
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shandong Gold Mining Co., Ltd.** (山東黃金礦業股份有限公司) (the “Company”), you should at once hand this circular and the enclosed proxy form to the purchaser or transferee or to licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

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- 2. 2022 WORK REPORT OF THE SUPERVISORY COMMITTEE**
- 3. 2022 WORK REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS**
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- 16. NOTICE OF 2022 ANNUAL GENERAL MEETING**

A notice convening the annual general meeting (the “AGM”) of Shandong Gold Mining Co., Ltd. to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 7 June 2023 is set out on pages 15 to 19 of this circular.

The proxy form for use in connection with the AGM is enclosed herewith. The said proxy form is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

Any shareholder(s) of the Company (the “Shareholders”) entitled to attend and vote at the AGM are entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. If you intend to appoint a proxy to attend the AGM and vote on your behalf, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it by hand, by post or by facsimile to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders only) as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be) (i.e. before 9:00 a.m. on Tuesday, 6 June 2023). Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjournment hereof should you so wish.

17 May 2023

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DEFINITIONS

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

“A Share(s)”	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
“A Shareholder(s)”	holder(s) of A Shares;
“AGM”	the annual general meeting of the Company to be held at 9:00 a.m. on Wednesday, 7 June 2023 at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC;
“Annual Report”	the 2022 annual report published on 27 April 2023 on the websites of the Company (www.sdhjgf.com.cn) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk);
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Board” or “Board of Directors”	the board of directors of the Company;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1787) and the Shanghai Stock Exchange (Stock Code: 600547) respectively;
“CSRC”	China Securities Regulatory Commission;
“Directors”	the directors of the Company;
“General Mandate”	a general mandate to be granted to the Board for issuing H Shares representing up to the limit of 20% of the aggregate number of H Shares in issue on the date of passing the relevant resolution by the Shareholders;
“Group”	the Company and its subsidiaries;

DEFINITIONS

“H Shares”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“H Shareholder(s)”	holder(s) of H Shares;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong dollar”	Hong Kong dollar, the lawful currency of Hong Kong;
“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;
“Latest Practicable Date”	11 May 2023, being the latest practicable date prior to the printing of this circular;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“PRC” or “China”	the People’s Republic of China, but for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Profit Distribution”	the proposed distribution of cash dividend of RMB0.7 (tax inclusive) for every 10 Shares;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government, 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 Provincial Council for Social Security Fund (山東省社會保障基金理事會);

DEFINITIONS

“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;
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則) as amended, supplemented or otherwise modified from time to time;
“Shareholders”	the shareholders of the Company;
“SSE” or “Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所);
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the committee of Supervisors;
“US\$”	United States dollars, the lawful currency of the United States; and
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for, inter alia, the Profit Distribution is set forth below:

With respect to the Profit Distribution:

Event	2023 (Hong Kong time)
Latest time for lodging transfer of H Shares for entitlement to attend and vote at the AGM	Thursday, 1 June (4:30 p.m.)
Closure of the register of members of the Company for determining the identity of the H Shareholders who are entitled to attend and vote at the AGM	Friday, 2 June to Wednesday, 7 June
Latest time to return proxy form for the AGM	Tuesday, 6 June (9:00 a.m.)
Date and time of the AGM	Wednesday, 7 June (9:00 a.m.)
Publication of poll results announcement of the AGM	Wednesday, 7 June
Last day of dealings in H Shares on a cum-entitlement basis relating to the Profit Distribution	Monday, 12 June
First day of dealings in H Shares on an ex-entitlement basis relating to the Profit Distribution	Tuesday, 13 June
Latest time for lodging transfers of H Shares for registration in order to qualify for the Profit Distribution	Wednesday, 14 June (4:30 p.m.)
Closure of register of members of the Company for transfer of H Shares for determining entitlement to the Profit Distribution	Thursday, 15 June to Tuesday, 20 June
Record Date to qualify H Shareholders for determination of entitlement to the Profit Distribution	Tuesday, 20 June
Register of members for transfer of H Shares of the Company re-opens	Wednesday, 21 June
Profit Distribution payment date	Tuesday, 18 July ^(Note)

Note: The dates with regard to Profit Distribution are for reference only as they are subject to approval by the Shareholders and might be adjusted by the Company. If there is any such change, the Company will make announcement to inform the Shareholders.

All times and dates in this circular are Hong Kong times and dates.

LETTER FROM THE BOARD



SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

Executive Directors:

Mr. Liu Qin (*Vice-chairman*)
Mr. Wang Shuhai
Mr. Tang Qi

Non-executive Directors:

Mr. Li Hang (*Chairman*)
Mr. Wang Lijun
Ms. Wang Xiaoling

Independent Non-executive Directors:

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

***Registered office and headquarters
in the PRC:***

No. 2503, Jingshi Road
Licheng District, Jinan
Shandong Province
The PRC

Principal place of business in Hong Kong:

Rooms 4003-06
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

17 May 2023

To the Shareholders

1. 2022 WORK REPORT OF THE BOARD OF DIRECTORS
2. 2022 WORK REPORT OF THE SUPERVISORY COMMITTEE
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16. NOTICE OF 2022 ANNUAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

On behalf of the Board of Directors, I invite you to attend the AGM to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 7 June 2023.

The purpose of this circular is to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM as follows:

1. 2022 WORK REPORT OF THE BOARD OF DIRECTORS

An ordinary resolution will be proposed at the AGM to approve the 2022 Work Report of the Board of Directors for the year ended 31 December 2022. The full text of the aforesaid report is set out in the Management Discussion and Analysis and the Report of the Directors in the Annual Report.

The 2022 Work Report of the Board of Directors for the year ended 31 December 2022 was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

2. 2022 WORK REPORT OF THE SUPERVISORY COMMITTEE

An ordinary resolution will be proposed at the AGM to approve the 2022 Work Report of the Supervisory Committee for the year ended 31 December 2022. The full text of the Report of the Supervisory Committee is set out in the Annual Report.

The 2022 Work Report of the Supervisory Committee for the year ended 31 December 2022 was considered and approved by the Supervisory Committee on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

3. 2022 WORK REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

An ordinary resolution will be proposed at the AGM to approve the 2022 Work Report of the Independent Non-executive Directors for the year ended 31 December 2022. The full text of the aforesaid report is set out in **Appendix I** to this circular.

The 2022 Work Report of the Independent Non-executive Directors for the year ended 31 December 2022 was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

4. 2022 FINAL FINANCIAL REPORT

An ordinary resolution will be proposed at the AGM to approve the 2022 Final Financial Report for the year ended 31 December 2022. The full text of the aforesaid report is set out in **Appendix II** to this circular.

The 2022 Final Financial Report for the year ended 31 December 2022 was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

LETTER FROM THE BOARD

5. 2023 FINANCIAL BUDGET REPORT

An ordinary resolution will be proposed at the AGM to approve the 2023 Financial Budget Report. The full text of the aforesaid report is set out in **Appendix III** to this circular.

The 2023 Financial Budget Report was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

6. RESOLUTION REGARDING THE ANNUAL REPORT AND ITS EXTRACTS OF THE COMPANY FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to approve the Annual Report and its extracts for the year ended 31 December 2022. The Annual Report was published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sdhjgf.com.cn>) and despatched on 27 April 2023.

The Annual Report and its extracts were considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

7. PROFIT DISTRIBUTION PROPOSAL FOR 2022

An ordinary resolution will be proposed at the AGM to approve the proposed profit distribution proposal for the year ended 31 December 2022 in accordance with the Articles of Association.

ShineWing Certified Public Accountants (Special General Partnership) ("**ShineWing (Domestic)**"), after audits, confirmed that the net profit of the parent company of the Company in 2022 calculated under the Chinese Accounting Standards for Business Enterprises was RMB1,505,657,089.26. In accordance with the requirements of the Company Law of the PRC and the Articles of Association, the profit of the parent company of the Company available for distribution to the Shareholders for the current year was RMB6,927,583,110.72 under the Chinese Accounting Standards, which was calculated by extracting 10% of the net profit into its statutory reserve fund of RMB150,565,708.93, plus the undistributed profit of RMB6,149,258,961.75 for the beginning of the current year and deducting the 2021 cash dividends of RMB223,671,476.25 and withdrawing the interest on perpetual bonds of RMB353,095,755.11 during the year.

Pursuant to a resolution passed at the Board meeting on 29 March 2023, the Board proposed the distribution of a final dividend of RMB0.7 per ten (10) Shares (tax inclusive) for the year ended 31 December 2022. As at 29 March 2023, being the date of the Board meeting, the Company has a total share capital of 4,473,429,525 Shares, and the proposed payment of cash dividend in the amount of RMB313,140,066.75 is calculated on such basis. The remaining undistributed profits are carried forward for the subsequent annual distribution.

LETTER FROM THE BOARD

The Company realized a net profit attributable to shareholders of the listed company of RMB1,245,858,630.24, including profit attributable to perpetual bonds holders of RMB353,095,755.11. After deducting the interest of perpetual bonds, the Company realized a net profit attributable to ordinary shareholders of the listed company in 2022 was RMB892,762,875.13. The dividend distributed in cash accounted for 35.08% of the net profit attributable to ordinary shareholders of the listed company in the current period. The Company's undistributed profit of 2022 will be carried forward to the following year and will all be used in corporate operation and development. The use of undistributed profit is beneficial to implement the development strategies of the Company, and enhance the comprehensive competitiveness and sustainable profitability of the Company in the future.

The cash dividend will be paid on a pro-rata basis to Shareholders who hold ordinary Shares in odd lot (i.e. RMB0.07 per ordinary Share). The dividend will be denominated and declared in RMB, and distributed to the domestic Shareholders and investors participating in the Shanghai-Hong Kong Stock Connect Program in RMB and to the overseas Shareholders in Hong Kong dollar. The exchange rate for the dividend calculation in Hong Kong dollar is based on the middle rate as published by the PBOC on the date on which the AGM is held.

Taxation

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

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

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

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

LETTER FROM THE BOARD

Profit Distribution to Investors of Northbound Trading

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

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

Profit Distribution to Investors of Southbound Trading

For investors of the SSE and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares listed on the Hong Kong Stock Exchange (the “**Southbound Trading**”), the cash dividends for the investors of H Shares of Southbound Trading will be paid in RMB. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the H Shareholders. 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 the Shares.

The cheques for the Profit Distribution will be despatched by ordinary post to the H Shareholders who are entitled to the Profit Distribution at their own risk. In case of joint shareholding, the cheques for the Profit Distribution will be posted to the first named person on the H Shareholders’ register in respect of such joint shareholding. For the date of despatch of the cheques for the Profit Distribution, please refer to the section headed “Expected Timetable” of this circular.

LETTER FROM THE BOARD

Warning of Risks of Dealing in the H Shares

H Shareholders should note that the existing H Shares are expected to be dealt in on an ex-entitlement basis for entitlement to the Profit Distribution from Tuesday, 13 June 2023. The distribution of the Profit Distribution will be subject to the approval of the Shareholders at the AGM. Any person who deals in H Shares on ex-entitlement basis prior to obtaining of the approval will be subject to the risk that the relevant proposal may fail to proceed. If in doubt, investors are recommended to consult their professional advisers.

Explanation of Profit Distribution

The Company will continue to attach importance to returns to investors, strictly follow the requirements of the Company Law, the Securities Law, the Articles of Association and other relevant laws and regulations, comprehensively consider various factors related to profit distribution, proactively implement the Company's profit distribution system and share the fruits of its development with investors.

The resolution regarding the 2022 Profit Distribution was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

8. RESOLUTION REGARDING THE APPOINTMENT OF AUDITOR FOR 2023

In accordance with relevant provisions of the standards on governance of listed companies of the PRC, the Company proposed to re-appoint ShineWing (Domestic) as its auditor and internal control auditor for 2023 A Shares' financial report for a term of one year. In the meantime, according to the Hong Kong Stock Exchange and relevant requirements for listing in Hong Kong, the Company proposed to re-appoint SHINEWING (HK) CPA Limited as its audit service provider for 2023 H Shares' financial statements to conduct relevant audit service work for financial report under the International Accounting Standards for a term of one year. The audit service fees for 2022 financial report amounted to RMB4.8 million, including audit fees for A share financial report, audit fees for H share financial report and special audit fees for internal control. In 2023, the audit fees will be adjusted dynamically according to the changes in the scope of audit and the workload of audit business. The total fees (including all fees incurred for the dispatch of staff to the Company for the audit of the annual report) are proposed to be no higher than the audit fees for 2022.

The aforesaid resolution was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

9. RESOLUTION REGARDING THE 2022 APPRAISAL REPORT ON INTERNAL CONTROL

An ordinary resolution will be proposed at the AGM to approve the 2022 Appraisal Report on Internal Control. The full text of the aforesaid report is set out in **Appendix IV** to this circular.

The 2022 Appraisal Report on Internal Control was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

LETTER FROM THE BOARD

10. 2022 SOCIAL RESPONSIBILITY REPORT

An ordinary resolution will be proposed at the AGM to approve the 2022 Social Responsibility Report. The full text of the aforesaid report is enclosed in the announcements of the Company dated 29 March and 27 April 2023.

The 2022 Social Responsibility Report was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

11. RESOLUTION REGARDING THE SPECIAL REPORT ON THE DEPOSIT AND ACTUAL USE OF PROCEEDS IN 2022

An ordinary resolution will be proposed at the AGM to approve the Special Report on the Deposit and Actual Use of Proceeds in 2022. The full text of the aforesaid report is set out in **Appendix V** to this circular.

The Special Report on the Deposit and Actual Use of Proceeds in 2022 was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

12. RESOLUTION REGARDING THE COMPANY'S GUARANTEE FACILITY FOR THE HONG KONG SUBSIDIARY FOR 2023

In order to meet the Company's overseas wholly-owned subsidiary SDG Hong Kong's production and operation, project construction, overseas mergers and acquisitions and stock financing maturity replacement and other capital needs, effectively use the overseas capital market for financing and reduce financing costs, the Company plans to provide SDG Hong Kong with guarantee for the year 2023 with a total amount not exceeding US\$1.8 billion (including the guarantee amount in existence as of 28 March 2023) (the "**Guarantee**") to improve the efficiency of decision-making.

For details of the Guarantee, please refer to **Appendix VI** to this circular.

Implication under the Hong Kong Listing Rules

The Guarantee is not subject to reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules. According to the Shanghai Listing Rules and the Articles of Association, the Guarantee has to be submitted to the general meeting for consideration and approval. As the Guarantee to be provided by the Company is subject to Shareholders' approval under the Shanghai Listing Rules, the information regarding the Guarantee contained in this circular is not prepared in accordance with Chapter 14 or Chapter 14A of the Hong Kong Listing Rules but only prepared to provide information for the Shareholders. An ordinary resolution will be proposed at the AGM to seek for approval of the provision of Guarantee by the Company for SDG Hong Kong.

LETTER FROM THE BOARD

13. RESOLUTION REGARDING THE COMPANY CONDUCTING FUTURES AND DERIVATIVES TRANSACTIONS IN 2023

An ordinary resolution will be proposed at the AGM to approve the resolution regarding the Company conducting futures and derivatives transactions in 2023. The full text of the above resolution is set out in **Appendix VII** to this circular.

The resolution regarding the Company conducting futures and derivatives transactions in 2023 was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

14. RESOLUTION REGARDING THE COMPANY CONDUCTING GOLD FORWARD TRANSACTIONS AND GOLD LEASING PORTFOLIO BUSINESS IN 2023

An ordinary resolution will be proposed at the AGM to approve the resolution regarding the Company conducting gold forward transactions and gold leasing portfolio business in 2023. The full text of the above resolution is set out in **Appendix VIII** to this circular.

