,241)	
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(243,650)	(243,650)	
Others	-	92	-	-	-	-	14,960	-	15,052	-	-	15,052	
At 31 December 2021	4,473,430	(6,293)	5,747,648	914,814	(225,182)	(378,728)	19,786	12,533,792	23,079,267	6,249,387	2,632,225	31,960,879	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Share capital	Treasury shares	Capital reserve	Statutory reserve and other 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 2020,												
as previously reported	3,099,612	(6,385)	7,879,511	831,219	(225,182)	44,017	1,548	11,583,572	23,207,912	-	2,860,413	26,068,325
Business combination involving entities under common control	-	-	1,073,306	-	-	-	-	(7,538)	1,065,768	-	25,980	1,091,748
At 1 January 2020, as restated	3,099,612	(6,385)	8,952,817	831,219	(225,182)	44,017	1,548	11,576,034	24,273,680	-	2,886,393	27,160,073
Profit for the year	-	-	-	-	-	-	-	1,998,918	1,998,918	-	252,617	2,251,535
Other comprehensive income:												
Fair value loss on equity instrument designated at fair value through other comprehensive income	-	-	-	-	-	-	(258)	-	(258)	-	(167)	(425)
Currency translation differences	-	-	-	-	-	(306,489)	-	-	(306,489)	-	-	(306,489)
Total comprehensive income	-	-	-	-	-	(306,489)	(258)	1,998,918	1,692,171	-	252,450	1,944,621
Acquisition of Shandong Dikuang Lajin Holdings Co., Ltd. (note (a)(iv))	-	-	1,363,104	-	-	-	-	-	1,363,104	-	1,600,053	2,963,157
Appropriations	-	-	-	37,412	-	-	-	(37,412)	-	-	-	-
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	3,999,387	-	3,999,387
Bonus issue (note 37(a))	1,239,845	-	(1,239,845)	-	-	-	-	-	-	-	-	-
Dividends to shareholders of the Company (note 13)	-	-	-	-	-	-	-	(307,790)	(307,790)	-	-	(307,790)
Repurchase shares	(25,510)	-	25,510	-	-	-	-	-	-	-	-	-
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(94,663)	(94,663)
Others	-	-	-	-	-	-	3,536	-	3,536	-	2	3,538
At 31 December 2020, as restated	4,313,947	(6,385)	9,101,586	868,631	(225,182)	(262,472)	4,826	13,229,750	27,024,701	3,999,387	4,644,235	35,668,323

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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 Capital 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. Further details of the acquisition during the year ended 31 December 2021 are included in Note 2.1.2.

(b) Statutory and other reserve funds

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

(c) Transactions with non-controlling interests

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000 (Restated)
OPERATING ACTIVITIES			
Cash generated from operations	39(a)	1,846,058	5,803,294
Income tax paid		(639,790)	(695,848)
NET CASH FROM OPERATING ACTIVITIES		1,206,268	5,107,446
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(3,900,381)	(5,169,633)
Proceeds from disposal of property, plant and equipment		208,787	25,077
Payments for right-of-use assets		(121,549)	(41,867)
Payments for purchase of intangible assets		(1,157,239)	(1,861)
Placement of restricted bank deposits		(204,715)	(16,755)
Consideration paid for acquisition of combined entities under common control		(1,953,000)	–
Payments for settlement of gold futures/forward contracts		(26,624)	(108,896)
Interest received		71,645	73,714
Payments for purchase of financial assets at fair value through profit or loss		(1,164,113)	(9,618,442)
Proceeds from disposal of financial assets at fair value through profit or loss		2,152,671	8,445,456
Net cash (outflow) inflow from acquisition of subsidiaries		(1,330,570)	141,681
Dividends received from financial assets at fair value through profit or loss		66,261	12,278
Dividends received from an associate		–	24,957
Entrusted loans raised		190,978	(190,979)
Proceed from disposal of a subsidiary		644,978	–
Repayments from (advance to) related parties		207,535	(5,282)
NET CASH USED IN INVESTING ACTIVITIES		(6,315,336)	(6,430,552)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000 (Restated)
FINANCING ACTIVITIES			
Repayments of lease liabilities		(49,576)	(25,277)
New bank borrowings raised		12,008,986	20,355,450
Repayments of bank borrowings		(9,837,345)	(18,346,901)
New borrowings from related parties raised		1,665,000	2,304,440
Repayments of borrowings from related parties		(1,533,800)	(2,222,172)
New corporate bonds raised		2,548,205	1,500,000
Repayment of corporate bonds		(1,513,310)	(681,200)
Interests paid		(315,949)	(299,172)
Repayments to related parties		487,787	(227,307)
Dividends paid to shareholders of the Company		(223,427)	(409,237)
Dividends paid to former shareholders of a subsidiary		(80,000)	–
Dividends paid to non-controlling shareholders		(243,650)	(94,663)
Payments for provision for asset retirement obligations		(52,603)	(3,988)
Government grants received		18,862	30,145
Proceeds from gold leasing arrangements		9,171,511	8,816,813
Settlement of gold leasing arrangements		(8,202,667)	(13,145,643)
Payments for finance costs associated with gold leasing contracts		(104,252)	(319,936)
Payments of guarantee and arrangement fee for borrowings		(31,411)	(6,949)
Proceed from issue of perpetual bonds		2,250,000	3,999,387
NET CASH FROM FINANCING ACTIVITIES		5,962,361	1,223,790
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		853,293	(99,316)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,486,599	2,686,782
Effect of foreign exchange rate changes		(124,305)	(100,867)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3,215,587	2,486,599
Analysis of cash and cash equivalents:			
Bank balances and cash		4,525,365	3,182,468
Less: cash held on behalf of customers for futures contracts trading	29(b)	(1,309,778)	(695,869)
		3,215,587	2,486,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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

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

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

2.1 Basis of preparation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.1 Basis of preparation *(Continued)*

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

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

2.1.1 Going concern

As at 31 December 2021, the Group's recorded a net loss before tax of approximately RMB11,894,000 and current liabilities exceeded its current assets by approximately RMB20,743,788,000. 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's mines are mainly located in Shandong Province have been subject to safety inspections since early February 2021, resulting in a significant impact on production capacity, which caused a decline in the profit accordingly. The Group strengthened the guidance of strategic planning to set up a special task force and resume production and operation. From the second half of 2021, the gold production of the Group's mines has gradually increased, and the aggregated gold production from November to December 2021 exceeded the gold production of the Group in the same period of 2020. 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 RMB57,794,000,000 as at 31 December 2021 and available at least next twelve months from 31 December 2021.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 31 December 2021. 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 2021

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

2.1 Basis of preparation *(Continued)*

2.1.2 Restatement of prior year's consolidated financial statements due to business combination involving entities under common control

On 5 August 2021, various sale and purchase agreements were entered into by Shandong Gold Mining Industry (Laizhou) Co., Ltd. ("SDG Laizhou"), a subsidiary of the Company with Shandong Gold Group, in relation to (i) the acquisition of 100% equity interests in Shandong Dikuang Laijin Holdings Co., Ltd. ("Dikuang Laijin") (which directly holds 100% equity interests of Laizhou Hongsheng Mining Investment Co., Ltd. ("Hongsheng Mining")) at a cash consideration of approximately RMB4,667,014,000, (ii) the acquisition of 100% equity interests in Shandong Laizhou Ludi Gold Mine Company Limited ("Ludi Gold Mine") at a cash consideration of approximately RMB2,034,195,000 and (iii) the acquisition of 100% equity interests in Shandong Tiancheng Mining Co., Ltd. ("Tiancheng Mining") at a cash consideration of approximately RMB431,032,000. The transactions have been approved on the extraordinary general meeting convened on 24 September 2021 and have been completed during the year.

Upon the completion, the Tiancheng Mining, Ludi Gold Mine, Dikuang Laijin and Hongsheng Mining (collectively "Various Mining Companies") became subsidiaries of the Company. As Various Mining Companies and the Company are commonly controlled by the Shandong Gold Group, the acquisition of Various Mining Companies were considered as business combination involving entities under common control. Accordingly, the Company applied the principles of merger accounting to account for the acquisition of business in preparing these consolidated financial statements.

The adjustments to eliminate paid-up registered capital of the combining entities against the related investment costs have been made to capital reserve in the consolidated statement of changes in equity. The consolidated statement of profit or loss, consolidated statement of comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the prior periods have been restated to include the operating results of the Various Mining Companies as if this acquisition had been completed on 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Restatement of prior year's consolidated financial statements due to business combination involving entities under common control (Continued)

The quantitative impact on the consolidated financial statements is summarised below:

(i) *The consolidated statement of profit or loss for the year ended 31 December 2020*

	As previously reported RMB'000	Various Mining Companies RMB'000	As restated RMB'000
Revenue	63,645,351	44,163	63,689,514
Profit/(loss) for the year	2,496,302	(244,767)	2,251,535
Attributable to owners of the Company	2,231,533	(232,615)	1,998,918

(ii) *The consolidated statement of comprehensive income for the year ended 31 December 2020*

	As previously reported RMB'000	Various Mining Companies RMB'000	As restated RMB'000
Total comprehensive income (expense) for the year	2,189,388	(244,767)	1,944,621
Attributable to owners of the Company	1,924,786	(232,615)	1,692,171

(iii) *The consolidated statement of financial position as at 31 December 2020*

	As previously reported RMB'000	Various Mining Companies RMB'000	As restated RMB'000
Total non-current assets	51,284,791	5,312,790	56,597,581
Total current assets	13,176,900	331,492	13,508,392
Total non-current liabilities	7,069,368	632,419	7,701,787
Total current liabilities	25,534,138	1,201,725	26,735,863
Total equity	31,858,185	3,810,138	35,668,323
Attributable to owners of the Company	24,828,444	2,196,257	27,024,701
Perpetual bonds	3,999,387	–	3,999,387
Attributable to non-controlling interests	3,030,354	1,613,881	4,644,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Restatement of prior year's consolidated financial statements due to business combination involving entities under common control (Continued)

(iv) The consolidated statement of cash flows for the year ended 31 December 2020

	As previously reported RMB'000	Various Mining Companies RMB'000	As restated RMB'000
Cash and cash equivalents at the beginning of the year	2,674,064	12,718	2,686,782
Net cash from (used in) operating activities	5,323,182	(215,736)	5,107,446
Net cash (used in) from investing activities	(6,814,101)	383,549	(6,430,552)
Net cash from (used in) financing activities	1,254,009	(30,219)	1,223,790
Effect of foreign exchange rate changes	(100,867)	–	(100,867)
Cash and cash equivalents at the end of the year	2,336,287	150,312	2,486,599

(v) The consolidated statement of profit or loss for the year ended 31 December 2019

	As previously reported RMB'000	Various Mining Companies RMB'000	As restated RMB'000
Revenue	62,613,141	30,865	62,644,006
Profit (loss) for the year	1,412,314	(7,908)	1,404,406
Attributable to owners of the Company	1,290,503	(7,538)	1,282,965

(vi) The consolidated statement of comprehensive income for the year ended 31 December 2019

	As previously reported RMB'000	Various Mining Companies RMB'000	As restated RMB'000
Total comprehensive income (expense) for the year	1,481,907	(7,908)	1,473,999
Attributable to owners of the Company	1,360,096	(7,538)	1,352,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Restatement of prior year's consolidated financial statements due to business combination involving entities under common control (Continued)

(vii) *The consolidated statement of financial position as at 31 December 2019*

	As previously reported RMB'000	Various Mining Companies RMB'000	As restated RMB'000
Total non-current assets	48,486,913	1,821,619	50,308,532
Total current assets	10,361,813	36,725	10,398,538
Total non-current liabilities	7,874,883	177,710	8,052,593
Total current liabilities	24,905,518	588,886	25,494,404
Total equity	26,068,325	1,091,748	27,160,073
Attributable to owners of the Company	23,207,912	1,065,768	24,273,680
Attributable to non-controlling interests	2,860,413	25,980	2,886,393

2.1.3 Changes in the principal accounting policies and disclosures

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

In the current year, the Group has applied, for the first time the following amendments to standards to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2021:

Amendment to IFRS 16	Covid-19 Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.1 Basis of preparation *(Continued)*

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

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

New or amendments to standards, including IFRSs, IAS, amendments and interpretations, which are not yet effective for the financial year commencing on 1 January 2021 and have not been applied in preparing these consolidated financial statements are listed below:

IFRS 17	Insurance Contracts and related Amendments ³
Amendments to IFRS 3	Reference to Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statements 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendment to IFRSs	Annual Improvements to IFRSs 2018-2020 cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the new or amendments to standards as listed above will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.2 Subsidiaries *(Continued)*

2.2.2 Merger accounting for business combination involving entities under common control

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

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

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

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

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

2.2.3 Changes in ownership interests in subsidiaries without change of control

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

2.2.4 Separate financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.3 Associates

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

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

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

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

2.4 Joint arrangements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.4 Joint arrangements *(Continued)*

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

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

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

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

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

2.5.2 Transactions and balances in each entity's financial statements

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.5 Foreign currency translation *(Continued)*

2.5.3 Group companies

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

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

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

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

2.6 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.6 Property, plant and equipment (*Continued*)

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.7 Investment properties

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

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

2.8 Intangible assets

2.8.1 Mining and exploration rights

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

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

2.8.2 Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.8 Intangible assets *(Continued)*

2.8.3 Patent rights

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

2.8.4 Software licenses, trademarks and other licences

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

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.10 Financial assets *(Continued)*

2.10.1 Classification *(Continued)*

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

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

2.10.2 Recognition and measurement

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

Debt instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.10 Financial assets (*Continued*)

2.10.2 Recognition and measurement (*Continued*)

Equity instruments

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

2.10.3 Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.10 Financial assets *(Continued)*

2.10.3 Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.10 Financial assets *(Continued)*

2.10.3 Impairment of financial assets *(Continued)*

Definition of default

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

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

The Group considers that default has occurred when a financial asset 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.

