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.**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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)

MAJOR TRANSACTION
ACQUISITION OF SHARES IN THE TARGET COMPANY
AND
NOTICE OF 2023 THIRD EXTRAORDINARY GENERAL MEETING

A notice convening the 2023 third extraordinary general meeting (the "**EGM**") of Shandong Gold Mining Co., Ltd. (the "**Company**") to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 10:00 a.m. on Friday, 30 June 2023 is set out on pages VIII-1 to VIII-2 of this circular.

The proxy form for use in connection with the EGM is enclosed herewith. The proxy form is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (http://www.sdhjgf.com.cn).

Any shareholder(s) of the Company (the "**Shareholders**") entitled to attend and vote at the EGM is 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 EGM 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 EGM or any adjournment thereof (as the case may be) (i.e. before 10:00 a.m. on Thursday, 29 June 2023). Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment hereof should you so wish.

15 June 2023

CONTENTS

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

"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 SSE;
"A Shareholder(s)"	holder(s) of A Shares;
"Acquisition" or "Transaction"	the acquisition of the Sale Shares by the Company from the Vendors, as contemplated under the Share Transfer Agreement and the Supplemental Agreement;
"Articles of Association"	the articles of association of the Company, as amended from time to time;
"Board"	the board of Directors;
"BAW"	BAW Mineral Partners Limited (寶萬礦產有限公司), the Competent Person;
"China Yintai"	China Yintai Holdings Co., Ltd. (中國銀泰投資有限公司), a limited liability company established in the PRC on 18 June 1985 and is indirectly owned as to 92.5% by Mr. Shen;
"Company" or "Shandong 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 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 SSE (Stock Code: 600547) respectively;
"Competent Person"	a person that satisfies Rules 18.21 and 18.22 of the Hong Kong Listing Rules;
"Competent Person's Report"	the competent person's report prepared by BAW Mineral Partners Limited in compliance with the requirements of Chapter 18 of the Hong Kong Listing Rules;
"Completion"	completion of the Acquisition;
"Consideration"	the consideration of RMB12,760,000,000 payable by the Company to the Vendors in relation to the Acquisition;
"controlling shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules;

"Director(s)"	director(s) of the Company;
"EGM"	the 2023 third extraordinary general meeting of the Company to be held at 10:00 a.m. on Friday, 30 June 2023 at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC;
"Enlarged Group"	the enlarged Group immediately after Completion;
"Escrow Account"	the escrow account opened, maintained and operated in accordance with the escrow agreement entered into among China Yintai, the Company and Bank of China, and the account is opened in the name of the Company;
"Group"	the Company and its subsidiaries;
"H Share(s)"	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;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Independent Third Party(ies)"	the third party(ies) independent of the Company and its connected person(s) (as defined in the Hong Kong Listing Rules);
"Latest Practicable Date"	11 June 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Mr. Shen"	Mr. Shen Guojun (沈國軍), the ultimate beneficial owner of China Yintai and an Independent Third Party;
"PRC"	the People's Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"RMB"	Renminbi, the lawful currency of the PRC;

"Sale Shares"	an aggregate of 581,181,068 shares of the Target Company, representing approximately 20.93% of its issued shares as at the date of the Supplemental Agreement;
"SDG Group"	Shandong Gold Group Co. and its subsidiaries;
"SDG Group Co."	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company established in the PRC on 16 July 1996, and is held as to approximately 70% by Shandong SASAC, approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shanghai Stock Exchange"	Shanghai Stock Exchange (上海證券交易所);
"Shareholder(s)"	A Shareholders and H Shareholders of the Company;
"Share Transfer Agreement"	the share transfer agreement entered into between the Company and the Vendors on 9 December 2022 for the Acquisition;
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange (深圳證券交易所);
"Supplemental Agreement"	the agreement supplemental to the Share Transfer Agreement entered into between the Company and the Vendors on 19 January 2023 in relation to the Acquisition;
"Target Company" or "Yintai Gold"	Yintai Gold Co., Ltd. (銀泰黃金股份有限公司), a joint stock company established in the PRC with limited liability on 18 June 1999, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000975);
"Valuation Report"	the valuation report prepared by BAW Mineral Partners Limited in compliance with the requirements of Chapter 18 of the Hong Kong Listing Rules;
"Vendors"	China Yintai and Mr. Shen; and
"%"	per cent.

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 4003-4006
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

15 June 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF SHARES IN THE TARGET COMPANY
AND
NOTICE OF 2023 THIRD EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

On behalf of the Board, I invite you to attend the EGM to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 10:00 a.m. on Friday, 30 June 2023. The purpose of this circular is to issue the notice of EGM and provide you with all reasonably necessary information to enable you to make an informed decision as to the resolution to be proposed at the EGM.

2. THE ACQUISITION

Reference is made to the announcement of the Company dated 11 December 2022 in relation to the entering into the Share Transfer Agreement by the Company for the proposed acquisition of approximately 20.93% of the issued shares in the Target Company.

Reference is also made to the announcement of the Company dated 19 January 2023 in relation to the entering into the Supplemental Agreement by the Company for the Acquisition.

The Supplemental Agreement

The principal terms of the Supplemental Agreement are summarised as follows:

Date: 19 January 2023

Parties: (1) The Company;

(2) China Yintai; and

(3) Mr. Shen

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, each of China Yintai and Mr. Shen is an Independent Third Party.

Asset to be acquired

401,060,950 shares and 180,120,118 shares of the Target Company are held by China Yintai and Mr. Shen, respectively, totalling 581,181,068 shares and representing approximately 20.93% of the issued shares of the Target Company.

As of 19 January 2023, the details of shares in the Target Company held by China Yintai and Mr. Shen and the pledge thereover are as follows:

Transferor	Account opening business hall	Number of shares *(share)*	The nature of shares	Number of shares pledged	Pledgee	Guarantee amount *(RMB)*	Term of pledge
China Yintai	GF Securities Beijing Fuchengmen South Street Sales Department	102,831,395	Tradable shares	22,624,000	GF Securities	96,390,000.00	22 July 2022 – 23 May 2023
China Yintai	Zhongtai Securities Jinan Erhuan East Road Sales Department	84,000,000	Tradable shares	44,230,000	Zhongtai Securities	190,000,000.00	29 September 2022 – 29 September 2023

Transferor	Account opening business hall	Number of shares *(share)*	The nature of shares	Number of shares pledged	Pledgee	Guarantee amount *(RMB)*	Term of pledge
China Yintai	Huatai Securities Beijing Branch Business Department	77,189,888	Tradable shares	52,800,000	Huatai Tou Rong Lian Xiang No. 1 Single Asset Management Plan (華泰投融聯享1號單一資產管理計劃)	218,500,000.00	21 April 2022 – 21 April 2023
China Yintai	CSC Beijing North 4th Ring Road East Securities Sales Department	22,450,000	Tradable shares	17,000,000	CSC Financial	70,000,000.00	27 July 2022 – 27 July 2023
China Yintai	CITIC Securities Beijing Hujialou Securities Sales Department	76,500,000	Tradable shares	53,390,000	CITIC Securities	209,000,000.00	17 January 2022 – 17 January 2023 19 January 2022 – 19 January 2023
China Yintai	Shenwan Hongyuan Securities Shenyang Ningshan Middle Road Sales Department	38,089,667	Tradable shares	–			
Shen Guojun	GF Securities Beijing Lugu Road Sales Department	20,120,118	Tradable shares	–			
Shen Guojun	Zhongtai Securities Jinan Huizhan West Road Securities Sales Department	86,000,000	Tradable shares	44,400,000	Zhongtai Securities	190,000,000.00	1 December 2022 – 1 December 2023
Shen Guojun	CITIC Securities Beijing East 3rd Ring Road Sales Department	20,000,000	Tradable shares	10,239,900	CITIC Securities	40,640,000.00	17 January 2022 – 17 January 2023
Shen Guojun	Guotai Junan Securities Shenzhen Huarong Building Securities Sales Department	54,000,000	Tradable shares	19,300,000	Guotai Junan Securities	100,000,000.00	1 December 2022 – 1 December 2023

Consideration

Transfer price

The Company, China Yintai and Mr. Shen have, after further negotiations, agreed that the transfer price of the Sale Shares is approximately RMB21.96 per share.

The total Consideration payable by the Company is RMB12,760,000,000, of which the share transfer price payable to China Yintai is RMB8,805,410,230 and the share transfer price payable to Mr. Shen is RMB3,954,589,770.

Payment

The Consideration of RMB12,760,000,000 shall be payable in cash by the Company in five instalments to the Vendors in the following manners:

(i) RMB3,828,000,000, including earnest money *Note*, shall be deposited by the Company into the Escrow Account of both parties, and the payment shall be specially used for the purpose of the settlement of creditors' rights secured by the share pledge of the Target Company and the settlement of the financing debts of China Yintai to GF Securities arising from its margin financing and securities lending with GF Securities, and out of which 20% of the Consideration shall be used as deposit, within five (5) working days after the approval by the competent state-owned assets supervision and administration authorities relevant to the Company and the signing of the Supplemental Agreement. If there is still any remaining amount in the Escrow Account after the completion of the release of pledge registration with China Securities Depository and Clearing Corporation Limited, the Company agreed to cooperate with the arrangement of transfer of the remaining amount in the Escrow Account to the bank account(s) designated by the Vendors within the next one (1) working day after receiving written notice from the Vendors;

(ii) RMB2,552,000,000 shall be paid by the Company directly to the bank account(s) designated by the Vendors within five (5) working days after all provisions contained in the Share Transfer Agreement and the Supplemental Agreement having become effective, the Vendors having completed the pledge over all the Sale Shares to the Company, and the completion of procedures for registration with China Securities Depository and Clearing Corporation Limited of the pledge;

(iii) RMB5,104,000,000 shall be paid by the Company to the bank account(s) designated by the Vendors within five (5) working days after the completion of registration of the transfer of Sale Shares;

Note:

As of the signing date of the Supplemental Agreement, the Company has paid the earnest money of RMB1 billion to the Escrow Account. The earnest money will be converted into a part of the consideration for the first instalment after the approval by the competent state-owned assets supervision and administration authorities relevant to the Company.

(iv) RMB1,076,000,000 shall be paid by the Company to the bank account(s) designated by the Vendors within five (5) working days after the completion of change in board and supervisory committee composition of the Target Company pursuant to the Share Transfer Agreement, and the transfer of materials such as important licenses of the Target Company to the Company pursuant to the Supplemental Agreement; and

(v) RMB200,000,000 shall be paid by the Company to the bank account(s) designated by the Vendors within five (5) working days after six months after the completion of change in board and supervisory committee composition of the Target Company pursuant to the Share Transfer Agreement or announcement of the 2023 interim report of the Target Company, whichever is earlier.

The Consideration will be funded by the self-raised funds and internal funds of the Company: (i) no less than 40% of the Consideration will be funded with the Company's own funds; and (ii) no more than 60% of the Consideration will be funded by bank loans. The Company has obtained the bank's approval regarding bank loans as at the Latest Practicable Date.

Evaluation and pricing of the transaction

(I) Pricing and Basis thereof

The Consideration is based on the share trading price of Yintai Gold, and based on the Company's due diligence on Yintai Gold, after having fully considered Yintai Gold's resource reserves, production and operation conditions, prospecting prospects, and transaction of control rights and other factors. After full negotiation between both parties to the transaction, the final pricing is RMB12,760,000,000.

(II) Reasonability Analysis on Pricing

The Transaction does not involve connected transactions, and the transaction price is finally determined by both parties to the transaction who are independent to and not related with each other through repeated negotiations in an environment of fair market competition. The pricing method of the Transaction is in line with the principle of fairness and reasonableness.

The Consideration for the Transaction is RMB12,760,000,000, which represents a premium rate of approximately 48% over the average share trading price of Yintai Gold for the previous 20 days up to 2 December 2022, the day before the announcement on suspension of trading of Yintai Gold. Such premium level includes the control premium, and the premium paid after considering Yintai Gold's resource reserves, development prospects and potential future synergies. The pricing of the Transaction is reasonable, specific analysis of which is as follows:

(1) Abundant mineral resource reserves of the Target Company

Yintai Gold's metal mines are all large-scale and high-grade mines. As at the end of 2021, the total resources of Yintai Gold in aggregate, including surface depositories, amounted to 101,941,700 tonnes of ore, 170.452 tonnes of gold metal, 7,154.06 tonnes of silver metal, 1,076,400 tonnes of lead + zinc metals, 63,500 tonnes of copper metal and 18,200 tonnes of tin metal (certain of the above reserves have not yet been reviewed). After full on-site due diligence, Shandong Gold believes that Yintai Gold's existing mine surroundings and deep areas have great prospecting prospects, and will further increase resource reserves in the future. The Transaction would help Shandong Gold expand its layout in the gold industry and further improve its resource reserves and operating efficiency.

(2) Acquiring control over the Target Company

Upon completion of the Transaction, Shandong Gold will become the controlling shareholder of Yintai Gold. This would help the both listed companies complement each other's strengths, play a synergistic effect, promote the overall improvement of the listed companies' development quality, and open up a new space for Shandong Gold's quality development. Through the Acquisition, Shandong Gold will strengthen industrial synergy with Yintai Gold, expand Shandong Gold's asset scale, optimize its capital structure, and enhance its comprehensive ranking and market influence in the market. The Transaction is of great significance for Shandong Gold to realize the "dually-driven model" development of resource and capital and promote the quality development.

(3) Strategic synergy

Shandong Gold, in line with the concept of "resource priority", continues to build core competitive advantages and increase resource reserves, by means of continuous enhanced efforts on exploration internally, and active resource mergers and acquisitions externally. Gold mines of Heihe Yintai (黑河銀泰), Jilin Banmiaozi (吉林板廟子) and Yunnan Huasheng (雲南華盛) of Yintai Gold are located in Heilongjiang, Jilin and Yunnan, respectively; these three provinces are rich in gold and non-ferrous metal resources. Through this merger and acquisition, Shandong Gold can realize the strategic layout of resources in the southwest and northeast regions from scratch and from a point to an area. By building new development bases for gold and non-ferrous metal mineral resources, Shandong Gold will greatly improve the competitiveness of major mineralization areas outside Shandong Province, enhance the capability against risks, and bring a stronger strategic synergy.

(4) Broad prospects for development

According to the China Gold Association, Yintai Gold ranks top ten among the listed gold enterprises in China in terms of gold mine production volume, indicating a strong market influence. The Acquisition will give full play to the core function of Shandong Gold as a capital operation platform to further build up the gold industry cluster in Shandong Province, and strengthen and expand the gold enterprises under Shandong Province. The Acquisition will further enhance the scale of Shandong Gold's principal business, improve the capacities of resource acquisition, management and operation, and accelerate the realization of the strategic goal to become a world-class gold mining enterprise.

The valuation conclusions of the Target Company in Appendix VI to this circular is an objective assessment of the Target Company's mining rights by BAW Mineral Partners Limited based on the current operating conditions and plans of the Target Company, and then arriving at the fair market value of the Target Company. However, when evaluating the fairness and reasonableness of the Consideration for the Transaction, the Company also considered the following factors in addition to the above-mentioned fair market value: (1) the price of the Target Company's shares publicly traded on the Shenzhen Stock Exchange, which is the minimum opportunity cost of the counterparty; (2) the scarcity of the Target Company; (3) the control premium of the Target Company; (4) the strategic synergy between the Target Company and the Company; (5) the broader development prospects of the Target Company and other factors.

(1) The price of the Target Company's shares publicly traded on the Shenzhen Stock Exchange

The Target Company is a public company listed on the Shenzhen Stock Exchange, and the trading price of its shares in the open market reflects the fair value of the Target Company to a certain extent. In addition, since the counterparty can freely trade its shares in the secondary market under the conditions of compliance with relevant laws and regulations, it can be seen that the trading price in the secondary market is also the minimum opportunity cost for the counterparty to transfer the corresponding shares. Therefore, in the absence of restrictions on the relevant shares, in a fair market transaction, the consideration for the Transaction will theoretically not be lower than the trading price of the Target Company's shares in the secondary market.

(2) The scarcity of mineral resources of the Target Company

The metal mines under the Target Company are all large-scale and high-grade mines, which have a certain degree of scarcity. After sufficient on-site due diligence, Shandong Gold believes that the surrounding and deep areas of the Target Company's existing mines have great prospecting prospects, and will further increase resource reserves in the future. It can be seen that the value of mineral scarcity of the Target Company has not been reflected in the valuation conclusions of the Target Company shown in Appendix VI to this circular.