The resolution regarding the Company conducting gold forward transactions and gold leasing portfolio business in 2023 was considered and approved by the Board on 29 March 2023 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

15. RESOLUTION ON GENERAL MANDATE TO ISSUE H SHARES

To ensure flexibility and discretion to the Board to issue new Shares when it becomes desirable, the Company proposes to grant the General Mandate to the Board to allot, issue and otherwise deal with additional H Shares up to the limit of 20% of the aggregate nominal values of the H Shares in issue on the date of passing such resolution.

As at the Latest Practicable Date, the issued share capital of the Company comprised of 3,614,443,347 A Shares and 858,986,178 H Shares. Subject to the approval of the grant of the General Mandate and on the basis that no further Shares are issued before the AGM, the Board will have the power to issue up to 171,797,235 H Shares.

The General Mandate shall be effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of a period of 12 months following the passing of such resolution; or (iii) the revocation or variation of the authority given under this resolution by passing of a special resolution of the Company in a general meeting.

Any exercise of the power by the Board under the General Mandate shall comply with the relevant requirements of the Hong Kong Listing Rules, the Articles of Association and the applicable laws and regulations of the PRC. The Board has no concrete plans to issue new Shares pursuant to the General Mandate at present.

The resolution was considered and approved by the Board on 29 March 2023 and will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the AGM.

LETTER FROM THE BOARD

16. THE AGM

The AGM is to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 7 June 2023. The notice of the AGM is set out on pages from 15 to 19 to this circular.

Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder. If you intend to appoint a proxy to attend the AGM and vote on your behalf, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it, by hand, by post or by facsimile, to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders only) as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be) (i.e. before 9:00 a.m. on Tuesday, 6 June 2023). Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 7 June 2023, the register of members of the Company will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members entitled to attend and vote at the AGM, investors should lodge all share transfer documents accompanied by the relevant share certificates with the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 1 June 2023. For determining the entitlement to the proposed Profit Distribution, the register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed Profit Distribution, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, 14 June 2023.

17. GENERAL

The English translation of the appendices in this circular are for Shareholders' reference only. In case there is any inconsistency between the English and Chinese version, the Chinese version shall prevail.

18. VOTING BY POLL

Pursuant to the Hong Kong Listing Rules, each of the resolutions set out in the notice of AGM will be voted on by poll. Results of the poll voting will be published on the Company's website at <http://www.sdhjgf.com.cn> and the website of the Hong Kong Stock Exchange at www.hkexnews.hk after the AGM.

LETTER FROM THE BOARD

19. RECOMMENDATIONS

The Board considers that the proposed resolutions set out in the notice of AGM are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed resolutions.

20. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

NOTICE OF 2022 ANNUAL GENERAL MEETING



SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

NOTICE OF 2022 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2022 Annual General Meeting (the “**AGM**”) of Shandong Gold Mining Co., Ltd. (the “**Company**”) will be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 9:00 a.m. on Wednesday, 7 June 2023 for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To approve the 2022 Work Report of the Board of Directors (the “**Board**”)
2. To approve the 2022 Work Report of the Supervisory Committee
3. To approve the 2022 Work Report of the Independent Non-executive Directors
4. To approve the 2022 Final Financial Report
5. To approve the 2023 Financial Budget Report
6. To approve the resolution on the Company's 2022 Annual Report and its extracts
7. To approve the profit distribution proposal for 2022
8. To approve the resolution regarding the appointment of auditor for 2023
9. To approve the resolution regarding the 2022 Appraisal Report on Internal Control
10. To approve the 2022 Social Responsibility Report
11. To approve the resolution regarding the special report on the deposit and actual use of proceeds in 2022
12. To approve the resolution regarding the Company's guarantee facility for the Hong Kong subsidiary for 2023

NOTICE OF 2022 ANNUAL GENERAL MEETING

13. To approve the resolution regarding the Company conducting futures and derivatives transactions in 2023
14. To approve the resolution regarding the Company conducting gold forward transactions and gold leasing portfolio business in 2023

SPECIAL RESOLUTION

15. To approve the resolution on general mandate to issue H shares

“THAT:

- (a) The Board be granted an unconditional general mandate to, separately or concurrently, issue, allot and deal with additional H shares (the “**H Shares**”) of the Company in accordance with the market conditions, including to decide on the class and number of shares to be issued; the pricing mechanism and/or the issue price (or the range of issue price); the commencement and end date and time of such issue, the class and number of shares to be issued and allotted to existing shareholders of the Company; and/or to make any proposals, enter into any agreements or grant any share options in relation to such H Shares;
- (b) The total number of H Shares separately or concurrently, issued, allotted and dealt with by the Board (whether or not by way of the exercise of share options or by any other means) in accordance with the mandate mentioned as (a) above shall not exceed 20% of the number of the H Shares of the Company in issue as at the date of this resolution being approved by the AGM;
- (c) The Board may make proposals, enter into any agreements or grant any share options which relates to the exercise, after the expiry of the Relevant Period (as defined in (d) below), of rights in relation to such H Shares;
- (d) For the purpose of this resolution, “**Relevant Period**” means the period from the passing of this resolution on the AGM until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution;
 - (ii) the expiration of a period of 12 months following the passing of this resolution;
or
 - (iii) the date on which the authority conferred by this resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting;

NOTICE OF 2022 ANNUAL GENERAL MEETING

- (e) The Board be and is hereby authorized to increase the registered share capital and make such amendments to the Articles of Association as it thinks fit so as to reflect the increased registered share capital and the new capital structure of the Company in accordance to the manner of the allotment and issuance, class and number of shares of the Company allotted and issued, as well as the capital structure of the Company after such allotment and issuance;
- (f) In order to facilitate the issuance of shares in accordance with this resolution in a timely manner, the Board be and is hereby authorized to exercise all such power granted to the Board to execute and do or procure to be executed and done all such documents, deeds and things as it may consider necessary in connection with the issue of such shares contingent on the passing of sub-paragraphs (a) to (e) of this resolution and within the Relevant Period. Such power shall include but not limited to the following:
 - (i) depending on the actual market conditions, the Board is authorized to determine the method of issuance, the target for issuance as well as the amount and proportion of issuance, pricing method and/or issue price (including issue price range), the commencement and end time, the listing time, use of proceeds and other information;
 - (ii) engaging necessary professional agencies and signing relevant agreements or contracts;
 - (iii) signing the underwriting agreement, sponsor's agreement, listing agreement and all other documents as considered necessary for executing the mandate to issue shares on behalf of the Company;
 - (iv) handling the issues on registration of change in registered share capital and share capital on a timely basis according to the method, type and number of the shares issued and the actual situation of the capital structure of the Company upon completion of such issuance;
 - (v) applying for approval, registration, filing and other procedures in connection with the issuance and listing of such shares from the relevant competent authorities on behalf of the Company;
 - (vi) determining and paying the relevant listing fee and application fee;
 - (vii) amending the Articles of Association and arranging necessary registration and filing procedures on a timely basis according to the method, type and number of the shares issued and the actual situation of the capital structure of the Company upon completion of such issuance; and
 - (viii) all other procedures and matters as the Board may consider necessary in connection with the issuance of shares, so long as the same does not contravene any applicable laws, rules, regulations or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Articles of Association;

NOTICE OF 2022 ANNUAL GENERAL MEETING

- (g) The Board will only exercise its respective power under such mandate in accordance with the Company Law of the PRC, the Securities Law of the PRC, regulations or the Hong Kong Listing Rules (as amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained and the Board will only exercise its power under such mandate in accordance with the power granted by the shareholders to the Board at the AGM.”

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

Jinan, the PRC, 17 May 2023

As at the date of this notice, the Executive Directors of the Company are Mr. Liu Qin, Mr. Wang Shuhai and Mr. Tang Qi; the Non-executive Directors of the Company are Mr. Li Hang, Mr. Wang Lijun and Ms. Wang Xiaoling; and the Independent Non-executive Directors of the Company are Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng.

NOTICE OF 2022 ANNUAL GENERAL MEETING

Notes:

1. All holders of H Shares whose names appear on the register of members of the Company on Friday, 2 June 2023 are entitled to attend the AGM and should bring along their identity cards or passports when attending the AGM. Holders of the Company's H Shares should note that the register of members of the Company will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023 (both dates inclusive) during which period no transfers of H Shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 1 June 2023. The record date and arrangements in respect of the holders of A Shares of the Company who are entitled to attend the AGM will be determined and announced separately in the PRC.
2. Any shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or more proxies (who need not be a shareholder of the Company) to attend the AGM and vote thereat in his stead. For any shareholder who appoints more than one proxy, the voting right can only be exercised by his/her proxies on a poll.
3. Any shareholder who intends to appoint a proxy to attend the AGM shall put it in writing, with the proxy form to be signed by the appointor or his attorney duly authorized in writing. If the appointor is a corporation, the proxy form must be affixed with its common seal, or signed by any of its directors or attorney duly authorized in writing. If the proxy form is signed by an attorney authorized by the appointor, the power of attorney or other authorization documents must be notarially certified. The notarially certified power of attorney or other authorization documents together with the proxy form must be delivered by hand, by post or by facsimile to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders only) not later than 24 hours before the time appointed for the holding of the AGM (i.e. before 9:00 a.m. on Tuesday, 6 June 2023). Completion and return of the proxy form will not affect the rights of the shareholders to attend and vote at the AGM in person.
4. Proxies of holders of the Company's H Shares shall bring along the proxy form, instrument(s) for appointing a proxy (if applicable) and the proxies' identity cards or passports to attend the AGM.
5. According to Article 108 of the Articles of Association, an ordinary resolution shall be passed by more than half of the votes cast by the shareholders (including proxies) present at the general meeting, while a special resolution shall be passed by more than two-thirds of the votes cast by the shareholders (including proxies) present at the general meeting.
6. Directors, supervisors and senior management of the Company and the witnessing lawyers and other relevant personnel employed by the Company will attend the AGM.

2022 WORK REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS (Independent Directors: Wang Yunmin, Liew Fui Kiang, Zhao Feng)

Dear Directors,

As the Independent Non-executive Directors of Shandong Gold Mining Co., Ltd. (the “**Company**” or “**Shandong Gold**”), in strict compliance with relevant laws and regulations such as the Company Law, the Securities Law, the Independent Director Rules for Listed Companies (《上市公司獨立董事規則》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the rules and requirements of the Company including the Articles of Association and the Working Rules for Independent Directors of the Company, we have professionally performed the duties of Independent Non-executive Directors with integrity and diligence in an attitude of being responsible to all shareholders, paid attention to the Company’s development in a comprehensive, timely and in-depth manner, actively attended relevant meetings, carefully reviewed various resolutions, made objective and fair independent opinions on major matters such as the Company’s standardised operation, related party transactions, external acquisitions and use of proceeds, and given full play to the role of Independent Directors in 2022, thus effectively safeguarding the legal rights and interests of the Company and shareholders, especially minority shareholders. We hereby present our work report for 2022 as follows:

I. BASIC INFORMATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The sixth session of the Board of the Company consists of three Independent Non-executive Directors, namely Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng. All of them possess the professional qualifications and capabilities required by laws and regulations, and have accumulated extensive working experience in professional fields such as mining, accounting, law, finance and corporate management. Details are as follows:

Wang Yunmin (王運敏), male, Han nationality, born in October 1955. He is a holder of a bachelor’s degree in mining engineering, an academician of the Chinese Academy of Engineering and a professorate senior engineer. He 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. (中鋼集團馬鞍山礦山研究院有限公司). He currently serves as the director and chief scientist of the Science and Technology Innovation Committee of the Sinosteel Group Corporation Limited (中國中鋼集團有限公司), the director of the State Key Laboratory of Metal Mine Safety and Health (金屬礦山安全與健康國家重點實驗室) and an Independent Non-executive Director of Shandong Gold, an external director of

Baosteel Resources International Company Limited and Baowu Resources Co., Ltd. (寶武資源有限公司), and an independent director of Hunan Nanling Civil Explosion Equipment Co., Ltd. (湖南南嶺民用爆破器材股份有限公司). He has successively won a series of awards such as the research on steep slope mining technology in large open-pit mines, the research on steep slope railway transportation system of large deep concave open-pit mines issued by the State Council, the key technology of smooth transition from open pit to underground mining and open pit geotechnical engineering control technology for disaster issued by Anhui Provincial People's Government. He also published four academic monographs and edited two professional manuals.

Liew Fui Kiang (劉懷鏡), male, Han nationality, born in August 1966. He is a holder of a master's degree in Business Administration and a bachelor's degree in Laws. He has extensive experience as a director of listed companies as well as legal expertise and work experience. He is a solicitor in Hong Kong, China as well as England and Wales, and a fellow of the Hong Kong Institute of Directors. 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 director of Zhongchang International Holdings Group Limited, Zhengye International Holdings Company Limited, Zhaoke Ophthalmology Limited and China Apex Group Limited, an Independent Non-executive Director of Shandong Gold and an external supervisor of China Ping An Insurance Group Co., Ltd.

Zhao Feng (趙峰), female, Han nationality, born in February 1969. She is a holder of a master's degree in Economics, a PRC certified public accountant and a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA), and has extensive experience in company management and financial management. Ms. Zhao 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 U.S. 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 Shandong Gold, and an independent director of China Longyuan Power Group Corporation Limited and Xiamen International Bank Co. Ltd.

As Independent Non-executive Directors of the Company, none of us held any posts with the Company other than that of Independent Non-executive Directors, nor did we hold any posts in shareholders of the Company, and there is no circumstance that affects our independence.

II. OVERVIEW OF THE PERFORMANCE OF DUTIES BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THE YEAR

In 2022, the Company convened 7 general meetings, 14 meetings of the Board, 3 meetings of the Strategy Committee, 6 meetings of the Audit Committee, 2 meetings of the Nomination Committee and 2 meetings of the Remuneration and Appraisal Committee. All of the Independent Non-executive Directors were able to actively attend the general meetings, the Board meetings and the meetings of the Board committees, to carefully consider various resolutions, gain an in-depth understanding of the Company's production and operation through on-site inspection, study of information and multi-party communication, fully express independent opinions based on their independent judgments, and put forward opinions and suggestions for the scientific decision-making and legal operation of the Board. Details of the attendance of the meetings are as follows:

(1) Attendance at general meetings

Name of Independent Non-executive Director	Number of general meetings held during his/her term of office	Number of meetings attended
Wang Yunmin	7	4
Liew Fui Kiang	7	5
Zhao Feng	7	5

During the reporting period, no objection was raised by Independent Non-executive Directors to the resolutions of the general meeting of shareholders of the Company.

(2) Attendance at Board meetings

Name of Independent Non-executive Director	No. of Board meetings that required attendance for the year	Number of physical meetings attended	Number of meetings attended by electronic means	Attendance by proxy	Number of absence	Whether he/she had failed to attend two consecutive meetings
Wang Yunmin	14	0	14	0	0	No
Liew Fui Kiang	14	0	14	0	0	No
Zhao Feng	14	1	13	0	0	No

During the reporting period, all resolutions of the Board of Directors were voted for, with no dissenting or abstaining votes.

(3) Operation of the specialized committee

All Independent Non-executive Directors are members of specialized committees under the Board, and chairmen of the Nomination Committee, the Audit Committee and the Remuneration and Appraisal Committee are Independent Non-executive Directors. During the reporting period, we followed the Rules of Procedure for Meetings of the Board of Directors and the terms of reference of each specialized committee, actively participated in the work of each relevant committee and did not absent from the relevant meetings, fully voted for the resolutions considered, and did not put forward any objection or abstention. The Independent Non-executive Directors and each specialized committee played an effective role in corporate governance and major decision-making, safeguarding the overall interests of the Company and all shareholders.