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.

Write-off policy

The Group writes off a financial asset 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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.

2.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and on hand and short-term deposits within a maturity of three months or less.

In the consolidated statement of cash flows, cash and cash equivalents consisted of cash and cash equivalents as defined above, net of cash held on behalf of customers for futures contracts trading.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.15 Financial liabilities *(Continued)*

Financial liabilities at FVTPL *(Continued)*

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

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

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

Financial liabilities subsequently measured at amortised cost

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.19 Current and deferred income tax *(Continued)*

2.19.2 Deferred income tax

Inside basis differences

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

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

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

Outside basis differences

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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 2021, no forfeited contribution under the Defined Contribution Schemes is available to offset the future contributions or reduce the existing and future levels of contributions (2020: 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 2021

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

2.21 Provisions

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

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

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

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

2.22 Exploration and evaluation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.23 Revenue recognition

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

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

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

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

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

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

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

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

2.23.1 Sale of goods

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

2.23.2 Brokerage income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.23 Revenue recognition *(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 2021

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

2.27 Leases

Definition of a lease

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

The Group as lessee

For contracts entered into or modified on or after the date of initial application, 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 2021

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

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets

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

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

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

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

The Group as lessor

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

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

2.28 Research and development expenses

Research expenditure is recognised as an expense as incurred.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

2.29 Dividend distribution

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

2.30 Fair value measurement

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021 and 2020, 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 2021

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

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

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

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

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings with variable interest rate at the end of the reporting period. The analysis is prepared assuming those borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2020: 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.

	2021 RMB'000	2020 RMB'000 (restated)
Impact on post-tax profit of 50 basis points higher	(58,802)	(20,842)
Impact on post-tax profit of 50 basis points lower	58,802	20,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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% (2020: 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% (2020: 5%) higher/lower, post-tax profit for the year ended 31 December 2021 would increase/decrease by approximately RMB207,023,000 (2020: RMB221,727,000) as a result of the changes in fair value of financial assets at FVTPL.

(b) Credit risk

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements;
- significant increases in credit risk on other financial instruments of the same customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

The Group has concentration of credit risk as 80% (2020: 82%) of the total trade receivables was due from the Group's the five largest customers. There was no outstanding trade receivable due from the Group's largest customer as at 31 December 2021 and 2020.

The Group's concentration of credit risk by geographical locations is mainly in PRC (2020: Hong Kong Special Administrative Region ("HKSAR") of the PRC), which accounted for 74% (2020: 54%) of the total trade receivable as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Other receivables

The Group uses four categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk and significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL – not credit impaired
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime ECL – credit impaired
Write-off	Interest and/or principal repayments are 3 years past due and there is no reasonable expectation of recovery	Asset is written off

Among the other receivables as at 31 December 2021, carrying amount of approximately RMB2,872,099,000 (2020 restated: RMB3,446,930,000) was considered as "performing" by the directors of the Company since the debtors are having a low risk of default with no significant increase in credit risk since initial recognition.

For remaining receivables, the directors of the Company concluded that those receivables are categorised other than "performing" and impairment of other receivables of approximately RMB136,923,000 (2020 restated: RMB141,905,000) has been identified as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(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 2021					
Expected loss rate	0.2%	10%	20%	60%	
Gross carrying amount (RMB'000)	99,344	2,518	5,859	27,998	135,719
Impairment of trade receivables (RMB'000)	1,752	252	1,172	14,305	17,481
As at 31 December 2020 (restated)					
Expected loss rate	1.1%	10%	19.9%	61.2%	
Gross carrying amount (RMB'000)	141,578	11,036	15,855	18,686	187,155
Impairment of trade receivables (RMB'000)	1,568	1,103	3,153	11,427	17,251

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2021						
Trade and other payables	14,916,086	-	-	-	14,916,086	14,916,086
Lease liabilities	52,690	40,505	48,704	28,670	170,569	131,466
Borrowings	10,048,839	148,242	5,343,207	-	15,540,288	15,144,948
Other non-current liabilities	104,835	289,971	389,662	260,684	1,045,152	1,045,152
Financial liabilities at FVTPL	9,587,259	-	-	-	9,587,259	9,587,259
	34,709,709	478,718	5,781,573	289,354	41,259,354	40,824,911

	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 2020 (restated)						
Trade and other payables	7,596,528	-	-	-	7,596,528	7,596,528
Lease liabilities	38,489	27,243	14,912	42,539	123,183	100,082
Borrowings	9,972,437	1,715,583	-	-	11,688,020	11,404,968
Other non-current liabilities	72,383	253,584	141,769	135,606	603,342	603,342
Financial liabilities at FVTPL	8,672,590	-	-	-	8,672,590	8,672,590
	26,352,427	1,996,410	156,681	178,145	28,683,663	28,377,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

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

As at 31 December 2021 and 2020, the net debt to total capital ratio was as follows:

	2021 RMB'000	2020 RMB'000 (restated)
Borrowings	15,144,948	11,404,968
Lease liabilities	131,466	100,082
Financial liabilities at FVTPL	9,587,259	8,672,590
	24,863,673	20,177,640
Less: restricted bank deposits (note 29(a))	(482,353)	(277,638)
Less: bank balances and cash (note 29(b))	(4,525,365)	(3,182,468)
Net debt	19,855,955	16,717,534
Equity	31,960,879	35,668,323
Total capital	51,816,834	52,385,857
Gearing ratio	38%	32%

The increase in the gearing ratio as at 31 December 2021 was primarily due to the issuance of perpetual bonds (note 38) which increased the Group's equity as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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
		2021 RMB'000	2020 RMB'000	
Financial assets at FVTPL – listed equity investments	Level 1	776,345	2,314,557	Quoted bid price in an active market
Financial assets at FVTPL – listed equity investments	Level 2	4,744,258	3,598,152	Market approach – price to book ratio
Financial assets at FVTPL – investments in equity funds	Level 2	1,037,259	1,123,604	Quoted price in the fund's statements
Financial assets at FVTPL – investments in other equity funds (note)	Level 3	1,442,225	1,444,405	Combined approach – market comparison approach for unlisted shares and income approach for other assets held by equity funds
Financial asset at FVTPL – Structured deposits	Level 2	334,850	146,063	Quoted rate of return by issuing bank
		8,334,937	8,626,781	
Financial liabilities at FVTPL – gold leasing contracts and gold forward/futures contracts	Level 2	9,587,259	8,672,590	Market approach – reference to the similar contracts

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 – listed investments in equity funds categorised in Level 3 of the fair value hierarchy would decrease/increase by approximately RMB54,083,000 (2020: RMB54,165,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2020	1,703,760
Purchases	207,631
Disposals	(394,321)
Realised gain in profit or loss	248,699
Unrealised loss	(321,364)
At 31 December 2020	1,444,405
Purchases	318,530
Disposals	(292,747)
Realised gain in profit or loss	37,085
Unrealised loss	(65,048)
At 31 December 2021	1,442,225

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical judgements in applying the Company's accounting policies

(a) Going concern consideration

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

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

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

Critical accounting estimates and assumptions

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

(a) Proved and probable mineral reserves and resources

Proved and probable mineral reserves and resources are estimated based on professional knowledge, experience and industrial practice. Most of the time, the estimation basis on probing and estimation exercised by the management of the Group may not be very accurate. The estimation is updated in accordance with new technologies and new information. This forms the basis for the Life of Mine (“LOM”) plans, and any changes in estimation will have impacts on amounts of depreciation of the mining structures (note 17) and amortisation of mining rights (note 20) using the UOP method. That may result in changes of or impacts on the Group's development and operation programme, and the Group's operation and operating results.

(b) Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges prospectively where useful lives are less than previously estimated lives, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Critical accounting estimates and assumptions *(Continued)*

(c) Impairment assessment on property, plant and equipment and intangible assets

Impairment assessment on property, plant and equipment and intangible assets are performed by the management of the Group at the end of each reporting period. When there is an indication of possible impairment identified, the management of the Group assess whether there is any impairment loss. Impairment loss has been recognised if the recoverable amount, being the higher of fair value less cost of disposal or value-in-use, is lower than the carrying amount. In assessing the value-in-use, the management of the Group takes into estimation of discounted future cash flows. In estimating the future cash flows, the management of the Group takes into account the gold price, recoverable reserves, exploration potentials, production costs and operating costs. The estimates used by the management of the Group in calculating future cash flows might be subject to changes due to the inherent uncertainty and the volatility of the gold price. Where the actual cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2021, the carrying amounts of property, plant and equipment and intangible assets are approximately RMB31,597,991,000 (2020 restated: RMB29,191,157,000) and RMB20,733,033,000 (2020 restated: RMB15,477,476,000) respectively.

(d) Impairment assessment on goodwill

The management of the Group tests annually on goodwill in accordance with the accounting policy as disclosed in note 2, based on the recoverable amount. The recoverable amount of each cash-generating unit has been determined based on the higher of value-in-use calculation and fair value less cost of disposal calculation. If the recoverable amount is less than the carrying amount, impairment loss was recognised. The calculations of the recoverable amount require the use of estimates and judgement as disclosed in note 21.

As at 31 December 2021, the carrying amount of the goodwill was approximately RMB1,582,526,000 (2020 restated: RMB1,597,425,000). No impairment loss has been recognised during the years ended 31 December 2021 and 2020.

(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 2021, the carrying amounts of the financial assets and liabilities at FVTPL were approximately RMB8,334,937,000 (2020 restated: RMB8,626,781,000) and RMB9,587,259,000 (2020 restated: RMB8,672,590,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Critical accounting estimates and assumptions *(Continued)*

(f) Impairment assessment on trade and other receivables

The impairment for trade and other receivables are based on the assumptions about ECL. The Group uses judgements and estimates in making these assumptions and selecting the inputs to the provision calculation, as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment to the consolidated statement of profit or loss.

As at 31 December 2021, the carrying amount of the trade receivables was approximately RMB118,238,000 (2020 restated: RMB169,904,000), net of accumulated impairment of approximately RMB17,481,000 (2020 restated: RMB17,251,000).

As at 31 December 2021, the carrying amount of the other receivables was approximately RMB2,872,099,000 (2020 restated: RMB3,446,930,000), net of accumulated impairment of approximately RMB136,923,000 (2020 restated: RMB141,905,000).

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(h) Estimation on the provision for asset retirement obligations

Provisions are recognised for the future decommissioning and restoration of mines. The amounts of the provision recognised are the present values of the estimated future expenditures that the Group is expected to incur. The estimation of the future expenditures is based on feasibility report performed by professionals with reference to the current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of mining properties. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the mining properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	2021 RMB'000	2020 RMB'000 (restated)
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	33,501,995	63,592,415
Brokerage and other fees earned from trading of futures contracts	416,420	83,777
	33,918,415	63,676,192
Revenue from other sources		
Rental income from investment properties	14,231	13,322
	33,932,646	63,689,514

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

	2021 RMB'000	2020 RMB'000 (restated)
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	33,918,415	63,676,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE (Continued)

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

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the year ended 31 December 2021				
<i>Revenue from contracts with customers within the scope of IFRS 15</i>				
Sales of gold bullion, gold related products and others	3,180,716	23,418,436	6,902,843	33,501,995
Brokerage and other fees earned from trading of futures contracts	–	–	416,420	416,420
	3,180,716	23,418,436	7,319,263	33,918,415
<i>Revenue from other sources</i>				
Rental income from investment properties	14,231	–	–	14,231
	3,194,947	23,418,436	7,319,263	33,932,646

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the year ended 31 December 2020 (restated)				
<i>Revenue from contracts with customers within the scope of IFRS 15</i>				
Sales of gold bullion, gold related products and others	2,774,454	58,235,764	2,582,197	63,592,415
Brokerage and other fees earned from trading of futures contracts	–	–	83,777	83,777
	2,774,454	58,235,764	2,665,974	63,676,192
<i>Revenue from other sources</i>				
Rental income from investment properties	12,854	–	468	13,322
	2,787,308	58,235,764	2,666,442	63,689,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

During the year ended 31 December 2021, the Group completed the acquisition of entire equity interest in Various Mining Companies as business combination involving entities under common control. Various Mining Companies was principally engaged in gold mining. Accordingly, the comparative figures of the reportable segments have been restated for the purpose of presenting segment information.

During the year ended 31 December 2021, the Group acquired entire equity interest in Cardinal Resources Limited ("Cardinal"), Hengxing Gold Holding Company Limited ("Hengxing Gold") and Laizhou Zhangjian Investment Co, Ltd. (萊州章鑾投資有限公司) ("Laizhou Zhangjian"). Cardinal and its subsidiaries ("Cardinal Group") was principally engaged in mineral exploration in Ghana. Hengxing and its subsidiaries ("Hengxing Gold Group") was principally engaged in mining and processing of gold, sales of processed gold products in the PRC. Laizhou Zhangjian was principally engaged in gold exploration.