(3) The purpose of the Transaction is to obtain control over the Target Company

Upon completion of the Transaction, the Company will become the controlling shareholder of the Target Company. This would help the both listed companies complement each other's strengths, play a synergistic effect, promote the overall improvement of the listed companies' development quality, and open up a new space for the Company's quality development. Through the Acquisition, the Company will strengthen industrial synergy with the Target Company, expand the Company's asset scale, optimize its capital structure, and enhance its comprehensive ranking and market influence in the market. The Transaction is of great significance for the Company to realize the "dually-driven model" development of resource and capital and promote the quality development. It can be seen that the value of the Company's obtaining of control rights of the Target Company has not yet been reflected in the valuation conclusions of the Target Company shown in Appendix VI to this circular.

(4) Strategic synergy between the Company and the Target Company

Shandong Gold, in line with the concept of "resource priority", continues to build upstream core competitive advantages and increase resource reserves, by means of continuous enhanced efforts on exploration internally, and active resource mergers and acquisitions externally. Gold mines of Heihe Yintai (黑河銀泰), Jilin Banmiaozi (吉林板廟子) and Yunnan Huasheng (雲南華盛) of the Target Company are located in Heilongjiang, Jilin and Yunnan, respectively; these three provinces are rich in gold and non-ferrous metal resources. Through this merger and acquisition, Shandong Gold can realize the strategic layout of resources in the southwest and northeast regions from scratch and from a point to an area. By building new development bases for gold and non-ferrous metal mineral resources, Shandong Gold will greatly improve the competitiveness of major mineralization areas outside Shandong Province, enhance the capability against risks, and bring a stronger strategic synergy. Since the valuation conclusions shown in Appendix VI to this circular are based on the Target Company's current operating conditions and assumptions of planning, it can be seen that the Company's strategic synergy value relevant to the Target Company has not been reflected in the above valuation conclusions.

(5) The broader prospects for development of the Target Company

According to the China Gold Association, the Target Company ranks among the top 10 listed gold enterprises in China in terms of gold mine production volume, indicating a strong market influence. The Acquisition will give full play to the core function of Shandong Gold as a capital operation platform to further build up the gold industry cluster in Shandong Province, and strengthen and expand the gold enterprises under Shandong Province. The Acquisition will further enhance the scale of Shandong Gold's principal business, improve the capacities of resource acquisition, management and operation, and accelerate the realization of the strategic goal to become a world-class gold mining enterprise. The Target Company will also gain broader prospects for development. It can be seen that the value increase of market influence and prospects for development of the Target Company has not yet been reflected in the valuation conclusions shown in Appendix VI to this circular.

After in-depth due diligence and analysis by the Company's relevant property experts and based on the consideration of the above value factors, the Company believes that the Target Company has an investment value that is significantly higher than its fair market value. Based on the investment value of the Target Company, the Company has determined the Consideration for the Transaction after repeated negotiations with independent and unrelated counterparties under the environment of fair market competition. Therefore, the determination of Consideration complies with the principle of fairness and reasonableness.

(III) Goodwill Expected to Be Formed in the Transaction and Warning of Future Impairment Risks

Upon the Company's acquisition of approximately 20.93% equity interest of Yintai Gold, a large amount of goodwill may be formed in the Company's consolidated balance sheet, but it can only be determined after the evaluation of consideration allocation in accordance with the Accounting Standards for Business Enterprises. The goodwill formed in the Transaction will not be amortized and will be subject to impairment testing at the end of each year in the future.

If Yintai Gold does not operate well in the future, the Company will be exposed to the risk of goodwill impairment, which would adversely affect the Company's current profit or loss. As Yintai Gold operates in the precious and non-ferrous metals mining industry and the metal trading industry, its business performance is greatly affected by the price fluctuations of precious and non-ferrous metals. In the future, Yintai Gold will adhere to the development strategy of focusing on precious metals and simultaneously developing high-quality non-ferrous metals. In the medium and long term, the prices of precious and non-ferrous metals will be affected by domestic macroeconomic trends, which will further increase the uncertainty of Yintai Gold's future operating performance. After the Transaction, full attention should be paid to the potential risk of goodwill impairment.

Effectiveness of the Terms of the Agreements

The terms of the Share Transfer Agreement in relation to "The consideration percentage for the first instalment and the Vendors' internal distribution of the consideration and other payments for the equity transfer price", "No Solicitation or Negotiation", "Confidentiality", "Effectiveness" and "Other Terms" shall become effective upon signing, provided that the other terms of the Share Transfer Agreement shall become effective upon signing by the parties and subject to the satisfaction of the following conditions precedent:

(a) approval by the general meeting of the Company, and approval by the Hong Kong Stock Exchange; and

(b) approval by the competent state-owned assets supervision and administration authorities relevant to the Company.

The terms of the Supplemental Agreement in relation to "General Plan of the Transaction", "Payment of the Share Transfer Price for the First Instalment", "No Solicitation or Negotiation", "Effectiveness" and "Other Terms" shall become effective upon signing, provided that the other terms of the Supplemental Agreement shall become effective together with the Share Transfer Agreement upon signing by the parties and subject to the satisfaction of all the effective conditions set forth above in the Share Transfer Agreement.

Both parties shall be entitled to inform the other party to terminate the Share Transfer Agreement and the Supplemental Agreement without any responsibility of default, and the Vendors shall cooperate to release the joint supervision of the Escrow Account within five (5) working days and return to the Company the Consideration paid within ninety (90) days upon termination of the

Share Transfer Agreement and the Supplemental Agreement, in the event that (i) the Acquisition has not been approved by the Hong Kong Stock Exchange, and/or the Acquisition has not been approved by the competent state-owned assets supervision and administration authorities relevant to the Company; and/or (ii) the State Administration of Market Regulation has not approved or has forbidden the concentration of operators involved in the Acquisition or the conditions attached to the Acquisition in case of conditional approval will cause the failure of the Acquisition to achieve its contractual purpose.

None of the above conditions precedent can be waived by any party to the Transaction. As at the Latest Practicable Date, condition precedent (b) has been satisfied.

Completion

China Yintai and Mr. Shen shall, upon all the terms of the Share Transfer Agreement and the Supplemental Agreement taking effect, and the following conditions being proven to be satisfied:

(i) all of the Sale Shares have been released from pledge, and there is no restriction on transfer (except for the shares pledged by the Vendors to the Company in accordance with the Share Transfer Agreement and the Supplemental Agreement);

(ii) the State Administration for Market Regulation has issued a decision or consent document on the anti-monopoly review of the concentration of operators not to implement further review or not to prohibit the concentration of operators involved in the Transaction;

(iii) the Company has paid RMB2,552,000,000 as the second instalment pursuant to the Supplemental Agreement; and

(iv) the documents and materials submitted to the Shenzhen Stock Exchange have been prepared,

submit compliance confirmation application documents to the Shenzhen Stock Exchange for the Transaction within three (3) working days, and then report to the Shenzhen Stock Exchange for consent and approval in respect of the Transaction. The Company shall promptly cooperate with China Yintai and Mr. Shen in submitting relevant application documents (including but not limited to the provision of relevant documents upon request of the Shenzhen Stock Exchange in respect of the issuance of documents agreeing to the transfer of the Sale Shares pledged by China Yintai and Mr. Shen to the Company in accordance with the Share Transfer Agreement and the Supplemental Agreement).

Within five (5) working days from the day following the date of obtaining the compliance confirmation opinion of the Shenzhen Stock Exchange, China Yintai and Mr. Shen shall facilitate China Securities Depository and Clearing Corporation Limited to transfer and register all the Sale Shares to the Company's A-share securities account, for which the Company shall provide reasonable and necessary assistance and cooperation in a timely manner. Completion of the Acquisition shall take place upon transfer and registration of all of the Sale Shares by China Securities Depository and Clearing Corporation Limited to the Company's A-share securities account. Upon completion of the registration of the transfer, the Company shall acquire and enjoy all shareholders' rights of the Sale Shares.

None of the above conditions precedent can be waived by any party to the Transaction. As at the Latest Practicable Date, conditions precedent (i) and (ii) above have been satisfied.

Upon completion of the Acquisition, the Company will hold approximately 20.93% of the issued shares of the Target Company and become its controlling shareholder. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Company's control over the Target Company can be achieved at three levels: the general meeting's level, the board of directors' level and the management's level:

(1) The General Meeting's Level

Through the transaction, the Company will acquire approximately 20.93% of the issued shares of the Target Company, directly owning 20.93% of the voting rights at the general meeting of the Target Company, and becoming the largest shareholder of the Target Company, which is able to have a substantial impact on the passing of resolutions of the general meeting of the Target Company. In addition, the Company does not rule out the possibility of further increasing its shareholdings in the Target Company through the secondary market, agreement transfer, subscription for new shares issued by the Target Company and other methods, thereby expanding the Company's voting rights at the Target Company's general meeting and increasing its control.

(2) The Board of Directors' Level

The parties have agreed in the Share Transfer Agreement and the Supplemental Agreement that "the transferor shall take all reasonable and necessary actions to assist the transferee to achieve the following objectives: provided that the board of directors of the Target Company consists of nine members and the supervisory committee of the Target Company consists of three members, no less than five directors shall be nominated/recommended by the Company and so elected, and no less than one supervisor shall be nominated/recommended by the Company and so elected. Therefore, the Company will have a majority of directorships on the board of directors of the Target Company upon Completion and will be able to exercise substantial influence on the passing of resolutions of the board of directors of the Target Company.

In addition, according to article 110 of the current articles of association of the Target Company, the chairman and vice-chairman shall be elected by over half of the total number of directors. Therefore, the Company will have the right to decide the candidates for the chairman and vice-chairman of the Target Company upon Completion.

(3) Management level

According to article 123 of the current articles of association of the Target Company, the Target Company shall have one general manager, who shall be appointed or dismissed by the board of directors. Senior management of the Target Company includes the general manager, deputy general manager, chief financial officer, board secretary and chief engineer. According to article 117 of the current articles of association of the Target

Company, the quorum of a meeting of the board of directors shall consist of more than one half of all directors. A resolution of the board of directors shall be passed by more than half of all directors. When voting on the resolutions of the board of directors, each director shall have one vote. Therefore, upon Completion, the Company will have the right to decide the candidates for the general manager, deputy general manager and other senior management of the Target Company, and then decide the daily production, operation and management of the Target Company.

Information of the Relevant Parties

The Company

The Company was established by its promoters with approval from the Shandong Province Economic System Reform Commission (山東省經濟體制改革委員會) and the People's Government of Shandong Province (山東省人民政府) in January 2000. The Company is an integrated gold company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange since 2003 and 2018, respectively and engaged in gold exploration, mining, processing, smelting and sales. It is one of the largest gold producers listed domestically and/or in Hong Kong that operates in the PRC, controlling and operating more than 10 gold mines with operation primarily located in Shandong Province. The Company has gradually expanded its business into the Inner Mongolia Autonomous Region, Gansu Province, Xinjiang Uyghur Autonomous Region and Fujian Province and Argentina, South America and Ghana, Africa.

China Yintai

China Yintai is a limited liability company established in the PRC, which is principally engaged in custody, restructuring and operation of asset; investment, development and operation of agriculture, forestry, animal husbandry and fishery; investment, development and operation of high-tech industries; development and sale of hygiene products and labour protective products; investment and operation of commercial department store retail. As at the Latest Practicable Date, China Yintai is indirectly held as to 92.5% by Mr. Shen.

Mr. Shen

Mr. Shen Guojun (沈國軍) is the ultimate beneficial owner of China Yintai and an Independent Third Party.

Information of the Target Company

The Target Company is a joint stock company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 000975). It is principally engaged in precious metal and non-ferrous metal mining and processing and trading of metal. As at the Latest Practicable Date, the Target Company is owned as to 14.44% by China Yintai, which is ultimately owned by Mr. Shen, and 6.49% by Mr. Shen.

The audited consolidated net profit (before and after taxation) for the financial years ended 31 December 2021 and 2022 of the Target Company prepared under the China Accounting Standards for Business Enterprises are set out below:

	For the year ended 31 December	
	2022	**2021**
	(audited)	(audited)
	RMB	*RMB*
Net profit before taxation	1,609,102,196.36	1,844,617,072.24
Net profit after taxation	1,244,248,930.25	1,421,709,251.71

The audited consolidated net asset of the Target Company as at 31 December 2022 amounted to approximately RMB12.68 billion. The net asset value per share attributable to the owners of the parent company of the Target Company as at 31 December 2022 amounted to approximately RMB3.93. The net asset value per share attributable to the owners of the parent company of the Target Company as at 30 September 2022 amounted to approximately RMB3.87.

When assessing the fairness and rationality of the Consideration, the Company has fully taken into account that the net asset per share attributable to the owners of the parent company of the Target Company as at the end of the third quarter of 2022 was only RMB3.87, which is lower than the Consideration for the Acquisition. However, considering that the Target Company is a public company listed on the Shenzhen Stock Exchange, the Company also made reference to the average share price of the Target Company, i.e. the average closing price of approximately RMB14.83 for the previous 20 days up to 2 December 2022 (the day before trading halt of the Target Company for announcement of the Acquisition). The average share price of the Target Company is much higher than its net asset per share, which is because the carrying net asset of the Target Company reflects the historical cost or revaluation cost of the Target Company, which cannot reasonably and timely reflect its future profitability. Therefore, when determining the Consideration, the Company has additionally made reference to the share price performance of the Target Company in the secondary market. The Company believes that the share price in the publicly traded secondary market is closer to the fair value of the Target Company than the carrying net asset.

In addition, on the basis of the equity transaction price in the secondary market, the Company also considered the scarcity of the Target Company, the control premium, strategic synergy and the investment value endowed by the improvement of prospects for development of the Target Company (please refer to pages 10 to 11 of this circular for details). Based on the investment value of the Target Company, the Company has determined the Consideration after repeated negotiations with independent and unrelated counterparties under the environment of fair market competition. Therefore, the pricing of the Acquisition is fair and reasonable.

Based on the information publicly available, the following table sets out the shareholding structure of the Target Company (i) as at 31 March 2023; and (ii) immediately upon Completion (assuming no other changes to the issued share capital and shareholders and their respective shareholdings of the Target Company from 31 March 2023 to the Completion):

Shareholders	**As at 31 March 2023**		**Immediately upon Completion**	
	Number of shares	*Approximate percentage*	*Number of shares*	*Approximate percentage*
The Company	–	–	581,181,068	20.93
China Yintai	401,060,950	14.44	–	–
Wang Shui (王水)	385,993,343	13.90	385,993,343	13.90
Mr. Shen	180,120,118	6.49	–	–
Cheng Shaoliang (程少良)	138,387,110	4.98	138,387,110	4.98
China Construction Bank Corporation – Huaxia Energy Innovative Share Securities Investment Fund (中國建設銀行股份有限公司－華夏能源革新股票型證券投資基金)	68,926,375	2.48	68,926,375	2.48
China Construction Bank Corporation – Huatai PineBridge Fuli Flexible Configuration Mixed Securities Investment Fund (中國建設銀行股份有限公司－華泰柏瑞富利靈活配置混合型證券投資基金)	53,662,676	1.93	53,662,676	1.93
Hong Kong Securities Clearing Company Limited	51,896,687	1.87	51,896,687	1.87
Shanghai Baohu Investment Management Center (Limited Partnership) (上海趵虎投資管理中心(有限合夥))	49,325,389	1.78	49,325,389	1.78
China Industrial and Commercial Bank of China – Huaxia Core Manufacturing Mixed Securities Investment Fund (中國工商銀行股份有限公司－華夏核心製造混合型證券投資基金)	30,112,017	1.08	30,112,017	1.08
He Yan (何艷)	28,650,900	1.03	28,650,900	1.03
Others	1,388,636,700	50.02	1,388,636,700	50.02
Total	2,776,772,265	100.00	2,776,772,265	100.00

Summary of the major mining assets held by the Target Company

(I) Banmiaozi Project

The Banmiaozi Gold Project ("**Banmiaozi Project**") is situated 6.3 km northwest of Baishan City in Jilin Province, China, and approximately 40 km northwest of the China-North Korea border. The administrative division falls under the jurisdiction of the Hunjiang District, Baishan City, Jilin Province.