(4) On-site inspection and the Company's cooperation in the work

We made good use of our attendance in person at the on-site Board meetings and the general meetings to conduct on-site inspection to the Company. At the same time, we would also keep communication with the Company by means of video, telephone and e-mail. During the preparation of the Company's annual report, the Company communicated with the accountant, the finance department, the audit and legal department and other relevant personnel to understand the implementation of the Company's financial, audit and internal control system, and made objective and fair judgments on other matters such as the Company's periodic reports. We earnestly performed the duties of Independent Non-executive Directors, continued to strengthen the communication and exchange with the Chairman, other Directors, the Supervisory Committee and senior management of the Company, and kept abreast of the daily production, operation and management of the Company and the implementation of the resolutions of the Board. During the reporting period, the Company arranged directors' liability insurance for all Directors including Independent Non-executive Directors, established a communication mechanism for external directors, to timely report the production and operation of the Company and the progress of major events. External directors provided special explanations on important matters that we care about, carefully listened to the professional opinions we put forward and studied the implementation thereof, which provided complete conditions and support for the performance of duties by Independent Non-executive Directors.

III. KEY CONCERNS IN THEIR PERFORMANCE OF DUTIES IN THE YEAR**(1) Connected transactions**

In strict accordance with the relevant provisions of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Guidelines of the Shanghai Stock Exchange for Self-regulation of Listed Companies No. 5 – Transactions and Related Party Transactions (《上海證券交易所上市公司自律監管指引第5號—交易與關聯交易》), the Articles of Association and the Management System for Related Party Transactions of the Company, we conducted prior review and expressed independent opinions on the necessity, fairness of pricing, compliance of approval procedures and other aspects of related party transactions during the reporting period.

During the reporting period, the Board of the Company considered and approved eight resolutions on related party transactions, including the Resolution on Adjusting the Caps of Daily Related Party Transactions for 2022, the Resolution regarding the Signing of the Financial Services Framework Agreement between the Company and Shandong Gold Group Finance Co., Ltd., the Risk Assessment Report of Shandong Gold Group Finance Co., Ltd., the Risk Disposal Plan for the Deposit Business between the Company and Shandong Gold Group Finance Co., Ltd., Resolution on the Lease of Mining Rights of Jincheng Gold Mine of Laizhou Ludi Mining Investment and Development Co., Ltd. by a Controlling Subsidiary, Report on Continuous Risk Assessment of Shandong Gold Group Finance Co., Ltd. by the Company, Resolution on Further Implementation of Undertakings in Relation to Horizontal Competition by Shandong Gold Group Co., Ltd. and Shandong Gold Non-ferrous Metal Mine Group Co., Ltd., Resolution on Acquisition of the Listed Assets of Laizhou Jinan Ecological Co., Ltd. and Signing of Transaction Documents. All interested Directors had abstained from voting, and all matters within the authority scope of the general meeting had been considered and approved by the general meeting. We consider that connected transactions of the Company and decision-making procedures of the Company are in compliance with the relevant regulations, based on the business characteristics and normal operation and development needs of the Company, and are priced at a reasonable and fair price in accordance with the market price, without prejudice to the interests of the Company and its shareholders as a whole. We agree to all connected transactions considered by the Company in 2022.

(2) External guarantee and funds appropriation

In accordance with the Guidelines for the Supervision and Administration of Listed Companies No. 8 – Supervision Requirements for Capital Transactions and External Guarantees of Listed Companies jointly issued by the CSRC, the Ministry of Public Security, the SASAC and the CBIRC, as well as the relevant provisions of the Articles of Association and the Decision-making System for External Guarantees of the Company, we have verified the external guarantees and capital occupation of the Company. During the reporting period, the Board of the Company considered and approved three resolutions regarding guarantees. As of 31 December 2022, the contract guarantees provided by the Company to Shandong Gold Mining (Hong Kong) Co., Limited, a wholly-owned subsidiary, for its foreign facilities amounted to USD1,000 million, and the balance of loans was USD850 million (equivalent to RMB5,919,910,000). The amount of guarantee provided by the Company for the M&A loan of its wholly-owned subsidiary Shandong Gold Mining (Laizhou) Co., Ltd. was RMB4,204 million. The total loan balance actually guaranteed above was RMB10,123,910,000. The above guarantees are all guarantees provided by the Company to its wholly-owned subsidiaries.

We are of the view that the Company is able to strictly comply with the Articles of Association and relevant laws and regulations. The guarantees provided by the Company are within the limit approved at the general meeting, which is conducive to satisfying the working capital requirements of Shandong Gold Mining (Hong Kong) Co., Limited and Shandong Gold Mining (Laizhou) Co., Ltd., and is in the interests of the Company as a whole. The Company strictly fulfilled the disclosure obligation of external guarantee and was able to control the risk of external guarantee, and no damage was found to the shareholders of the Company, especially the interests of minority shareholders. In 2022, the Company did not have any illegal guarantee or misappropriation of non-operating funds by controlling shareholders.

(3) Use of Proceeds

The 32nd meeting of the sixth session of the Board considered and passed the Resolution of the Company Regarding Temporary Use of Certain Idle Funds from the Fundraising to Replenish Working Capital on 16 December 2022, for which we believed that such use of idle fund in an amount of RMB270 million has no impact on the scheduled operation of these projects, and could help to improve the efficiency in use of the raised funds and reduce the financial costs of the Company.

The net proceeds (net of transaction costs) from issuance of H Shares by the Company in 2018 amounted to RMB4,619 million. As of 31 December 2022, the Company had used approximately USD653 million to repay the loans for the acquisition of Veladero Mine in Argentina and pay listing expenses in an amount of RMB95 million, and the remaining fund was deposited in a bank account.

We have carefully checked the use of proceeds and issued independent opinions. The Company used the idle proceeds to temporarily supplement working capital and promised the use period and return on time. All the matters involving the deposit and use of proceeds have performed necessary decision-making procedures and fulfilled the obligation of information disclosure in a timely manner. We are of the view that there are no circumstances that would change or result in a disguised change in the proposed use of proceeds and prejudice the interests of Shareholders, and there is no non-compliance in the deposit or use of proceeds.

(4) Nomination and remuneration of senior management

During the reporting period, we carefully reviewed the relevant proposals on the nomination of directors and appointment of general manager, as well as personal biographies and work performance. We expressed independent opinions and were of the view that, based on the personal biographies and qualifications of Mr. Li Hang and Mr. Liu Qin, Mr. Li Hang and Mr. Liu Qin met the requirements for serving as a director and the general manager of the listed company, respectively, and were able to fulfill their duties. We approve the nomination of Mr. Li Hang as a candidate for non-executive Director of the sixth session of the Board of the Company; the appointment of Mr. Liu Qin as the general manager of the Company was approved, and the procedures for nomination, voting and appointment were in compliance with the relevant provisions of the Company Law and the Articles of Association.

The remuneration paid by the Company to the senior management is fair and reasonable and in line with the relevant remuneration policies and assessment standards of the Company. The procedures for payment of remuneration are in compliance with the relevant rules and regulations.

(5) Preliminary results announcement and results updates

During the reporting period, the Company disclosed the announcement on estimated decrease in the results for 2021 on 29 January 2022, the announcement on profit alert for the first quarter of 2022 on 12 April 2022, the announcement on profit alert for the first half of 2022 on 15 July 2022, and the announcement on profit alert for the third quarter of 2022 on 15 October 2022. The Company strictly follows provisions of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Memorandum on Routine Information Disclosure of Listed Companies and other rules on information disclosure, and has no false representation, misleading statement or material omission.

(6) Appointment or change of auditors

Given that TianYuanQuan is unable to undertake the audit of the 2022 A Share annual report of the Company due to its internal work arrangements, the Company proposes to change the A Share accounting firm and internal control audit firm for 2022 to ShineWing Certified Public Accountants (Special General Partnership). After prudent verification, we are of the view that: ShineWing Certified Public Accountants (Special General Partnership) is qualified to engage in securities and futures related businesses, has years of experience and ability to provide audit services for listed companies, and is able to provide true and fair audit services for the Company, and meets the requirements for financial audit and internal control audit of A Shares and H Shares of the Company for 2022. The proposed change of accounting firm is in line with the Company's business development needs and is a reasonable change based on the actual development of the Company. We agreed to engage ShineWing Certified Public Accountants (Special General Partnership) as the Company's A share financial audit and internal control audit institution for 2022.

At the 33rd meeting of the sixth session of the Board held on 12 January 2023 and the 2023 first extraordinary general meeting of the Company held on 8 February 2023, the Resolution on the Change of A Share Accounting Firm and Internal Control Auditor for 2022 was considered and approved. After the change of A share accounting firm, ShineWing Certified Public Accountants will serve as the Company's A share and H share auditors (among which, the H share annual report auditors will be SHINEWING (HK) CPA Limited). Audit fees for 2022 amounted to RMB4.8 million, representing a decrease of RMB4.83 million as compared with the previous period and the audit fees approved at the 2021 annual general meeting.

(7) Cash dividend and other returns to investors

In accordance with the relevant provisions of the securities regulatory authority on cash dividend and the requirements on profit distribution in the Articles of Association, the Company has carefully formulated profit distribution proposal and strictly implemented the decision-making procedures for cash dividend.

On 2 June 2022 and 29 July 2022, the Company held the 23rd meeting of the sixth session of the Board, the 2022 second extraordinary general meeting, the 2022 first A share and H share class meetings, respectively, at which the Resolution on Formulation of Shareholders' Return Plan for the Next Three Years (2022-2024) of the Company was considered and approved; The Resolution on Amendments to the Articles of Association was considered and approved at the 28th meeting of the sixth session of the Board and the 2022 third extraordinary general meeting held on 26 October 2022 and 22 November 2022, respectively, which amended the profit distribution policy of the Company and further improved the form, decision-making mechanism and procedures of profit distribution.

The Profit Distribution Proposal for 2021 of the Company was considered and approved at the 20th meeting of the sixth session of the Board and the 2021 annual general meeting of the Company. We have expressed independent opinions on the above resolutions and were of the view that the Profit Distribution Proposal for 2021 of the Company has been formulated after fully considering factors such as the external macroeconomic situation, the Company's future development, financial position, cash flow situation, profitability and shareholders' investment returns, reflecting the Company's full emphasis on the reasonable investment returns to investors and taking into account the Company's actual operation and sustainable development, without prejudice to the interests of the Company and shareholders as a whole. It complied with the Company Law and other laws, regulations and regulatory documents.

The Company adopted cash dividend payment method for its 2021 profit distribution and completed the dividend payment in July 2021.

(8) Performance of undertakings of the Company and its Shareholders

The Company discloses the performance of undertakings by Shandong Gold Group Co., Ltd., the controlling Shareholder and de facto controller of the Company in its annual report and interim report each year. We are not aware of any violation of the undertakings by the controlling Shareholder during the reporting period.

(9) Execution of information disclosures

During the reporting period, the Company faithfully fulfilled the obligation of information disclosure in strict accordance with the respective requirements of laws and regulations such as the Company Law, the Securities Law, the Administrative Measures for Information Disclosure of Listed Companies (《上市公司信息披露管理办法》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as the Articles of Association. The Company fulfilled its information disclosure obligations in a true, accurate, complete, timely and fair manner, and protected the rights of shareholders, creditors and other stakeholders to obtain information of the Company fairly. Obtained Class A of the 2021-2022 Information Disclosure Evaluation of the Shanghai Stock Exchange. The Company has won this award for five consecutive years, which has been recognized by the capital market and regulatory authorities.

(10) Execution of internal control

During the reporting period, the Company continued to improve its internal control system in strict accordance with regulatory requirements, which provided reasonable assurance for the lawfulness and compliance of its operation and management, assets security, truthfulness and completeness of financial reports and related information, improved operation efficiency and performance and facilitated the fulfillment of its development strategies. In this regard, ShineWing Certified Public Accountants (Special General Partnership) issued the Internal Control Audit Report to the Company.

The Independent Non-executive Directors are of the opinion that the Company has established a relatively sound and comprehensive internal control system, which complies with requirements of the relevant laws and regulations, is appropriate to the actual circumstances of the Company and could meet the needs of the Company for its current development, and that each of the internal control measures has been effectively implemented.

(11) Operation of the Board and its specialized committees

The Board functioned in an orderly manner in strict accordance with the relevant laws and regulations and requirements of regulatory authorities, and all aspects of the Board meetings including the convening, consideration and voting of resolutions, meeting minutes and approval of resolutions were conducted in an orderly manner in compliance with relevant laws and regulations.

The Board has established the Strategy Committee, the Nomination Committee, the Audit Committee and the Remuneration and Appraisal Committee, all of which have considered matters in their respective scopes and functioned in a standardized manner during the reporting period.

IV. OVERALL EVALUATION AND RECOMMENDATIONS

In 2022, we diligently performed our duties, carefully reviewed each resolution of the Board of Directors, continued to pay attention to the Company's production and operation, non-public issuance, major acquisitions and other matters, and made use of our own professional advantages to independently, objectively and prudently express independent opinions, effectively safeguarding the overall interests of the Company and the legitimate rights and interests of all shareholders.

In 2023, we will continue to strictly comply with the provisions and requirements of relevant laws and regulations, adhere to the principles of prudence, diligence and integrity, faithfully perform the duties and obligations of Independent Directors, strengthen the communication and exchange with the Directors, supervisors and management of the Company, continuously enhance the ability to perform duties, give full play to our professional expertise and management experience, provide a strong guarantee for the scientific decision-making of the Board, so as to contribute to the high-quality development of the Company!

FINAL FINANCIAL REPORT FOR THE YEAR 2022**(Acting officer in charge of the Company's accounting affairs: Teng Hongmeng)**

Dear Shareholders and Shareholders' representatives,

The financial report of the Company for 2022 has been audited by ShineWing Certified Public Accountants (Special General Partnership) and SHINEWING (HK) CPA Limited with a standard unqualified audit report issued thereon. According to the audited data, the Company has prepared the 2022 final financial report. Details of the report are provided as follows:

I. IMPLEMENTATION OF ACCOUNTING POLICIES**1. Chinese Accounting Standards**

The Company's A-Share financial statements are prepared on a going-concern basis, based on actual transactions and events that have occurred and in accordance with the Accounting Standards for Business Enterprises-Basic Standards issued by the Ministry of Finance (promulgated by Ministry of Finance Order No. 33 and revised by Ministry of Finance Order No. 76), 42 specific accounting standards issued and revised by the Ministry of Finance on and after 15 February 2006, the Guidelines for the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other related requirements (the **"Accounting Standards for Business Enterprises"**).

In addition, the Company also disclosed relevant financial information in accordance with the Information Disclosure and Compilation Rules for Companies Offering Securities to the Public No. 15-General Provisions for Financial Reports (2014 Revision).

Pursuant to relevant provisions of the Accounting Standards for Business Enterprises, the Company's accounting shall be prepared based on the accrual basis. Except for certain financial instruments that are measured at fair value, these financial statements adopt the historical cost method as the measurement basis. If an asset is impaired, the corresponding impairment provision shall be made in accordance with relevant requirements.

2. International Accounting Standards

The Company's H-Share financial statements are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. In addition, the consolidated financial statements should include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared in accordance with the conventional method of historical cost, and have been adjusted by the revaluation of financial assets and financial liabilities at fair value through profit or loss and at fair value through other comprehensive income (both stated at fair value).

II. KEY OPERATING INDICATORS AND FINANCIAL CONDITION (THE FOLLOWING FIGURES ARE EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE CHINESE ACCOUNTING STANDARDS)

(I) Production indicators

The annual gold production was 38.67 tonnes in 2022, representing a year-on-year increase of 13.89 tonnes or 56.06%.

(II) Operating revenue

In 2022, the Company recorded a revenue of RMB50.306 billion, representing a year-on-year increase of RMB16.371 billion or 48.24%, due to the following:

1. Due to the increase in the sales volume of gold, revenue increased by RMB13.820 billion, of which: the increase in the sales volume of self-produced gold of 12.51 tons year on year, resulting in an increase in our operating revenue of RMB4.667 billion; the increase in the sales volume of purchased gold of 20.85 tons year on year, resulting in an increase in our operating revenue of RMB7.909 billion; the increase in the sales volume of small gold bars of 3.78 tons year on year, resulting in an increase in our operating revenue of RMB1.245 billion.
2. Due to the increase in the gold price, operating revenue increased by RMB2.417 billion, of which: the increase in the sales price of self-produced gold of RMB19.04/g year on year, resulting in an increase in our operating revenue of RMB737 million; the decrease in the sales price of purchased gold of RMB16.97/g year on year, resulting in an increase in our operating revenue of RMB888 million; the increase in the price of small gold bars of RMB26.04/g year on year, resulting in an increase of our operating revenue by RMB792 million.