Financial information of the following reportable segments has been separately presented as discrete segment information for the CODM's review:

- Gold Mining – mining and sales of gold ore;
- Gold Refining – production and sales of gold; and
- Investment Management – investments in equity funds, trading of gold bullion and provision of futures contracts trading services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

For the year ended 31 December 2021

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	10,105,039	23,886,864	7,322,243	(7,381,500)	33,932,646
Less: inter-segment revenue	(6,910,092)	(468,428)	(2,980)	7,381,500	-
Revenue from external customers	3,194,947	23,418,436	7,319,263	-	33,932,646
Operating (loss)/profit	(473,209)	51,353	1,051,668	(2,532)	627,280
Finance income	89,251	2,501	31,334	(51,441)	71,645
Finance costs	(567,084)	(7,986)	(209,010)	51,441	(732,639)
Share of results of associates	21,798	-	22	-	21,820
(Loss)/profit before tax	(929,244)	45,868	874,014	(2,532)	(11,894)
Income tax expenses	(57,526)	(11,525)	(148,569)	-	(217,620)
(Loss)/profit for the year	(986,770)	34,343	725,445	(2,532)	(229,514)
Other segment information:					
Depreciation and amortisation	3,121,462	43,597	4,558	-	3,169,617
Gain on disposal of a subsidiary	-	-	(298,915)	-	(298,915)
Gain on disposals/write-off of property, plant and equipment	(142,752)	-	(29)	-	(142,781)
Government grants	(20,388)	(324)	(392)	-	(21,104)
Reversal for impairment of trade and other receivables, net	(1,600)	-	(3,152)	-	(4,752)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2020 (restated)

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	14,667,930	58,632,707	2,669,103	(12,280,226)	63,689,514
Less: inter-segment revenue	(11,880,622)	(396,943)	(2,661)	12,280,226	-
Revenue from external customers	2,787,308	58,235,764	2,666,442	-	63,689,514
Operating profit	3,203,770	85,773	284,311	327	3,574,181
Finance income	70,353	4,697	36,787	(38,123)	73,714
Finance costs	(657,625)	(4,039)	(209,286)	38,123	(832,827)
Share of results of associates	10,507	-	162	-	10,669
Profit before tax	2,627,005	86,431	111,974	327	2,825,737
Income tax expenses	(516,400)	(16,832)	(40,970)	-	(574,202)
Profit for the year	2,110,605	69,599	71,004	327	2,251,535
Other segment information:					
Depreciation and amortisation	2,250,673	42,860	18,076	-	2,311,609
Loss on disposals/write-off of property, plant and equipment	134,023	786	10	-	134,819
Government grants	(21,518)	(557)	(5,108)	-	(27,183)
(Reversal of) impairment of trade and other receivables, net	(1,120)	4,332	31,794	-	35,006

Segment assets and liabilities

As at 31 December 2021

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	68,256,093	2,570,688	12,419,370	(4,209,601)	79,036,550
Including: Investments in associates	1,949,421	-	4,207	-	1,953,628
Total liabilities	39,839,825	1,747,337	9,700,642	(4,212,133)	47,075,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2020 (restated)

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	61,028,003	2,749,074	10,141,491	(3,812,595)	70,105,973
Including:					
Investments in associates	1,927,804	–	4,004	–	1,931,808
Total liabilities	28,183,198	1,957,556	8,109,164	(3,812,268)	34,437,650

Analysis of revenue

	2021 RMB'000	2020 RMB'000 (restated)
Revenue from contracts with customers within the scope of IFRS 15		
The PRC, excluding Hong Kong Special Administrative Region (“HKSAR”) of the PRC	31,470,320	61,382,941
Outside the PRC	2,448,095	2,293,251
	33,918,415	63,676,192
Revenue from other sources		
The PRC	14,231	13,322
	33,932,646	63,689,514

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

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2021 RMB'000	2020 RMB'000 (restated)
Gold sold through the Shanghai Gold Exchange*	19,028,887	59,290,943

* Revenue from Gold Refining segment and Investment Management segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Analysis of non-current assets

	2021 RMB'000	2020 RMB'000 (restated)
The PRC, excluding HKSAR of the PRC	46,762,460	44,379,023
Outside the PRC	11,868,651	6,474,549
	58,631,111	50,853,572

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

	2021 RMB'000	2020 RMB'000 (restated)
Government grants (note)	21,104	27,183

Note: Included in other income was government grants of approximately RMB11,905,000 (2020 restated: RMB17,450,000) 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 2021 of RMB9,199,000 (2020 restated: RMB9,733,000) are set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. OTHER GAINS AND LOSSES, NET

	2021 RMB'000	2020 RMB'000 (restated)
Fair value gain on gold futures/forward contracts	132,667	84,633
Gain on disposal of a subsidiary (note 43)	298,915	–
Gain/(Loss) on disposals/write-off of property, plant and equipment	125,986	(134,819)
Net foreign exchange losses	(30,708)	(90,600)
Realised and unrealised fair value gains of financial assets at FVTPL	783,546	236,912
Dividends income from financial assets at FVTPL	66,261	12,278
Others	(29,161)	35,369
	1,347,506	143,773

9. FINANCE INCOME AND FINANCE COSTS

	2021 RMB'000	2020 RMB'000 (restated)
Finance income		
Interest income from		
– bank deposits	46,318	37,468
– deposits with an associate (note 44(a))	18,308	17,126
– entrusted loans	2,568	19,069
– gold leased to independent third parties	4,394	–
– financial assets held under resale agreements	57	51
	71,645	73,714
Finance costs		
Interest expenses from		
– bank borrowings	305,561	279,950
– borrowings from related parties (note 44(a))	21,368	37,983
– corporate bonds	38,843	75,294
– interest charge on unwinding of discounts from provision for asset retirement obligations (note 36)	114,894	43,223
– lease liabilities	15,186	5,219
Finance costs for arranging gold leasing contracts	209,368	319,936
Realised and unrealised fair value losses on gold leasing contracts	111	49,306
Guarantee and arrangement fees for borrowings	31,411	24,798
	736,742	835,709
Less: amounts capitalised on qualifying assets (note)	(4,103)	(2,882)
	732,639	832,827

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.50% (2020: 3.84%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000 (restated)
Current income tax:		
– The PRC	168,643	670,252
– Outside the PRC	222,675	245,699
Deferred income tax (note 34)	391,318 (173,698)	915,951 (341,749)
	217,620	574,202

- (a) The provision for PRC enterprise income tax (“EIT”) is calculated based on the statutory income tax rate of 25% (2020: 25%). The EIT is calculated based on the applicable income tax rate of 25% (2020: 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% (2020: 15%) based on the relevant PRC tax laws and regulations.
- (b) The estimated tax assessable profit of the Group’s overseas joint operation is calculated at the statutory income tax rate in Argentina of 35% (2020: 30%) in accordance with the Argentina income tax law.

In addition, withholding tax of approximately RMB20,066,000 (2020: RMB21,175,000) has been provided during the year ended 31 December 2021 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 2021

10. INCOME TAX EXPENSES (Continued)

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

	2021 RMB'000	2020 RMB'000 (restated)
(Loss)/profit before tax	(11,894)	2,825,737
Tax calculated at domestic income tax rate of 25% (2020: 25%)	(2,974)	706,434
Effect of different tax rates of group entities operating in other jurisdictions	39,281	40,950
Tax effect of income not taxable for tax purpose	(1,512)	(34,069)
Tax effect of expenses not deductible for tax purposes	32,750	8,718
Utilisation of tax losses previously not recognised	(49,332)	(20,403)
Tax effect of tax losses not recognised	181,797	18,951
Additional expenses allowance for tax deduction	(987)	(68,098)
Withholding tax on interest income and dividend income from the joint operation	20,066	21,175
Others (note)	(1,469)	(99,456)
Income tax expenses	217,620	574,202

Details of deferred income tax are set out in note 34.

Note: Others mainly represent the tax effect for the change of the PRC EIT rate from 25% to 15% as a result of successful application of High and Technology Enterprise by certain subsidiaries in the PRC for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. (LOSS)/PROFIT FOR THE YEAR

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

	2021 RMB'000	2020 RMB'000 (restated)
Directors' and chief executive emoluments (note 12(i))	5,859	5,599
Other staff:		
– salaries, wages, allowances and other benefits	3,099,859	2,273,074
– retirement benefit scheme contributions	507,627	208,576
	3,613,345	2,487,249
Amortisation of intangible assets	574,644	762,292
Depreciation of property, plant and equipment	1,516,635	1,466,565
Depreciation of investment properties	12,006	13,284
Depreciation of right-of-use assets	58,438	69,468
Auditors' remuneration	9,630	9,230
(Gain)/loss on disposals/write-off of property, plant and equipment	(142,781)	134,819
(Reversal of)/provision for impairment of trade and other receivables, net	(4,982)	35,006
Provision for inventories	290	140
Research and development expenses	345,606	390,492
Amount of inventories recognised as expenses	31,557,552	56,956,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

- (i) The emoluments paid or payable to each of the 9 (2020: 14) directors and the chief executive of the Company were as follows:

For the year ended 31 December 2021

	Director's fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>					
Mr. Tang Qi (湯琦)	-	144	283	97	524
Mr. Liu Qin (劉欽) (note (i) and (iii))	-	162	736	98	996
Mr. Wang Shu Hai (王樹海) (note (i) and (iii))	-	162	736	97	995
<i>Non-executive directors</i>					
Mr. Li Guohong (李國紅)	202	-	609	139	950
Mr. Wang Lijun (王立君)	162	-	488	99	749
Ms. Wang Xiaoling (汪曉玲)	162	-	486	97	745
<i>Independent non-executive directors</i>					
Mr. Wang Yun Min (王運敏) (note (i))	300	-	-	-	300
Mr. Liew Fui Kiang (劉懷鏡) (note (i))	300	-	-	-	300
Ms. Zhao Feng (趙峰) (note (i))	300	-	-	-	300
Total	1,426	468	3,338	627	5,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

- (i) The emoluments paid or payable to each of the 9 (2020: 14) directors and the chief executive of the Company were as follows: (Continued)

For the year ended 31 December 2020

	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. Li Tao (李濤) (note (ii))	–	169	367	3	539
Mr. Tang Qi (湯琦)	–	192	246	3	441
Mr. Wang Peiyue (王培月) (note (ii))	–	212	449	3	664
Mr. Liu Qin (劉欽) (note (i) and (iii))	–	204	353	3	560
Mr. Wang Shu Hai (王樹海) (note (i) and (iii))	–	205	365	3	573
<i>Non-executive directors</i>					
Mr. Li Guohong (李國紅)	265	–	597	–	862
Mr. Wang Lijun (王立君)	212	–	497	3	712
Ms. Wang Xiaoling (汪曉玲)	210	–	495	3	708
<i>Independent non-executive directors</i>					
Mr. Gao Yongtao (高永濤) (note (ii))	180	–	–	–	180
Ms. Hui Wing (許穎) (note (ii))	180	–	–	–	180
Mr. Lu Bin (盧斌) (note (ii))	180	–	–	–	180
Mr. Wang Yun Min (王運敏) (note (i))	–	–	–	–	–
Mr. Liew Fui Kiang (劉懷鏡) (note (i))	–	–	–	–	–
Ms. Zhao Feng (趙峰) (note (i))	–	–	–	–	–
Total	1,227	982	3,369	21	5,599

Notes:

- (i) Appointed on 30 December 2020
- (ii) Retired on 30 December 2020
- (iii) The emolument represents the payment to the directors (including emoluments for services as employee/director of the group entities prior to becoming the directors of the Company) by entities comprising the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

- (i) The emoluments paid or payable to each of the 9 (2020: 14) 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 is the chairman of the board of directors of the Company, Mr. Wang Peiyue was general manager of the Company. Upon Mr. Wang Peiyue retirement on 30 December 2020, Mr. Wang Shuhai has been appointed as general manager of the Company on the same date.

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 2021 and 2020.

The directors of the Company did not receive any termination benefits during the years ended 31 December 2021 and 2020.

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 2021 and 2020.

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 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(ii) The emoluments paid or payable to each of the 3 (2020: 4) supervisors of the Company were as follows:

For the year ended 31 December 2021

	Fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Supervisors</i>					
Mr. Li Xiaoping (李小平)	-	162	487	99	748
Ms. Liu Yanfen (劉延芬)	-	120	220	97	437
Mr. Luan Bo (樂波) (note (iii))	-	120	347	97	564
Total	-	402	1,054	293	1,749

For the year ended 31 December 2020

	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)	-	212	496	3	711
Mr. Liu Rujun (劉汝軍) (note (i))	-	18	15	3	36
Ms. Liu Yanfen (劉延芬)	-	168	114	3	285
Mr. Luan Bo (樂波) (note (ii))	-	139	174	3	316
Total	-	537	799	12	1,348

Notes:

- (i) Resigned on 24 February 2020
- (ii) Appointed on 24 February 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	2021 Number of individuals	2020 Number of individuals
Director	–	–
Non-directors	5	5
	5	5

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

	2021 RMB'000	2020 RMB'000
Wages, salaries, bonuses and allowances	9,841	4,686
Retirement benefit scheme contributions	482	257
	10,323	4,943

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

	2021 Number of individuals	2020 Number of individuals
Emolument bands (in Hong Kong dollars ("HK\$"))		
Less than HK\$1,000,000	–	–
HK\$1,000,000 to HK\$1,500,000	–	5
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	4	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	1	–

All of the analysis on the highest paid individuals above did not take into account the emoluments paid to the employees of the joint operation of the Company.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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For the year ended 31 December 2021

13. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Final dividend for the year ended 31 December 2019 of RMB0.1 per share	–	307,790
Final dividend for the year ended 31 December 2020 of RMB0.05 per share	223,427	–
	223,427	307,790

On 30 March 2021, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2020 of RMB0.05 per share to the shareholders of the Company, except for 4,884,143 treasury shares held by the Company (2020: 18,221,084 A shares of the Company which are not subject to any dividend, and 3,488,674 treasury shares held by the Company) with the dividend of approximately RMB244,000 (2020: RMB349,000) which has been eliminated in the consolidated financial statements. Accordingly, the dividend paid during the year ended 31 December 2021 was approximately RMB223,427,000 (2020: RMB307,790,000). The payment of dividend has been resolved by the special resolution in the shareholders' meeting of the Company on 10 June 2021.

On 24 June 2020, a special resolution was passed by the shareholders of the Company to approve the bonus issue on the basis of four bonus shares for every ten existing shares held by the shareholders of the Company as at 19 August 2020.