The following tables set out the details of the operational licences and permits of Banmiaozi Project:

Mining Licence

Mining License Holder	Jilin Banmiaozi Mining Co., Ltd.
Name of Property	Jilin Banmiaozi
License Type	Mining
License ID	C1000002011044110112056
Area (km^2)	2.0514
Elevation (m)	From 750 m to -200 m
Permitted Production Capacity	800 ktpa
Type of Commodities	Gold
Mining Method	Underground
Valid Period	13 April 2021 to 13 December 2025

Exploration Licence

License Type	Exploration
License ID	T22000020080504010000429
Area (km^2)	0.0811
Valid Period	26 April 2022 – 26 April 2024

Business Licence

Property	Business License No	Issue Date	Permitted Activities
Jilin Banmiaozi	912206017536172674	09 February 2022	Exploration, Mining, Processing and Sales

Safety Production Permit

Property	Safety Production Permit No	Issue Date	Expiry Date
Jilin Banmiaozi	(2020) DXB5132	03 March 2022	06 December 2023

Safety Product Permit (Tailing Storage Facilities)

Property	Safety Production Permit No	Issue Date	Expiry Date
Jilin Banmiaozi	(2022) WKBY0025	20 October 2022	19 October 2025

Water Use Permit

Property	Water Use Permit No	Issue Date	Expiry Date	Water Supply Source	Water Use Allocation ($m^{3)}$
Jilin Banmiaozi	C220602G2022-0027	22 April 2022	21 April 2027	Groundwater	1.4879 Million

Gold mines of Jilin Banmiaozi are located in Jilin; the province is rich in gold and non-ferrous metal resources. The underground mine is accessed via declines, and the decline transports the ore, waste rock, personnel and materials.

The most recent resource estimate of Banmiaozi Jinying gold mine provided for review was carried out by the Geology and Mineral Exploration and Development Bureau of Jilin Province in December 2018. The resource estimation report "Resource & Reserve Estimation Report (2018) for Baishan Jinying Gold Mine" was dated 31 December 2018. Wireframing and Ordinary Krigin-grade interpolation were used to build a block model at that time. Annual internal grade estimate and mining depletion were updated to Block Model based on the production data during the period from 2019 to 2022. The resource estimate and technical report were reviewed by BAW, which was prepared by Banmiaozi Jinying gold mine based on a 1.0 g/t AU cut-off grade, which was used for the Banmiaozi Jinying gold mine site. The table below sets out the summary of Banmiaozi Jinying gold mine mineral resources at a 1.0 g/t AU cut-off as at 31 December 2022:

Cut-off	**CAT**	**TONNES(kt)**	**Au Grade (g/t)**	**Gold Metal (kg)**
	Measured	4,584	4.03	18,480
	Indicated	482	3.62	1,746
1.0 g/t Au	Total Measured + Indicated	5,067	3.99	20,226
	Inferred	1,675	3.72	6,233
	Total	6,742	3.92	26,459

The table below sets out the Baimiaozi Jinying gold mine mineral reserve at a 2.0 g/t Au cut-off as at 31 December 2022:

Cut-off	**CAT**	**TONNES (kt)**	**Au Grade (g/t)**	**Gold Metal (koz)**	**Note**
	Proven	3,672	4.08	14,999	
2.0 g/t Au	Probable	341	3.94	1,343	
	Total	4,013	4.07	16,342	

(II) Dachaidan Project

The Dachaidan Gold Project (the "**Dachaidan Project**") is located approximately 75 km northwest of the town of Dachaidan, under the jurisdiction of Dachaidan town in Haixi Mongolian and Tibetan Autonomous Prefecture, Qinghai Province.

The following tables set out the details of the operational licences and permits of Dachaidan Project:

Mining Licences

Mining License Holder	Qinghai Dachaidan Mining Co., Ltd.	Qinghai Dachaidan Mining Co., Ltd.
Name of Property	Tanjianshan Au Mining Area (“Tanjianshan”)	Qinglonggou Au Mining Area (“Qinglonggou”)
License Type	Mining	Mining
License ID	C1000002011104120120032	C1000002010044120060797
Area (km^2)	1.03	3.89
Elevation (m)	From 750 m to -200 m	From 750 m to -200 m
Permitted Production Capacity	600 ktpa	400 ktpa
Type of Commodities	Gold	Gold
Mining Method	Open Pit Mine	Open Pit Mine
Valid Period	17 June 2011 to 17 June 2023	05 January 2023 to 05 September 2028

Exploration Licences

License Type	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration	Exploration
License ID	T6300002 01801401 0054584	T6300002 02108401 0056482	T6300002 00804401 0000385	T6300002 00804401 0000384	T6300002 02203405 0056745	T6300002 00804401 0000382	T6300002 02202401 0056718
Area (km^2)	12.73	8.05	1.2	17.74	3.89	2.90	63.05
Valid Period	22 March 2021 to 15 October 2025	19 August 2021 to 15 October 2025	19 August 2021 – 18 August 2023	19 August 2021 – 23 June 2026	17 March 2022 – 16 March 2027	17 February 2022 – 16 February 2024	17 February 2022 – 19 June 2026

The table below sets out the mine operation status:

Mine	Operation status
Qinglonggou North	Underground
Qinglonggou South	Underground
Qinglonggou Gold 323 South	Open pit
Tanjianshan	Previously: open pit Currently: underground
Xijinggou	Open pit

The most recent resource estimate of Dachaidan gold mine provided for the review was carried out by Qinghai Dachaidan Mining Limited as at 31 December 2022. Internal block-grade modelling was done for the deposit by an onsite geologist. As an internal estimate, Wireframing, Block grade simulation, pit design and mining depletion data were provided and reviewed by BAW. Capping, assay compositing, varigraphy modelling and grade interpolation parameters were not provided. Visual check, statistical and IDW2 grade simulation was performed by BAW for reviewing. The current resource estimate by Dachaidan is based on the 1.0 g/t Au cut-off, which was given by Dachaidan. The MRE presented in the table below has been depleted by all mining and developments works as at 31 December 2022:

Site	CAT	TONNES(kt)	Au grade (g/t)	Gold Metal (kg)	Note
Jinlonggou Pit 3	Measured	–	–	–	OP &
	Indicated	2,754	3.78	10,399	PIT20221231
	M+I	2,754	3.78	10,399	
	Inferred	1,190	3.04	3,615	
	Total	3,944	3.55	14,015	
Qinglonggou M2	Measured	–	–	–	OP
	Indicated	346	7.64	2,646	PIT20221231 &
	M+I	346	7.64	2,646	Mined Stope
	Inferred	186	6.23	1,159	
	Total	532	7.15	3,805	
Qinglonggou South	Measured	–	–	–	
	Indicated	–	–	–	
	M+I	–	–	–	
	Inferred	427	6.21	2,650	
	Total	427	6.21	2,650	

Site	CAT	TONNES(kt)	Au grade (g/t)	Gold Metal (kg)	Note
Qinglonggou M3	Measured	–	–	–	Mined Stope
	Indicated	613	3.81	2,335	
	M+I	613	3.81	2,335	
	Inferred	266	2.93	780	
	Total	879	3.55	3,115	
Qinglonggou North Deep East	Measured	–	–	–	
	Indicated	–	–	–	
	M+I	–	–	–	
	Inferred	383	5.13	1,964	
	Total	383	5.13	1,964	
Qinglonggou North Deep West	Measured	–	–	–	
	Indicated	–	–	–	
	M+I	–	–	–	
	Inferred	1,356	2.69	3,644	
	Total	1,356	2.69	3,644	
Xijinggou	Measured	–	–	–	
	Indicated	2,700	4.08	11,014	
	M+I	2,700	4.08	11,014	
	Inferred	1,506	4.24	6,380	
	Total	4,206	4.14	17,394	
Qinglonggou East	Measured	–	–	–	
	Indicated	1,738	8.11	14,095	
	M+I	1,738	8.11	14,095	
	Inferred	529	7.62	4,029	
	Total	2,267	7.99	18,124	
Stockpile	Measured	1,314	5.21	6,850	
	Indicated	–	–	–	
	M+I	1,314	5.21	6,850	
	Inferred	–	–	–	
	Total	1,314	5.21	6,850	
Total	Measured	1,314	5.21	6,850	
	Indicated	8,151	4.97	40,489	
	M+I	9,465	5.00	47,339	
	Inferred	5,843	4.15	24,221	
	Total	15,308	4.67	71,561	

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.

2. The effective date for the Mineral Resource estimates is 31 December 2022.

3. Mineral Resource estimates account for mining depletion up to and including 31 December 2022.

4. A cut-off value at 1.0 g/t Au was used for Dachaidan open pit deposit.

5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

The following table sets out the Dachaidan mineral reserve blocks at a 2.0 g/t Au cut-off as at 31 December 2022:

Site	CAT	TONNES(kt)	Au grade (g/t)	Gold Metal (kg)	Note
Jinlonggou Pit 3	Proved	–	–	–	OP &
	Probable	1,975	4.16	8,212	PIT20221231
	Total	1,975	4.16	8,212	
Qinglonggou M2	Proved	–	–	–	OP
	Probable	343	6.91	2,371	PIT20221231 &
	Total	343	6.91	2,371	Mined Stope
Qinglonggou South	Proved	–	–	–	
	Probable	–	–	–	
	Total	–	–	–	
Qinglonggou M3	Proved	–	–	–	Mined Stope
	Probable	472	4.01	1,894	
	Total	472	4.01	1,894	
Qinglonggou North Deep East	Proved	–	–	–	
	Probable	–	–	–	
	Total	–	–	–	
Qinglonggou North Deep West	Proved	–	–	–	
	Probable	–	–	–	
	Total	–	–	–	
Xijinggou	Proved	–	–	–	
	Probable	2,035	4.38	8,918	
	Total	2,035	4.38	8,918	
Qinglonggou East	Proved	–	–	–	
	Probable	1,684	7.49	12,609	
	Total	1,684	7.49	12,609	
Stockpile	Proved	1,314	5.21	6,850	
	Probable	–	–	–	
	Total	1,314	5.21	6,850	
TOTAL	**Proved**	1,314	5.21	6,850	
	Probable	**6,509**	**5.22**	**34,005**	
	Total	**7,823**	**5.22**	**40,855**	

(III) Heihe Project

The Dong'an Gold Deposit (the "**Heihe Project**" or the "**Dong'an Project**") is located in the southeast region of Heilongjiang Province, China, approximately 45 km from Xunke County and 145 km from Heihe City. Harbin, the capital city of Heilongjiang Province, lies around 427 km to the southwest. The Project falls under the administrative jurisdiction of Xinxing Township in Xunke County and is situated approximately 15 km south of the China-Russia border.

The following tables set out the details of the operational licences and permits of Heihe Project:

Mining Licence

Mining License Holder	Heihe Yintai Mining Development Co., Ltd.
Name of Property	The Dong'an Gold Deposit
License Type	Mining
License ID	C1000002016044210142237
Area (km^2)	0.1386
Elevation (m)	From 280 m to -100 m
Permitted Production Capacity	375.0 ktpa
Type of Commodities	Gold and Silver
Mining Method	Underground/Open Pit Mine
Valid Period	18 May 2016 to 18 May 2033

Business Licence

Property	Business License No	Issue Date	Permitted Activities
Heihe Yintai Mining Development Co., Ltd.	91231100663888397E	22 August 2019	Mining, Exploration, processing and Sales

Safety Production Permit

Property	Safety Production Permit No	Issue Date	Expiry Date
Heihe Yintai Mining Development Co., Ltd.	2020 HH3739	06 May 2021	10 September 2023

Safety Production Permit (Tailing Storage Facilities)

Property	Safety Production Permit No	Issue Date	Expiry Date
Heihe Yintai Mining Development Co., Ltd.	2022 007	25 November 2020	24 November 2023

Gold mines of Heihe Yintai Mining Development Co., Ltd. are located in Heilongjiang; the province is rich in gold and non-ferrous metal resources. The Dong'an Gold Mine was open-pit mining in the early stage and the open-pit mining ended in June 2019. In July 2020, underground mining began. The underground mine is accessed via decline. The underground ore is directly loaded onto a 20 t haul truck and transported to the surface through the decline.

The most recent resource estimate of the Heihe Dong'an gold mine provided for review was carried out by Rock Mining Development Co., Ltd in April 2017. The resource estimate technical report "Resource & Reserve Estimation Report (2017) for Dong'an Gold Mine" was dated 31 December 2016. Inverse Distance Power was conducted based on varigraphy modelling using Geovia Surpac 6.6, and grade interpolation was used to build a block model at that time. Annual Internal grade estimate and mining depletion were updated to Wireframing and Block Model based on production data from 2017 to 2022. The latest resource estimate and technical report were reviewed by BAW. The current resource estimate by Dong'an is based on a 1.0 g/t Au cut-off, which was used for onsite mining. The table below sets out the summary of Dong'an mineral resources at a 1.0 g/t Au cut-off as at 31 December 2022:

Cut-off	CAT	TONNES (kt)	Au grade (g/t)	Gold Metal (kg)	Ag grade (g/t)	Silver Metal (kg)
	Measured	1,393	6.57	9,144	71.17	99,132
	Indicated	160	2.59	414	58.18	9,292
1.0 g/t Au	M+I	1,553	6.16	9,558	69.84	108,424
	Inferred	80	2.40	191	65.82	5,235
	Total	1,632	5.97	9,749	69.64	113,659
	Measured	214	3.27	700	76	16,320
	Indicated	–	–	–	–	–
Stockpile	M+I	214	3.27	700	76	16,320
	Inferred	–	–	–	–	–
	Total	214	3.27	700	76	16,320
	Measured	1,607	6.13	9,844	71.84	115,452
	Indicated	160	2.59	414	58.08	9,292
Total	M+I	1,767	5.81	10,258	70.60	124,744
	Inferred	80	2.39	191	65.44	5,235
	Total	1,846	5.66	10,449	70.41	129,979

Notes:

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.

2. The effective date for the Mineral Resource estimates is 31 December 2022.

3. Mineral Resource estimates account for mining depletion up to and including 31 December 2022.

4. A cut-off value at 1.0 g/t Au was used for Dong'an underground mining.

5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

The table below sets out the Dong'an mineral reserve at a 3.0 g/t Au cut-off as at 31 December 2022:

Cut-off	CAT	TONNES (kt)	Au Grade (g/t)	Gold Metal (kg)	Au Grade (g/t)	Ag Metal (kg)
3.0 g/t Au	Proven	1,141	7.15	8,160	72.00	82,177
	Probable	44	3.84	169	91.33	4,022
	Total	1,185	7.03	8,329	72.72	86,199
Stockpile	Proven	214	3.27	700	76	16,320
	Probable	–	–	–	–	–
	Total	214	3.27	700	76	16,320
Total	Proven	1,355	6.54	8,860	72.69	98,497
	Probable	44	3.84	169	91.33	4,022
	Total	1,399	6.45	9,029	73.28	102,519

(IV) Yulong Project

The Yulong Project, an Ag-Pb-Zn mineral project, is located approximately 25 km northeast of Baorigesitai Township in West Ujimqin Banner, Inner Mongolia Autonomous Region, China. It falls under the administrative jurisdiction of Bayanhua Town within West Ujimqin Banner.

The following tables set out the details of the operational licences and permits of Yulong Project:

Mining Licences

Mining License Holder	Inner Mongolia Yulong Mining Co., Ltd.	Inner Mongolia Yulong Mining Co., Ltd.
Name of Property	Huaaobaote Ag-Pb Mining Area ("Huaaobaote")	Huaaobaote Mountain Pb-Zn-Ag Mining Area ("Huaaobaote Mountain")
License Type	Mining	Mining
License ID	C1500002011024210112496	C1500002012054210125299
Area (km^2)	1.7093	1.0269
Elevation (m)	From 1,030 m to 400 m	From 1,030 m to -473 m
Permitted Production Capacity (kt)	1,000	250
Type of Commodities	Silver, Lead and Zinc	Silver, Lead and Zinc
Mining Method	Underground	Underground
Valid Period	From 11 November 2012 to 11 November 2037	From 16 May 2020 to 16 May 2023

Exploration Licence

License Type	Exploration	Exploration	Exploration	Exploration
License ID	T1525002022054050056825	T1525002022054050056826	T1525002008043010006893	T1525002008043010006891
Area (km^2)	1.68	0.05	1.51	2.42
Valid Period	18 May 2022 – 17 May 2027	18 May 2022 – 17 May 2027	From 21 January 2022 to 20 January 2024	From 21 January 2022 to 20 January 2024

Exploration Licence – Expired

License Type	Exploration	Exploration
License ID	T1525002009123010037416	T1525002009114010036050
Area (km^2)	15.42	21.76
Valid Period	From 09 November 2020 to 08 November 2022	From 09 November 2020 to 08 November 2022

Safety Production Permit

Property	Safety Production Permit No	Issue Date	Expiry Date
Inner Mongolia Yulong Mining Co., Ltd.	(2021) 001822	17 May 2022	24 June 2024
Inner Mongolia Yulong Mining Co., Ltd.	(2020) 006377	17 May 2022	19 August 2023

Safety Production Permit (Tailing Storage Facilities)

Property	Safety Production Permit No	Issue Date	Expiry Date
Inner Mongolia Yulong Mining Co., Ltd.	(2020) 00648	16 August 2022	15 August 2025

Water Use Permits

Property	Water Use Permit No	Issue Date	Expiry Date	Water Supply Source	Water Use Allocation (m^3)
Inner Mongolia Yulong Mining Co., Ltd.	S1520496514689	25 December 2017	31 December 2022	Groundwater	934,800

Yulong Mining Company, a subsidiary of Yintai Gold, is located in West Ujimqin Banner, Inner Mongolia.