(III) Total profit

In 2022, the Company recorded a total profit of RMB2,006 million, representing a year-on-year increase of RMB1.984 billion or 8,832.56%, mainly due to the following:

1. the contribution of our self-produced gold business to an increase in our profit of RMB3.735 billion. In particular, the sales price of self-produced gold increased by RMB19.04/g year on year, resulting in an increase in our total profit of RMB737 million; the sales volume of self-produced gold increased by 12.51 tons year on year, resulting in an increase in our total profit of RMB1.357 billion; the unit sales cost decreased by RMB42.36/g year on year, resulting in an increase in our total profit of RMB1.640 billion.
2. the contribution of the smelting of our purchased gold to an increase in our profit of RMB73 million.

3. the contribution of our small gold bar business to an increase in our profit of RMB83 million.
4. profit from other businesses and other associated metals decreased by RMB381 million.
5. our taxes and surcharges increased year on year, resulting in a decrease in our total profit of RMB189 million.
6. our selling costs decreased year on year, resulting in an increase in our total profit of RMB185 million.
7. administrative expenses decreased year-on-year, resulting in an increase in our total profits of RMB614 million.
8. our R&D expenses increased year on year, resulting in a decrease in our total profit of RMB54 million.
9. our finance costs increased year on year, resulting in a decrease in our total profit of RMB336 million.
10. the contribution of the changes in fair value, investment income and other income to a decrease in our profit of RMB1,431 million. The decrease was mainly due to the change in fair value of the financial assets held by SDG Capital Management Co., Ltd., a wholly-owned subsidiary of the Company, and its transfer of equity interest in Shanghai Shengju Asset Management Co., Ltd., etc. in the previous year.
11. the contribution of the credit and assets impairment losses, gains on disposal of assets and net non-operating income and expenses to a decrease in our profit of RMB310 million.

(IV) Profitability

In 2022, the net profit attributable to owners of the parent company amounted to RMB1.246 billion, representing a year-on-year increase of RMB1.440 billion.

As at the end of 2022, the equity attributable to owners of the parent company amounted to RMB32.877 billion, representing an increase of RMB3.657 billion or 12.52% as compared to the beginning of the period.

In 2022, the weighted average return on net assets was 3.87%, representing a year-on-year increase of 5.33 percentage points.

In 2022, the basic earnings per share were RMB0.20 per share, representing a year-on-year increase of RMB0.29 per share.

(V) Financial condition*1. Assets*

As at the end of 2022, the Company's total assets amounted to RMB90.722 billion, representing an increase of RMB12.414 billion or 15.85% compared with the beginning of the period.

2. Liabilities

As at the end of 2022, the Company's total liabilities amounted to RMB54.025 billion, representing an increase of RMB7.501 billion or 16.12% compared with the beginning of the period, with a gearing ratio of 59.55%, representing an increase of 0.14 percentage points compared with the beginning of the period.

3. Owners' equity

As at the end of 2022, the owners' equity amounted to RMB36.696 billion, representing an increase of RMB4.913 billion or 15.46% compared with the beginning of the period. In particular, the equity attributable to owners of the parent company amounted to RMB32.877 billion, representing an increase of RMB3.657 billion or 12.52% compared with the beginning of the period.

(VI) Cash flow

1. In 2022, the Company realized a net cash flow from operating activities of RMB2.972 billion. Cash from sales of goods and provision of services constituted the most important source of cash inflow to the Company in the current period, which is enough to satisfy the needs of our operating activities. Net cash flow from operating activities increased by RMB1.150 billion or 63.08% year on year.
2. Net cash outflow from investment activities was RMB5.251 billion, representing a year-on-year increase of RMB2.644 billion, mainly due to the cash inflow from disposal of subsidiaries in the previous period and the increase in cash paid for long-term assets such as the purchase and construction of fixed assets in the current period.
3. Net cash flow from financing activities was RMB5.462 billion, representing a year-on-year increase of RMB3.321 billion, mainly due to the increase in cash inflow from investment and borrowings during the period.

III. DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AND THOSE PREPARED IN ACCORDANCE WITH THE RELEVANT GENERALLY ACCEPTED ACCOUNTING STANDARDS IN CHINA

There are differences between financial statements prepared in accordance with the International Financial Reporting Standards and those prepared in accordance with the relevant generally accepted accounting standards in China, which are shown as follows:

Unit: RMB

	Net profit attributable to shareholders of the listed company		Net assets attributable to shareholders of the listed company	
	<i>Current period</i>	<i>Previous period</i>	<i>At the end of the period</i>	<i>At the beginning of the period</i>
Prepared in accordance with the Chinese Accounting Standards	1,245,858,630.24	-193,687,290.91	32,877,039,085.18	29,219,805,746.69
Items and amounts adjusted in accordance with the International Accounting Standards:				
Difference in goodwill upon initial recognition	-54,499,970.11	-27,613,961.87	54,348,041.83	108,848,011.94
Prepared in accordance with the International Accounting Standards	1,191,358,660.13	-221,301,252.78	32,931,387,127.01	29,328,653,758.63

The reasons for the difference are explained as follows: under the Chinese Accounting Standards, the difference between the cost of the Company's acquisition of a subsidiary and the fair value of the identifiable net assets of the acquiree obtained in the merger is treated as an asset and recognized as goodwill and is initially measured at cost and presented separately in the consolidated financial statements. Goodwill is tested for impairment at the end of each year and is measured at cost less accumulated impairment provisions.

However, when the Company prepares its financial statements for disclosure on the Hong Kong Stock Exchange in accordance with the International Financial Reporting Standards, goodwill is distributed to the value of the relevant assets in accordance with the value distribution report of the acquired assets, resulting in differences in the amounts of depreciation and amortization of the relevant assets each year, hence the difference.

2023 FINANCIAL BUDGET REPORT

(Acting officer in charge of the Company's accounting affairs: Teng Hongmeng)

Dear Shareholders and Shareholders' representatives,

In 2023, the Company will focus on strategic goals of the 14th Five-Year Plan, mainly promoting high-quality development with reform and innovation as the fundamental driving force, adhere to the principle of seeking progress while maintaining stability and improving quality in progress. In order to give full play to the role of budget in strategic guidance, resource allocation, business management and control, and risk prevention, the Company has organized, formulated and implemented annual budget indicators, completed the preparation of the financial budget for 2023. The relevant information is described as follows:

I. BASIS ON WHICH THE FINANCIAL BUDGET FOR 2023 IS PREPARED

(1) Principles and grounds for preparation of the financial budget

The financial budget is prepared in the direction of strategic planning and based on our production and operation management. In line with our production, operation, investment, capital and other plans for 2023, the Company will, in the principle of focusing both quality and efficiency, leverage the process management role of financial budget to ensure the achievement of strategic objectives.

(2) Scope of the financial budget

All the enterprises which are consolidated into the financial statements for 2022 are included in the scope of the budget. The budget will be adjusted when appropriate in case of any additional or exits from any existing investment projects during 2023.

II. MAJOR BUDGET INDICATORS

(1) Budget for production indicators

It is estimated that gold production will be 39.641 tons in 2023 (the plan is formulated based on the prevailing economic situation, market conditions and our own operation, and may be subject to adjustments when appropriate by the Company depending on future developments).

(2) Investment budget

The total investment budget of the Company for 2023 is RMB21.1 billion, including RMB2.9 billion in construction projects, RMB3.8 billion in maintenance of simple reproduction, RMB1.2 billion in intangible assets, and RMB13.2 billion in long-term equity investment (mainly for the acquisition of 20.93% of the issued shares of Yintai Gold at a consideration of RMB12.76 billion).

(3) Financing budget

As at the end of 2022, the balance of external debt financing of the Company was RMB34.5 billion, while the capital need for investment in 2023 is RMB17.3 billion. It is estimated that, after deducting the self-owned fund of RMB4.5 billion and a balance of long-term financing of RMB13.7 billion, there is a need for fund of approximately RMB33.6 billion to be raised from external sources given the repayment of facilities when mature.

III. EXPLANATION ON MATTERS WHICH WOULD HAVE AN INFLUENCE ON THE BUDGET INDICATORS

Apart from the risks of fluctuations in gold price, resource reserve and proving situation of mining enterprise of the Company and the safety and environmental risks of mines will have an influence on the budget indicators. The mining activities conducted by mining enterprises will generate waste rock, tailings and damage ground vegetation, and the voids underground may be subject to subsidence, while ore processing and smelting activities will also generate waste water, waste gas and waste residue, and rock burst under ground pressure, high temperature and humidity also put forward new and higher requirements for production safety. The expenditures on safety and environmental protection will also affect our budget indicators. The growing difficulty of deep mining and the declining grade of ore mined at depth will also affect the budget indicators. At the same time, the profitability of financial enterprises is affected by the macro environment, which will also bring uncertainties to the budget.

IV. MEASURES TO SAFEGUARD IMPLEMENTATION OF THE FINANCIAL BUDGET

The Company will closely focus on the annual goal of “Integrating Internal and External Resources for Leapfrog Development” in 2023, strengthen organization management on production, continue to optimize the “five-ratios” of mines, deeply explore internal potential and strictly control costs and expenses. While focusing on input-output efficiency, the Company will pay attention to the incremental cash flow and investment return level of investment projects to ensure the safety and profitability of investment projects. The Company will continuously improve the operation efficiency of asset by strengthening the management and control of “Two Funds” from the source, strictly controlling the scale of new arrears, enhancing the disposal and realization of inefficient and ineffective assets. The Company will adhere to industrial synergy, carry out gold trading, industrial chain finance and other businesses in an orderly manner, aiming to strictly control risks and improve business quality. Under the outline of “controlling scale and preventing risks”, the Company will reasonably plan the scale of financing, effectively improve the level of capital management, minimize the cost of capital, effectively control the gearing ratio, thus comprehensively improve the high-quality development of Shandong Gold.

SHANDONG GOLD MINING CO., LTD. 2022 APPRAISAL REPORT ON INTERNAL CONTROL

To all Shareholders of Shandong Gold Mining Co., Ltd.:

According to the requirements of the Basic Rules for Internal Control of Companies (《企業內部控制基本規範》) and supporting guidance and other regulatory requirements concerning the internal control (the “Enterprise Internal Control Regulatory Systems”), and considering internal control system and evaluation methods of the Company and based on day-to-day monitoring and special supervision of internal control, we assessed the effectiveness of the internal control of the Company as at 31 December 2022 (the reference date of the Internal Control Appraisal Report).

I. IMPORTANT STATEMENT

According to the requirements of Enterprise Internal Control Regulatory Systems, it is the responsibility of the Board to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose the Internal Control Appraisal Report. The Supervisory Committee shall oversee the establishment and implementation of the internal control mechanism by the Board. The management shall be responsible for the day-to-day operation of this mechanism. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained.

The objectives of the internal control are to reasonably ensure that the Company’s operation and management be in compliance with laws and regulations, guarantee assets safety, ensure that the financial reporting and relevant information be true and accurate, improve efficiency and effect of operation and facilitate achievement of the development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in the circumstances may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control appraisal.

II. RESULTS OF INTERNAL CONTROL APPRAISAL

1. Whether there is any Material Deficiencies in the Internal Control over Financial Reporting of the Company, as at the Reference Date of the Internal Control Appraisal Report

☐ Yes ☒ No

2. Results of Internal Control Appraisal over Financial Reporting

☒ Effective ☐ Ineffective

According to the identification of material deficiencies in the internal control over financial reporting of the Company, as at the reference date of the Internal Control Appraisal Report, there were no material deficiencies in the internal control over financial reporting. The Board believes that the Company has maintained an effective internal control over financial reporting in all material aspects according to the requirements of Enterprise Internal Control Regulatory Systems and relevant requirements.

3. Whether Material Deficiencies in the Internal Control over Non-Financial Reporting had been Discovered

☐ Yes ☒ No

According to the Company's identification of material deficiencies in the internal control over non-financial reporting, as at the reference date of the Internal Control Appraisal Report, the Company discovered no material deficiencies in the internal control over non-financial reporting.

4. The Factors Affecting the Appraisal Results of the Effectiveness of Internal Control from the Reference Date to the Issuance Date of the Internal Control Appraisal Report

☐ Applicable ☒ N/A

From the reference date to the issuance date of the Internal Control Appraisal Report, there were no occurrence of such factors that may affect the appraisal results of the effectiveness of the internal control.

5. Whether the Auditing Opinions on Internal Control are Consistent with the Company's Appraisal Results of the Effectiveness of Internal Control over Financial Reporting

☒ Yes ☐ No

6. Whether the Material Deficiencies in the Internal Control over Non-financial Reporting Disclosed by the Internal Control Audit Report are Consistent with those Disclosed by the Company's Internal Control Appraisal Report

☒ Yes ☐ No

III. DETAILS OF INTERNAL CONTROL APPRAISAL

(I) Scope of Internal Control Appraisal

The Company determined the main enterprises, business and matters and high-risk fields covered in the appraisal scope based on the risk-oriented principle.

1. **Main Enterprises Covered in the Appraisal Scope:** Shandong Gold Mining Co., Ltd., Xincheng Gold Mine of Shandong Gold Mining Co., Ltd., Shandong Gold Mining (Laizhou) Co., Ltd., Sanshandao Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd., Jiaojia Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd., 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., Chifeng Chaihulanzi Gold Mining Co., Ltd., Shandong Jinshi Mining Co., Ltd., Shandong Gold Mining (Laixi) Co., Ltd., Gansu Xihe Zhongbao Mining Co., Ltd., Fujian Zhenghe Yuanxin Mining Co., Ltd., 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., Shenzhen SD Gold Mining Precious Metal Co., Ltd. and SDG Heavy Industry Co., Ltd.

2. **Percentage of the Enterprises Covered in the Appraisal Scope:**

Index	Percentage (%)
The percentage of the total assets of the enterprises covered in the appraisal scope accounting for the total assets shown in the Company's consolidated financial statements	86.53
The percentage of the total revenues of the enterprises covered in the appraisal scope accounting for the total revenues shown in the Company's consolidated financial statements	95.93

3. **Main Business and Matters Covered in the Appraisal Scope Include:**

3.1 Organizational Structure

The Company has established a corporate governance structure in standard operation with the main body consisting of the Shareholders' meeting, Board of Directors, Supervisory Committee and operation management, set up an organizational function organizations that are compatible with the Company's production, operation and scale and built an internal control system with clear division of responsibilities and featured by mutual cooperation and restriction, guaranteeing the orderly daily operations. The Company always pay close attention to

the latest requirements of relevant laws and regulations and securities regulatory authorities, and timely adjusts and improves the Company's internal control system based thereon to ensure the effectiveness of the Company's internal control system.