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

	2021 RMB'000	2020 RMB'000
Proposed final dividend after the date of the reporting period: RMB0.05 (2020: RMB0.05) per share	223,431	223,427

On 28 March 2022, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2021 of RMB0.05 per share to the shareholders of the Company. The payment of dividend will be proposed at the annual general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. (LOSS)/EARNINGS PER SHARE

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

	2021	2020 (restated)
(Loss)/profit attributable to owners of the Company (RMB'000)	(426,348)	1,998,918
Weighted average number of shares in issues (thousands of shares)	4,456,346	4,333,387
Basic (loss)/earnings per share (RMB per share)	(0.10)	0.46

On 24 June 2020, a special resolution was passed by the shareholders of the Company to approve the bonus issue on the basis of four bonus shares for every ten existing shares held by the shareholders of the Company as at 19 August 2020.

The weighted average number of shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2020 has been adjusted for the bonus issue on 19 August 2020.

As the Company did not have any dilutive instruments during the years ended 31 December 2021 and 2020, 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 2021

15. SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries of the Company at 31 December 2021 and 2020:

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
				2021		2020		
				Direct	Indirect	Direct	Indirect	
Shandong Gold Mining Industry (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司)	The PRC	Contributed	RMB430,176,364	95.31%	-	95.31%	-	Gold mining in the PRC
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	66.80%	-	66.80%	-	Gold mining in the PRC
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	74.57%	-	74.57%	-	Gold mining in the PRC
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 Gulaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司) ("Gulaizhuang")	The PRC	Contributed	RMB621,670,000	70.65%	-	70.65%	-	Gold mining in the PRC
Shandong Jinzhou Mine Group Co., Ltd. (山東金洲礦業集團有限公司) ("Shandong Jinzhou")	The PRC	Contributed	RMB80,172,426	60.78%	-	60.78%	-	Gold mining in the PRC
Shandong Gold Mining (Laixi) Co., Ltd. (山東黃金礦業(萊西)有限公司)	The PRC	Contributed	RMB214,000,000	100%	-	100%	-	Gold mining in the PRC
Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司)	The PRC	Contributed	RMB171,000,000	100%	-	100%	-	Gold mining in the PRC
Fujian Zhenghe County Yuanxin Mining Co., Ltd. (福建省政和縣源鑫礦業有限公司) ("Fujian Zhenghe")	The PRC	Contributed	RMB54,000,000	90.31%	-	90.31%	-	Gold mining in the PRC
Chifeng 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 (Hong Kong) Co., Limited	Hong Kong	Ordinary shares	RMB4,531,145,600	100%	-	100%	-	Investment holding
SDG Capital Management Co., Ltd. (山金控資本管理有限公司)	The PRC	Contributed	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%	-	-	-	Mining and processing of gold and sales of gold products in the PRC
Laizhou Zhangjian Investment Co., Ltd. (萊州章鑾投資有限公司) (note 42)	The PRC	Contributed	RMB48,000,000	-	100%	-	-	Gold exploration in the PRC
Cardinal Resources Limited (note 42)	Australia	Ordinary shares	AUD554,350,609	-	100%	-	-	Mineral exploration and development in Ghana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. SUBSIDIARIES OF THE COMPANY (Continued)

The following is a list of the principal subsidiaries of the Company at 31 December 2021 and 2020: (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
				2021		2020		
				Direct	Indirect	Direct	Indirect	
Shandong Gold Mining Technology Co., Ltd. (山東黃金礦業科技有限公司)	The PRC	Contributed	RMB100,000,000	100%	-	100%	-	Mining technology development in the PRC
Shanjin Heavy Industry Co., Ltd. (山金重工有限公司)	The PRC	Contributed	RMB300,000,000	100%	-	100%	-	Manufacturing of equipment in the PRC
Xinjiang Jinchuan Mining Co., Ltd. (新疆金川礦業有限公司)	The PRC	Contributed	RMB354,341,549	-	100%	-	-	Gold mining in the PRC
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 Dikuang Lajin Holdings Co., Ltd. (山東地礦來金控股有限公司) (note 2.1.2)	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) (note 2.1.2)	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) (note 2.1.2)	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) (note 2.1.2)	The PRC	Contributed	RMB16,180,000	-	100%	-	100%	Gold mining in the PRC
Shanghai Shengju Asset Management Co., Ltd. ("Shanghai Shengju Asset Management") (上海盛鉅資產經營管理有限公司) (note 43)	The PRC	Contributed	RMB121,000,000	-	-	-	100%	Asset management and investment management

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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	
		2021	2020
Investment holding	The PRC	1	5
Investment holding	Hong Kong	2	–
Inactive	Canada	1	1
Inactive	Ghana	4	–
Inactive	Australia	1	–
Inactive	The PRC	8	5
		17	11

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:

	2021 RMB'000	2020 RMB'000 (restated)
Shandong Jinzhou and its subsidiaries (collectively referred to as the “Shandong Jinzhou Group”)	415,348	380,377
Xihe Zhongbao	427,156	398,861
Guilaizhuang	221,967	260,194
SDG Linglong	715,490	902,983
SDG Laizhou	148,523	353,464
SDG Xinhui	521,670	583,557
Chifeng Chai Gold	163,170	120,131
Fujian Zhenghe	40,770	37,076
	2,654,094	3,036,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Current assets	208,541	193,100	56,262	33,295
Non-current assets	1,158,437	1,082,474	2,019,617	1,808,595
	1,366,978	1,275,574	2,075,879	1,841,890
Current liabilities	(214,017)	(205,143)	(406,577)	(328,712)
Non-current liabilities	(40,339)	(42,223)	(245,450)	(183,641)
	(254,356)	(247,366)	(652,027)	(512,353)
Net assets	1,112,622	1,028,208	1,423,852	1,329,537

	Guilaizhuang		SDG Linglong	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Current assets	196,283	283,031	316,777	444,247
Non-current assets	791,971	803,470	4,702,057	4,383,849
	988,254	1,086,501	5,018,834	4,828,096
Current liabilities	(205,962)	(159,744)	(2,037,661)	(1,211,350)
Non-current liabilities	(26,016)	(18,439)	(167,607)	(65,888)
	(231,978)	(178,183)	(2,205,268)	(1,277,238)
Net assets	756,276	908,318	2,813,566	3,550,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests (Continued)

Summary of statement of financial position (Continued)

	SDG Laizhou		SDG Xinhui	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Current assets	1,454,816	1,414,026	157,223	165,438
Non-current assets	19,299,121	12,277,941	2,137,180	2,110,678
	20,753,937	13,691,967	2,294,403	2,276,116
Current liabilities	(16,332,463)	(5,474,933)	(616,664)	(456,294)
Non-current liabilities	(1,312,488)	(677,950)	(106,487)	(62,170)
	(17,644,951)	(6,152,883)	(723,151)	(518,464)
Net assets	3,108,986	7,539,084	1,571,252	1,757,652

	Chifeng Chai Gold		Fujian Zhenghe	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Current assets	66,734	12,618	65,137	73,117
Non-current assets	1,088,977	892,214	449,881	375,914
	1,155,711	904,832	515,018	449,031
Current liabilities	(515,917)	(444,348)	(93,590)	(65,723)
Non-current liabilities	(23,527)	(6,767)	(688)	(688)
	(539,444)	(451,115)	(94,278)	(66,411)
Net assets	616,267	453,717	420,740	382,620

Summary of statement of comprehensive income

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	404,347	553,834	376,533	312,368
Profit before tax	123,182	166,419	108,494	6,460
Income tax (expenses) credit	(19,362)	(24,033)	(13,719)	125,844
Profit and total comprehensive income for the year	103,820	142,386	94,775	132,304
Total comprehensive income allocated to non-controlling interests	40,798	55,484	28,433	39,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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)

	Guilaizhuang		SDG Linglong	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	100,637	275,116	376,394	1,518,216
(Loss) profit before tax	(126,935)	(37,982)	(482,836)	467,686
Income tax credit (expenses)	(3,311)	7,129	1,235	(111,685)
(Loss) profit and total comprehensive (expense) income for the year	(130,246)	(30,853)	(481,601)	356,001
Total comprehensive (expense) income allocated to non-controlling interests	(38,227)	(9,055)	(122,471)	90,531
Dividends paid to non-controlling interests	–	–	65,000	65,000

	SDG Laizhou		SDG Xinhui	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,825,039	5,656,001	568,744	541,642
(Loss) profit before tax	(744,573)	1,820,598	161,644	(45,324)
Income tax credit (expenses)	146,966	(437,606)	(19,720)	(11,355)
(Loss) profit and total comprehensive (expense) income for the year	(597,607)	1,382,992	141,924	(56,679)
Total comprehensive (expense) income allocated to non-controlling interest	(28,038)	64,866	47,120	(18,818)
Dividends paid to non-controlling interests	29,811	1,047	58,000	1,128

	Chifeng Chai Gold		Fujian Zhenghe	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	584,996	550,412	161,448	166,321
Profit (loss) before tax	264,732	246,011	45,271	(130,908)
Income tax credit (expenses)	(36,182)	(32,349)	(7,155)	20,974
Profit (loss) and total comprehensive income (expense) for the year	228,550	213,662	38,116	(109,934)
Total comprehensive income (expense) allocated to non-controlling interest	60,513	56,572	3,693	(10,653)
Dividends paid to non-controlling interests	17,475	27,161	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	632,002	228,279	221,693	154,091
Net cash used in investing activities	(548,840)	(133,040)	(210,512)	(78,334)
Net cash used in financing activities	(774)	(41,476)	(3,844)	(76,948)
Net increase (decrease) in cash and cash equivalents	82,388	53,763	7,337	(1,191)
Cash and cash equivalents at the beginning of the year	68,112	14,349	9,034	10,225
Cash and cash equivalents at the end of the year	150,500	68,112	16,371	9,034

	Guilaizhuang		SDG Linglong	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash (used in) generated from operating activities	(54,770)	81,947	(453,091)	1,234,982
Net cash used in investing activities	(26,456)	(65,147)	(225,206)	(744,538)
Net cash from (used in) financing activities	24,613	–	662,519	(406,660)
Net (decrease) increase in cash and cash equivalents	(56,613)	16,800	(15,778)	83,784
Cash and cash equivalents at the beginning of the year	79,509	62,709	113,972	30,188
Cash and cash equivalents at the end of the year	22,896	79,509	98,194	113,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. SUBSIDIARIES OF THE COMPANY (Continued)

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests (Continued)

Summary of statement of cash flows (Continued)

	SDG Laizhou		SDG Xinhui	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	6,641,872	827,846	179,275	176,720
Net cash (used in) from investing activities	(5,785,850)	(848,787)	8,302	(158,153)
Net cash (used in) from financing activities	(472,493)	(23,809)	(98,159)	(23,226)
Net increase (decrease) in cash and cash equivalents	383,529	(44,750)	89,418	(4,659)
Cash and cash equivalents at the beginning of the year	116,787	161,537	38,169	42,828
Cash and cash equivalents at the end of the year	500,316	116,787	127,587	38,169

	Chifeng Chai Gold		Fujian Zhenghe	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	219,393	208,915	48,952	59,870
Net cash used in investing activities	(215,108)	(125,162)	(67,993)	(60,767)
Net cash used in financing activities	(292)	(83,795)	-	(4)
Net increase (decrease) in cash and cash equivalents	3,993	(42)	(19,041)	(901)
Cash and cash equivalents at the beginning of the year	1,785	1,826	20,016	20,340
Cash and cash equivalents at the end of the year	5,778	1,784	975	19,439

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

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For the year ended 31 December 2021

16. JOINT OPERATION

As at 31 December 2021 and 2020, 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
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Minera Andina del Sol SRL. ("MAS")	Argentina	Shares	50%	-	50%	-	Gold Mining in Argentina

The Group and Barrick Gold Corporation ("Barrick Gold") jointly operate the Veladero Mine held by MAS as joint operators. Both the Group and Barrick Gold have the right to the assets and obligations for the liabilities of MAS and are eligible to the products produced by the Veladero Mine and recognise expenses as incurred by MAS in the proportion of 50% each. Accordingly, the Group has accounted for its investment in MAS as a joint operation and consolidated its proportionate share of the assets and liabilities, as well as its share of the revenue and expenses of MAS.