The mine uses the main double-skip shaft and auxiliary shafts to access the underground. The main shaft is for ore lifting and the auxiliary shafts are for personnel and materials. The current main mining areas are No. I_1 and No. II_2 ore bodies.

The most recent resource estimate of Yulong West Ujimqin Banner Huaaobaote Pb-Ag-Zn mine provided for the review was carried out by Inner Mongolia Yulong Mining Co., Ltd. in January 2023. The resource estimate technical report "Annual Reserve Report (2022) for Huaaobaote Pb-Ag-Zn Mine" was dated 31 December 2022. Geological block grade modelling was used to estimate the resource at that time. The resource estimate and technical report were reviewed by BAW. The current resource estimate by Huaaobaote is based on 0.8 g/t Pb equivalent cut-off grade. The following table sets out the summary of Huaaobaote mineral resources at a 0.8 g/t Pb equivalent cut-off as at 31 December 2022:

Site	CAT	TONNES (kt)	Pb grade (%)	Pb Metal (t)	Zn grade (%)	Zn Metal (t)	Ag grade (g/t)	Silver Metal (kg)	Cu grade (%)	Copper Metal (t)	Au grade (g/t)	Gold Metal (kg)
	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	4,926	0.64	31,740	1.30	64,070	66.16	325,895	0.16	777		
Huaaobaote Mountain	M+I	4,926	0.64	31,740	1.30	64,070	66.16	325,895	0.16	777		
	Inferred	3,547	0.79	28,140	1.44	51,079	79.60	282,315	0.02	614		
	Total	8,472	0.71	59,879	1.36	115,149	71.79	608,210	0.02	1,391		
	Measured	1,013	3.51	35,603	3.53	35,731	265.55	269,000	–	–		
	Indicated	10,321	1.19	122,563	1.86	191,830	113.85	1,175,000	–	–		
Huaaobaote	M+I	11,334	1.40	158,166	2.01	227,561	127.40	1,444,000	–	–		
	Inferred	12,627	1.42	179,031	2.05	258,996	154.19	1,947,000	–	–		
	Total	23,961	1.41	337,197	2.03	486,557	141.52	3,391,000	–	–		
	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	219	1.15	2,527	2.03	4,455	136.82	30,023	–	–		
1038 Height	M+I	219	1.15	2,527	2.03	4,455	136.82	30,023	–	–		
	Inferred	384	1.15	4,416	2.19	8,431	125.20	48,117	–	–		
	Total	604	1.15	6,943	2.13	12,886	129.43	78,140	–	–		
	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	332	2.54	8,427	2.89	9,596	190.99	63,418	–	–		
Nanshan	M+I	332	2.54	8,427	2.89	9,596	190.99	63,418	–	–		
	Inferred	275	1.96	5,382	2.37	6,499	158.17	43,459	–	–		
	Total	607	2.28	13,809	2.65	16,095	176.13	106,877	–	–		
	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	12,057	0.56	67,573	1.65	198,951	73.22	882,877	0.32	38,600		
1118 Height	M+I	12,057	0.56	67,573	1.65	198,951	73.22	882,877	0.32	38,600		
	Inferred	10,942	0.56	61,391	1.89	206,916	82.60	903,837	0.44	47,825		
	Total	23,000	0.56	128,964	1.76	405,867	77.68	1,786,715	3.76	86,424		

Site	CAT	TONNES (kt)	Pb grade (%)	Pb Metal (t)	Zn grade (%)	Zn Metal (t)	Ag grade (g/t)	Silver Metal (kg)	Cu grade (%)	Copper Metal (t)	Au grade (g/t)	Gold Metal (kg)
	Measured	318	–	–	–	–	183.41	58,324	–	–		
	Indicated	588	0.08	490	0.13	790	208.47	122,578	–	–		
Peripheral (II) area	M+I	906	0.05	490	0.09	790	199.67	180,902	–	–		
	Inferred	901	1.04	16,542	1.23	11,108	194.96	175,658	–	–	0.97	1753
	Total	1,807	0.54	9,816	0.66	21,386	197.32	356,560	–	–	0.97	1753
	Measured	1,331	2.67	35,603	2.68	35,731	245.92	327,324	–	–		
	Indicated	28,443	0.82	233,320	1.65	469,693	91.40	2,599,791	1.38	39,376		
Total	M+I	29,774	0.90	268,923	1.70	505,424	98.31	2,927,115	1.32	39,376		
	Inferred	28,676	1.03	294,902	1.89	543,029	118.58	3,400,386	1.69	48,439		
	Total	58,450	0.95	556,609	1.81	1,057,940	108.25	6,327,502	1.50	87,815		

Notes:

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.

2. The effective date for the Mineral Resource estimates is 31 December 2022.

3. Mineral Resource estimates account for mining depletion up to and including 31 December 2022.

4. A cut-off value at 0.8 g/t Pb equivalent was used for Huaaobaote underground mining.

5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

The table sets out the summary of Yulong mineral reserve at an Eq Pb cut-off as at 31 December 2022:

Site	Cut-off	CAT	TONNES (kt)	Pb grade (%)	Pb Metal (t)	Zn grade (%)	Zn Metal (t)	Ag grade (g/t)	Silver Metal (kg)	Cu grade (%)	Copper Metal (t)
		Proven	1,015	3.23	32,726	3.24	32,844	243.69	247,265	–	–
Huaaobaote	Eq Pb	Probable	10,338	1.09	112,660	1.71	176,330	104.48	1,080,060	–	–
		Total	11,353	1.28	145,386	1.84	209,174	116.92	1,327,325	–	–
		Proven	**1,015**	**3.23**	**32,726**	**3.24**	**32,844**	**243.69**	**247,265**	**–**	**–**
Total	**Eq Pb**	**Probable**	**10,338**	**1.09**	**112,660**	**1.71**	**176,330**	**104.48**	**1,080,060**		
		Total	**11,353**	**1.28**	**145,386**	**1.84**	**209,174**	**116.92**	**1,327,325**		

(V) Huasheng Project

The Huasheng (Mangshi) Project is located approximately 32 km southwest of Mangshi City and about 40 km northwest of the China-Myanmar border. The project area falls under the jurisdiction of Shangmanggang Village, Santaishan Town, Mangshi City, in the Dehong Dai-Jingpo Autonomous Prefecture, Yunnan Province.

The following tables set out the details of the operational licences and permits of Huasheng (Mangshi) Project:

Mining Licence

Mining License Holder	Mangshi Huasheng Gold Mine Development Co., Ltd.
Name of Property	the Huasheng Project
License Type	Mining
License ID	C5300001009114120045284
Area (km^2)	0.6338
Elevation (m)	From 1,500 m to 1,100 m
Permitted Production Capacity	100.00 ktpa
Type of Commodities	Gold
Mining Method	Underground/Open Pit Mine
Valid Period	11 July 2015 to 11 July 2025

Business Licence

Property	Business License No	Issue Date	Permitted Activities
Mangshi Huasheng Gold Mine Development Co., Ltd.	91533103219105958F	11 September 2021	Mining and Processing

Water Use Permit

Property	Water Use Permit No	Issue Date	Expiry Date	Water Supply Source	Water Use Allocation (m^3)
Mangshi Huasheng Gold Mine Development Co., Ltd.	DHMS2022053	06 June 2022	13 August 2027	Surface Water	3.00 Million

Gold mines of Yunnan Huasheng of Yintai Gold are located in Yunnan; the province is rich in gold and non-ferrous metal resources.

Since Huasheng Mine was established in 2009, it has mainly exploited the laterite-type gold resources found in the Maiwoba Mine Section and the Orchard Mine Section. The laterite-type gold resources in the Maiwoba Mine Section were mined until the end of 2011. At the beginning of 2012, it began to mine Colin-type gold resources. The laterite-type gold resources in the orchard section were mined until 2013, and the surface land reclamation work has been completed. The main ore body currently mined is the No. VII ore body of the Maiwoba mine section, which is open-pit mining.

The mine operation was shut down in 2016, and no production operations have been carried out so far.

The most recent resource estimate of Huasheng gold mine provided for the review was carried out by Kunming Fulin Mining Co., Ltd as of 31 July 2022. The resource estimate technical report "Resource & Reserve Estimation Report (2022) for Mangshi Huasheng Gold Mine" was following Chinese Classifications for mineral resources and reserves based on polygon estimation. Block-grade modelling was also done for the deposit by Fulin group for future mining design. Wireframing, Block grade simulation, pit design and mining depletion data were provided and reviewed by BAW. As an internal estimate, Wireframing, Capping, assay compositing, varigraphy modelling and grade interpolation parameters were not provided. Visual check, statistical and IDW2 grade simulation was performed by BAW for reviewing.

An independent report and associated models were also provided which were built by SRK in 2016. Considering the significant changes in the dataset and loose control of the grade interpolation through the estimates, BAW believes that the Fulin model is more suitable for the deposit.

The current resource estimate by Huasheng is based on the 0.3 g/t Au cut-off, which was given by Huasheng. The following table sets out the summary of Huasheng mineral resources at a 0.3 g/t Au cut-off as at 31 December 2022:

Zone	CAT	TONNES(kt)	Au grade (g/t)	Gold Metal (kg)
	Measured	2,932	1.99	5,850
	Indicated	7,401	1.96	14,477
MVB, 0.3 g/t	Measured + Indicated	10,334	1.97	20,327
	Inferred	7,374	1.21	8,901
	Total	17,708	1.65	29,228

Notes:

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.
2. The effective date for the Mineral Resource estimates is 31 December 2022.
3. Mineral Resource estimates account for mining depletion up to and including 31 December 2022.
4. A cut-off value at 0.3 g/t Au was used for Huasheng open pit deposit.
5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

The following table sets out the summary of Huasheng mineral reserves at a 0.5 g/t Au cut-off as at 31 December 2022:

Cut-off	CAT	TONNES (kt)	Au grade (g/t)	Gold Metal (kg)	Note
	Proven	2,621	2.15	5,626	
0.5 g/t Au	Probable	6,283	2.19	13,775	
	Total	8,903	2.18	19,401	

Reasons for and Benefits of the Acquisition

(I) Continued improvement in industry competitiveness and brand influence

At present, in the context of "concentration at the top level" in the global gold market, high-quality gold resources are further gathered to leading companies in the industry. In recent years, along with further integration and merger by international gold conglomerates, domestic gold companies have also been increasing the pace of resource integration, merger and reorganization. Upon completion of the merger and acquisition, Shandong Gold and Yintai Gold, which are in the first echelon of China's gold industry, have forged alliance to further strengthen Shandong Gold's leading position in the domestic gold industry from various perspectives, such as asset scale, gold reserves and economic benefits, and effectively enhance Shandong Gold's brand influence and industry reputation in the international gold market.

(II) Further increase in resource reserves

As at the end of 2021, the total resources of Yintai Gold in aggregate, including surface depositories, amounted to 101,941,700 tonnes of ore, 170.452 tonnes of gold metal, 7,154.06 tonnes of silver metal, 1,076,400 tonnes of lead + zinc metal, 63,500 tonnes of copper metal and 18,200 tonnes of tin metal (certain of the above reserves have not yet been reviewed). As at 30 June 2022, the five mining subsidiaries of Yintai Gold had a total of 15 exploration rights, with an exploration area of 159.63 square kilometers. Its main mines have advantageous conditions of large mining areas for producing non-ferrous metals and precious metals such as silver, copper, lead, zinc and gold, with great potential for prospection and very broad prospects for exploration. The Transaction can effectively leverage on the potential of Yintai Gold for exploration to increase reserves, further enhance Shandong Gold's resource reserves, improve its ability of resource acquisition, expand the assets scale of Shandong Gold and accelerate the realization of the strategic goal to become a world-class gold mining enterprise.

(III) Significant increase in both gold production and non-ferrous metal production

From 2019 to 2021, the production from non-ferrous metal mining and beneficiation segment of Yintai Gold was 17,860.31 tonnes, 21,416.72 tonnes and 24,154.24 tonnes respectively, of which the production of alloyed gold was 6.10 tonnes, 6.11 tonnes and 7.21 tonnes respectively, representing a significant increase in both gold production and non-ferrous metal production. Yintai Gold is also a mining enterprise with high gross profit margin among gold mines in China. The Transaction would significantly increase the Company's gold and non-ferrous metal production, and through effectively leveraging the potential of Yintai Gold to expand production and increase reserves, further push the concentration of domestic gold resources to leading enterprises through alliance between giants, expand the industrial economies of scale and better transform the resource advantage into economic advantage.

(IV) Further strengthening of the capacity of industrial and regional synergies

Qinghai Dachaidan Gold Mine (青海大柴旦金礦) of Yintai Gold is located in Haixi Prefecture, Qinghai, which enables it to form regional synergy with the mines, smelters and geological exploration entities of SDG Group Co., the controlling shareholder of Shandong Gold, in Qinghai and realizes complementary advantages. The alloyed gold produced by Yintai Gold can be smelted at the smelter of Qinghai Kunlun Gold Co., Ltd. (青海昆侖黃金有限公司) under SDG Group Co. nearby, realising synergy between gold production and smelting industries. Yulong Mining Company (玉龍礦業公司), a subsidiary of Yintai Gold, is located in West Ujimqin Banner, Inner Mongolia, in the proximity of XilinGol League Aerhada Mining Co., Ltd. (錫林郭勒盟阿爾哈達礦業有限公司), XilinGol League Baiyin Hubu Mining Co., Ltd. (錫林郭勒盟白音呼布礦業有限公司), Chifeng Shanjin Hongling Non-ferrous Mining Co., Ltd. (赤峰山金紅嶺有色礦業有限責任公司) and Chifeng Shanjin Gold Silver Lead Co., Ltd. (赤峰山金銀鉛有限公司) of SDG Group Co., which would realize the synergistic development of the regional lead-zinc-silver industry and build a non-ferrous mining base in Inner Mongolia. The lead concentrate (containing silver) and zinc concentrate (containing silver) produced by Yintai Gold can be smelted in the nearby smelter of Chifeng Shanjin Gold Silver Lead Company under SDG Group Co., reducing smelting costs and metal losses. In addition, Yintai Shenghong (銀泰盛鴻), the supply chain management company of Yintai Gold, is located in Shanghai, which would complement the advantages of Shandong Gold Trading Centre (山東黃金交易中心), SD Gold Capital Management Co., Ltd. (山金金控資本管理有限公司) of Shandong Gold, and the trading company under SDG Group Co. to form regional synergy. The Transaction will strengthen the industrial and regional synergies between Shandong Gold and Yintai Gold, expand Shandong Gold's asset scale, profitability and gold resource reserves, and enhance its comprehensive ranking and market influence in the market.

Impact of the Transaction on Yintai Gold's Horizontal Competition

As at the Latest Practicable Date, major products of the Company are standard gold ingots and investment gold bars of various specifications, while major products of Yintai Gold are alloy gold (including silver), silver-containing lead concentrate and zinc concentrate. Yintai Gold's alloy gold products need to be further refined before they can become standard gold. Yintai Gold's alloy gold products are essentially the upstream products of standard gold produced by the Company. The major products of the Company are different from those of Yintai Gold. In terms of sales model, the major customer of the Company is the Shanghai Gold Exchange, while those of Yintai Gold are downstream gold smelters. There are large differences in major customers as both customers are at different industry chain links. In terms of resources of mineral rights, according to the mining rights and exploration rights currently held, the areas involved in the mineral rights of the Company and Yintai Gold are all independent mines, and there is no cross coverage. The Transaction is not expected to have a material adverse impact on the production and operation of Yintai Gold.