- (1) **Shareholders' meeting:** The Shareholders' meeting is the highest authority of the Company. It decides on operational policies and significant investment plans of the Company, elects and changes the Directors and Supervisors, considers and approves reports of the Board of Directors and the Supervisory Committee and the profit distribution proposal and other significant matters of the Company.
- (2) **Board of Directors:** The Board of Directors is the Company's decision-making body, and it is responsible for the establishment and supervision of the Company's internal control system, establishment and improvement of internal control policies and programs and supervising the implementation thereof. The current Board of Directors of the Company consists of nine members, including three independent Directors. The secretary to the Board of Directors is responsible for the daily work of the Board. In 2022, the Company held a total of 14 Board meetings, including four regular Board meetings and ten temporary Board meetings.
- (3) **Supervisory Committee:** The Supervisory Committee of the Company is the supervisory organ of the Company, and it is responsible for supervising and inspecting the performance of the Company's Directors and senior management and the financial position of the Company and its subsidiaries. The Company's current Supervisory Committee consists of three members, including one employee supervisor.
- (4) **Specialized committees of the Board of Directors:** The Board of Directors of the Company has established four specialized committees, including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Strategy Committee mainly reviews the Company's long-term development strategies and material investment decisions and makes suggestions. The Audit Committee is mainly responsible for the communication, supervision and verification of internal and external audits. The Nomination Committee is mainly responsible for the selection of candidates for Directors and senior management of the Company and selection criteria and procedures and making recommendations. The Remuneration and Appraisal Committee is mainly responsible for formulating the remuneration policies, plans and appraisal criteria for the Company's Directors and senior management and conducting regular appraisals. In 2022, the Company organized 12 meetings, including six Audit Committee, two Remuneration and Appraisal Committee, two Nomination Committee and two Strategy Committee.

- (5) **Operation Management:** The management of the Company is responsible for the formulation and effective implementation of the internal control system. It organizes, coordinates, manages and supervises the functional departments' execution of management power to ensure the stable and normal operation of the Company. The Company has defined the responsibilities of senior management, implemented the principle of separation of incompatible positions and formed a mechanism of checks and balances.

In 2022, the Company took development strategy as the direction, took enhancing enterprise vitality and competitiveness as the goal and focused on strengthening professional management, optimizing resource allocation and improving organizational efficiency. Adhering to the principles of professional collaboration, streamlining and efficiency and being proactive and prudent in accordance with the requirements of group management, specialized management and intensive operation, aiming to establish a scientific, standardized and efficient three-level management organizational structure that strengthens the strategic control functions of the headquarters, enhances the service capabilities of the headquarters, clarifies the professional management boundaries of secondary units and optimizes the system of administering of tertiary enterprises, providing strong organizational support for high-quality development.

3.2 *Development Strategy*

The Company has established a working system for the Strategy Committee of the Board of Directors, which clarifies that the Board of Directors and its Strategy Committee are responsible for the Company's development strategy management, and the strategic management organization can fully perform its duties and lead the Company's scientific development. In the light of the opportunities, challenges and changes in the internal and external development situation faced by the Company, the "14th Five-Year" development strategy and plan and the three-year rolling development plan (2022-2024) were revised and improved in a timely manner. Meanwhile, it stressed coordination and connection to ensure that the plan be connected from top to bottom. In respect of key projects, the Company planned major projects to be implemented during the "14th Five-Year Plan" period, and implemented plans through major projects. Through effective strategic management, the Company rationally avoided strategic risks and fully seized strategic opportunities to ensure the stable development and standard operation of the Company in the future.

3.3 *Social Responsibility*

The Company attaches great importance to fulfill corporate social responsibility, and it has established sound management systems and emergency plans in terms of production safety, energy conservation and consumption reduction, environmental protection and employee rights and interests, aiming to practically achieve coordination between economic and social benefits, short-term and long-term benefits and corporate development and social development and achieving healthy and harmonious development of the Company, employees, society and the environment.

During the reporting period, the Company strictly implemented the “15 Strong Measures” of the State Council and the “Twenty Innovative Measures Covering Eight Key Areas” of the provincial Party committee and government, effectively consolidating the trend and foundation of stable and positive safety production. The mines in production remained in the green mine list, and ten enterprises were selected as provincial-level “healthy enterprises” in 2022. The Company was successfully selected as an excellent ESG case of listed companies in 2022 by the China Association for Public Companies.

3.4 Corporate Culture

In the process of production and operation, the Company has gradually formed a complete set of cultural norms that adapt to the Company’s overall values, business philosophy and enterprise spirit, effectively combining corporate culture with development strategy and operation management. During the reporting period, the Company closely focused on the development strategy, strengthened corporate culture, enriched the brand culture, expanded the cultural construction paths, strengthened international cultural exchange and well conducted publicity on the development strategy of building a world-class demonstration mine. We have strengthened and improved ideological work, prepared and organized the signing of ideological work responsibility letters and improved the atmosphere of harmonious development of the Company. The Company also made use of newspapers and magazines, the Internet and other media to tell the story of Shandong Gold, displaying a good brand image in multiple dimensions and shaping a first-class corporate culture. Insisting on the positive publication orientation, the Company launched the report on “the Most Beautiful People of Shandong Gold” (最美山金人) in Xinhua News Agency, People’s Daily and other mainstream media, and the CCTV program group entered the grassroots enterprises. The Company opened a WeChat public account, a video account and a TikTok account to release the latest developments, spreading the corporate culture and gathering the momentum of reform and development. The Company adhered to cultural leadership, deeply publicized the four development concepts of Shandong Gold, organized the selection of the Company’s model workers and advanced workers and assisted workers in difficulty. The Company organized a forum for frontline staff and created a good atmosphere of full respect for miners, genuine care for miners and close reliance on miners, further gathering the strength of employees to strive for progress.

3.5 Risk Management

The Company has developed comprehensive risk management measures, regularly carries out risk identification work and extensively and continuously collects internal and external initial information related to enterprise risk and risk management. During the reporting period, a total of 15 departments and 79 risk points were identified at the headquarters level, including offices, the strategic planning department, the human resources department and the operation management department. The Company summarized and integrated the 15 major and important risks of subsidiaries and preliminarily formed the Company’s 2022 risk information database. The Company takes quarterly dynamic monitoring as the starting point, continuously tracks various major risks and continuously, solidly and effectively prevents and resolves various risks.

3.6 *Internal Information Transmission*

According to the actual situation of internal production and operation, the Company has established an efficient and perfect information transmission mechanism by means of digital transformation and upgradation, so that internal information transmission is responsive, accurate and rigorous. Information transmission covers top-down and bottom-up financial and accounting information, production and operation information, fund operation information, personnel change information, technological innovation information, comprehensive management information, etc. Management personnel at all levels can timely grasp relevant information and instructions and correctly fulfill their responsibilities according to their respective positions. Because of effective communication and full utilization of information among various internal management levels, the quality and confidentiality of information are fully ensured through report review and confidentiality system, promoting effective communication and full utilization of enterprise production and operation management information among various management levels.

3.7 *Internal Supervision*

The Company has established an internal supervision system, clarifying the responsibilities and authorities of internal audit institutions and other internal institutions in internal supervision, standardizing the procedures, methods and requirements of internal supervision.

Based on internal supervision, the Company regularly conducts self-evaluation of the effectiveness of internal control and issues self-evaluation reports on internal control. The enterprise has established standards for identifying internal control deficiencies, analyzing the nature and causes of internal control deficiencies discovered during the supervision process, proposing rectification plans and timely reporting to the Board of Directors or management in an appropriate form.

3.8 *Human Resources*

The Company has established a comprehensive human resource control system and continuously revises and improves its human resource system to meet the needs of enterprise development. The Company has formulated an annual human resource work plan based on its development strategy, current human resource management situation and actual production and operation needs, and the Company has carried out human resource management work in an orderly manner. The recruitment of college graduates is closely combined with the enterprise's talent reserve, and multiple public recruitment announcements have been issued. Throughout the year, a large number of talents were recruited through public recruitment.

The Company developed and implemented an annual training plan in 2022, continuously consolidating and strengthening the comprehensive training system for middle-level cadres, management personnel, technical talents and skilled workers. Throughout the year, 123 online and offline training sessions were organized with a total of 22,234 participants. Among them, there were 26 online training sessions (online video playing and live-streaming trainings) with 16,332 participants. 97 offline training sessions (on campus + on-site) with 5,902 participants. We kept on playing the role of the Company's vocational skills appraisal platform and carrying out independent evaluations of the "three layers and six levels" of professional skills in the gold mining industry. In 2022, 231 people obtained vocational qualifications. We have solidly carried out the evaluation of professional titles and further optimized the structure of the Company's technical talent team.

3.9 Working Capital Management

The Company has formulated and improved the regulations on management of internal accounting control systems and procedures, formed a complete financial activity control system and carried out fund activities in strict accordance with the Company's system and funds management procedures including application, authorization, approval and verification. The financial department implements unified and centralized management, and the responsibilities and authorities of all control aspects are clear and specific.

3.10 Financing Management

The Company has formulated and improved systems such as fund management measures and temporary measures for internal financing and pricing, standardized the Company's financing management procedures, made use of the Company's advantages in fund scale, improved the Company's overall credit and fund operation capabilities, maximized the Company's overall interests and effectively prevented financial risks. During the reporting period, in the face of the complex and severe internal and external development situation, the Company opened up a wide range of channels to secure funds and strengthened the co-ordination, aiming prevent capital risks. The Company gave full play to the financial synergy of fund collection and management, and integrated and utilized idle funds to effectively relieve the financial pressure of enterprises and support the resumption of work and production. The Company conducted business negotiations with several banks to expand the financing credit lines, providing effective guarantees for capital needs and the safety of capital chains.

3.11 Investment Management

The Company has established a complete investment management system. Based on its own development strategy, the Company scientifically determines investment goals and plans, improves strict authorization, approval, verification and other related management systems, clarifies the responsibilities, authorities and separation of duties requirements for investment and links, regularly or irregularly inspects and evaluates investment situations, implements a system of accountability and ensures the safe and effective operation of investment activities.

3.12 *Purchasing Business*

The Company has established a complete purchasing management system, and thus all purchasing aspects are subject to guidance and control under systems or processes. In accordance with the actual circumstances of business and the existing situation of the external environment, the Company comprehensively sorted out its purchasing business process and improved the construction of the centralized purchasing system during the reporting period, and conducted benchmarking of processes to the actual implementation one by one, with the focus place on review of authorization, application, plan, approval, purchasing, acceptance and other aspects to ensure the effectiveness of the purchasing control measures. All aspects of the Company's purchasing management have basically realized informatization, which ensures the legal compliance of the procedures and effectively improves the quality and efficiency of purchasing. The restriction and standardization of the information system have greatly improved the efficiency and standardization of purchasing, ensured transparency and continuously reduced purchasing costs, so that the Company's purchasing activities can meet its production needs in time.

3.13 *Assets Management*

Based on the actual production needs, the Company has formulated and implemented a complete assets management system to implement classified management of fixed assets, intangible assets, inventories, etc. During the reporting period, the Company organized operations, materials, workshops and other forces to conduct all-round inspection of assets, aiming to comprehensively and accurately grasp the conditions of assets. The Company carried out comprehensive revitalization of assets to effectively revitalize idle and obsolete assets of the Company and its affiliated enterprises. Through optimization of internal asset inspection, evaluation and transfer procedures, the transfer procedures and approval processes were gradually simplified, and the management efficiency was continuously enhanced, further improving the assets management level. In accordance with the annual operation plan, the Company guaranteed reasonable inventories, and analyzed and solved problems from the root causes to promote the reduction drop of two kinds of funds in an orderly manner. The Company updated and repaired fixed assets in a timely manner to ensure safe production and operation. The ownership management of intangible assets was clarified to ensure the Company's sustainable development capability and the avoidance of legal disputes, guaranteeing the authenticity and integrity of assets and improving the asset utilization efficiency.

3.14 *Resource Management*

According to its own development strategy, the Company has established and improved a resource management system, scientifically determined resource planning and investment plans, strengthened various resource management, comprehensively sorted out resource management processes, promptly identified weak links in resource management and effectively took effective measures to improve. The Company has improved strict responsibilities, authorities and

separation of duties requirements for the acquisition, handling and disposal and other links of mining rights, regularly or irregularly maintained and updated resource reserves to ensure that resource reserves comply with enterprise resource planning.

3.15 Gold Trading

In accordance with the actual conditions of the Company and relevant national laws and regulations, the Company has established the trading decision-making mechanism. Under the overall planning of the transaction decision-making committee, the trading center accurately reviewed and assessed the market and formulated strategies scientifically, resulting in sound results in the sales of self-produced gold during the reporting period. The trading center continuously improved the awareness of risk control, strengthened system construction and kept on sorting out and improving relevant business systems, forming a complete business risk management system for the trading center. The Company comprehensively streamlined the procedures of the sales of gold, silver and other products and improved the management measures related to the Company's sales and settlement. Strict warehouse-in and warehouse-out management in terms of signing and approving was implemented for various products. Through full investigation on the early stage, system customization and all-round technological transformation and upgradation, the second phase of the "transaction information management and control platform" project has entered the implementation stage, realizing the continuous improvement of management and control methods. The targets of sales were achieved through the adoption of effective management and control measures including enhanced responsibility appraisal and audit supervision.

3.16 Research and Development

Firmly adhering to the development concept of "technology is the primary productive force", the Company regards innovation as the inexhaustible motive force for its sustainable development. According to the development strategy and the technical level of the same industry, the Company proactively paid attention to technological changes and progress in the industry and promoted scientific and technological research and development, aiming to secure benefits and efficiency by virtue of innovation. During the reporting period, the Company was approved as a "Key Laboratory of the National Mine Safety Administration for Monitoring and Warning of Safety Risks in Non-coal Mines"* (非煤礦山安全風險監測預警國家礦山安全監察局重點實驗室) and the Innovation Center for Deep Gold Mine Exploration and Mining Technologies of the Ministry of Natural Resources* (自然資源部深部金礦勘查開採技術創新中心).

3.17 Engineering Projects

According to the implementation of the development strategy, the Company reorganized the investment plan for expanding reproduction, strictly controlled the scale of investment projects and highlighted key projects. The Company strengthened construction project management and standardized construction projects by the tracking control, paid close attention to the progress and quality management of key

projects. The Company adhered to the system of ten-day reports on key projects and monthly reports on project construction to grasp the progress of related matters without delay. During the reporting period, the Company comprehensively streamlined the project management process and improved the project construction management measures. Moreover, the Company clarified the responsibilities and authorities for risk points including but not limited to project approval, bidding, construction, acceptance, costs, post-evaluation and the work process and intensified monitoring the whole process of engineering construction, thus ensuring effective control over the quality, progress and costs of engineering projects.

3.18 Guarantee business

In order to strengthen guarantee management, the Company has formulated guarantee management measures, strictly regulated the guarantee authority and scope of its enterprises and clearly stipulated the guarantee business review procedures. The Company regularly tracks and monitors the financing guarantee matters of its enterprises, tracks the fund utilization and withdrawal status, financial status and debt master contract execution of the guaranteed enterprises and guarantee projects during the guarantee period, strengthens risk prevention and control, standardizes capital operation, handles matters that have a significant adverse impact on its debt repayment ability in a timely manner in accordance with the law and controls financing guarantee risks.

3.19 Financial Report

The Company has prepared and continuously optimized and improved its unified accounting manual, cost and expense accounting measures and other relevant financial accounting systems in strict accordance with the accounting standards and other policies and based on the characteristics of the business operations of the Company. The Company has prepared financial statements and notes thereto based on accurate and complete accounting book records and other relevant information, strictly controlled the use of financial reports, and issued audit reports on the Company's annual financial reports after being audited by certified public accountants. The Company attaches great importance to the analysis of financial reports, reorganizes the financial analysis system and structure, high point position and global planning, designs comprehensive and reasonable analysis statements and templates, comprehensively reflects the overall economic operation of the Company through the research and analysis of changes in main indicators and major events, deeply excavates the root causes behind the data, timely warns of relevant risks and provides useful reference for operation and management decisions, so as to continuously improve the Company's operating management level.

3.20 Tax Management

During the reporting period, the Company developed and improved its invoice management system, standardized the processes of receiving, keeping and using invoices, obtaining invoices and reviewing external invoices and strengthened the Company's tax management system.