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 2020 (restated)					
Cost	7,775,941	18,519,910	7,883,830	3,986,408	38,166,089
Accumulated depreciation	(2,910,073)	(4,438,395)	(4,370,125)	-	(11,718,593)
Accumulated impairment	(22,159)	(57,157)	(8,505)	-	(87,821)
Currency translation differences	35,894	122,715	37,555	9,598	205,762
Net book amount	4,879,603	14,147,073	3,542,755	3,996,006	26,565,437
Year ended 31 December 2020 (restated)					
Opening net book amount	4,879,603	14,147,073	3,542,755	3,996,006	26,565,437
Additions	2,289	716	367,195	4,251,590	4,621,790
Acquisition of Dikuang Lajjin	-	-	245	3,683	3,928
Transfers upon completion of construction	1,177,282	1,390,591	647,492	(3,215,365)	-
Disposals/write-off	(5,864)	(82,229)	(72,921)	-	(161,014)
Depreciation charges	(401,998)	(632,883)	(431,684)	-	(1,466,565)
Currency translation differences	(48,224)	(235,123)	(74,333)	(14,739)	(372,419)
Closing net book amount	5,603,088	14,588,145	3,978,749	5,021,175	29,191,157
As at 31 December 2020 (restated)					
Cost	8,937,251	19,820,930	8,807,297	5,026,316	42,591,794
Accumulated depreciation	(3,299,674)	(5,065,019)	(4,783,265)	-	(13,147,958)
Accumulated impairment	(22,159)	(55,358)	(8,505)	-	(86,022)
Currency translation differences	(12,330)	(112,408)	(36,778)	(5,141)	(166,657)
Net book amount	5,603,088	14,588,145	3,978,749	5,021,175	29,191,157

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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 2021					
Cost	8,937,251	19,820,930	8,807,297	5,026,316	42,591,794
Accumulated depreciation	(3,299,674)	(5,065,019)	(4,783,265)	–	(13,147,958)
Accumulated impairment	(22,159)	(55,358)	(8,505)	–	(86,022)
Currency translation differences	(12,330)	(112,408)	(36,778)	(5,141)	(166,657)
Net book amount	5,603,088	14,588,145	3,978,749	5,021,175	29,191,157
Year ended 31 December 2021					
Opening net book amount	5,603,088	14,588,145	3,978,749	5,021,175	29,191,157
Additions	856,360	418,520	748,072	2,729,020	4,751,972
Transfers upon completion of construction	428,957	1,878,071	783,834	(3,090,862)	–
Transfers to investment properties	–	–	–	167	167
Acquired on acquisition of subsidiaries (note 42)	88,895	–	352,088	1,624	442,607
Disposal of a subsidiary (note 43)	–	–	(363,257)	–	(363,257)
Disposals/write-off	(476,859)	–	(42,169)	–	(519,028)
Depreciation charges	(403,722)	(654,861)	(458,052)	–	(1,516,635)
Currency translation differences	(20,602)	(258,635)	(93,883)	(15,872)	(388,992)
Closing net book amount	6,076,117	15,971,240	4,905,382	4,645,252	31,597,991
As at 31 December 2021					
Cost	8,654,781	22,117,521	10,020,515	4,666,265	39,159,082
Accumulated depreciation	(2,523,572)	(5,719,880)	(4,975,882)	–	(6,919,334)
Accumulated impairment	(22,160)	(55,358)	(8,590)	–	(86,108)
Currency translation differences	(32,932)	(371,043)	(130,661)	(21,013)	(555,649)
Net book amount	6,076,117	15,971,240	4,905,382	4,645,252	31,597,991

Notes:

- (a) The disposals/write-off of the property, plant and equipment for the year ended 31 December 2021 included an amount of approximately RMB86,698,000 (2020: RMB131,575,000) 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:

	2021 RMB'000	2020 RMB'000
Net book value	368,894	638,617

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18. INVESTMENT PROPERTIES

	RMB'000
As at 1 January 2020 (restated)	
Cost	376,911
Accumulated depreciation	(112,635)
Net book amount	264,276
Year ended 31 December 2020 (restated)	
Opening net book amount	264,276
Depreciation	(13,284)
Closing net book amount	250,992
As at 31 December 2020 (restated)	
Cost	376,911
Accumulated depreciation	(125,919)
Net book amount	250,992
Year ended 31 December 2021	
Opening net book amount	250,992
Transfer from construction in progress	167
Disposals	(33,553)
Disposals of a subsidiary (note 43)	(20,259)
Depreciation	(12,006)
Closing net book amount	185,341
As at 31 December 2021	
Cost	289,933
Accumulated depreciation	(104,592)
Net book amount	185,341

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For the year ended 31 December 2021

18. INVESTMENT PROPERTIES (Continued)

The fair value valuation of the Group's investment properties was performed by Beijing Zhongzhicheng Assets Appraisal Co., Ltd. (北京中致成國際資產評估有限責任公司) ("Beijing Zhongzhicheng") and Shandong Zhongxin Assets Appraisal Co., Ltd. (山東中新資產評估有限公司) ("Shandong Zhongxin") independent professional valuers not connected to the Group, (2020: Beijing Zhongfeng Assets Appraisal Co., Ltd. (北京中鋒資產評估有限責任公司) ("Beijing Zhongfeng"), an independent valuer not connected to the Group) to determine the fair value of the investment properties at the end of the reporting period. When determining the fair value of the investment properties, market comparison approach, which is by reference to the recent market prices for similar properties in the similar locations and conditions, has been used. The fair value hierarchy has been grouped into fair value hierarchy Level 3. The details of fair value of the investment properties are as below:

	2021 RMB'000	2020 RMB'000 (restated)
Fair value of investment properties	284,482	390,184

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

	2021 RMB'000	2020 RMB'000 (restated)
Rental income	14,231	12,378
Less: direct operating expenses from investment properties that generated rental income	(452)	(317)
	13,779	12,061

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For the year ended 31 December 2021

19. LEASES

(a) Right-of-use assets

	2021 RMB'000	2020 RMB'000 (restated)
– leasehold land	581,363	493,405
– buildings	159,309	116,277
– machinery and others	2,998	5,103
	743,670	614,785

Right-of-use assets of approximately RMB581,363,000 (2020 restated: RMB493,405,000) 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 (2020: 2 to 26 years).

Additions to right-of-use assets of approximately RMB187,323,000 (2020 restated: RMB72,632,000) and lease liabilities of approximately RMB65,774,000 (2020 restated: RMB17,376,000) represented the new leases entered by the Group during the year ended 31 December 2021.

(b) Lease liabilities

	2021 RMB'000	2020 RMB'000 (restated)
Analysed as:		
– non-current	90,781	63,427
– current	40,685	36,655
	131,466	100,082

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For the year ended 31 December 2021

19. LEASES (Continued)

(b) Lease liabilities (Continued)

Amounts payable under lease liabilities:

	2021 RMB'000	2020 RMB'000 (restated)
Within one year	40,685	36,655
After one year but within two years	29,265	21,615
After two years but within five years	38,566	14,249
Over five years	22,950	27,563
	131,466	100,082
Less: amounts due for settlement within 12 months (shown under current liabilities)	(40,685)	(36,655)
Amounts due for settlement after 12 months	90,781	63,427

(c) Amounts recognised in profit or loss

	2021 RMB'000	2020 RMB'000 (restated)
Depreciation expenses on right-of-use assets:		
– leasehold land	37,048	35,261
– buildings	15,664	14,555
– machinery and others	5,726	19,652
	58,438	69,468
Interest expense on lease liabilities	15,186	5,219
Expense relating to short-term leases	13,904	5,930

(d) Others

During the year ended 31 December 2021, the total cash outflows for leases amounted to approximately RMB87,528,000 (2020: RMB80,617,000).

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For the year ended 31 December 2021

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 2020 (restated)					
Cost	18,634,140	59,236	71,613	26,854	18,791,843
Accumulated amortisation	(5,060,094)	(17,905)	(45,583)	(1,511)	(5,125,093)
Impairment provision	(59,272)	–	–	–	(59,272)
Net book amount	13,514,774	41,331	26,030	25,343	13,607,478
Year ended 31 December 2020 (restated)					
Opening net book amount	13,514,774	41,331	26,030	25,343	13,607,478
Additions	2,714,526	8,472	24,421	8,510	2,755,929
Impairment	(153,639)	–	–	–	(153,639)
Amortisation charges	(740,326)	(13,736)	(7,135)	(1,095)	(762,292)
Closing net book amount	15,335,335	36,067	43,316	32,758	15,447,476
As at 31 December 2020 (restated)					
Cost	21,348,666	67,708	96,034	35,364	21,547,772
Accumulated amortisation	(5,800,420)	(31,641)	(52,718)	(2,606)	(5,887,385)
Impairment provision	(212,911)	–	–	–	(212,911)
Net book amount	15,335,335	36,067	43,316	32,758	15,447,476
Year ended 31 December 2021					
Opening net book amount	15,335,335	36,067	43,316	32,758	15,447,476
Additions	1,096,449	139	25,706	449	1,122,743
Acquired on acquisition of subsidiaries (note 42)	4,732,788	2,607	2,063	–	4,737,458
Amortisation charges	(554,945)	(5,717)	(12,500)	(1,482)	(574,644)
Closing net book amount	20,609,627	33,096	58,585	31,725	20,733,033
As at 31 December 2021					
Cost	27,177,903	70,454	123,803	35,813	27,407,973
Accumulated amortisation	(6,355,365)	(37,358)	(65,218)	(4,088)	(6,462,029)
Impairment provision	(212,911)	–	–	–	(212,911)
Net book amount	20,609,627	33,096	58,585	31,725	20,733,033

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20. INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2020, the directors of the Company conducted a review of the property, plant and equipment and intangible assets held by Fujian Zhenghe and determined that a number of assets were impaired, due to the under-performance of the gold mining activities. Accordingly, impairment loss of approximately RMB153,639,000 have been recognised in respect of the mining and exploration rights of Fujian Zhenghe with carrying amount of approximately RMB61,538,000, which are used in the gold mining segment. The discount rate in measuring the amount of value-in-use calculation was 8.6%.

21. GOODWILL

	2021 RMB'000	2020 RMB'000 (restated)
AT COST AND CARRYING AMOUNT		
Goodwill on business combinations in the PRC (note (a))	600,949	592,878
Goodwill on acquisition of the joint operation (note (b))	1,042,959	1,042,959
Currency translation differences	(61,382)	(38,412)
	1,582,526	1,597,425

(a) Goodwill on business combinations in the PRC

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

	2021 RMB'000	2020 RMB'000 (restated)
Gold Mining – Chifeng Chai Gold	65,340	65,340
Gold Mining – Guilaizhuang	55,354	55,354
Gold Mining – Dikuang Lajjin	339,427	339,427
Gold Mining – Hengxing	87,252	–
Investment Management – Shanjin Futures	53,576	132,757
	600,949	592,878

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For the year ended 31 December 2021

21. GOODWILL (Continued)

(a) Goodwill on business combinations in the PRC (Continued)

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 Lajin by Shangdong Gold Group in 2020 and taken upon by the Group through a business combination involving entities under common control as stated in note 2.1.2; and (v) goodwill from acquisition of Hengxing in January 2021 of approximately RMB87,252,000.

During the year ended 31 December 2021, 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 (2020: nil).

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 2021, the management of the Group has engaged Beijing Zhongzhicheng (2020: Beijing Zhongfeng), 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 9.58% (2020: 10.31%) with growth rate of gold price at 3% (2020: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. GOODWILL (Continued)

(a) Goodwill on business combinations in the PRC (Continued)

(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 2021, the management of the Group has engaged Beijing Zhongzhicheng (2020: Beijing Zhongfeng), 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 9.3% (2020: 10.3%) with growth rate of gold price at 3% (2020: 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.

(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 2021, the management of the Group has engaged Beijing Zhongzhicheng (2020: Beijing Zhongfeng), an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering 5-year period, and a pre-tax discount rate of 11.77% (2020: 11.81%) with growth rate of 2.46% (2020: 2.15%). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. GOODWILL (Continued)

(a) Goodwill on business combinations in the PRC (Continued)

(iv) Goodwill taken up upon the acquisition of Dikuang Laijin in Gold Mining segment (Continued)

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 2021, the management of the Group has engaged 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 10.3% with growth rate of gold price at 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.

(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 2021, the management of the Group has engaged Beijing Zhongzhicheng, an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering the life of mine, and a pre-tax discount rate of 8.69% with growth rate of gold price at 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.

(b) Goodwill on acquisition of the joint operation

The goodwill of US\$153,956,000, equivalent to approximately RMB1,042,959,000, was resulted from the acquisition of 50% equity interest in MAS on 30 June 2017 (note 16). MAS are principally engaged in the gold mining in Argentina. The goodwill was allocated to the Veladero Mine owned by MAS.

The management of the Group has engaged an independent valuer, Ernst & Young LLP (“E&Y LLP”), in performing the impairment assessment on the aforesaid goodwill and concluded that no impairment charge has to be recognised. The recoverable amount has been determined based on the fair value less costs of disposal (“FVLCD”) of the Veladero Mine. The key assumptions and estimates used in determining the FVLCD are gold price per ounce, pre-tax discount rate, net asset value multiples for gold assets, operating costs, exchange rates, capital expenditures, the life of mine (“LOM”) production profile and continued license to operate. In addition, assumptions are related to observable market evaluation metrics, including identification of comparable entities, and associated market values per ounce and per pound of reserves and/or resource as well as the valuation of resources beyond what is included in LOM plans.

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21. GOODWILL (Continued)

(b) Goodwill on acquisition of the joint operation (Continued)

The key assumptions as adopted by the management of the Group and E&Y LLP in determining the FVLCD of the Veladero Mine were as follows:

Key assumptions	Approach to determining key assumption
Gold price per ounce	Estimates based on observable market or publicly available data.
Pre-tax discount rate (%)	Reflected specific risks relating to the Veladero Mine and the country in which it operates.
Net asset value ("NAV") multiples for gold assets (range)	Based on the NAV multiples observed in the market transactions in recent years, adjusted for factors applicable to the Veladero Mine.
LOM years	Based on life of mine plans prepared by management of the Veladero Mine.

The impairment assessment as conducted by the management of the Group and E&Y LLP reveals that the recoverable amount of the goodwill is estimated to be above its carrying amount by approximately US\$210,000,000, equivalent to approximately RMB1,335,831,000 (2020: US\$244,000,000, equivalent to approximately RMB1,586,766,000) as at 31 December 2021.

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

	2021	2020
Gold price per ounce	US\$1,750	US\$1,900
Post-tax discount rate (%)	7.75%	7.00%
Net asset value multiples for gold assets	1.15	1.20
LOM years	13	14

The management of the Group considered that the above valuation as at 31 December 2021 and 2020 was grouped into the fair value hierarchy level 3.

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22. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000 (restated)
At the beginning of the year	1,931,808	1,042,259
Become an associate due to business combination involving entities under common control (note)	–	903,837
Share of results of associates	21,820	10,669
Less: dividend received	–	(24,957)
At the end of the year	1,953,628	1,931,808

Note:

Laizhou Mining Investment Co., Ltd. (萊州滙金礦業投資有限公司) ("Huijia Mining") was an associate company of Hongsheng Mining. Hongsheng Mining was a subsidiary of Dikuang Laijin. Dikuang Laijin was acquired by Shandong Gold Group on 22 December 2020 and Laizhou Mining become an associate company of the Group due to business combination involving entities under common control.