In compliance with the Measures for Management of Acquisition of Listed Companies (Revised in 2020) (上市公司收購管理辦法（2020年修訂）) issued by the China Securities Regulatory Commission (the "**CSRC**") and in order to solve and avoid horizontal competition or potential horizontal competition between both parties, the Company undertakes as follows:

1. After the completion of the Acquisition, the Company and its related parties will have horizontal competition or potential horizontal competition with Yintai Gold. According to the requirements of current laws and regulations and relevant policies, the Company will, within five years from the date when the Company obtains the control of Yintai Gold, pursuant to the requirements of relevant securities regulatory authorities, and subject to the applicable laws and regulations and relevant regulatory rules then prevailing, actively coordinate the Company and its related parties to comprehensively use various methods, including but not limited to asset reorganization, business adjustment and entrusted management, and steadily promote the integration of related to solve the horizontal competition or potential horizontal competition problems.

The aforementioned solutions include but not limited to:

(1) Asset reorganization: Through assets purchase, asset replacement, asset transfer or other feasible reorganization methods in different ways permitted by relevant laws and regulations such as cash consideration or issuance of shares consideration, gradually sort out and reorganize the assets of the Company, related parties and Yintai Gold that have business overlaps to eliminate certain business overlap cases;

(2) Business adjustment: Sort out business boundaries and do its best to achieve differentiated operations, such as realizing business differentiation through asset transaction, business delineation, etc., including but not limited to differentiation in non-ferrous and precious metal products, types of mineral rights, industry classification, geographical location and other aspects;

(3) Entrusted management: By signing an entrustment agreement, one party entrusts the other party with full authority to manage the decision-making and management rights involved in the operation of certain related assets that have business overlaps;

(4) Other feasible solutions within the scope permitted by laws, regulations and relevant policies. The implementation of the above solutions is subject to the fulfillment of necessary review procedures of Yintai Gold and approval procedures of the securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations.

2. In addition to the above, when the Company and related parties acquire business opportunities that may compete with Yintai Gold's business, the Company will maintain Yintai Gold's independent participation in market competition and support Yintai Gold to play its inherent advantages. The Company undertakes to continue to participate in market competition independently with Yintai Gold based on the principles of openness, fairness and justice, and will not harm the interests of Yintai Gold and its minority shareholders;

3. The Company warrants to strictly abide by the laws and regulations as well as Yintai Gold's articles of association and relevant management rules, and not to seek illegitimate interests by taking advantage of its control over Yintai Gold, thereby harming the rights and interests of other minority shareholders of Yintai Gold;

4. The Company has the ability to fulfill and will strictly fulfill the above undertakings. There is no major performance risk, and the performance of the above undertakings will not cause losses to the listed company and its relevant shareholders;

5. The above undertakings are irrevocable, and they will continue to be valid during the period when the Company has control over Yintai Gold. In the event of a violation of the above undertakings which causes a damage to the rights and interests of Yintai Gold, the Company is willing to bear the corresponding liability for damages.

In addition, SDG Group Co., the controlling shareholder of the Company, and some other enterprises controlled by it have certain overlaps with some businesses of Yintai Gold, and there are cases of horizontal competition or potential horizontal competition with Yintai Gold. After the Company obtains control of Yintai Gold, and subject to maintaining the stability of Yintai Gold's existing production and operation business, SDG Group Co. plans to inject its high-quality non-ferrous metal sector assets into Yintai Gold provided that the asset quality meets relevant regulations of the China Securities Regulatory Commission. SDG Group Co. will regulate the horizontal competition and potential horizontal competition with Yintai Gold in the non-ferrous metal business, which in turn would provide support for the development of Yintai Gold. In order to actively avoid the horizontal competition and potential horizontal competition between SDG Group Co. and its related parties and Yintai Gold, SDG Group Co. has made the following undertakings:

1. After the completion of the Acquisition, in respect of the horizontal competition and potential horizontal competition between the SDG Group and its related parties and Yintai Gold, according to the requirements of current laws and regulations and relevant policies, the SDG Group will, within five years from the date when Shandong Gold obtains the control of Yintai Gold, pursuant to the requirements of relevant securities regulatory authorities, and subject to the applicable laws and regulations and relevant regulatory rules then prevailing, actively coordinate the SDG Group and its related parties to comprehensively use various methods, including but not limited to asset reorganization, business adjustment and entrusted management, in the principle of benefiting the development of Yintai Gold and safeguarding the interests of its shareholders, especially the interests of its minority shareholders, and steadily promote the integration of related businesses to solve the existing horizontal competition and potential horizontal competition problems.

   The aforementioned solutions include but not limited to:

   (1) Asset reorganization: Through assets purchase, asset replacement, asset transfer or other feasible reorganization methods in different ways permitted by relevant laws and regulations such as cash consideration or issuance of shares consideration, gradually inject the high-quality related business segments of the SDG Group that constitute horizontal competition and potential horizontal competition into the listed company subject to relevant regulations of the China Securities Regulatory Commission, and sort out and reorganize the assets of the SDG Group, related parties and Yintai Gold that have business overlaps to eliminate certain business overlap cases;

   (2) Business adjustment: Sort out business boundaries and do its best to achieve differentiated operations, such as realizing business differentiation through asset transaction, business delineation, etc., including but not limited to differentiation in non-ferrous and precious metal products, types of mineral rights, industry classification, geographical location and other aspects;

   (3) Entrusted management: By signing an entrustment agreement, one party entrusts the other party with full authority to manage the decision-making and management rights involved in the operation of certain related assets that have business overlaps;

(4) Other feasible solutions within the scope permitted by laws, regulations and relevant policies. The implementation of the above solutions is subject to the fulfillment of necessary review procedures of Yintai Gold and approval procedures of the securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations.

2. In addition to the above, when the SDG Group and related parties acquire business opportunities that may compete with Yintai Gold's business, the SDG Group will maintain Yintai Gold's independent participation in market competition and support Yintai Gold to play its inherent advantages. The SDG Group undertakes to continue to participate in market competition independently with Yintai Gold based on the principles of openness, fairness and justice, and will not harm the interests of Yintai Gold and its minority shareholders;

3. The SDG Group warrants to strictly abide by the laws and regulations as well as Yintai Gold's articles of association and relevant management rules, and not to seek illegitimate interests by taking advantage of its control over Yintai Gold, thereby harming the rights and interests of other minority shareholders of Yintai Gold;

4. The SDG Group will guide and supervise its subsidiaries to avoid horizontal competition with Yintai Gold, give priority to guaranteeing business acquisition opportunities of the listed company, and safeguard the legitimate interests of the listed company and minority shareholders;

5. The SDG Group has the ability to fulfill and will strictly fulfill the above undertakings. There is no major performance risk, and the performance of the above undertakings will not cause losses to the listed company and its relevant shareholders;

6. The above undertakings are irrevocable, and they will continue to be valid during the period when the SDG Group is the controlling shareholder of Shandong Gold and Shandong Gold has the control of Yintai Gold. In the event of a violation of the above undertakings which causes a damage to the rights and interests of Yintai Gold, the SDG Group is willing to bear the corresponding liability for damages.

Impact of the Transaction on Yintai Gold's Related Party Transactions

During the period when the Company is the controlling shareholder of Yintai Gold, the Company undertakes as follows in order to regulate the potential related party transactions in the future:

(1) After the completion of the Transaction, the Company and its subsidiaries will not take advantage of their shareholder status and significant influence on Yintai Gold to seek from Yintai Gold and its subsidiaries to give the Company and its subsidiaries the right superiority over third parties in the market in terms of business cooperation and other aspects. The Company and its subsidiaries will not take advantage of their shareholder status and significant influence on Yintai Gold to seek the priority right to enter into transactions with Yintai Gold and its subsidiaries.

(2) The Company and its subsidiaries are prevented from illegally occupying the funds and assets of Yintai Gold and its subsidiaries, and under no circumstances shall Yintai Gold and its subsidiaries be required to provide the Company and its subsidiaries with guarantee of any kind in violation of regulations.

(3) After the completion of the Transaction, the Company and its subsidiaries will perform their obligations as shareholders of Yintai Gold in integrity and good faith, and try to avoid unreasonable related party transactions with Yintai Gold (including companies controlled by it). For related party transactions that cannot be avoided or exist for reasonable reasons, a standardized related party transaction agreement shall be signed with Yintai Gold in accordance with the law, and approval procedures shall be performed in accordance with relevant laws, regulations, rules, other regulatory documents and the articles of association of Yintai Gold. The price of related party transactions shall be determined based on the price of identical or similar transactions with an independent third party without connected relationship, so as to ensure the fairness of the price of such related party transactions. It warrants that the information disclosure obligation of related party transactions will be performed in accordance with relevant laws, regulations and the articles of association of Yintai Gold. It warrants not to take advantage of related party transactions to illegally transfer funds or profits of the listed company, or damage the interests of the listed company and non-connected shareholders.

(4) After the completion of the Transaction, the Company and its subsidiaries undertake to perform the obligation of abstaining from voting on such related party transactions involving the Company and its subsidiaries at the general meeting of Yintai Gold.

(5) After the completion of the Transaction, the Company and its subsidiaries warrant to attend the general meeting in accordance with Yintai Gold's articles of association, equally exercise shareholder's rights and undertake shareholder's obligations, and not to use their shareholder status to seek illegitimate interests and damage the legitimate rights and interests of Yintai Gold and other shareholders.

(6) After the completion of the Transaction, unless the Company is no longer a shareholder of Yintai Gold, the above undertakings will always be valid. In the event of a violation of the above undertakings which causes losses to Yintai Gold and other shareholders, all losses shall be borne by the party that violates the undertakings.

Impact of the Transaction on the Independence of Yintai Gold

During the period when the Company is the controlling shareholder of Yintai Gold, the Company will ensure that it is independent from Yintai Gold in terms of personnel, assets, finance, organization and business. The specific undertakings are as follows:

(1) The Company warrants to keep separate from Yintai Gold in terms of assets, personnel, finance, organization and business, and strictly abides by relevant regulations of the China Securities Regulatory Commission on the independence of listed companies. The Company will not ride on its controlling position to violate

standardized operating procedures of Yintai Gold, interfere with its business decisions and damage the legitimate rights and interests of Yintai Gold and other shareholders. The Company and other subsidiaries under its control warrant not to occupy the funds of Yintai Gold and its controlled subsidiaries in any way;

(2) The above undertakings will continue to be valid during the period when the Company has control over Yintai Gold. If the Company fails to fulfill the above undertakings and causes losses to Yintai Gold accordingly, the Company will bear the corresponding liability for compensation.

In view of the above, the Directors are of the view that the terms of the Acquisition are on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Hong Kong Listing Rules Implications

As one or more of the applicable percentage ratios for the Acquisition is higher than 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. Therefore, no Shareholder is required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

Financial Effects of the Acquisition

Upon completion of the Acquisition, the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, it is expected that upon Completion, the consolidated total assets of the Enlarged Group would increase from approximately RMB91,216.1 million to approximately RMB122,113.5 million and the consolidated total net liabilities of the Enlarged Group would increase from approximately RMB54,413.9 million to approximately RMB72,437.3 million. The consolidated net assets of the Enlarged Group would increase from approximately RMB36,802.2 million to approximately RMB49,676.2 million. The unaudited pro forma financial information was prepared based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the Acquisition had been completed on 31 December 2022.

The earnings of the Group upon completion of the Acquisition will include share of the profit and loss of the Target Company. The Target Company recorded net profit attributable to the owners of the parent company of approximately RMB1,242.5 million, RMB1,273.3 million and RMB1,124.5 million for the three years ended 31 December 2020, 2021 and 2022, respectively. The Directors believe that the Acquisition will broaden the Enlarged Group's source of income.

For further details of the Target Company, please refer to Appendix II — Financial Information of the Target Company and Appendix III — Management Discussion and Analysis of the Target Company" to this circular.

Waiver from Strict Compliance with Rule 14.67(6)(a)(i) of the Hong Kong Listing Rules

The Company has applied and the Hong Kong Stock Exchange has granted the waiver from strict compliance with accountant's report requirements under Rule 14.67(6)(a)(i) of the Hong Kong Listing Rules, on the grounds that:

i. the Target Company has been listed on the Shenzhen Stock Exchange (stock code: 000975) since 2000 and has been publishing financial information, including audited accounts, on a regular basis under the relevant regulatory requirements to enable investors to assess its business and financial position. Its financial disclosures are subject to the supervision by the Shenzhen Stock Exchange;

ii. the consolidated financial statements for each of the years ended 31 December 2020, 2021 and 2022 were prepared in accordance with China Accounting Standards for Business Enterprises ("**CASBE**") and audited by Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) ("**Da Hua**") in accordance with the Auditing Standards for Certified Public Accountants of China (中國註冊會計師審計準則). According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with CASBE and PRC accounting firms approved by the Ministry of Finance of China ("**MOF**") and CSRC are allowed to audit these financial statements prepared in accordance with CASBE. Da Hua is a member of the Moore Global network in the PRC with international recognition and reputation, and is one of the PRC accounting firms approved by the MOF and CSRC, as well as a registered Public Interest Entity auditor; and

iii. Da Hua had issued an unmodified opinion on the audited financial statements of the Target Company for each of the years ended 31 December 2020, 2021 and 2022. It would be unduly burdensome for the Company to engage an independent professional accountant to prepare an accountants' report on the Target Company under the Company's accounting policies, which complies with IFRS, as required by the relevant rules in light of the substantial cost and expenses estimated to be approximately RMB3.9 million. In addition, the preparation and auditing process of the financial information of the Target Company would take approximately three months. It would be time-consuming and therefore adversely affect the dispatch time of the circular of the Company.

The circular contains the following alternative disclosure for the Shareholders to enable them to assess the financial performance of the Target Company:

(a) the Target Company's published audited consolidated financial statements for each of the years ended 31 December 2020, 2021 and 2022 which were prepared in accordance with CASBE;

(b) an explanation of the differences between the accounting policies of the Target Company under CASBE and the Company's accounting policies under IFRS and a line-by-line reconciliation (the "**Reconciliation**") of the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position for each of the years ended 31 December 2020, 2021 and 2022. The Company's auditor has reported on the Reconciliation under Hong Kong Standard on Assurance Engagements 3000 (Revised); and

(c) additional information which is required for an accountants' report under Chapter 4 of the Hong Kong Listing Rules but not disclosed in the financial statements of the Target Company.

Legal Proceedings and Compliance

As at the Latest Practicable Date, the Company was not aware of any legal claims or proceedings which may have a material adverse effect on the mining rights of the Target Company.

In addition, there are no land claims of material importance that may exist over the land on which exploration or mining activity of the Target Company will be carried out.

So far as the Directors are aware, the Target Company is in general compliance with all applicable environmental laws and regulations. Further, the Target Company has been in general compliance with the laws, regulations and permits, and requirements on payments to be made to the PRC government in respect of tax, royalties and other significant payments.

Environmental Responsibility

The Target Company and its subsidiaries (the "**Target Group**") is required to comply with the following environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the Law of the People's Republic of China on Soil and Water Conservation (《中華人民共和國水土保持法》), the Comprehensive Emission Standards for Air Pollutants (《大氣污染物綜合排放標準》), the Emission Standards for Air Pollutants from Boilers (《鍋爐大氣污染物排放標準》), the Emission Standards for Environmental Noise at Plant Boundaries of Industrial Enterprises (《工業企業廠界環境噪聲排放標準》), the Soil Environmental Quality Risk Control Standards for Soil Contamination of Construction Land (《土壤環境質量建設用地土壤污染風險管控標準》) and the Pollution Control Standards for Storage and Landfill of General Industrial Solid Waste (《一般工業固體廢物貯存和填埋污染控制標準》).

Each subsidiary of the Target Company has obtained a pollution discharge permit and discharges pollution in accordance with the requirements of the permit. In terms of the treatment of pollutants, (i) for wastewater: the production water of Heihe Yintai is collected during the tailings filtering process and returned directly to the processing site for recycling. The drained water from Qinghai Dachaidan mine is used for underground rock drilling operations, underground firefighting, dust removal at the drainage site after sedimentation in a high-level pond. The remaining mine drained water is transported by water tanker to the processing plant as production water for ore processing. All emissions from the workshop of Yulong Mining are tested by a third party and have to meet certain standards before being discharged into the tailings pond without external discharge. Jilin Banmiaozi adopts the in-depth treatment plan for mine well outflow, pursuant to which, the water quality of the treated mine well outflow can reach the requirements of the first-class discharge standard, and can achieve stable discharge up to the standard; and (ii) waste gas: each subsidiary has installed boilers and gold refining furnaces in accordance with atmospheric pollution control measures as required, and conducted regular monitoring to ensure the discharge of air pollutants up to the standard.