3.21 *Comprehensive Budget*

The Company has implemented comprehensive budget management and determined the annual operating objectives according to the development strategic objectives set by the Company and divided and assigned the objectives to the functional departments, branches and subsidiaries of the Company to implement control and management of the whole process of the Company's operating activities. The Company has prepared a comprehensive budget management system and established a budget management organization to perform budget management duties and implement unified and coordinated preparation of comprehensive budget and daily management for the head office and subsidiaries of the Company. In addition, the Company has designed and executed the "top-down, bottom-up and up-down combined" annual budget, preparation, adjustment, analysis and assessment processes which are in line with the actual conditions of the Company, and reinforced the supervision over budget through monthly tracking to implement dynamic monitoring of budget implementation while executing strict performance appraisal to ensure the effective implementation of budget management.

3.22 *Contract Management*

The Company has established a complete contract management system. During the reporting period, the Company comprehensively streamlined and optimized the contract management process, improved the contract management system and strengthened the centralized management of contracts. The Company connected with its own system to optimize the COP contract system and improve functions, carried out online contract Q&A and timely solved all kinds of difficult problems encountered in the contract review process of the Company and its affiliated enterprises. The Company has strengthened the management functions in terms of study on project approval, preliminary negotiation, text review, approval of contract execution, performance acceptance and filing, etc., focused on the effective management of the whole process of contracts. The Company has carried out special audits on contract management and issued regular briefings to identify and solve problems in a timely manner. After the special regulation of the contract management business during the reporting period, the Company adopted corresponding control measures for the vulnerable aspects of the business, aiming to promote the effective implementation of the Company's contracts, prevent and reduce the Company's contract risks and ensure the sustained and healthy operation of the Company.

3.23 *Comprehensive Management*

The Company has established comprehensive management systems such as the COP conference system meeting room operation manual, temporary regulations for the management of official vehicles and drivers of the Company's headquarters, the archives management system, the seal management system, etc.. The Company has improved the comprehensive management system. Comprehensive coordination and

internal management have promoted the normal and orderly operation of various tasks of the Company, improved its work efficiency and ensured the smooth completion of various tasks.

3.24 Information Systems

During the reporting period, the Company carried out a detailed analysis of the Company's "13351" Digital Transformation Plan in accordance with the Company's 14th Five-Year-Plan, the requirements of the provincial office of the SASAC and the actual situation of the Company, developed a special digital transformation implementation plan, proposed a digital special project construction plan covering nine categories and 18 major items, promoted the development of digital transformation and completed the annual project construction goals of the SD Gold Cloud software authorization expansion (Phase I), the integration cloud management platform project, SD Gold IT operation and maintenance management system (Phase I), SD Gold new generation ERP project (Phase II) optimization, COP and ERP system integration, information security planning implementation (Phase I) and other projects. In terms of using genuine software, the operating systems, WPS office software and Zhongwang CAD of the computers of the headquarters are 100% genuine. The Company ensured the construction of information network operation and maintenance facilities and strengthened the information security barrier.

Internal control over the above-mentioned businesses and matters covers all important business departments, major business matters and high-risk areas of the Company, and there are no material omissions.

4. High-risk Fields Focused on Include but not Limited to:

Working capital management risk, financing management risk, investment management risk, asset management risk, financial reporting risk, gold trading risk, purchasing management risk, contract management risk and information system risk.

5. The Above Enterprises, Business, Matters and High-risk Fields Covered in the Appraisal Scope Cover the Main Aspects of the Company's Operation and Management, and Whether There are Major Omissions

☐ Yes ☒ No

6. Are There any Statutory Exemptions

☐ Yes ☒ No

7. Other Explanations

Nil

(II) Basis of Internal Control Appraisal and the Identification Criteria for Internal Control Deficiencies

The Company organizes and carries out internal control evaluation work in accordance with the enterprise's internal control standard system and the Internal Control System, the Internal Control Manual, the Internal Control Evaluation Manual and 2022 Internal Control Evaluation Work Plan.

1. *Are there any adjustment in the specific identification criteria of deficiency in internal control as compared with those of last year*

☒ Yes ☐ No

According to the requirements of Enterprise Internal Control Regulatory Systems for the identification of material deficiencies, important deficiency and ordinary deficiency, the Company's size, industry characteristics, risk preference, risk tolerance and other factors, the Board distinguished the internal control over financial reporting and the internal control over non-financial reporting and reviewed and decided the specific identification criteria for deficiencies in the internal control applicable to the Company, which are consistent with those of the past.

2. *Identification criteria for deficiencies in the internal control over financial reporting*

Quantitative criteria for identifying deficiencies in the internal control over financial reporting:

Names of Index	Quantitative Criteria for Material Deficiencies	Quantitative Criteria for Important Deficiencies	Quantitative Criteria for Ordinary Deficiencies
Total revenue	Misstated amount ≥ 3% of total revenue	3% of total revenue > Misstated amount ≥ 1% of total revenue	Misstated amount < 1% of total revenue

Remarks: Nil

The Company's qualitative criteria for identifying deficiencies in the internal control over financial reporting:

Magnitudes of Deficiency	Qualitative Criteria
Material Deficiency	<p>The following circumstances or similar circumstances are considered as material deficiencies:</p> <ol style="list-style-type: none"> <li data-bbox="715 519 1410 591">(1) The control environment related to financial report is invalid; <li data-bbox="715 629 1410 702">(2) Malpractices related to financial reporting by Directors, Supervisors and senior management; <li data-bbox="715 740 1410 889">(3) The external audit finds that there was a material misstatement in the current financial report, and the Company fails to find the misstatement during the operation; <li data-bbox="715 927 1410 1034">(4) Restatement of the previously published financial report to correct major errors caused by malpractices or errors; <li data-bbox="715 1072 1410 1178">(5) Material deficiencies found and reported to management have not been corrected within a reasonable period of time; <li data-bbox="715 1217 1410 1253">(6) The Company's risk appraisal functions are invalid; <li data-bbox="715 1291 1410 1440">(7) The supervision of internal control by the Company's internal control and risk management committee and the supervision and auditing office is invalid; <li data-bbox="715 1478 1410 1551">(8) Other deficiencies that have a significant impact on the correct judgment of users of financial reports.
Important Deficiency	The circumstances other than those meeting the criteria for material deficiency are determined as important or ordinary deficiencies depending on the degree of influence.
Ordinary Deficiency	The circumstances other than those meeting the criteria for material deficiency are determined as important or ordinary deficiencies depending on the degree of influence.

Remarks: Nil

3. *Identification criteria for deficiencies in the internal control over non-financial reporting*

The Company's quantitative criteria for identifying deficiencies in the internal control over non-financial reporting:

Names of Index	Quantitative Criteria for Material Deficiencies	Quantitative Criteria for Important Deficiencies	Quantitative Criteria for Ordinary Deficiencies
Amount criteria	Direct loss ≥ RMB10 million	RMB10 million > Direct loss ≥ RMB3 million	Direct loss < RMB3 million

Remarks: Nil

The Company's qualitative criteria for identifying deficiencies in the internal control over non-financial reporting:

Magnitudes of Deficiency	Qualitative Criteria
Material Deficiency	<p>The following circumstances or similar circumstances are considered as material deficiencies:</p> <ol style="list-style-type: none"> (1) Violation of national laws, regulations or normative documents; (2) The major decision-making process is unscientific; (3) The lack of system may lead to systemic failure; (4) Material or important deficiency cannot be rectified; (5) Great damage is caused to the environment; (6) Major or serious production safety or occupational hazard accidents occur; (7) Irreparable damage is caused to the Company's reputation;

**Magnitudes of
Deficiency****Qualitative Criteria**

(8) Other circumstances that have a significant impact on the Company.

Important Deficiency

The circumstances other than those meeting the criteria for material deficiency are determined as important or ordinary deficiencies depending on the degree of influence.

Ordinary Deficiency

The circumstances other than those meeting the criteria for material deficiency are determined as important or ordinary deficiencies depending on the degree of influence.

Remarks: Nil

(III) Identification and Rectification of Internal Control Deficiencies

1. *Identification and rectification of deficiencies in the internal control over financial reporting*

1.1. Material deficiency

Whether the Company had material deficiencies in the internal control over financial reporting during the reporting period

☐ Yes ☒ No

1.2. Important deficiency

Whether the Company had important deficiency in the internal control over financial reporting during the reporting period

☐ Yes ☒ No

1.3. Ordinary deficiency

The internal control process may have ordinary deficiencies in daily operation. Since the Company has established a dual supervision mechanism of self-evaluation and internal audit for the internal control, the Company shall take corrective actions for the internal control defects of financial reporting found and identified to ensure that the risks be controllable and no substantive influence on the Company's financial report.

1.4. After the above rectification, whether the Company discovered unrectified material deficiencies in the internal control over financial reporting as at the reference date of the Internal Control Appraisal Report

☐ Yes ☒ No

- 1.5. After the above rectification, whether the Company discovered unrectified important deficiencies in the internal control over financial reporting as at the reference date of the Internal Control Appraisal Report

☐ Yes ☒ No

2. *Identification and rectification of deficiencies in the internal control over non-financial reporting*

2.1. Material deficiency

Whether the Company discovered material deficiencies in the internal control over non-financial reporting during the reporting period

☐ Yes ☒ No

2.2. Important deficiency

Whether the Company discovered important deficiencies in the internal control over non-financial reporting during the reporting period

☐ Yes ☒ No

2.3. Ordinary deficiency

The internal control process may have ordinary deficiencies in daily operation. The Company has established a dual supervision mechanism of self-evaluation and internal audit for the internal control. Thus, the Company shall take corrective actions for the internal control defects of non-financial reporting found and identified to ensure that the risks be controllable and no substantive influence on the Company's financial report.

- 2.4. After the above rectification, whether the Company discovered unrectified material deficiencies in the internal control over non-financial reporting as at the reference date of the Internal Control Appraisal Report

☐ Yes ☒ No

- 2.5. After the above rectification, whether the Company discovered unrectified important deficiencies in the internal control over non-financial reporting as at the reference date of the Internal Control Appraisal Report

☐ Yes ☒ No

(IV) STATEMENT ABOUT OTHER IMPORTANT MATTERS RELATING TO INTERNAL CONTROL**1. Details of the Rectification of Deficiencies in Internal Control Last Year**

☐ Applicable ☒ N/A

2. Details of the Operation of Internal Control during the Year and Improvement Direction Next Year

☒ Applicable ☐ N/A

During the reporting period, there were no other internal control information that was likely to have a significant impact on investors' understanding of the internal control self-evaluation report, evaluating the internal control conditions or making investment decisions.

In the future, based on the current evaluation, the Company shall keep on improving the internal control system, standardizing the implementation of the internal control system, strengthening the supervision over and inspection of the internal control and promoting the healthy and sustainable development of the Company.

3. Statement About Other Important Issues

☐ Applicable ☒ N/A

RESOLUTION REGARDING THE SPECIAL REPORT ON THE DEPOSIT AND ACTUAL USE OF PROCEEDS IN 2022

Dear Shareholders and Shareholders' representatives,

The Company deposits and uses the proceeds in strict accordance with the relevant provisions of the Management System for the Proceeds. As of 31 December 2022, the use of proceeds of the Company is as follows:

I. BASIC INFORMATION OF PROCEEDS

(1) Amount and receipt time of proceeds

1. *Proceeds from issuance of A Shares*

With the approval of the China Securities Regulatory Commission (CSRC) under Zheng Jian Xu Ke [2015] No. 2540 Reply on Approving the Issuance of Shares by Shandong Gold Mining Co., Ltd. to Shandong Gold Group Co., Ltd. to Acquire Assets and Raise Project Supporting Funds, the Company, while issuing shares to acquire assets, carried out a non-public issuance of shares on a locked-price basis to the five specific investors, namely Shandong Province State-owned Assets Investment Holdings Co., Ltd. ("**Shandong State-owned Investment**"), Qianhai Kaiyuan Fund Management Company Limited ("**Qianhai Kaiyuan**"), SD Gold Capital Management Co., Ltd. ("**SDG Capital Management**"), Yantai City Jinmao Mining Co., Ltd. ("**Jinmao Mining**") and the First Employee Shareholding Scheme of Shandong Gold, for the purpose of raising project supporting funds. On 29 September 2016, Shandong State-owned Investment, Qianhai Kaiyuan, SDG Capital Management, Jinmao Mining and the First Employee Shareholding Scheme of Shandong Gold have all paid their share subscription funds. The number of shares issued under the non-public issuance for raising the project supporting funds was 117,425,346 Shares, aiming to raise a total of RMB1,679,182,447.80. After deducting the financial advisory fee and underwriting fee of RMB36,360,000.00, we have received RMB1,642,822,447.80 in our accounts.

The above-mentioned proceeds have been deposited in four dedicated accounts, namely Jinan Hualong Road Sub-branch of China Merchants Bank Co., Ltd. (account number: 531900059310107), Shandong Branch of Bank of Communications Co., Ltd. (account number: 371618000018800017859), Jinan Minghu Branch of Agricultural Bank of China Co., Ltd. (account number: 15153101040027808), and Jinan Zhenzhuquan Sub-branch of China Construction Bank Co., Ltd. (account number: 37050161680109555666). The deposit of the above-mentioned proceeds has been verified by Beijing TianYuanQuan Certified Public Accountants (Special General Partnership) (note: renamed as TianYuanQuan Certified Public Accountants (Special General Partnership) as approved in August 2019), with a capital verification report (Tian Yuan Quan Yan Zi [2016] No. 000040) issued thereon.

2. *Proceeds from issuance of H Shares*

Pursuant to the Approval for Shandong Gold Mining Co., Ltd. to Issue Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2018] No. 789) issued by the China Securities Regulatory Commission, together with the approval of The Stock Exchange of Hong Kong Limited, the Company has issued a total of 356,889,500 overseas listed foreign shares (H shares) with a par value of RMB1 per share and an issue price of HK\$14.70 per share. As of 28 September 2018, the Company issued 327,730,000.00 shares of listed foreign shares (H shares) and received proceeds of HK\$4,817,631,000.00. As of 26 October 2018, in addition to the 29,159,500.00 shares of listed foreign shares (H shares) issued by the Company upon exercise of the over-allotment options with proceeds of HK\$428,644,650.00, the Company has issued a total of 356,889,500.00 shares of listed foreign shares (H shares), and received a total of HK\$5,246,275,650.00, with a net balance of HK\$5,245,726,677.24 after deducting the transaction fees etc., which has been transferred to our account in Wing Lung Bank Limited, cumulatively amounting to net proceeds of RMB4,618,818,884.84.

The above-mentioned proceeds have been deposited into five dedicated accounts, namely CMB Wing Lung Bank Limited (account number: 60112560837), CMB Wing Lung Bank Limited (account number: 60134279189), Industrial and Commercial Bank of China (Asia) Limited (account number: 861-520-13331-1), Jinan Branch of Shanghai Pudong Development Bank (account number: 741000788013600000877), and Jinan Branch of Shanghai Pudong Development Bank (account number: 74100078801400000878).

(2) Use of proceeds in previous years

1. *Proceeds from issuance of A Shares*

As at 31 December 2021, the Company has invested a total of RMB1,031,764,604.54 in the investment projects. On 15 October 2021, the Company returned all of the amount of RMB400,000,000.00 that had been used to replenish its working capital in 2020 to the dedicated accounts and notified the Company's sponsors and their representatives of the return of the above amount. On 27 October 2021, the 15th meeting of the sixth session of the Board of the Company reviewed and approved the Proposal on Temporary Use of Part of the Idling Proceeds to Replenish Working Capital, which authorized the Company to use RMB290,000,000.00 to temporarily replenish its working capital, with a term of less than 12 months.

The dedicated accounts have received deposit interest, net of banking service fees etc., of RMB37,536,000.41. As at 31 December 2021, the balance of the proceeds was RMB358,593,843.67.