Details of the associates of the Group as at 31 December 2021 and 2020 are set out below:

Name of associates	Place of incorporation/ establishment	Class of shares held	Effective equity interest of the Company				Principal activities
			2021		2020		
			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
Huijia Mining	The PRC	Contributed	–	39%	–	39%	Provision for Gold mining in the PRC

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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

	2021 RMB'000	2020 RMB'000
Non-current assets	555,090	1,631,926
Current assets	7,985,958	5,442,215
Current liabilities	(5,053,516)	(3,660,919)
Net assets	3,487,532	3,413,222

Summary of statement of comprehensive income

	2021 RMB'000	2020 RMB'000
Revenue	260,266	262,351
Profit for the year and total comprehensive income for the year	74,312	35,023
Dividend paid	–	(83,190)

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

	2021 RMB'000	2020 RMB'000
Net assets of SDG Group Finance	3,487,532	3,413,222
Proportion of the Group's ownership in SDG Group Finance	30%	30%
Carrying amount of the Group's investment in SDG Group Finance	1,046,260	1,023,967

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22. INVESTMENTS IN ASSOCIATES (Continued)

Summary of statement of comprehensive income (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	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Group's share of result and other comprehensive income/(expenses) for the year	22	162	(496)	–
Carrying amount of the Group's interest	4,027	4,004	903,341	903,837

23. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost	Financial assets at FVTOCI	Financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021				
Financial assets at FVTOCI	–	7,900	–	7,900
Financial assets at FVTPL	–	–	8,334,937	8,334,937
Trade and other receivables, excluding non-financial assets	2,999,517	–	–	2,999,517
Restricted bank deposits	482,353	–	–	482,353
Bank balances and cash	4,525,365	–	–	4,525,365
Total	8,007,235	7,900	8,334,937	16,350,072

	Financial liabilities at FVTPL	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2021			
Trade and other payables, excluding non-financial liabilities	–	14,916,086	14,916,086
Borrowings	–	15,144,948	15,144,948
Financial liabilities designated at FVTPL	9,587,259	–	9,587,259
Other non-current liabilities	–	1,045,152	1,045,152
Total	9,587,259	31,106,186	40,693,445

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23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial assets at amortised cost RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
As at 31 December 2020 (restated)				
Financial assets at FVTOCI	–	2,600	–	2,600
Financial assets at FVTPL	–	–	8,626,781	8,626,781
Trade and other receivables, excluding non-financial assets	3,627,333	–	–	3,627,333
Restricted bank deposits	277,638	–	–	277,638
Bank balances and cash	3,182,468	–	–	3,182,468
Total	7,087,439	2,600	8,626,781	15,716,820

	Financial liabilities at FVTPL RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
As at 31 December 2020 (restated)			
Trade and other payables, excluding non-financial liabilities	–	7,596,528	7,596,528
Borrowings	–	11,404,968	11,404,968
Financial liabilities designated at FVTPL	8,672,590	–	8,672,590
Other non-current liabilities	–	603,342	603,342
Total	8,672,590	19,604,838	28,277,428

24. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI include the following:

	2021 RMB'000	2020 RMB'000 (restated)
Unlisted equity securities, classified under non-current assets	7,900	2,600

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 2021 and 2020 are not material to the consolidated financial statements.

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25. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include the following:

	2021 RMB'000	2020 RMB'000 (restated)
Financial assets at FVTPL include the following:		
– listed equity investments	5,520,603	5,912,709
– investments in equity funds	2,479,484	2,568,009
– structured deposits	334,850	146,063
	8,334,937	8,626,781

	2021 RMB'000	2020 RMB'000 (restated)
Analysed as:		
– listed	4,970,070	5,912,709
– unlisted	3,364,867	2,714,072
	8,334,937	8,626,781

	2021 RMB'000	2020 RMB'000 (restated)
Analysed for reporting purpose as:		
– current assets	2,681,620	3,058,213
– non-current assets	5,653,317	5,568,568
	8,334,937	8,626,781

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 2021

26. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	1,653,950	3,090,326
Work in progress	1,954,364	134,750
Finished goods	553,708	525,758
Others	62,045	27,407
	4,224,067	3,778,241
Less: non-current portion (note (a))	(1,240,310)	(1,227,314)
	2,983,757	2,550,927

(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:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	607	467
Provision	290	140
Write-off	(484)	–
At the end of the year	413	607

27. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000 (restated)
Prepayments for:		
– construction in progress and equipment	336,398	236,087
– mining and exploration rights	56,000	56,000
– land use rights	19,548	117,906
Value-added tax recoverable	149,029	133,104
Others	33,637	49,518
Total	594,612	592,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000 (restated)
Trade receivables (note (a))		
– related parties (note 44(d))	73,606	51,670
– third parties	62,113	135,485
	135,719	187,155
Less: impairment of trade receivables	(17,481)	(17,251)
Trade receivables, net	118,238	169,904
Notes receivables (note (f))	9,180	10,499
Value-added tax recoverable	119,498	388,243
Prepayments		
– related parties (notes (c) and 44(d))	668	3,031
– third parties	459,720	387,322
	460,388	390,353
Other receivables		
– amounts due from related parties (notes (d) and 44(d))	378,036	170,501
– deposits	21,149	5,924
– payments on behalf of third parties	32,084	46,446
– gold leasing receivables	35,071	240,868
– deposits with exchanges and non-bank financial institutions (note (g))	1,844,344	2,805,364
– entrusted loans receivables	–	190,978
– consideration receivables	212,305	–
– others	486,033	128,754
	3,009,022	3,588,835
Less: impairment of other receivables	(136,923)	(141,905)
Other receivables, net	2,872,099	3,446,930
	3,579,403	4,405,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	2021 RMB'000	2020 RMB'000 (restated)
Within 1 year	99,344	141,578
1-2 years	2,518	11,036
2-3 years	5,859	15,855
Over 3 years	27,998	18,686
	135,719	187,155
Less: impairment of trade receivables	(17,481)	(17,251)
	118,238	169,904

As at 31 December 2021, the gross amount of trade receivable arising from contracts with customers amount to approximately RMB135,719,000 (2020: RMB187,155,000).

- (b) Details of the ECL model on the impairment of trade receivables are set out in note 3.1(b)(ii).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

- (c) Prepayments to related parties comprise mainly prepayments for raw materials, gold and services (note 44(d)).
- (d) Amounts due from related parties mainly represented payments on behalf of related parties and these amounts are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES (Continued)

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

	2021 RMB'000	2020 RMB'000 (restated)
At the beginning of the year	17,251	16,888
Provision	230	363
At the end of the year	17,481	17,251

Movement of the impairment of other receivables is as follows:

	2021 RMB'000	2020 RMB'000 (restated)
At the beginning of the year	141,905	105,899
(Reversal)/provision	(4,982)	36,006
At the end of the year	136,923	141,905

Details of the ECL model on the impairment of other receivables based on the provision matrix are set out in note 3.1(b)(i).

There are no collaterals for trade and other receivables.

The Group writes off other receivable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. PREPAYMENT, TRADE AND OTHER RECEIVABLES (Continued)

- (f) The note receivables amounting to approximately RMB9,180,000 (2020: RMB10,499,000) are aged within one year. The note 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.
- (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:

	2021 RMB'000	2020 RMB'000
Deposits with futures and commodity exchanges in the PRC Shanghai International Energy Exchange Co., Ltd. (上海國際能源交易中心股份有限公司)	1,707,848	1,060,970
Deposit for general offer to acquire Cardinal Resources Limited (note)	136,496	172,481
	–	1,571,913
At the end of the year	1,844,344	2,805,364

Note: During the year ended 31 December 2020, the Group proposed an off-market conditional takeover offer to shareholders holding all shares in issue of Cardinal Resources Limited at a price of AUD0.6 per share by way of off-market takeover offer, and subscribed for 26 million ordinary shares newly issued by Cardinal Resources Limited at a price of AUD0.46 per share, with a total subscription price of AUD12 million). As at 31 December 2020, the amount of approximately RMB1,571,913,000 were made for an off-market conditional takeover deposit with a non-bank financial institution. The transaction has been completed during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Restricted bank deposits

	2021 RMB'000	2020 RMB'000 (Restated)
Restricted bank deposits – current	482,353	277,638

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

	2021 RMB'000	2020 RMB'000 (Restated)
Security deposits for issuance of notes payable	238,604	95,762
Security deposits for environmental restoration and governance	233,633	178,084
Security deposits for gold trading accounts	10,116	3,792
	482,353	277,638

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

(b) Bank balances and cash

	2021 RMB'000	2020 RMB'000 (restated)
Cash on hand	342	487
Short-term deposits of original maturity within 3 months in the banks and other financial institutions	1,320,937	1,367,665
Short-term deposits in the associate, SDG Group Finance (note 44(d))	1,894,308	1,118,447
Cash held on behalf of customers for futures contracts trading (note)	1,309,778	695,869
	4,525,365	3,182,468

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

30. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000 (restated)
Trade payables (note (a))		
– third parties	1,186,979	724,712
– related parties (note 44(d))	94,389	190,960
	1,281,368	915,672
Notes payable (note (b))		
– third parties	1,713,260	797,895
– related parties (note 44(d))	49,783	33,359
	1,763,043	831,254
Contract liabilities (note (c))	145,531	121,264
Payable for purchases of property, plant and equipment and mining rights	1,247,068	1,184,196
Deposits received from contractors	603,111	583,225
Purchase consideration payable	467,551	141,300
Other taxes payable	187,761	124,771
Dividends payable (note 44(d))	22,506	22,506
Dividends payable to former shareholder of a subsidiary	217,900	297,900
Amounts due to related parties (notes (d) and 44(d))	5,525,828	834,374
Salaries and staff welfare payable	371,491	414,706
Interest payable	–	186,594
Payable to brokerage clients (note (e))	3,154,122	1,929,320
Others	262,098	255,481
	15,249,378	7,842,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	2021 RMB'000	2020 RMB'000 (restated)
Less than 1 year	1,249,667	867,044
1-2 years	18,584	33,857
2-3 years	4,462	13,089
Over 3 years	8,655	1,682
	1,281,368	915,672

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

	2021 RMB'000	2020 RMB'000 (restated)
Less than 1 year	1,763,043	831,254

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

	2021 RMB'000	2020 RMB'000
Restricted bank deposits secured to banks for issuance of notes (note 29(a))	238,604	95,762
Notes payable being secured	785,421	22,224

(c) Contract liabilities include advances received for the sales of gold and related products. The increase in contract liabilities was due to the increase in sales transactions and more deposits are received in 2021. 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 2021 that was included in the contract liabilities at the beginning of the year was approximately RMB33,932,000 (2020: RMB63,690,000). 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 2021

31. BORROWINGS

	2021 RMB'000	2020 RMB'000
Non-current:		
Long-term bank borrowings		
– secured (note (a)(iii))	4,306,636	–
– unsecured (note (a)(i))	1,033,000	677,500
Corporate bonds (note (b))	–	999,598
	5,339,636	1,677,098
Current:		
Short-term bank borrowings		
– secured (note (a)(iii))	1,117,263	–
– unsecured (note (a)(i))	4,563,246	7,768,760
Borrowings from SDG Group Finance (note 44(c))		
– unsecured (note (a)(ii))	577,000	445,800
Corporate bonds (note (b))	3,547,803	1,513,310
	9,805,312	9,727,870
	15,144,948	11,404,968

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

	2021 RMB'000	2020 RMB'000
Within one year	9,805,312	9,727,870
After one year but within two years	52,000	1,677,098
After two years but within five years	5,287,636	–
	15,144,948	11,404,968
Amount shown under current liabilities	9,805,312	9,727,870
Amount shown under non-current liabilities	5,339,636	1,677,098
	15,144,948	11,404,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. BORROWINGS (Continued)

(a) Borrowings

- (i) The unsecured bank borrowings carry interests at fixed market rates of 3.4% to 4.28% per annum or floating interest rates of People's Bank of China's Benchmark Lending Rate minus by 0.05% to 0.37% per annum or floating interest rate of LIBOR plus 0.9% to 1.25% and are repayable in installments over a period of one year (2020: bank borrowings carried interests at fixed market rates of 1.03% to 4.35% per annum or floating interest rates of People's Bank of China's Benchmark Lending Rate multiplied by 10% per annum).

The long-term bank borrowings of approximately RMB4,306,636,000 (2020: RMB677,500,000) and RMB1,033,000,000 carry floating interest rate of LIBOR plus 0.9% to 1.25% (2020: fixed interest rate ranged from 3.9% to 4.75%) per annum and floating interest rates of People's Bank of China's Benchmark Lending Rate minus by 0.05% to 0.07% (2020: Nil) per annum respectively.

- (ii) As at 31 December 2021, unsecured borrowings from SDG Group Finance carried fixed interest rate ranging from 3.4% to 4.28% (2020: 3.3% to 4.35%) per annum.
- (iii) The secured bank borrowings of approximately RMB637,570,000 (2020: Nil) and carry interests at floating interest rate of LIBOR plus 1.1% and are repayable in installments over a period of three year (2020: Nil).

The secured bank borrowings were pledged by:

- Account pledge in respect of the debt service reserve account, the dividend account and the collection account of Shandong Gold Mining (Hong Kong) Co., Ltd.;
- Assignment of a shareholder loan owed by Minera Argentina Gold S.R.L.;
- Pledge of shares of Argentina Gold (Bermuda) II Ltd.;
- Pledge of shares of MAS.