Others

Mining projects are subject to extensive laws, rules, and regulations imposed by the PRC government regarding environmental matters, such as the treatment of wastes and environmental rehabilitation. In particular, mining companies are required to establish a plan on the protection, control, and restorage of the geologic environment of a mine.

The Target Company has prepared a rehabilitation plan and stating that it seeks to adhere to its rehabilitation plan. The Target Group has made security deposits for restoration provisions and environmental governance. For details, please refer to Appendix II to this circular.

To the knowledge of the Directors, as of the Latest Practicable Date, the Target Group had not experienced any material impediment in complying with PRC laws and practices or dealing with the differences between national and local practice in the PRC. The Target Group also has certain personnel to deal with local governments and communities in order to ensure effective and timely responses to any unforeseen issues that may arise between the Target Group and other parties.

Impairment assessment of goodwill and intangible assets involved in the pro forma financial information of the Enlarged Group in Appendix IV of this circular

(1) Relevant provisions of international accounting standards

① Paragraph 9 of Hong Kong Accounting Standard 36 specifies that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

② Paragraph 8 of International Accounting Standards 36 — Impairment of Assets specifies that an asset is impaired when its carrying amount exceeds its recoverable amount.

③ Paragraph 12 of International Accounting Standards 36 — Impairment of Assets specifies that in assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

"External sources of information

(a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

(b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(d) the carrying amount of the net assets of the entity is more than its market capitalisation.

Internal sources of information

(e) evidence is available of obsolescence or physical damage of an asset.

(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

(g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Dividend is from a subsidiary, joint venture or associate

(h) for an investment in a subsidiary, joint venture or associate, the investor recognises a dividend from the investment and evidence is available indicating that:

   (i) the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets, including associated goodwill; or

   (ii) the dividend exceeds the total comprehensive profit and loss of the subsidiary, joint venture or associate in the period the dividend is declared."

④ Paragraph 15 of International Accounting Standards 36 — Impairment of Assets specifies that "as indicated in paragraph 10, this standard requires an intangible asset with an indefinite useful life or not yet available for use and goodwill to be tested for impairment, at least annually. Apart from when the requirements in paragraph 10 apply, the concept of materiality applies in identifying whether the recoverable amount of an asset needs to be estimated. For example, if previous calculations show that an asset's recoverable amount is significantly greater than its carrying amount, the entity need not re-estimate the asset's recoverable amount if no events have occurred that would eliminate that difference. Similarly, previous analysis may show that the asset's recoverable amount is not sensitive to one (or more) of the indications listed in paragraph 12."

⑤ Paragraphs 18-57 of International Accounting Standard 36 - Impairment of Assets set out the requirements for measuring recoverable amount. Where:

Paragraph 18 of the standard specifies that this standard defines recoverable amount as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use.

Paragraph 19 of the standard specifies that it is not always necessary to determine both an asset's fair value less costs of disposal and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

Paragraph 20 of the standard specifies that it may be possible to measure fair value less costs of disposal, even if there is not a quoted price in an active market for an identical asset. However, sometimes it will not be possible to measure fair value less costs of disposal because there is no basis for making a reliable estimate of the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. In this case, the entity may use the asset's value in use as its recoverable amount.

(2) Management's relevant assessment

(a) Judgment on the carrying amount of goodwill and intangible assets expected to be newly recognized in the Transaction

On 9 December 2022 and 19 January 2023, the Company entered into the Share Transfer Agreement and the Supplemental Agreement with the Vendors, respectively, pursuant to which the Company intends to acquire 20.93% of the shares of the Target Company held by the Vendors in aggregate. If the Acquisition is successfully completed, the Company will become the controlling shareholder of the Target Company. Since the Company and the Target Company are not ultimately controlled by the same party before and after the Acquisition, the Acquisition is regarded as a business combination not under common control. According to the Company's accounting policy, the assets and liabilities of the Target Company are consolidated using the fair value of the Target Company.

The cash consideration to be settled by the Company for the acquisition of 20.93% of the Target Company's shares held by the Vendors is RMB12,760,000,000. When preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming that the Acquisition had been completed on 31 December 2022, the fair value of the book assets and liabilities of the Target Company is evaluated according to this pro forma, and the value of the assets and liabilities in the original consolidated statement is adjusted, and the amount of goodwill arising from this pro forma adjustment is recognized as RMB9,776,490,000. Meanwhile, the new intangible assets arising from the pro forma consolidation is RMB96,446,180,000.

(b) Judgment on the carrying amount of goodwill and intangible assets expected to be newly recognized in the Transaction

(i) The pricing of the Transaction is fair and reasonable

Based on the investment value of the Target Company, the Company determined the consideration for the Transaction through multiple negotiations with independent and unrelated parties under the environment of fair market competition. Therefore, the management of the Company believes that the pricing of the Transaction is fair and reasonable.

(ii) There are no indications of impairment for newly recognized goodwill and intangible assets in the Transaction

Since the date of signing the Share Transfer Agreement on 9 December 2022 and the date of signing the Supplemental Agreement on 19 January 2023 between both parties to the Transaction are very similar to the date of the balance sheet on 31 December 2022, there are no major changes in the Target Company's operating conditions as well as internal and external operating environments, and also due to factors such as increased global economic uncertainty, the Fed's interest rate hike policy and increased investor demand for gold, gold prices will continue to rise in 2023.

Therefore, the management of the Company believes, after assessment, that the newly recognized goodwill and intangible assets in the Transaction do not have indications of impairment of assets as stated in paragraph 12 of International Accounting Standards 36 - Impairment of Assets.

(iii) In the Transaction, the recoverable amount of newly recognized goodwill and intangible assets is treated as the carrying amount presented in the pro forma statement, and there is no impairment of relevant assets

During the preparation of the pro forma consolidated statements of the Enlarged Group, the assets and liabilities of the Target Company are consolidated using the fair value of the Target Company according to the Company's accounting policy. As the carrying amount of intangible assets presented in the pro forma statement is the fair value, there is no impairment on the carrying amount of newly recognized intangible assets.

Since the pricing of the Transaction is fair and reasonable, the recoverable amount of asset underlying the equity of the Target Company is measured at the transaction price under the Equity Transfer Agreement signed by both parties, the goodwill arising from this pro forma adjustment is recognized, and such amount is equal to the carrying amount of the asset, there is no impairment of the goodwill asset. According to the relevant provisions of paragraph 19 of the above-mentioned asset impairment standard, since the goodwill is not impaired, it is not necessary to estimate the recoverable amount of assets based on the cash of the Target Company's expected future cash flows generated from its assets.

To sum up, based on the analysis of events happened and changes occurred after the latest calculation of the recoverable amount, the possibility determined in the current period that the recoverable amount of the asset is less than its carrying amount is extremely low. Therefore, the management of the Company believes that in respect of the pro forma financial information, there is no impairment of the newly recognized goodwill and intangible assets in the Transaction.

SHINEWING (HK) CPA Limited, the reporting accountants for the Transaction, agrees with the above assessment and analysis of the Company. The Company's auditors will use consistent accounting policies and key assumptions to assess the Target Company's impairment of assets when the Company prepares its future financial statements (such as the Company's interim or annual results in future).

Although the Company's management has not made any provision for the impairment of goodwill in respect of the pro forma financial information this time, if the future operating conditions of the Target Company fail to meet expectations, the Enlarged Group will face the risk of impairment of goodwill, which may reduce the profitability of the Enlarged Group. Investors are advised to pay full attention to the risk of impairment of goodwill.

3. EGM

The EGM is to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 10:00 a.m. on Friday, 30 June 2023. The notice of the EGM is set out in Appendix VIII to this circular.

Any Shareholder entitled to attend and vote at the EGM 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 EGM 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 EGM or any adjournment thereof (as the case may be) (i.e. before 10:00 a.m. on Thursday, 29 June 2023). Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

4. CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the EGM, the register of members of H shares will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023 (both days inclusive), during which period no transfers of H shares will be effected. H shareholders whose names appear on the H share register of members of the Company at the close of business on Monday, 26 June 2023 are entitled to attend and vote at the EGM.

In order to qualify to attend and vote at the EGM, all transfer instruments accompanied by the relevant share certificates must be lodged by H Shareholders with the Company's H Share Registrar, namely, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 26 June 2023.

5. VOTING

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules and Article 119 of the Articles of Association, unless the chairman makes a decision in the spirit of honesty and credibility and agrees that the resolutions on relevant procedures or administrative matters shall be voted on by show of hands, voting for a general meeting shall be held by ballot.

Pursuant to Article 111 of the Articles of Association, Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. Pursuant to Article 120 of the Articles of Association, on a poll taken at a meeting, a Shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

6. RECOMMENDATION

The Board considers that the proposed resolution at the EGM is fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

7. GENERAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for the years ended 31 December 2020, 2021 and 2022 together with the relevant notes can be found in the respective annual reports of the Company, which have been published on both the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.sdhjgf.com.cn).

i. annual report of the Company for the year ended 31 December 2020 at https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900579.pdf;

ii. annual report of the Company for the year ended 31 December 2021 at https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042803171.pdf;

iii. annual report of the Company for the year ended ended 31 December 2022 at https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601316.pdf.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 30 April 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following indebtedness:

(i) Borrowings

The total carrying amount of the borrowings outstanding as at 30 April 2023 was as follows:

	RMB'000
Short term bank loans, unsecured and unguaranteed	7,216,373
Short term bank loans, unsecured and guaranteed	2,236,452
Long term bank loans, unsecured and unguaranteed	12,348,143
Long term bank loans, unsecured and guaranteed	4,673,700
Corporate bonds, unsecured	2,018,107
Borrowings from related party, unsecured	797,036
Borrowings from third parties, unsecured	12,600
	29,302,411

(ii) Financial liabilities at fair value through profit or loss

At the close of business on 30 April 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had entered gold leasing contracts for short-term financing. The carrying amount of the gold leasing contracts outstanding was approximately RMB9,245,611,000.

(iii) Lease liabilities

At the close of business on 30 April 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the carrying amount of the lease liabilities of the Enlarged Group was approximately RMB251,904,000.

Contingent liabilities

The Enlarged Group is a defendant in certain litigation matters arising in the ordinary course of business. Although the outcome of such litigation has not yet been decided, management believes that any liabilities incurred will not have a material adverse effect on the financial condition or results of operations of the Enlarged Group.

At the close of business on 30 April 2023, the Veladero Mine held by Minera Andina del Sol. SRL experienced several environmental incidents as set out below:

(a) Release of cyanide-bearing process solution incident in 2015 – the failure of a valve on a leach pad pipeline at the Veladero Mine resulted in the release of cyanide-bearing process solution into a nearby waterway through a diversion channel gate that was open at the time of the incident;

(b) Release of crushed-ore saturated with process solution incident in 2016 – ice rolled down the slope of the leach pad damaged a pipe carrying process solution, and caused some material to leave the leach pad; and

(c) Release of gold-bearing process solution incident in 2017 – the monitoring system at the Veladero Mine detected a rupture of a pipe carrying gold-bearing process solution on the leach pad.

As at 31 December 2021 and 2022, MAS was involved in several ongoing administrative and civil proceedings with respect to the above-mentioned environmental incidents. In assessing loss contingencies, the directors of the Company have evaluated the legal proceedings and determined that no amounts should be made for any potential liabilities or asset impairment relating to the aforesaid legal proceedings as an amount cannot be reasonably estimated.

YTSH Supply Chain Management Co., Ltd (Yintai Gold Co.,Ltd's non-wholly owned subsidiary) and Ningbo Yintai Yongheng Trading Co., Ltd (YTSH Supply Chain Management Co., Ltd's wholly-owned subsidiary) stored aluminum ingots with a total weight of 3,016 tons in the warehouse of Nanchu Warehousing Management Group Co., Ltd. (Shanghai Branch). On 31 May 2022, it was found that the goods were missing when taking inventory and picking up the goods, and the total amount of inventory was RMB66.94 million. At present, Yintai Gold Co., Ltd has filed a lawsuit against the warehouse, but no judgment has yet been made.

Tian Guolong and Ye Youtang, the individual shareholders of Gansu Xihe Zhongbao Mining Co., Ltd. (a holding subsidiary of Shandong Gold Mining Co., Ltd), filed an arbitration with the Beijing Arbitration Commission for the payment of the final payment for the equity transfer in accordance with the relevant provisions of the equity transfer agreement signed with Shandong Gold, which involved equity transfer principal of RMB36.18 million. The case was heard on 18 May 2023, but the Beijing Arbitration Commission has not yet made an arbitration award.

The Enlarged Group has evaluated the legal proceedings with the assistance from its external legal counsel and no provision has been made for any potential liabilities or asset impairment relating to the aforesaid legal proceedings. Other than those as disclosed above, the Enlarged Group did not have any other significant pending litigation which may result in a significant loss to the Enlarged Group.

Other than those disclosed above and the Enlarged Group's internal liabilities, the Enlarged Group had no outstanding liabilities issued and outstanding or authorized or created in other way but not issued as at the close of business on 30 April 2023, debt securities, term loans, other borrowings and liabilities of a borrowing nature, including bank overdrafts, material contingent liabilities and outstanding guarantees.

The directors of the Company confirm that there has not been any material change in the liabilities and contingent liabilities of the Enlarged Group from 30 April 2023 up to the date of the circular.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources (including the internal resources and the present available facilities) of the Enlarged Group (and taking into account the Acquisition) and the effect of the Acquisition, the Directors are of the opinion that the working capital available to the Enlarged Group (and taking into account the Acquisition) is sufficient for the Enlarged Group's requirements for at least 12 months from the date of publication of the circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In 2023, the Group will accelerate the construction of a world-class gold base in Jiaodong region leveraging on the mining rights resources covering "Jiaojia Resource Belt, Xincheng Resource Belt and Sanshandao Resource Belt" and relying on the six major segments of mining, refining, circular economy, intelligent mine, ecological mine and industrial synergies. The mining segment will take intelligence and high efficiency, intrinsic safety, seabed deep wells, green ecology and humanistic harmony as the construction themes, and with Jiaojia mining area, Xincheng mining area and Sanshandao mining area as the core areas, strive to build a leader in green and intelligent mining of large-scale deep wells, world-class "intelligent mining" and "ecological mining". The Group will vigorously promote the construction of major projects, comprehensively optimize and improve the level of project construction, operation management, technological innovation, safety and environmental protection, and build a world-class mining enterprise with global competitiveness.

In the future, Yintai Gold will strengthen the management of its existing main mines, implement the policy of paying equal attention to production and technological transformation, improve the efficiency of mining and processing, and enhance the ore processing capacity to ensure stable and upturn performance and lay a solid foundation for its growth and expansion. It will increase production and exploration efforts within the scope of existing mining rights, and strive to realize that the amount of newly added resources can make up for or exceed production consumption. At the same time, Yintai Gold will increase capital investment and exploration efforts for existing prospecting rights, and turn the prospecting stage into a mining and production stage as soon as possible to obtain more resources and increase mineral resource reserves for the sustainable development of Yintai Gold. In addition, Yintai Gold will make reasonable use of capital, technology and other advantages to continue to explore mineral resource projects with a relatively high safety margin in the field of mineral resources, especially some high-quality precious metal projects, increase the intensity of mineral resource acquisition, and broaden project investment channels, carry out various forms of cooperation with high-quality mines at home and abroad through mergers and acquisitions, reorganization and joint operation.

As mentioned above, after the completion of this merger and acquisition, the strong alliance between the Group which is in the first echelon of China's gold industry and Yintai Gold in the aspects of asset scale, gold reserves and economic benefits, will surely further establish the Group's leading position in the domestic gold industry, which in turn will effectively enhance the brand influence and industry reputation of the Group in the international gold market. This transaction can greatly increase the Group's gold production and non-ferrous metal production. By effectively leveraging on the potential of Yintai Gold to increase production and reserves and with strong alliance, the Group will further realize the concentration of domestic gold resources in leading enterprises, increase the scale effect of the industry, and better transform resource advantages into economic advantages.