2. *Proceeds from issuance of H Shares*

On 2 October 2018 and 7 November 2018, the Company transferred from its proceeds accounts in CMB Wing Lung Bank Limited and Industrial and Commercial Bank of China (Asia) Limited HK\$4,720,000,000.00 and HK\$400,000,000.00 (equivalent to RMB4,506,088,000.00), respectively to Shandong Gold Mining (Hong Kong) Co., Limited's HK dollar account in Industrial Bank, which thereafter transferred an amount of US\$652,625,600.00 to its US dollar account in Industrial Bank on the same day, which was fully used to repay part of the principal and interest of the syndicated loans obtained for the acquisition of Veladero Mine in Argentina in previous period.

The Company has paid a total of RMB93,987,131.33 for the listing expenses through its proceeds account in Jinan Branch of Shanghai Pudong Development Bank, and paid RMB990,136.21 for the withheld taxes in relation to the listing through its basic account in China Construction Bank. The accumulated interest and service fees of the five proceeds accounts amounted to RMB92,685.78, with an exchange gain/loss of RMB-2,107,448.91, and an ending balance of RMB15,721,098.73.

As at 31 December 2021, the balance of the proceeds accounts amounted to HK\$19,107,317.90 and RMB98,955.61, equivalent to RMB15,721,098.73 in aggregate.

(3) Amount of proceeds used during the year and balance at the end of the year

1. *Proceeds from issuance of A Shares*

As at 31 December 2022, the Company actually used RMB1,082,888,144.59 of the proceeds for investment projects, of which RMB51,123,540.05 was invested in this year and RMB1,031,764,604.54 was invested in previous years. The net deposit interest, net of banking service fees etc. received for the year was RMB5,101,351.02.

As at 31 December 2022, the balance of the proceeds amounted to RMB332,564,184.00 (including accumulated interest income received net of bank banking service fees of RMB37,833,865.23, excluding RMB270,000,000.00 which was temporarily used to replenish working capital as approved at the 32th meeting of the sixth session of the Board of the Company on 9 December 2022).

2. *Proceeds from issuance of H Shares*

As at 31 December 2022, the Company actually used HK\$5,206,730,778.61 and RMB17,433,621.26 of the proceeds for investment projects, of which, RMB0.00 was invested in this year, and HK\$5,206,730,778.61 and RMB17,433,621.26 were invested in previous years. The income (including tax) from bank wealth management products and net deposit interest, net of banking service fees etc. received for the year was HK\$407.53 and RMB-1,214.00.

As at 31 December 2022, the balance of the proceeds from the dedicated accounts amounted to HK\$19,107,722.43 and RMB97,741.61, equivalent to RMB17,166,099.50. (Including accumulated interest income received net of bank service fees).

II. MANAGEMENT OF THE PROCEEDS

(1) Management of the proceeds

In order to regulate the management and utilization of the Company's proceeds and improve its use efficiency, in accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》) and other relevant laws, regulations and normative documents, as well as the provisions of the Articles of Association of Shandong Gold Mining Co., Ltd. (《山東黃金礦業股份有限公司章程》), and taking into account the actual situation of the Company, the Management System for the Proceeds of Shandong Gold Mining Co., Ltd. (《山東黃金礦業股份有限公司募集資金管理辦法》) (the “**Management System**”) has been formulated.

The Company and CITIC Securities Co., Ltd. (“**CITIC Securities**”), the independent financial adviser and the lead underwriter, have separately entered into the Tripartite Supervision Agreement for the Special Deposit Account of Proceeds (the “**Tripartite Supervision Agreement**”) with Jinan Branch of China Merchants Bank Co., Ltd., Shandong Branch of Bank of Communications Co., Ltd., Jinan Zhenzhuquan Sub-Branch of China Construction Bank Co., Ltd. and Jinan Minghu Sub-branch of Agricultural Bank of China Co., Ltd. (the “**Depository Banks for Special Deposit Account of Proceeds**”). A special bank account has been opened with each of the above-mentioned banks for the exclusive deposit of the proceeds. The Tripartite Supervision Agreement specifies the rights and obligations of the parties, which do not have material differences from the sample tripartite supervision agreement of the Shanghai Stock Exchange. There is no problem in the implementation of the Tripartite Supervision Agreement by the Company.

The Company and CITIC Securities, the independent financial adviser and the lead underwriter, have entered into the Quadripartite Supervision Agreement for the Special Deposit Account of Proceeds (the “**Quadripartite Supervision Agreement**”) with Shandong Gold Mining (Linglong) Co., Ltd., Zhaoyuan Sub-branch of Hengfeng Bank and Zhaoyuan Sub-branch of China Everbright Bank (the “**Depository Banks for Special Deposit Account of Proceeds**”). A special bank account has been opened with each of the above-mentioned banks for the exclusive deposit of the proceeds. The Quadripartite Supervision Agreement specifies the rights and obligations of the parties, which do not have material differences from the sample quadripartite supervision agreement of the Shanghai Stock Exchange. There is no problem in the implementation of the Quadripartite Supervision Agreement by the Company.

The Company and CITIC Securities, the independent financial adviser and the lead underwriter, have entered into the Quadripartite Supervision Agreement for the Special Deposit Account of Proceeds (the “**Quadripartite Supervision Agreement**”) with Sanshandao Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd. and Laizhou Sub-branch of Bank of China Limited (the “**Depository Banks for Special Deposit Account of Proceeds**”). A special bank account has been opened with the above-mentioned bank for the exclusive deposit of the proceeds. The Quadripartite Supervision Agreement specifies the rights and obligations of the parties, which do not have material differences from the sample quadripartite supervision agreement of the Shanghai Stock Exchange. There is no problem in the implementation of the Quadripartite Supervision Agreement by the Company.

The Company and CITIC Securities Co., Ltd. (“**CITIC Securities**”), the independent financial adviser and the lead underwriter, have entered into the Quadripartite Supervision Agreement for the Special Deposit Account of Proceeds (the “**Quadripartite Supervision Agreement**”) with Shandong Gold Guilaizhuang Mining Co., Ltd. and Jinan Branch of Industrial Bank Co., Ltd. (the “**Depository Banks for Special Deposit Account of Proceeds**”). A special bank account has been opened with the above-mentioned bank for the exclusive deposit of the proceeds. The Quadripartite Supervision Agreement specifies the rights and obligations of the parties, which do not have material differences from the sample quadripartite supervision agreement of the Shanghai Stock Exchange. There is no problem in the implementation of the Quadripartite Supervision Agreement by the Company.

(2) Deposit of proceeds at the special account

- As at 31 December 2022, the specific deposit of proceeds from issuance of A Shares is set out below:

Unit: RMB

Name of bank for deposit of proceeds	Bank account	Proceeds	Balance Interest income	Total
Jinan Hualong Road Sub-branch of China Merchants Bank Co., Ltd.	531900059310107	195,643,800.00	28,917,273.45	224,561,073.45
Shandong Province Branch of Bank of Communications Co., Ltd.	371618000018800017859	0.00	0.00	0.00
Jinan Zhenzhuquan Sub-Branch of China Construction Bank Co., Ltd.	37050161680109555666	0.00	2,591,296.15	2,591,296.15
Jinan Minghu Sub-branch of Agricultural Bank of China Co., Ltd.	153101040027808	49,661,347.80	5,406,086.49	55,067,434.29
Zhaoyuan Sub-branch of Hengfeng Bank	853542010122802085	0.00	0.00	0.00
Laizhou Sub-branch of Bank of China Limited	241621509361	0.00	0.00	0.00
Zhaoyuan Sub-branch of China Everbright Bank	38120188000112367	48,905,270.97	801,632.08	49,706,903.05
Jinan Branch of Industrial Bank Co., Ltd.	376010100101140534	519,900.00	117,577.06	637,477.06
Total		294,730,318.77	37,833,865.23	332,564,184.00

Note: 1. Supplementary working capital of RMB270,000,000.00 was not included in the account balance.

- As at 31 December 2022, the specific deposit of proceeds from issuance of H Shares is set out below:

Unit: RMB

Opening Bank	Bank account	Currency	Proceeds	Balance Interest income	Total	RMB equivalent
CMB Wing Lung Bank Limited	60112560837	HKD	–	503.75	503.75	449.98
CMB Wing Lung Bank Limited	60134279189	HKD	282,475.50	72,909.46	355,384.96	317,454.72
Industrial and Commercial Bank of China (Asia) Limited	861-520-13331-1	HKD	444,608.89	26,178.84	470,787.73	420,540.56
Jinan Branch of Shanghai Pudong Development Bank	74100078801360000877	HKD	18,269,221.39	11,827.60	18,281,048.99	16,329,912.63
Jinan Branch of Shanghai Pudong Development Bank	74100078801400000878	RMB	<u>104,278.74</u>	<u>–6,537.13</u>	<u>97,741.61</u>	<u>97,741.61</u>
Total						<u>17,166,099.50</u>

III. ACTUAL USE OF PROCEEDS DURING THE YEAR

(1) Use of Proceeds for Investment Projects (“Investment Projects”)

Breakdown of the Use of Proceeds from Issuance of A Shares

Unit: RMB0'000

Total proceeds			Total proceeds used during the year		Total proceeds used cumulatively		5,112.35				
Total proceeds with changes in the use			Nil		Total proceeds used cumulatively		108,288.81				
Proportion of total proceeds with changes in the use			Nil								
Projects that have been changed, including partial changes (if any)	Total committed investment of proceeds	Total investment after adjustment	Committed investment amount as at the end of the period (1)	Amount invested during the year	Accumulated amount invested as of the end of the period (2)	Difference between the accumulated amount invested as at the end of the period and the committed investment amount (3) = (2) - (1)	Investment progress as at the end of the period (%) (4) = (2)/(1)	Date on which the project is ready for its intended use	Benefits realized during the year	Whether expected benefits are achieved	Whether the feasibility of the project has changed significantly
Committed investment project											
Dongfeng mining area (Dongfeng Phase II construction project)											
No	114,658.38	114,658.38	114,658.38	4,850.35	68,203.47	-46,454.91	59.48%			No	No
Xinli exploration right (Deep mine construction project in Xinli mining area)											
No	32,746.28	32,746.28	32,746.28	-	33,225.88	479.60	101.46%			Yes	No
Guilaizhuang Company (Deep construction project in Guilaizhuang gold mine)											
No	6,911.45	6,911.45	6,911.45	262.00	6,859.46	-51.99	99.25%			No	No
Penglai Mining (Chugezhuang and Huluxian mine construction project in Penglai gold mine)											
No	9,966.13	9,966.13	9,966.13	-	-	-9,966.13	0.00%			No	No
Total		164,282.24	164,282.24	5,112.35	108,288.81	-55,993.43	65.92%	-		-	-
Reasons for not meeting the planned progress (by specific investment projects)											
Description of significant changes in project feasibility											
Initial investment and replacement of investment projects											
Temporary replenishment of working capital with idle proceeds											
Cash management of idle proceeds and investment in related products											
Permanent replenishment of working capital or repayment of bank loans with excess proceeds											
Amount and reasons for the balance of proceeds											
Other use of proceeds											
Nil											
Nil											
Nil											
27,000.00											
Nil											
Nil											
Project not completed with no funding balance											
Nil											

Breakdown of the Use of Proceeds from Issuance of H Shares

Unit: RMB0'000

Total proceeds		461,881.89		Total proceeds used during the year		USD65,262.56 and RMB9,497.73						
Total proceeds with changes in the use		Nil		Total proceeds used cumulatively								
Proportion of total proceeds with changes in the use		Nil										
Committed investment project	Projects that have been changed, including partial changes (if any)	Total committed investment of proceeds 0'000 (US \$) (RMB)	Total investment after adjustment 0'000 (US \$) (RMB)	Committed investment amount as at the end of the period (1) 0'000 (US \$) (RMB)	Amount invested during the year 0'000 (RMB) (US \$)	Accumulated amount invested as of the end of the period (2) 0'000 (RMB) (US \$)	Difference between the accumulated amount invested as at the end of the period and the committed investment amount (3) = (2) - (1) 0'000 (RMB) (US \$)	Investment progress as at the end of the period (%) (4) = (2)/(1)	Date on which the project is ready for its intended use	Benefits realized during the year	Whether expected benefits are achieved significantly	Whether the feasibility of the project has changed
	No	67,200.00	67,200.00	67,200.00		65,262.56	-1,937.44	97.12	N/A	N/A	N/A	No
	No		16,060.00	16,060.00	16,060.00		9,497.73	-6,562.27	59.14	N/A	N/A	No
	-	67,200.00	67,200.00	67,200.00	67,200.00		9,497.73	-1,937.44	-	-	-	-
Reasons for not meeting the planned progress (by specific investment projects)												
Description of significant changes in project feasibility												
Initial investment and replacement of investment projects												
Temporary replenishment of working capital with idle proceeds												
Cash management of idle proceeds and investment in related products												
Permanent replenishment of working capital or repayment of bank loans with excess proceeds												
Amount and reasons for the balance of proceeds												
Other use of proceeds												

N/A

No material changes in project feasibility

Replacement of the withheld taxes in relation to the listing through its basic account in China Construction Bank of RMB990,136.21

N/A

Nil

NA

Project not completed with no funding balance

Nil

(2) Initial investment and replacement of Investment Projects

The Company did not have any initial investment and replacement of Investment Projects.

(3) Temporary replenishment of working capital with idle proceeds

On 27 October 2021, the Company convened the 15th meeting of the sixth session of the Board, at which the Proposal of the Company on the Temporary Replenishment of Working Capital by Using Part of the Idle Proceeds was considered and approved to use idle proceeds of RMB290,000,000.00 by the Company to temporarily replenish the working capital provided that normal investment plan of the proceeds shall not be affected and the safety of the proceeds should be guaranteed for a term of no more than 12 months. The Company will only use the above-mentioned funds for production and operation related to its principal business.

On 7 November 2022, the Company returned all of the amount of RMB290,000,000.00 that had been used to replenish its working capital in 2021 to the dedicated accounts and notified the Company's sponsors and their representatives of the return of the above amount.

On 16 December 2022, the Company convened the 32nd meeting of the sixth session of the Board and the 17th meeting of the sixth session of the Supervisory Committee, at which the Proposal of the Company on the Temporary Replenishment of Working Capital by Using Part of the Idle Proceeds was considered and approved to use idle proceeds of RMB270,000,000.00 by the Company to temporarily replenish the working capital provided that normal construction of Investment Projects and the plan for the use of proceeds shall not be affected for a term of no more than 12 months. The Company will only use the above-mentioned funds for production and operation related to its principal business.

(4) Cash management and investment in related products with idle proceeds

There were no idle proceeds invested in relevant products by the Company.

(5) Permanent replenishment of working capital or repayment of bank loans with excess proceeds

There was no permanent replenishment of working capital or repay bank loans with excess proceeds by the Company.

(6) Use of excess proceeds for projects under construction and new projects (including acquisition of assets)

There was no use of excess proceeds for projects under construction and new projects (including acquisition of assets) by the Company.

(7) Use of remaining proceeds

There was no use of remaining proceeds by the Company.

(8) Other use of proceeds

There was no other use of proceeds by the Company.

IV. CHANGE IN USE OF PROCEEDS FOR INVESTMENT PROJECTS

There was no change in use of proceeds for Investment Projects by the Company.

V. ISSUES IN THE USE AND DISCLOSURE OF PROCEEDS

The Company used the proceeds in accordance with the provisions and requirements of relevant laws, regulations and regulatory documents, and disclosed the relevant information on the use of proceeds in a timely, true, accurate and complete manner. There was no material case of non-compliance in relation to the use of proceeds.

**VI. CONCLUDING OPINIONS ON THE ASSURANCE REPORT ISSUED BY THE
ACCOUNTING FIRM ON THE ANNUAL DEPOSIT AND ACTUAL USE OF PROCEEDS OF
THE COMPANY**

ShineWing Certified Public Accountants (Special General Partnership) is of the view that the above Special Report on the Deposit and Actual Use of Proceeds of Shandong Gold Mining Co., Ltd. has been prepared in accordance with the relevant requirements of the Shanghai Stock Exchange, and truly reflects the actual deposit and use of the proceeds of Shandong Gold Mining Co., Ltd. in 2022 in all material respects.