(b) Corporate bonds

	2021 RMB'000	2020 RMB'000
Corporate bonds payable	3,547,838	2,513,310
Less: unamortised commission charge	(35)	(402)
	3,547,803	2,512,908
Less: current portion	(3,547,803)	(1,513,310)
Non-current portion	–	999,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. BORROWINGS (Continued)

(b) Corporate bonds (Continued)

On 30 March 2015, the Company issued 13,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB1,300,000,000. These bonds carried a coupon rate of 4.80% per annum for the first 3 years and 5.3% for remaining 2 years, and the interest charge will be paid on 30 March annually in each of the following five years. The underwriting commission for the issue of the bond amounted to approximately RMB7,800,000 and was settled by the Company. On 28 March 2018, the Company partially redeemed 6,110,040 corporate bonds with carrying amount of RMB611,004,000. The bonds have been fully repaid in March 2020 when they become due.

On 22 March 2019, the Company issued 10,000,000 corporate bonds with a par value of RMB100 each and received total proceeds of RMB1,000,000,000. These bonds carried a coupon rate of 3.85% per annum and the interest charges were paid on 22 March annually in each of the following three years. The underwriting commission for the issue of the bond amounted to approximately RMB1,000,000 and was settled by the Company. The bonds will be fully repaid on 22 March 2022 when they become due.

The aforesaid corporate bonds are initially recognised at the amount of the total proceeds net of the commission paid on the dates of issuance.

The Company issued ultra short-term financing bonds on 20 July 2021, 19 August 2021, 14 October 2021, 19 November 2021 and 9 December 2021 respectively. These ultra short-term financing bonds, with nominal values amounting to RMB500,000,000, RMB500,000,000, RMB500,000,000, RMB500,000,000 and RMB500,000,000 respectively, carried a coupon rate of 2.73%, 2.5%, 2.55%, 2.67% and 2.7% per annum respectively, and a total cost of issuance of approximately RMB1,903,000, will become due and payable in 14 April 2022, 17 May 2022, 12 July 2022, 10 June 2022 and 6 September 2022, respectively.

Accrued interests for the corporate bonds are recorded in interest payable as follows:

	2021 RMB'000	2020 RMB'000
Interest payable for current corporate bonds	47,803	50,446
Interest payable for non-current corporate bonds	—	32,087

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

	2021	2020
Average interest rates	2.63%	3.93%

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For the year ended 31 December 2021

32. FINANCIAL LIABILITIES AT FVTPL

The Group obtained financing through entering into gold leasing contracts with banks to lease gold from banks and subsequently sold the gold through the Shanghai Gold Exchange. Upon maturity of those lease contracts, the Group has to return to such banks with gold of the same quantity and specification, which would be usually purchased through the Shanghai Gold Exchange. The maturity periods of gold leasing contracts are generally less than 1 year (1 year inclusive). The gold leasing contracts carried fixed interest rate ranging from 1.72% to 3.90% (2020: ranging from 0.83% to 3.68%) 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

	2021 RMB'000	2020 RMB'000
Consideration payable for acquisition of a portfolio of assets and liabilities (note (a))	25,381	32,881
Payable for mining rights (note (c))	1,006,883	566,896
Provision for legal claims (note (b))	7,855	8,506
Others	16,450	3,565
	1,056,569	611,848
Less: current portion	(104,835)	(72,383)
	951,734	539,465

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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 2021, the carrying amount of the Remaining Consideration included as “other non-current liabilities” amounted to approximately RMB25,381,000 (2020: RMB32,881,000) and the current portion of which to be settled within the next twelve months amounted to approximately RMB7,500,000 (2020: RMB7,500,000).

- (b) As at 31 December 2021, the provision for legal claim of approximately US\$1,232,000, equivalent to approximately RMB7,854,862 (2020: US\$1,304,000, equivalent to approximately RMB8,506,000) is recognised in connection with certain outstanding labour claims of MAS.
- (c) During the year ended 31 December 2021, the Group acquired of a mining right from Shandong Gold Group at a cash consideration of approximately RMB232,863,000. Approximately RMB163,435,000 (2020: RMB160,656,000) has been paid during the year ended 31 December 2021.

During the year ended 31 December 2021, the Group acquired of certain mining rights from independent third parties at a total cash consideration of approximately RMB937,455,000 (2020: RMB162,650,000).

34. DEFERRED TAXATION

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

	2021 RMB'000	2020 RMB'000 (restated)
Deferred income tax assets	475,874	172,841
Deferred income tax liabilities	(4,793,109)	(4,544,301)
Deferred income tax liabilities, net	(4,317,235)	(4,371,460)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. DEFERRED TAXATION (Continued)

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

	2021 RMB'000	2020 RMB'000 (restated)
At the beginning of the year	(4,371,460)	(4,297,122)
Acquisition of subsidiaries (note 42)	(232,791)	(565,370)
Credited to profit or loss (note 10)	173,698	341,749
Currency translation differences	113,318	149,283
At the end of the year	(4,317,235)	(4,371,460)

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 2020 (restated)	(2,045,610)	(1,978,013)	(177,050)	(96,449)	(4,297,122)
Acquisition of a subsidiary under common control	–	(567,334)	–	1,964	(565,370)
Credited (charged) to profit or loss	99,029	393,693	(45,540)	(105,433)	341,749
Currency translation differences	142,910	–	–	6,373	149,283
At 31 December 2020 and at 1 January 2021 (restated)	(1,803,671)	(2,151,654)	(222,590)	(193,545)	(4,371,460)
Acquisition of a subsidiary (note 42)	(234,836)	–	–	2,045	(232,791)
Credited (charged) to profit or loss	5,674	401,243	(165,732)	(67,487)	173,698
Currency translation differences	111,258	–	–	2,060	113,318
At 31 December 2021	(1,921,575)	(1,750,411)	(388,322)	(256,927)	(4,317,235)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. DEFERRED TAXATION (Continued)

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:

	2021 RMB'000	2020 RMB'000
The corresponding accumulated tax losses of the subsidiaries of the Company which deferred income tax assets have not been recognised	1,945,072	897,677
Deferred income tax assets not recognised	298,606	166,141

The aforesaid tax losses that have not been recognised as deferred income tax assets will be expired in the following years:

	2021 RMB'000	2020 RMB'000
2021	–	13,678
2022	1,596	32,359
2023	2,599	107,687
2024	97,474	170,629
2025	4,880	30,330
2026	696,914	82,514
2027	11,678	37,511
2028	187,789	188,531
2029	191,033	191,033
2030	34,375	43,405
2031	716,734	–
	1,945,072	897,677

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 RMB9,199,000 (2020 restated: RMB9,733,000).

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36. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

	2021 RMB'000	2020 RMB'000
At the beginning of the year	862,090	909,958
Interest charge on unwinding of discounts (note 9)	114,894	43,223
Additional provision	67,506	82,645
Payments	(52,603)	(3,988)
Change in discount rate (note 17(a))	(86,698)	(131,575)
Currency translation differences	(30,078)	(38,173)
At the end of the year	875,111	862,090

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

37. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

Shares, issued and fully paid:

	2021		2020	
	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	1,671,709	1,671,709
– Held by other shareholders	1,927,353	1,927,353	1,942,734	1,942,734
	3,614,444	3,614,444	3,614,443	3,614,443
H shares of RMB1.00 each	858,986	858,986	699,504	699,504
	4,473,430	4,473,430	4,313,947	4,313,947

On 29 January 2021, the Company issued additional 159,482,759 H shares for the acquisition of Hengxing Gold Holding Company Limited.

On 15 December 2020, the Company repurchased 25,509,517 A shares at total consideration of RMB1. The shares repurchased have been cancelled on the same date. The issued share capital of the Company was reduced by approximately RMB25,510,000. The difference between total consideration and the total value of the repurchased shares of approximately RMB25,510,000 was transferred to capital reserve.

On 19 August 2020, bonus shares have been issued on the basis of four bonus shares for every ten existing shares, totally of additional 1,239,844,651 shares of the Company comprising 1,039,986,532 A shares and 199,858,119 H shares.

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37. SHARE CAPITAL AND TREASURY SHARES (Continued)

(b) Treasury shares

	2021		2020	
	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000
At the beginning and the end of the year	4,814	6,293	4,884	6,385

The treasury shares represented the shares of the Company as acquired by the subsidiary of the Company, Shandong Jinzhou, which remained unsold as at the end of each reporting period.

38. PERPETUAL BONDS

On 4 December 2020, the Company issued RMB2,700,000,000 perpetual bond 1 at an initial interest rate of 4.8% per annum. The face value of the perpetual bond 1 were RMB2,700,000,000. Coupon payments of 4.8% per annum are paid annually in arrears and may be deferred at the discretion of the Company.

On 21 December 2020, the Company issued RMB1,300,000,000 perpetual bond 2 at an initial interest rate of 4.69% per annum, The face value of the perpetual bond 2 were RMB1,300,000,000. Coupon payment of 4.69% per annum is paid annually in arrears and may be deferred at the discretion of the Company.

Perpetual bond 1 and perpetual bond 2 have no maturity date and are callable at the Company's option at its principal amounts together with any accrued, unpaid or deferred coupon interest payments. The coupon rates will be increased at a margin of 300 basis points per three years. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or reduce registered capital.

On 23 December 2021, the Company issued RMB2,250,000,000 perpetual bond 3 at an initial interest rate of 4.75% per annum, The face value of the perpetual bond 3 were RMB2,250,000,000. Coupon payment of 4.75% per annum is paid quarterly in arrears and may be deferred at the discretion of the Company. Perpetual bond 3 have no maturity date and are callable at the Company's option at its principal amounts together with any accrued, unpaid or deferred coupon interest payments. The coupon rates will be increased at a margin of 300 basis points after five years and will be increased afterward at a margin of 300 basis point every year: the maximum of the interest rate will be 9% per annum. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or reduce registered capital.

Accordingly, the perpetual bond are classified as equity instruments of the Group based on the contractual terms and their economic substance data considering the definition of financial liabilities and equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. INFORMATION TO CASH FLOWS

(a) Cash generated from operations

	2021 RMB'000	2020 RMB'000 (restated)
OPERATING ACTIVITIES		
(Loss)/profit before tax	(11,894)	2,825,737
Adjustments for:		
Depreciation of property, plant and equipment	1,516,635	1,466,565
Depreciation of investment properties	12,006	13,284
Depreciation of right-of-use assets	58,438	69,468
Amortisation of intangible assets	574,644	762,292
Gain/loss on disposals/write-offs of property, plant and equipment and intangible assets	(142,781)	134,819
Gain on disposal of a subsidiary	(298,915)	–
Provision for impairment on intangible assets	–	153,639
Provision for impairment on trade and other receivables	–	35,006
Provision for inventories	(290)	140
Fair value gains on gold futures/forward contracts	(132,667)	(84,633)
Realised and unrealised fair value gains of financial assets at FVTPL	(783,546)	(236,912)
Dividend income from financial assets at FVTPL	(66,261)	(12,278)
Finance income	(71,645)	(73,714)
Finance costs	732,639	832,827
Government grants	(21,104)	(27,183)
Share of results of associates	(21,820)	(10,669)
Operating cash flows before movements in working capital	1,343,439	5,848,388
Decrease in inventories	118,274	379,391
(Increase) decrease in trade and other receivables	(1,860,974)	64,261
Decrease (increase) in deposits with exchanges and non-bank financial institutions	961,020	(1,996,727)
Increase in cash held on behalf of customers for futures contracts trading	(613,909)	(350,892)
Increase in payables to brokerage clients	1,116,761	775,589
Decrease in trade and other payables	781,447	1,083,284
Cash generated from operations	1,846,058	5,803,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. INFORMATION TO CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Liabilities from financing activities				
	Borrowings RMB'000	Deferred revenue RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
As at 1 January 2021 (restated)	11,404,968	15,406	100,082	8,672,590	20,193,046
Investing cash flows	-	-	-	(26,624)	(26,624)
Financing cash flows	3,498,513	6,957	(49,576)	864,592	4,320,375
Non-cash changes:	-	-	-	-	-
Foreign exchange adjustments	(124,305)	-	-	-	(124,305)
Finance costs charged	365,772	-	15,186	209,368	590,437
Fair value gains	-	-	-	(132,667)	(132,667)
Income recognised	-	(9,199)	-	-	(9,199)
New leases arrangement	-	-	65,774	-	65,774
Balance at 31 December 2021	15,144,948	13,164	131,466	9,587,259	24,876,837

	Liabilities from financing activities				
	Borrowings RMB'000	Deferred revenue RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
As at 1 January 2020 (restated)	8,173,566	12,444	107,983	13,145,643	21,439,636
Investing cash flows	-	-	-	(108,896)	(108,896)
Financing cash flows	3,182,599	12,695	(30,496)	(4,648,766)	(1,483,968)
Non-cash changes:	-	-	-	-	-
Foreign exchange adjustments	(323,485)	-	-	-	(323,485)
Finance costs charged	372,288	-	5,219	369,242	746,749
Fair value gains	-	-	-	(84,633)	(84,633)
Income recognised	-	(9,733)	-	-	(9,733)
New leases arrangement	-	-	17,376	-	17,376
Balance at 31 December 2020 (restated)	11,404,968	15,406	100,082	8,672,590	20,193,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. CONTINGENCIES

The Veladero Mine held by MAS experienced several environmental incidents as set out below:

- (a) Release of cyanide-bearing process solution incident in 2015 – the failure of a valve on a leach pad pipeline at the Veladero Mine resulted in the release of cyanide-bearing process solution into a nearby waterway through a diversion channel gate that was open at the time of the incident;
- (b) Release of crushed-ore saturated with process solution incident in 2016 – ice rolled down the slope of the leach pad damaged a pipe carrying process solution, and caused some material to leave the leach pad; and
- (c) Release of gold-bearing process solution incident in 2017 – the monitoring system at the Veladero Mine detected a rupture of a pipe carrying gold-bearing process solution on the leach pad.