1. ACCOUNTS OF THE TARGET GROUP

Set out below are (i) the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2020 prepared in accordance with the China Accounting Standards for Business Enterprises and audited by Da Hua Certified Public Accountants (Special General Partnership); (ii) the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2021 prepared in accordance with the China Accounting Standards for Business Enterprises and audited by Da Hua Certified Public Accountants (Special General Partnership); and (iii) the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2022 prepared in accordance with the China Accounting Standards for Business Enterprises ("**CAS**") and audited by Da Hua Certified Public Accountants (Special General Partnership) (collectively, the "**Target Group Historical Track Record Accounts**"), which have been published by the Target Company on the website of the Shenzhen Stock Exchange. The Target Group Historical Track Record Accounts are prepared in Chinese without official English version. Accordingly, an English version is prepared for reference only. In case of any inconsistency, the Chinese version shall prevail.

(i) The audited consolidated financial statements of the Target Group for the financial year ended 31 December 2020 prepared in accordance with CAS and audited by Da Hua Certified Public Accountants (Special General Partnership).

I. AUDIT REPORT

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	29 March 2021
Name of auditor	Da Hua Certified Public Accountants (Special General Partnership)
Number of audit report	Da Hua Shen Zi [2021] No.004451
Name of certified public accountants	Hui Zengqiang, Wang Zebin

Text of the Audit Report

AUDIT REPORT

Da Hua Shen Zi [2021] No.004451

All shareholders of Yintai Gold Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Yintai Gold Co., Ltd. (hereinafter referred to as Yintai Gold), including the consolidated and parent company balance sheet on 31 December 2020, consolidated and parent company income statement, consolidated and parent company cash flow statement, consolidated and parent company statement of changes in shareholders' equity, and notes to relevant financial statements for 2020.

In our opinion, the attached financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects, and fairly reflect the consolidated and parent company financial position of Yintai Gold on 31 December 2020 and the consolidated and parent company operating results and cash flows in 2020.

II. The Basis for Forming the Audit Opinion

We have carried out the audit work in accordance with the provisions of the Auditing Standards for Certified Public Accountants of China. The "Responsibilities of the Certified Public Accountant for the Audit of the Financial Statements" section of the auditor report further sets out our responsibilities under these Standards. In accordance with the China Code of Ethics for Certified Public Accountants, we are independent from Yintai Gold and have fulfilled other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate, providing a basis for issuing an audit opinion.

III. Key Audit Matters

Key audit matters are matters that we consider to be the most important in the audit of the financial statements in the current period based on our professional judgment. These matters are addressed in the context of the audit of the financial statements taken as a whole and the formation of an audit opinion, and we do not express an opinion on these matters separately.

We have identified the following matters as key audit matters that need to be communicated in the audit report:

1. Revenue recognition;

2. Fixed assets and intangible assets;

3. Impairment of goodwill.

(I) Revenue recognition

1. Description of matter

As stated in the accounting policies described in "IV. Significant Accounting Policies and Accounting Estimates (xxx)" and "VI. Note 39 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, revenue from the main operations of Yintai Gold was RMB7,903 million in 2020, an increase of 53.62% over the same period of the previous year. Given that operating revenue is one of the key performance indicators for Yintai Gold, we have identified revenue recognition as a key audit matter.

2. Audit response

Our important audit procedures for revenue recognition include:

(1) Understand and evaluate the effectiveness of Yintai Gold's design and implementation of internal control over sales and collection;

(2) Understand whether there are significant changes in the accounting policies for revenue recognition by examining agreements and contracts signed with major customers, and evaluate the appropriateness of the accounting policies for revenue recognition;

(3) Perform analytical procedures for fluctuations in revenue and gross margin of major products;

(4) Letter to major customers to confirm the sales amount and the receivables balance at the end of the period in 2020, and implement alternative audit procedures for customers who have not responded;

(5) Select samples from the recorded revenue transactions, and randomly check the supporting documents related to revenue, including sales contracts or agreements, sales invoices, delivery orders, settlement documents, etc.;

(6) Carry out a cut-off test on operating revenue to confirm whether the income is recorded in the correct accounting period;

(7) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the principles and methods adopted by the management in revenue recognition are reasonable.

(II) Fixed assets and intangible assets

1. Description of matter

As stated in the accounting policies described in "IV. Significant Accounting Policies and Accounting Estimates (xx) and (xxiii)" and "VI. Notes 11 and 13 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, as of 31 December 2020, the total carrying value of Yintai Gold's fixed assets was RMB2,783 million, and the total carrying value of intangible assets was RMB5,318 million, accounting for a significant proportion of the total consolidated assets, and Yintai Gold is an asset-heavy company with a large scale, quantity and type of assets, therefore, we think this matter is a key audit matter.

2. Audit response

Our important audit procedures for fixed assets and intangible assets include:

(1) Understand and evaluate the effectiveness of the internal control design and implementation of Yintai Gold's fixed assets and intangible assets;

(2) Check the original basis for the formation of the original value of fixed assets and intangible assets;

(3) Understand the assumptions and methods used in the depreciation and amortization model, and review the accuracy of the accrual and allocation of depreciation and amortization expenses;

(4) Check the ownership certificates of fixed assets and intangible assets to determine whether they are owned or controlled by the audited unit;

(5) Check the increase and decrease of fixed assets and intangible assets, and obtain relevant details for verification;

(6) In order to confirm the existence of fixed assets, a physical inventory procedure was carried out for the fixed assets, and a two-way check was carried out between the physical objects and the ledger;

(7) Check whether there is indication of impairment in fixed assets and intangible assets, and check whether the identification of asset groups is appropriate;

(8) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the accounting principles and methods adopted by the management for fixed assets and intangible assets are reasonable.

(III) Impairment of goodwill

1. Description of matter

As stated in the accounting policies described in "IV. Significant Accounting Policies and Accounting Estimates (xxv)" and "VI. Note 14 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, as of 31 December 2020, the total carrying value of Yintai Gold's goodwill was RMB452 million, and the corresponding impairment provision balance was RMB0.00.

The management assesses the possible impairment of goodwill every year. The impairment assessment is an estimate of the value in use of goodwill based on the discounted cash flow projections prepared. The preparation of discounted cash flow projections involves the application of significant judgement and estimates and the determination of the risk-adjusted discount rate applied is subject to inherent uncertainties and may be influenced by management's preferences.

Due to the inherent uncertainty involved in the forecasted impairment of goodwill and discounted future cash flows, as well as the risk of management's preference in the selection of assumptions and estimates, we consider this matter to be a key audit matter.

2. Audit response

Our important audit procedures for goodwill impairment include:

(1) We evaluate and tested the effectiveness of the design and implementation of the internal control related to the goodwill impairment test, including the adoption of key assumptions and the review and approval of impairment accrual amount;

(2) Evaluate the appropriateness of the valuation method used by the management when making cash flow projections by reference to industry practices;

(3) Recalculate the discount rate based on the market data of comparable companies in the industry, and compare our calculation results with those adopted by the management when calculating the present value of estimated future cash flows, to evaluate the discount rate used in calculating the present value of estimated future cash flows;

(4) Analyze the cash flow by comparing historical data and forecast data to evaluate the reliability and historical accuracy of the management's forecasting process.

(5) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the management's judgments and estimates on goodwill impairment are reasonable.

IV. Other Information

The management of Yintai Gold is responsible for other information. Other information includes that covered in Yintai Gold's 2020 Annual Report, but excludes the financial statements and our audit report.

Our audit opinion on the financial statements does not cover the other information, nor do we express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with, or appears to be materially misstated in, the financial statements or the circumstances of which we become aware in the course of our audit.

If, based on the work we have performed, we determine that there is a material misstatement of the other information, we shall report that fact. In this regard, we have nothing to report.

V. Management and Governance's Responsibilities for the Financial Statements

The management of Yintai Gold is responsible for preparing financial statements in accordance with the Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining necessary internal controls, so that the financial statements are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management of Yintai Gold is responsible for assessing Yintai Gold's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and using the going concern assumption, unless management plans to liquidate Yintai Gold, terminate operations, or have no other realistic options.

The governance is responsible for overseeing the financial reporting process of Yintai Gold.

VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements, which may result from fraud or error, are generally considered material if they, individually or in the aggregate, could reasonably be expected to affect the economic decisions that users of financial statements make based on the financial statements.

In the process of performing audit work in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. At the same time, we also perform the following tasks:

1. Identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as the basis for issuing an audit opinion. Since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls, the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error.

2. Understand the internal controls relevant to auditing in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls.

3. Evaluate the appropriateness of management's selection of accounting policies and the rationality of accounting estimates and related disclosures.

4. Conclude on the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, a conclusion is reached as to whether there is a material uncertainty regarding the matters or circumstances that may cast significant doubt on the ability of Yintai Gold to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the report to the relevant disclosures in the financial statements in the audit report; if the disclosures are inadequate, we should express a non-unqualified opinion. Our conclusions are based on the information available up to the date of the audit report. However, future matters or circumstances may cause Yintai Gold to be unable to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and matters.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities in Yintai Gold to express an opinion on the financial statements. We are responsible for guiding, supervising and performing group audits. We accept sole responsibility for our audit opinion.

We communicate with governance on matters such as the planned audit scope, timing and significant audit findings, including communication of internal control weaknesses of concern identified during our audit.

We also provide a statement to governance on having complied with ethical requirements relating to independence and communicate with governance on all relationships and other matters that may reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with governance, we determine which matters are most significant to the audit of the financial statements for the period and therefore constitute key audit matters. We describe these matters in our audit report, except where laws and regulations prohibit their public disclosure or, in rare circumstances, we determine that a matter should not be communicated in the audit report if there is a reasonable expectation that the negative consequences of communicating the matter in the audit report outweigh the benefits in the public interest.

Da Hua Certified Public Accountants (Special General Partnership) Beijing, China	Certificate Public Accountant registered in China: (Project Partner)	**Hui Zengqiang**
	Certificate Public Accountant registered in China:	**Wang Zebin**

29 March 2021

II. FINANCIAL STATEMENTS

The statement in the financial notes is presented in RMB

1. Consolidated Balance Sheet

Prepared by: Yintai Gold Co., Ltd.

Unit: RMB

Item	**31 December 2020**	**31 December 2019**
Current assets:		
Monetary capital	482,679,148.39	311,060,538.57
Clearing settlement funds		
Loans to other banks		
Financial assets held for trading	1,535,264,849.67	501,201,536.40
Derivative financial assets	99,865,745.36	136,388,500.71
Notes receivable		
Accounts receivable	48,269,866.25	40,045,700.78
Receivables financing		
Prepayments	26,885,087.34	23,837,821.75
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	20,886,951.58	13,513,479.73
Including: Interests receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventories	1,026,982,033.15	1,064,917,555.82
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	693,121,505.30	70,059,644.21
Total current assets	**3,933,955,187.04**	**2,161,024,777.97**

Item	31 December 2020	31 December 2019
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		
Long-term receivables		4,082,900.00
Long-term equity investments		
Other equity instrument investments	55,803,885.24	25,803,885.24
Other non-current financial assets		
Investment properties		
Fixed assets	2,783,312,677.63	2,527,186,463.13
Construction in progress	200,415,684.70	472,194,944.49
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	5,318,458,341.50	5,460,381,600.77
Development expenses		
Goodwill	452,365,699.74	452,365,699.74
Long-term deferred expenses	26,510,372.05	30,259,112.72
Deferred income tax assets	80,300,961.89	107,491,791.48
Other non-current assets	55,632,960.05	645,002,524.19
Total non-current assets	**8,972,800,582.80**	**9,724,768,921.76**
Total assets	**12,906,755,769.84**	**11,885,793,699.73**

Item	31 December 2020	31 December 2019
Current liabilities:		
Short-term borrowings	179,194,662.50	296,014,423.33
Borrowing from central bank		
Loans from other banks		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable	447,518,000.00	260,000,000.00
Accounts payable	122,152,655.48	203,797,598.88
Advances received	9,918,998.44	27,668,010.07
Contract liabilities	11,138,631.36	
Proceeds from sale of repurchase financial assets		
Deposits from clients and placements from other banks		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Staff remuneration payables	48,874,301.36	49,692,721.98
Taxes payable	140,184,775.87	65,241,656.39
Other payables	203,427,908.82	159,146,283.75
Including: Interests payable		
Dividends payable		
Handling fees and commission payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	6,781,376.00	8,476,720.00
Other current liabilities	1,448,022.08	
Total current liabilities	**1,170,639,331.91**	**1,070,037,414.40**
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings	234,929,916.67	234,929,916.67
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	20,344,128.00	25,430,160.00
Long-term staff remuneration payables		
Accrued liabilities	45,283,429.64	36,579,567.93
Deferred income	444,600.00	478,800.00
Deferred income tax liabilities	354,563,348.18	392,858,942.29
Other non-current liabilities	14,248,463.35	14,248,463.35
Total non-current liabilities	**669,813,885.84**	**704,525,850.24**
Total liabilities	**1,840,453,217.75**	**1,774,563,264.64**

Item	31 December 2020	31 December 2019
Owners' equity:		
Share capital	2,776,722,265.00	1,983,373,047.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	4,431,280,488.30	5,225,129,078.87
Less: Treasury shares		
Other comprehensive income	-6,400,461.01	-25,390,064.89
Special reserve	5,346,480.89	27,226,568.71
Surplus reserve	438,886,250.88	430,418,353.66
General risk reserve		
Undistributed profit	2,244,198,862.94	1,406,894,608.22
Total equity attributable to the owners of the parent company	9,890,033,887.00	9,047,651,591.57
Non-controlling interest	1,176,268,665.09	1,063,578,843.52
Total owners' equity	**11,066,302,552.09**	**10,111,230,435.09**
Total liabilities and owners' equity	**12,906,755,769.84**	**11,885,793,699.73**

Legal Representative: Yang Haifei   Principal in charge of accounting: Wang Xuan   Head of the Accounting Department: Cui Jingchun

2. *Balance Sheet of the Parent Company*

Unit: RMB

Item	31 December 2020	31 December 2019
Current assets:		
Monetary capital	7,328,002.01	50,568,085.63
Financial assets held for trading	431,000,000.00	101,000,000.00
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Prepayments	713,903.78	1,497,032.30
Other receivables	668,761,290.64	1,336,023,281.79
Including: Interests receivable		
Dividends receivable		
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	665,444,103.52	12,853.57
Total current assets	**1,773,247,299.95**	**1,489,101,253.29**
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	7,535,036,559.55	7,535,036,559.55
Other equity instrument investments	42,000,000.00	12,000,000.00
Other non-current financial assets		
Investment properties		
Fixed assets	980,491.80	1,580,293.26
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	1,655,775.83	1,936,831.30
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	85,077.05	19,381,930.08
Other non-current assets		600,000,000.00
Total non-current assets	**7,579,757,904.23**	**8,169,935,614.19**
Total assets	**9,353,005,204.18**	**9,659,036,867.48**

Item	31 December 2020	31 December 2019
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable	318,282.93	149,688.83
Accounts payable		
Advances received		
Contract liabilities		
Staff remuneration payables	2,169,851.45	2,757,693.59
Taxes payable	10,083,669.45	2,539,487.42
Other payables	240,675.46	902,262.98
Including: Interests payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	**12,812,479.29**	**6,349,132.82**
Non-current liabilities:		
Long-term borrowings	234,929,916.67	234,929,916.67
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term staff remuneration payables		
Accrued liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**234,929,916.67**	**234,929,916.67**
Total liabilities	**247,742,395.96**	**241,279,049.49**

Item	31 December 2020	31 December 2019
Owners' equity:		
Share capital	2,776,722,265.00	1,983,373,047.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	4,431,733,687.79	5,225,582,278.36
Less: Treasury shares		
Other comprehensive income	748.10	748.10
Special reserve		
Surplus reserve	425,611,996.58	417,144,099.36
Undistributed profit	1,471,194,110.75	1,791,657,645.17
Total owners' equity	**9,105,262,808.22**	**9,417,757,817.99**
Total liabilities and owners' equity	**9,353,005,204.18**	**9,659,036,867.48**