**VII. CONCLUDING OPINIONS ON THE SPECIAL VERIFICATION REPORT ISSUED BY
THE SPONSOR ON THE ANNUAL DEPOSIT AND ACTUAL USE OF PROCEEDS OF THE
COMPANY**

After verification, CITIC Securities Co., Ltd., the sponsor, is of the view that Shandong Gold Mining Co., Ltd. has disclosed the deposit and actual use of the supporting proceeds in a timely, true, accurate and complete manner in accordance with the relevant laws and regulations. The use of proceeds has gone through the necessary approval procedures, and there is no illegal management of the proceeds.

RESOLUTION REGARDING THE COMPANY'S GUARANTEE FACILITY FOR THE HONG KONG SUBSIDIARY FOR 2023

Dear Shareholders and Shareholders' representatives,

To meet the funding needs of the Company's overseas subsidiary, Shandong Gold Mining (Hong Kong) Co., Ltd. (hereinafter referred to as the "**Hong Kong Company**"), for its production and operation, project construction, overseas mergers and acquisitions and replacement of existing financing notes at maturity, etc., effectively utilize the overseas capital market for financing and reducing financing costs, the Company intends to provide a guarantee totaling not more than USD1,800 million (including the outstanding guarantee amount as at 28 March 2023) to it in 2023 to improve decision-making efficiency.

The guarantee needs to be submitted to the Company's general meeting for consideration and approval. The term of validity of the guarantee arrangement is from the date of approval by the shareholders' meeting till the date of the 2023 annual general meeting to be held in 2024. After being considered and approved by the shareholders' meeting, the guarantee arrangement shall authorize the operational management of the Company to handle relevant guarantee matters.

I. BASIC INFORMATION OF THE GUARANTEED PARTY

Company name: Shandong Gold Mining (Hong Kong) Co., Limited

Registered address: Hong Kong, China

Registered capital (subscribed): RMB4,531.1456 million

Business scope: trade, investment, holding, consulting services, etc.

The Hong Kong Company is a wholly-owned subsidiary of the Company established in Hong Kong on 27 February 2017. As of 31 December 2022, the assets of the Hong Kong Company totaling RMB15,831.0577 million, the liabilities totaling RMB10,080.8398 million and the net assets was RMB5,750.218 million. In 2022, the gross sales were RMB3,028.3005 million and the net profit was RMB-14.3075 million.

II. MAIN CONTENTS OF THE GUARANTEE

As at 28 March 2023, the amount of the relevant guarantee agreements (including direct guarantee and counter-guarantee) signed and maintained by the Company was USD1,000 million, and the actual amount of guarantee obligations undertaken was USD943 million. All of the above guarantees were provided to the Hong Kong Company.

In order to meet the needs of the Hong Kong Company for its production and operation, project construction, overseas mergers and acquisitions and replacement of existing financing upon maturity, the Company intends to provide a guarantee totaling not more than USD1,800 million to its subsidiary in Hong Kong in 2023 (including the guarantee amount existing as at 28 March 2023). The guarantee methods are the direct guarantee and the counter guarantee, and the term of validity is from the date of approval by the shareholders' meeting till the 2023 annual general meeting to be held in 2024. After being considered and approved by the shareholders' meeting, the guarantee arrangement shall authorize the Company and the management of the Hong Kong Company to deal with specific matters according to the actual operation needs within the scope of the above authorization.

The above-mentioned guarantee amount does not equal the actual financing amount. The actual financing amount shall be determined through consultation with financial institutions within the guarantee amount approved by the shareholders' meeting. The type, method, amount and term of validity of the guarantee shall be subject to the signed documents. The Company strictly examines and approves financing and strictly controls operational and guarantee risks.

III. NUMBER OF EXTERNAL GUARANTEES AND OVERDUE GUARANTEES

As of 28 March 2023, the contract guarantee amount provided by the Company for the overseas financing of its wholly-owned subsidiary, Hong Kong Company, was USD1,000 million, and the loan balance was USD943 million (equivalent to RMB6,483.0307 million). The Company provided a guarantee amount of RMB4,279 million for the M&A bridge loan of its wholly-owned subsidiary, Shandong Gold Mining (Laishou) Co., Ltd., and the loan balance was RMB4,129 million. The actual guaranteed balance of the loans totaling RMB10,612.0307 million, accounting for 11.70% of the Company's total assets and 28.92% of its net assets in 2022. Except the above guarantees, the Company and its subsidiaries have no other external guarantees.

The Company and its majority-controlled subsidiaries have no overdue guarantees.

**RESOLUTION REGARDING THE COMPANY CONDUCTING
FUTURES AND DERIVATIVES TRANSACTIONS IN 2023**

Dear Shareholders and Shareholders' representatives,

Categories of futures involved in hedging business in which the Company engaged shall only be limited to the products or raw materials necessary for the production and operation of the Company. A listed company engaging in derivatives transactions shall submit to the board of directors for review and timely perform its information disclosure obligations. Where it is difficult for the Company to perform the review of procedures and disclosure obligations for each derivative transaction due to factors such as transaction frequency and timeliness requirements, it may reasonably estimate the scope, amount and term of the derivatives transactions in the next 12 months. If the amount exceeds the scope of authority of the board of directors, it shall also submit to the general meeting for consideration and approval. The Company is applying for the following futures and derivatives transactions in 2023:

I. OVERVIEW OF TRADING

(1) Purpose of trading

To avoid the impacts and related risks of fluctuations in prices and exchange rates on the Company's production and operation and ensure the continuous operation and stable performance, the Company intends to make full use of the hedging function of the financial market to carry out hedging operations for self-produced gold sales, commodity trading and other businesses at appropriate time in accordance with national policies and regulations, so as to further enhance the Company's production and operation level and anti-risk ability.

(2) Trading amount

According to the Company's annual production and operation plan, from 1 January 2023 to 31 December 2023, the maximum contract value held on the trading days of the futures and derivatives trading business the Company intends to engage in is estimated to be not more than RMB5 billion or its equivalents in other currencies, and the margin and the lines of credit from financial institutions are estimated to be not more than RMB1.5 billion or its equivalents in other currencies (the majority of which are the lines of credit from financial institutions), the details are as follows:

1. The maximum contract value of hedging business held on the trading days of self-produced gold futures and derivatives is estimated to be not more than RMB2.2 billion or its equivalents in other currencies, and the margin and the lines of credit from financial institutions are estimated to be not more than RMB800 million or its equivalents in other currencies.
2. The maximum contract value held on other futures and derivatives trading days is estimated to be not more than RMB2.8 billion or its equivalents in other currencies, and the margin and the lines of credit from financial institutions are estimated to be not more than RMB700 million or its equivalents in other currencies.

APPENDIX VII RESOLUTION REGARDING THE COMPANY CONDUCTING FUTURES AND DERIVATIVES TRANSACTIONS IN 2023

(3) Sources of funds

The funds used by the Company for futures and derivatives trading are equity funds and the lines of credit from commercial banks, investment banks and other financial institutions. No proceeds raised are used for futures and derivatives trading.

(4) Trading methods

1. Exchanges for trading: According to the actual business needs of the Company, the Company intends to trade futures and derivatives on the Shanghai Gold Exchange, the Shanghai Futures Exchange, Chicago Mercantile Exchange and other legitimate exchanges.
2. Counterparties for trading: The Company intends to engage in over-the-counter futures and derivatives trading business through commercial banks and other financial institutions (non-related party institutions) approved by regulatory authorities and qualified for derivatives trading business. The Company has self-produced gold overseas. To avoid the risks caused by the fluctuations in prices, part of the Company's futures and derivative business is planned to be done overseas.
3. Trading varieties: The Company mainly selects highly liquid varieties that are related to its main business and similar to the Company's products.
4. Financial instruments: The major instruments used by the Company for derivatives trading are futures contracts, forward contracts and option contracts.

(5) Implementing subjects

According to the business, the implementing subjects are the Company and its subsidiaries.

(6) Term of authorization

The term of authorization is one year starting from the examination and approval of the shareholders' meeting of the joint-stock company (from 1 January 2023 to 31 December 2023). The authorization is retroactive.

APPENDIX VII RESOLUTION REGARDING THE COMPANY CONDUCTING FUTURES AND DERIVATIVES TRANSACTIONS IN 2023

II. RISKS ANALYSIS AND RISK CONTROL MEASURES

(1) Analysis of risks related to derivatives trading business

In the process of conducting futures and derivatives transactions, the Company always aims to reduce the risk of fluctuations in prices and places risk control in the first place. However, because of the leverage used in futures and derivatives trading, the possibility of manipulation and the impossibility of an accurate forecast of fluctuations in prices, there may still be some risks in the course of business:

1. Market risks: Due to changes of fundamentals, there may be wide fluctuations in the prices of futures and derivatives and even deviations between futures prices and spot prices. As a result, hedge may be less effective or ineffective, and the risk of losses may arise.
2. Operational risks: Hedging business takes professional skills, and the trading is complex. An incomplete internal control mechanism or mistakes may cause risks.
3. Liquidity risks: The risk of impossibility of completing transactions due to insufficient market liquidity.
4. Fund risks: Due to insufficient margin, positions may be subject to forced liquidation, resulting in losses.
5. Technical risks: Due to software or hardware failures or other failures, the trading system may malfunction, resulting in delays, interruptions or data errors of trading instructions. Changes of trading rules that are not conducive to the Company due to force majeure may cause relevant risks.
6. Other risks: Relevant businesses may be affected by factors such as global politics, wars, the economy and changes of laws, and they may face risks due to the lack of liquidity of over-the-counter products, counterparty defaults, etc..

(2) Risk control measures

1. Based on normal production and operation, the Company's futures and derivatives transactions are closely related to the Company's business and follow the principles of legality, prudence, safety and effectiveness.
2. The Company strictly manages authorization, and the sizes of hedging shall be subject to the approval of the Board of Directors and shareholders' meeting. Trading beyond limits is not allowed unless it gets approval. The sizes of hedging futures and derivatives are strictly controlled.

APPENDIX VII RESOLUTION REGARDING THE COMPANY CONDUCTING FUTURES AND DERIVATIVES TRANSACTIONS IN 2023

3. The Company has established an effective risk management system and an effective internal control mechanism for futures and derivatives trading business, covering all aspects of precautions, monitoring and settlement. The Company keeps on tracking the changes of the prices of hedging futures and derivatives and the balances of trading limits, timely assess the changes of the risk exposure of hedging futures and derivatives trading, timely balance, allocate and transfer available funds in accounts according to the degree of risk of the accounts and prevent position risk of the accounts. Business personnel regularly report to the Company's management, promptly report abnormal situations, warn the management of risks and activate corresponding risk warning mechanisms based on specific situations.
4. The Company trades futures and derivatives on the Shanghai Gold Exchange, the Shanghai Futures Exchange, the Chicago Mercantile Exchange and other legitimate exchanges. The counterparties selected for over-the-counter derivatives trading are large legitimate and qualified commercial banks, investment banks and other financial institutions, avoiding credit risks related to trading.

III. ACCOUNTING POLICIES AND ACCOUNTING PRINCIPLES

The Company applies corresponding accounting treatments for the futures and derivatives trading business it intends to engage in in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 37 - Presentation and Reporting of Financial Instruments, the Accounting Standards for Enterprises No. 39 - Fair Value Measurement and other relevant regulations and guidelines of the Ministry of Finance, shows the results in the relevant items of the balance sheet and the income statement. The Accounting Standards for Enterprises No. 24 - Hedge Accounting is not applicable to the Company. Therefore, the Company does not adopt hedge accounting for recognition and measurement temporarily.

IV. THE IMPACT ON THE COMPANY

1. The Company uses various financial derivatives to take precautions against price fluctuation risks, ensuring the Company's financial security and the sustainable development of its main business.
2. The futures and derivatives of the Company and its subsidiaries are traded on open markets both at home and abroad, featuring high transparency, heavy trading, high liquidity and low credit risk. The transaction and settlement prices can fully reflect the fair values of futures and derivatives.
3. The futures and derivatives trading business of the Company meets the actual needs of the Company's production and operation. The risks related to the business are controllable. The business does not harm the interests of all shareholders.

RESOLUTION REGARDING THE COMPANY CONDUCTING GOLD FORWARD TRANSACTIONS AND GOLD LEASING PORTFOLIO BUSINESS IN 2023

Dear Shareholders and Shareholders' representatives,

Based on the business needs of the Company, the Company is applying for gold forward transactions and gold leasing portfolio business in 2023 as follows:

I. BUSINESS OVERVIEW

(1) Purpose of trading

To avoid the impacts of fluctuations in gold prices during lease of gold on production and operation and related risks and ensure the continuous operation and stable performance of the Company, the Company intends to engage in gold forwards trading and lease of gold with banks and other financial institutions, further improving the Company's production and operation and the power to resist risks.

(2) Trading amount

According to the Company's annual plan for lease of gold, from 1 January 2023 to 31 December 2023, the maximum contract value held on the trading days of the gold forwards trading and lease of gold the Company intends to engage in is estimated to be not more than RMB17 billion or its equivalents in other currencies.

(3) Sources of funds

The funds used by the Company for gold forwards trading and lease of gold are equity funds and the lines of credit from banks and other financial institutions.

(4) Trading methods

The Company's gold forward transactions and gold leasing portfolio businesses are limited to the gold forward transaction products of financial institutions (such as banks) and legal trading platforms (such as the Shanghai Gold Exchange).

(5) Implementing subjects

According to the business, the implementing subjects are the Company and its subsidiaries.

(6) Term of the authorization

The term of trading is one year starting from the examination and approval of the shareholders' meeting of the joint-stock company (from 1 January 2023 to 31 December 2023). The authorization is retroactive.

II. RISKS ANALYSIS AND RISK CONTROL MEASURES**(1) Analysis of risks related to derivatives trading business**

The gold forwards trading of the Company's lease of gold always aims to avoid the risk of fluctuations in gold prices during the lease of gold, but there may still be some risks in the course of business:

1. Operational risks: Hedge takes professional skills, and it is complex. An incomplete internal control mechanism or mistakes may cause risks.
2. Technical risks: Due to software or hardware failures or other failures, the trading system may malfunction, resulting in delays, interruptions or data errors of trading instructions. Changes of trading rules that are not conducive to the Company due to force majeure may cause relevant risks.
3. Other risks: Relevant businesses may be affected by factors such as global politics, wars, the economy and changes of laws, and they may face risks due to counterparty defaults, etc..

(2) Risk control measures

1. Based on normal production and operation, the Company's futures and derivatives transactions are closely related to the Company's business and follow the principles of legality, prudence, safety and effectiveness.
2. The Company strictly manages authorization, and the sizes of forwards and derivatives shall be subject to the approval of the Board of Directors and shareholders' meeting. Trading beyond limits is not allowed unless it gets approval.
3. The Company has established a risk management system and an internal control mechanism for lease of gold, covering all aspects of precautions, monitoring and settlement.
4. The counterparties selected by the Company are large legitimate and qualified commercial banks and other financial institutions, avoiding credit risks related to trading.

III. ACCOUNTING POLICIES AND ACCOUNTING PRINCIPLES

The Company applies corresponding accounting treatments for the gold forwards trading and lease of gold the Company engages in in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 37 - Presentation and Reporting of Financial Instruments and other relevant regulations and guidelines of the Ministry of Finance.

IV. THE IMPACT ON THE COMPANY

1. The Company integrates gold forwards transactions with lease of gold, locking costs of leasing and ensuring the Company's financial security and the sustainable development of its main business.
2. The counterparties selected for the gold forwards transactions and gold leasing portfolio businesses conducted by the Company and its subsidiaries are financial institutions with legal qualifications, mainly banks, which can avoid the credit risks related to the transactions.
3. The gold forwards transactions and gold leasing portfolio businesses conducted by the Company meet the actual needs of the Company's production and operation. Related risks are controllable. The business does not harm the interests of all shareholders.