As at 31 December 2021, 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:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment	502,614	367,965
Mining and exploration rights	328,953	277,937
	831,567	645,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

41. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group as lessor

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 6 years (2020: 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:

	2021 RMB'000	2020 RMB'000 (restated)
Within 1 year	3,841	9,474
From 1 year to 5 years	1,567	5,130
After 5 years	–	182
	5,408	14,786

42. ACQUISITION OF SUBSIDIARIES

On 29 January 2021, the Group acquired entire equity interest in Cardinal, the shares of which were delisted from the stock exchange of Toronto and Australian on 1 February 2021 and 8 February 2021 respectively, for consideration of approximately RMB2,978,690,000. The principal activity of Cardinal and its subsidiaries (collectively as “Cardinal Group”) is mineral exploration in Ghana, and its identifiable assets are mainly mining right. The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations. The acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (mining right).

On 29 January 2021, the Group acquired entire equity interest in Hengxing Gold, the shares of which were delisted from the Hong Kong Stock Exchange on 1 February 2021, for consideration of 159,482,759 new H Shares allotted and issued out of the share capital of the Company (“Consideration Shares”). The fair value of the Consideration Shares was approximately RMB2,177,639,000. The amount of goodwill arising as a result of the acquisition was approximately RMB87,252,000. The principal activity of Hengxing Gold and its subsidiaries (collectively as “Hengxing Gold Group”) is engaged in mining and processing of gold, sales of processed gold products in the PRC. Hengxing Gold Group was acquired so as to continue the expansion of the Group’s mining, processing and sale of gold and gold production operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42. ACQUISITION OF SUBSIDIARIES (Continued)

On 30 June 2021, the Group acquired entire equity interest in Laizhou Zhangjian for consideration of approximately RMB48,000,000. The principal activity of Laizhou Zhangjian is gold exploration, and its identifiable assets are mainly mining right. The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations. The acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (mining right).

Details of acquisitions were summarised as follows:

Assets and liabilities recognised at the date of acquisition

	Cardinal Group RMB'000	Laizhou Zhangjian RMB'000	Hengxing Gold Group RMB'000
Property, plant and equipment	4,933	–	437,674
Intangible assets	3,288,762	112,260	1,336,436
Deferred tax assets	–	–	2,045
Other non-current assets	645	426	–
Bank balances and cash	47,095	2,314	74,795
Other current assets	10,437	–	615,264
Deferred tax liabilities	–	–	(234,836)
Other non-current liabilities	–	–	(30,078)
Other current liabilities	(373,182)	(67,000)	(110,913)
	2,978,690	48,000	2,090,387
Cash consideration	2,978,690	48,000	–
Cash consideration paid in pervious year	1,571,913	–	–
Cash consideration paid this year	1,406,777	48,000	–
Cash and bank balances acquired	(47,095)	(2,314)	(74,798)
Net cash outflow/(inflow) from acquisition of a subsidiary under:			
– Asset acquisition	1,359,682	45,686	N/A
– Business combination	N/A	N/A	(74,798)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. DISPOSAL OF A SUBSIDIARY

Disposal of Shanghai Shengju Asset Management

On 16 December 2021, the Group entered into an agreement with Huatai Securities Co., Ltd, a company listed on the stock exchange of Shanghai and the Hong Kong Stock Exchange, to dispose of 100% equity interest in a subsidiary, namely Shanghai Shengju Asset Management at an aggregate cash consideration of RMB674,523,000. Shanghai Shengju Asset Management engaged in asset management and investment management. The transaction was completed on 31 December 2021.

	31 December 2021 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	363,257
Investment property	20,259
Others non-current assets	297
Bank balances and cash	15,474
Other current assets	160
Other non-current liabilities	(24,480)
Other current liabilities	(359)
Net assets disposed of	374,608
Gain on disposal of a subsidiary:	
Consideration received	668,523
Consideration receivable (note 28)	5,000
	674,523
Net assets disposed of	(374,608)
Gain on disposal of a subsidiary	298,915
Net cash inflow arising on disposal:	
Cash consideration received	668,523
Less: bank balances and cash disposed of	(15,474)
	653,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. RELATED PARTY TRANSACTIONS

The directors of the Company consider that Shandong Gold Group, a company registered in the PRC, as the immediate holding company of the Company. The State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government is the ultimate controlling party of the Company. The Group has extensive transactions with the related parties. For the purpose of disclosure of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties.

Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed below. Sales of goods and provision of services to related parties are at state-prescribed prices or prices that are also available to other customers. The Group considers that these sales are activities in the ordinary course of business. In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions and balances with related parties.

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

	2021 RMB'000	2020 RMB'000 (restated)
Purchases of electricity	379,449	469,409
Purchases of construction services	88,368	153,704
Purchases of processing services	15,250	31,190
Purchases of gold	1,206,542	2,171,092
Purchases of other services	193,031	91,249
Total purchases	1,882,640	2,916,644
Interest expenses from borrowings	21,368	37,983
Acquisition of mining and exploration rights (note)	169,317	232,863

Note: During the year ended 31 December 2020, the Group acquired of a mining right of Jiaojia Gold Mine ("Target Assets") from Shandong Gold Group at a cash consideration of approximately RMB232,863,000. The Group made an initial one-off payment of approximately RMB124,553,000 and annual payment to Shandong Gold Group of approximately RMB36,103,000. Details are set out in the Company's announcement date at 16 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. RELATED PARTY TRANSACTIONS (Continued)

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

On 25 June 2021, the Group and Shandong Gold Group entered into a cancellation agreement to terminate the lease and acquired of the Target Assets at a cash consideration of approximately RMB169,317,000. Details are set out in the Company's announcement date at 25 June 2021.

	2021 RMB'000	2020 RMB'000 (restated)
Provision of processing services	128	2,028
Sales of gold	109,160	–
Sales of other metals	21,003	36,221
Sales of other materials and services	75,535	1,252
Total sales	205,826	39,501
Interest income from deposits	18,308	17,126

(b) Property and land leasing

	2021 RMB'000	2020 RMB'000 (restated)
Lease payment paid to Shandong Gold Group and its fellow subsidiaries for the settlement of lease liabilities and payment of short-term leases	23,864	10,892
Rental fees received from Shandong Gold Group and its fellow subsidiaries	1,409	7,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Borrowings obtained from related parties

	2021 RMB'000	2020 RMB'000 (restated)
Borrowings obtained from SDG Group Finance:		
At the beginning of the year	445,800	353,520
Drawdown during the year	1,665,000	2,304,440
Repayment during the year	(1,533,800)	(2,212,160)
At the end of the year	577,000	445,800

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:

	2021	2020
Interest rates	3.40% – 4.28%	3.92% – 4.35%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. RELATED PARTY TRANSACTIONS (Continued)

(d) Year-end balances

	2021 RMB'000	2020 RMB'000 (restated)
Receivables from related parties		
Trade receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	73,606	51,670
Less: provision for impairment	(11,384)	(9,062)
Trade receivables, net	62,222	42,608
Prepayments		
– Shandong Gold Group and its fellow subsidiaries	668	3,031
Other receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	378,036	170,501
Less: provision for impairment	(9,104)	(5,480)
Other receivables, net	368,932	165,021
Deposits to a financial institution		
– SDG Group Finance	1,894,308	1,118,447
Prepayments for right-of-use assets		
– Shandong Gold Group and its fellow subsidiaries	–	51,604
Prepayments for mining and exploration rights included in other non-current assets		
– Shandong Gold Group	56,000	56,000
Others included in other non-current assets		
– Shandong Gold Group and its fellow subsidiaries	500	49,518
	2,373,560	1,486,229
Payables to related parties		
Trade payables		
– Shandong Gold Group and its fellow subsidiaries	94,389	190,960
Notes payables		
– Shandong Gold Group and its fellow subsidiaries	49,783	33,359
Contract liabilities		
– Shandong Gold Group and its fellow subsidiaries	202	–
Other payables		
– Shandong Gold Group and its fellow subsidiaries	5,525,828	834,374
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	69,428	72,207
	5,762,136	1,153,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. RELATED PARTY TRANSACTIONS (Continued)

(e) Key management personnel compensation

Key management personnel includes directors (executive and non-executive) of the Company, members of the executive committee and respective department heads. The compensation paid or payable to key management for employee services is shown below:

	2021 RMB'000	2020 RMB'000 (restated)
Salaries and other short-term employee benefits		
– directors and supervisors of the Company	7,608	6,947
– other key management personnel	10,323	4,943
	17,931	11,890

(f) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“State-controlled Entities”). In addition, the Group is significant influenced indirectly by Shandong Gold Group, a state-owned enterprise established in the PRC.

The Group also conducts business with other State-controlled Entities. The directors of the Company consider those State-controlled Entities to be third parties so far as the Group’s businesses with them are concerned.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks which are State-controlled Entities in its ordinary course of business.

The directors of the Company are of the opinion that the transactions with other State-controlled Entities are not significant to the Group’s operations.

(g) Transactions with fixed assets in the PRC

On 22 December 2021, the Company and Guoxin Yiyang Investment entered into a sale and purchase agreement pursuant to which the Company agreed to sell and Guoxin Yiyang Investment agreed to purchase the property in amount of approximately RMB414.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(a) Statement of financial position of the Company

	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	3,349,475	3,339,338
Investment properties	122,066	175,392
Right-of-use assets	42,510	23,086
Intangible assets	1,126,852	834,900
Interests in subsidiaries	22,057,509	19,972,182
Investment in an associate	1,046,259	1,023,967
Financial assets at FVTOCI	500	500
Other non-current assets	89,051	131,255
	27,834,222	25,500,620
Current assets		
Inventories	36,644	43,932
Trade and other receivables	227,309	203,015
Amounts due from subsidiaries	11,791,629	6,342,846
Prepaid income tax	7,771	4,430
Restricted bank deposits	48,925	–
Bank balances and cash	827,142	639,037
	12,939,420	7,233,260
Current liabilities		
Trade and other payables	2,573,775	1,446,997
Lease liabilities	11,033	3,558
Borrowings	5,919,476	2,989,812
Financial liabilities at FVTPL	4,454,611	4,309,455
	12,958,895	8,749,822
Net current liabilities	(19,475)	(1,516,562)
Total assets less current liabilities	27,814,747	23,984,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

	2021 RMB'000	2020 RMB'000
Non-current liabilities		
Borrowings	1,033,000	1,677,098
Lease liabilities	21,716	7,264
Deferred income tax liabilities	21,451	34,665
Deferred revenue	1,032	2,075
Provision for asset retirement obligations	26,089	12,494
	1,103,288	1,733,596
Net assets	26,711,459	22,250,462
Share capital and reserves		
Share capital (note 37(a))	4,473,430	4,313,947
Perpetual Bonds (note 38)	6,249,387	3,999,387
Reserves (note (b))	15,988,642	13,937,128
	26,711,459	22,250,462

(b) Reserves movement of the Company

	Retained profits RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2021	6,358,764	7,578,364	13,937,128
Issue of shares upon acquisition of a subsidiary (Note 42)	–	2,018,156	2,018,156
Profit for the year	256,785	–	256,785
Appropriations	(46,183)	46,183	–
Dividends	(223,427)	–	(223,427)
At 31 December 2021	6,345,939	9,642,703	15,988,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(b) Reserves movement of the Company (Continued)

	Retained profits RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2020	6,295,370	8,755,287	15,050,657
Profit for the year	408,945	–	408,945
Appropriations	(37,412)	37,412	–
Repurchase shares	–	25,510	25,510
Bonus issues	–	(1,239,845)	(1,239,845)
Dividends	(308,139)	–	(308,139)
At 31 December 2020	6,358,764	7,578,364	13,937,128

46. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 December 2021, the Group entered into new leasing arrangements in respect of buildings, and machinery and others. Right-of-use assets and lease liabilities of approximately RMB65,774,000 (2020: RMB17,376,000) were recognised at the commencement of the leases (note 19).
- (b) On 1 February 2021, the Group acquired entire equity interest in Hengxing Gold for consideration of 159,482,759 new H Shares allotted and issued out of the share capital of the Company. Further details of the acquisition are set out in note 42.
- (c) As detailed in note 37(a), bonus issues of 1,239,844,651 shares of the Company have been issued during the year ended 31 December 2020, by the capitalisation of RMB1,239,844,651 of the capital reserve.

DEFINITIONS

In this annual report, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“A Share(s)”	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
“Articles of Association”	the articles of association of the Company;
“Board” or “Board of Directors”	the board of directors of the Company;
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules;
“China” or the “PRC”	the People’s Republic of China but for the purpose of this annual report, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“CSRC”	China Securities Regulatory Commission;
“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;
“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;
“Prospectus”	the prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;
“Reporting Period”	from 1 January 2021 to 31 December 2021;
“RMB”	Renminbi, the lawful currency of China;

DEFINITIONS

“SDG Capital Management”	SDG Capital Management Co., Ltd. (山金金控資本管理有限公司), a limited liability company incorporated in the PRC on 14 November 2012 and a wholly-owned subsidiary of the Company;
“SDG 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;
“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling Shareholder of the Company, and was held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“SDG Group Finance”	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a limited liability company incorporated in the PRC on 17 July 2013, which was held as to 30% by the Company and 70% by SDG Group Co.;
“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;
“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;
“TMAC”	TMAC Resources Inc., a company incorporated in Canada on 30 October 2012, the shares of which are listed on the Toronto Stock Exchange (stock code: TMR);
“USD”	United States dollar, the lawful currency of the United States; and
“Veladero Mine”	The Veladero Mine located in the high Andes Cordilliers of central western Argentina, details of which are set out in “Appendix IV – Competent Person’s Report – RPA Report” to the Prospectus.