3. *Consolidated Statement of Income*

Unit: RMB

Item	2020	2019
I. Total operating revenue	7,905,802,338.95	5,148,950,653.26
Including: Operating revenue	7,905,802,338.95	5,148,950,653.26
Interest income		
Premium earned		
Handling fees and commission income		
II. Total operating cost	6,241,476,027.45	3,981,672,188.19
Including: Operating cost	5,747,473,473.73	3,594,022,517.54
Interest expenses		
Handling fees and commission expenses		
Surrender value		
Net payment of insurance claims		
Net provision of insurance liability contract reserve		
Premium bonus expenses		
Reinsurance expenses		
Taxes and surcharges	189,900,185.98	101,104,527.60
Selling expenses	3,822,550.75	2,512,958.10
Administrative expenses	256,613,664.72	255,531,048.93
R&D expenses		
Financial expenses	43,666,152.27	28,501,136.02
Including: Interest expenses	42,193,580.61	29,297,524.57
Interest income	1,029,909.86	4,432,044.25
Add: Other revenue	6,567,007.72	1,491,701.00
Investment income (loss is represented by "-")	88,920,111.18	27,123,433.79
Including: Investment income from associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost		
Gains from foreign exchange (loss is represented by "-")		
Gains from net exposure to hedging (loss is represented by "-")		
Gain on changes in fair value (loss is represented by "-")	-8,792,960.06	-3,019,269.16
Impairment loss of credit (loss is represented by "-")	-1,194,993.39	-839,333.47
Impairment loss of assets (loss is represented by "-")		
Gains from disposal of assets (loss is represented by "-")	-1,890,453.55	94,500.55

Item	2020	2019
III. Operating profit (loss is represented by "-")	1,747,935,023.40	1,192,129,497.78
Add: Non-operating revenue	73,086,301.14	8,939,601.37
Less: Non-operating expenses	59,949,682.33	23,894,688.31
IV. Total profit (total loss is represented by "-")	1,761,071,642.21	1,177,174,410.84
Less: Income tax expense	394,953,966.00	221,722,993.29
V. Net profit (net loss is represented by "-")	1,366,117,676.21	955,451,417.55
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net loss is represented by "-")	1,366,117,676.21	955,451,417.55
2. Net profit from discontinued operations (net loss is represented by "-")		
(II) Classified by ownership		
1. Net profit attributable to shareholders of the parent company	1,242,446,761.34	864,165,428.85
2. Profit or loss attributable to non-controlling interests	123,670,914.87	91,285,988.70
VI. Net other comprehensive income after tax	20,370,318.61	-27,358,332.68
Net other comprehensive income after tax attributable to owners of the parent company	18,989,603.88	-25,295,344.29
(I) Other comprehensive income not reclassified to profit or loss		
1. Changes arising on remeasurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of own credit risk of the company		
5. Others		
(II) Other comprehensive income to be reclassified to profit or loss	18,989,603.88	-25,295,344.29
1. Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provisions for credit impairment of other debt investments		
5. Reserve for cash flow hedging	25,221,422.70	-25,385,329.95

Item	2020	2019
6. Exchange differences on translation of financial statements in foreign currency	-6,231,818.82	89,985.66
7. Others		
Net other comprehensive income after tax attributable to non-controlling interest	1,380,714.73	-2,062,988.39
VII. Total comprehensive income	1,386,487,994.82	928,093,084.87
Total comprehensive income attributable to owners of the parent company	1,261,436,365.22	838,870,084.56
Total comprehensive income attributable to non-controlling interests	125,051,629.60	89,223,000.31
VIII. Earnings per share:		
(I) Basic earnings per share	0.4475	0.3136
(II) Diluted earnings per share	0.4475	0.3136

Legal Representative:	Principal in charge of accounting:	Head of the Accounting Department:
Yang Haifei	Wang Xuan	Cui Jingchun

4. *Income Statement of the Parent Company*

Unit: RMB

Item	2020	2019
I. Operating revenue	0.00	0.00
Less: Operating cost	0.00	0.00
Taxes and surcharges	375,997.91	432,109.36
Selling expenses		
Administrative expenses	55,461,920.92	51,300,320.53
R&D expenses		
Financial expenses	-33,300,874.42	-75,254,809.32
Including: Interest expenses	14,304,500.00	14,265,416.67
Interest income	47,637,995.27	89,538,746.58
Add: Other revenue	3,326,698.87	164,085.72
Investment income (loss is represented by "-")	62,942,715.11	1,763,490,481.64
Including: Investment income from associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost (loss is represented by "-")		
Gains from net exposure to hedging (loss is represented by "-")		
Gain on changes in fair value (loss is represented by "-")		
Impairment loss of credit (loss is represented by "-")	-169,344.10	-67,677.45
Impairment loss of assets (loss is represented by "-")		
Gains from disposal of assets (loss is represented by "-")		
II. Operating profit (loss is represented by "-")	43,563,025.47	1,787,109,269.34
Add: Non-operating revenue	71,343,396.40	
Less: Non-operating expenses		21,400.00
III. Total profit (total loss is represented by "-")	114,906,421.87	1,787,087,869.34
Less: Income tax expense	30,227,449.67	12,051,436.99
IV. Net profit (net loss is represented by "-")	84,678,972.20	1,775,036,432.35
(I) Net profit from continuing operations (net loss is represented by "-")	84,678,972.20	1,775,036,432.35
(II) Net profit from discontinued operations (net loss is represented by "-")		

Item	2020	2019
V. Net other comprehensive income after tax		
(I) Other comprehensive income not reclassified to profit or loss		
1. Changes arising on remeasurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of own credit risk of the company		
5. Others		
(II) Other comprehensive income to be reclassified to profit or loss		
1. Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provisions for credit impairment of other debt investments		
5. Reserve for cash flow hedging		
6. Exchange differences on translation of financial statements in foreign currency		
7. Others		
VI. Total comprehensive income	84,678,972.20	1,775,036,432.35
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. *Consolidated Statement of Cash Flows*

Unit: RMB

Item		2020	2019
I.	**Cash flows from operating activities:**		
	Cash received from sales of goods and provision of services	8,638,076,155.36	5,768,691,956.89
	Net increase in deposits from clients and placements from other banks		
	Net increase in borrowings from central bank		
	Net increase in loans from other financial institutions		
	Cash received from premiums of original insurance contracts		
	Net cash received from reinsurance business		
	Net increase in deposits from policyholders and investments		
	Cash received from interest, handling fees and commissions		
	Net increase in loans from other banks		
	Net increase in repurchases business fund		
	Net cash received from agency security transaction		
	Receipt of tax rebates		
	Other cash received relating to operating activities	18,158,893.77	26,336,037.28
	Sub-total of cash inflow from operating activities	8,656,235,049.13	5,795,027,994.17
	Cash paid for goods purchased and services rendered	5,264,752,257.08	3,807,357,121.57
	Net increase in loans and advances to customers		
	Net increase in placements with central bank and other banks		
	Cash paid for claims on original insurance contracts		
	Net increase in loans to other banks		
	Cash payment for interest, handling fees and commissions		
	Cash payment for premium bonus		
	Cash paid to and on behalf of staff	217,834,530.29	209,734,248.20
	Taxes paid	602,330,298.16	559,730,828.43
	Other cash paid relating to operating activities	144,615,605.20	71,992,778.94
	Sub-total of cash outflow from operating activities	**6,229,532,690.73**	**4,648,814,977.14**
	Net cash flows generated from operating activities	**2,426,702,358.40**	**1,146,213,017.03**

Item	2020	2019
II. Cash flows generated from investment activities:		
Cash received from disposal of investments	8,075,045,406.06	7,710,173,690.96
Cash received from gains in investments	26,165,936.94	29,311,070.14
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	84,100.00	198,934.00
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received relating to investment activities	63,552,189.72	
Sub-total of cash inflow from investment activities	8,164,847,632.72	7,739,683,695.10
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	603,620,657.39	636,933,972.31
Cash paid for investment	9,093,567,096.28	8,168,995,133.37
Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other operating entities		
Other cash paid relating to investment activities	1,329,800.00	
Sub-total of cash outflow from investment activities	**9,698,517,553.67**	**8,805,929,105.68**
Net cash flows generated from investment activities	**-1,533,669,920.95**	**-1,066,245,410.58**

Item	2020	2019
III. Cash flows from financing activities:		
Proceeds received from investments	8,207,100.00	
Including: Proceeds received by subsidiaries from minority interests' investment	8,207,100.00	
Cash received from borrowings	229,000,000.00	295,748,590.00
Other cash received relating to financing activities	606,585,284.32	415,629,045.05
Sub-total of cash inflow from financing activities	843,792,384.32	711,377,635.05
Cash paid for repayment of debts	345,748,590.00	25,000,000.00
Cash payments for dividend and profit distribution or interest repayment	445,008,409.62	435,178,125.42
Including: Dividend and profit paid by subsidiaries to minority interests	22,852,467.33	25,944,782.11
Other cash paid relating to financing activities	787,054,622.72	160,249,927.69
Sub-total of cash outflow from financing activities	**1,577,811,622.34**	**620,428,053.11**
Net cash flows generated from financing activities	**-734,019,238.02**	**90,949,581.94**
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates	-5,180,269.88	488,814.98
V. Net increase in cash and cash equivalents	153,832,929.55	171,406,003.37
Add: Balance of cash and cash equivalents at the beginning of the period	291,271,671.97	119,865,668.60
VI. Balance of cash and cash equivalents at the end of the period	445,104,601.52	291,271,671.97

6. *Statement of Cash Flows of the Parent Company*

Unit: RMB

Item	2020	2019
I. Cash flows generated from operating activities:		
Cash received from sales of goods and provision of services		
Receipt of tax rebates		
Other cash received relating to operating activities	5,552,123.12	2,841,427.64
Sub-total of cash inflow from operating activities	5,552,123.12	2,841,427.64
Cash paid for goods purchased and services rendered		
Cash paid to and on behalf of staff	31,427,145.36	29,390,681.45
Taxes paid	9,587,939.27	1,778,267.37
Other cash paid relating to operating activities	26,381,527.54	20,875,775.44
Sub-total of cash outflow from operating activities	**67,396,612.17**	**52,044,724.26**
Net cash flows generated from operating activities	**-61,844,489.05**	**-49,203,296.62**
II. Cash flows generated from investment activities:		
Cash received from disposal of investments	2,346,000,000.00	3,210,181,814.91
Cash received from gains in investments	9,085,491.00	76,323,874.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received relating to investment activities	1,382,045,544.75	1,345,297,019.57
Sub-total of cash inflow from investment activities	3,737,131,035.75	4,631,802,708.87

Item	2020	2019
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	18,186.00	4,999.00
Cash paid for investment	2,706,000,000.00	3,442,800,320.00
Net cash paid for acquiring subsidiaries and other operating entities		
Other cash paid relating to investment activities	601,000,000.00	874,000,000.00
Sub-total of cash outflow from investment activities	**3,307,018,186.00**	**4,316,805,319.00**
Net cash flows generated from investment activities	**430,112,849.75**	**314,997,389.87**
III. Cash flows generated from financing activities:		
Proceeds received from investments		
Cash received from borrowings		
Other cash received relating to financing activities		213,710,757.05
Sub-total of cash inflow from financing activities		213,710,757.05
Cash paid for repayment of debts		25,000,000.00
Cash payments for dividend and profit distribution or interest repayment	410,979,109.40	407,234,938.56
Other cash paid relating to financing activities	529,334.92	386,254.88
Sub-total of cash outflow from financing activities	**411,508,444.32**	**432,621,193.44**
Net cash flows generated from financing activities	**-411,508,444.32**	**-218,910,436.39**
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates		
V. Net increase in cash and cash equivalents	-43,240,083.62	46,883,656.86
Add: Balance of cash and cash equivalents at the beginning of the period	50,568,085.63	3,684,428.77
VI. Balance of cash and cash equivalents at the end of the period	7,328,002.01	50,568,085.63

7. *Consolidated Statement of Changes in Owners' Equity*

Current Amount

Unit: RMB

	2020														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
I. Balance at the end of previous year	1,983,373,047.00				5,225,129,078.87		-25,390,064.89	27,226,568.71	430,418,353.66		1,406,894,608.22		9,047,651,591.57	1,063,578,843.52	10,111,230,435.09
Add: Changes in accounting policy															
Prior-period error correction															
Merger of enterprises under common control															
Others															
II. Balance at the beginning of the current year	1,983,373,047.00				5,225,129,078.87		-25,390,064.89	27,226,568.71	430,418,353.66		1,406,894,608.22		9,047,651,591.57	1,063,578,843.52	10,111,230,435.09
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")	793,349,218.00				-793,848,590.57		18,989,603.88	-21,880,087.82	8,467,897.22		837,304,254.72		842,382,295.43	112,689,821.57	955,072,117.00
(I) Total comprehensive income							18,989,603.88				1,242,446,761.34		1,261,436,365.22	125,051,629.60	1,386,487,994.82
(II) Contribution and reduction of capital by owners														8,207,100.00	8,207,100.00
1. Ordinary shares contributed by owners														8,207,100.00	8,207,100.00

Items	2020														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
2. Capital contributed by other equity instrument holders															
3. Amount included in owners' equity in share payment															
4. Others															
(III) Profit distribution									8,467,897.22		-405,142,506.62		-396,674,609.40	-13,904,747.32	-410,579,356.72
1. Withdrawal of surplus reserves									8,467,897.22		-8,467,897.22				
2. Withdrawal of general risk reserve															
3. Distributions to owners (or shareholders)											-396,674,609.40		-396,674,609.40	-13,904,747.32	-410,579,356.72
4. Others															
(IV) Carry-forward of owners' equity	793,349,218.00				-793,349,218.00										
1. Conversion of capital reserves to increase capital (or share capital)	793,349,218.00				-793,349,218.00										
2. Conversion of surplus reserves to increase capital (or share capital)															
3. Making up of losses by surplus reserves															
4. Carry-forward of retained earnings from changes in defined benefit plans															

Items	2020														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
5. Carry-forward of retained earnings from other comprehensive income															
6. Others															
(V) Special reserves								-21,880,087.82					-21,880,087.82	-6,664,160.71	-28,544,248.53
1. Current withdrawal								22,781,565.92					22,781,565.92	2,816,014.33	25,597,580.25
2. Current use								-44,661,653.74					-44,661,653.74	-9,480,175.04	-54,141,828.78
(VI) Others					-499,372.57								-499,372.57		-499,372.57
IV. Balance at the end of the current period	2,776,722,265.00				4,431,280,488.30		-6,400,461.01	5,346,480.89	438,886,250.88		2,244,198,862.94		9,890,033,887.00	1,176,268,665.09	11,066,302,552.09

Previous amount

Unit: RMB

Items	2019														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
I. Balance at the end of previous year	1,983,373,047.00				5,175,304,418.12	218,861,843.80	-94,720.60	35,990,850.03	252,914,710.42		1,111,825,131.01		8,340,451,592.18	1,053,769,978.29	9,394,221,570.47
Add: Changes in accounting policy															
Prior-period error correction															
Merger of enterprises under common control															
Others															
II. Balance at the beginning of the current year	1,983,373,047.00				5,175,304,418.12	218,861,843.80	-94,720.60	35,990,850.03	252,914,710.42		1,111,825,131.01		8,340,451,592.18	1,053,769,978.29	9,394,221,570.47
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")					49,824,660.75	-218,861,843.80	-25,295,344.29	-8,764,281.32	177,503,643.24		295,069,477.21		707,199,999.39	9,808,865.23	717,008,864.62
(I) Total comprehensive income							-25,295,344.29				864,165,428.85		838,870,084.56	89,223,000.31	928,093,084.87
(II) Contribution and reduction of capital by owners					55,362,002.38								55,362,002.38	-69,362,002.38	-14,000,000.00
1. Ordinary shares contributed by owners															
2. Capital contributed by other equity instrument holders															

Items	2019														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
3. Amount included in owners' equity in share payment															
4. Others					55,362,002.38								55,362,002.38	-69,362,002.38	-14,000,000.00
(III) Profit distribution									177,503,643.24		-569,095,951.64		-391,592,308.40	-7,989,660.00	-399,581,968.40
1. Withdrawal of surplus reserves									177,503,643.24		-177,503,643.24				
2. Withdrawal of general risk reserve															
3. Distributions to owners (or shareholders)											-391,592,308.40		-391,592,308.40	-7,989,660.00	-399,581,968.40
4. Others															
(IV) Carry-forward of owners' equity															
1. Conversion of capital reserves to increase capital (or share capital)															
2. Conversion of surplus reserves to increase capital (or share capital)															
3. Making up of losses by surplus reserves															
4. Carry-forward of retained earnings from changes in defined benefit plans															
5. Carry-forward of retained earnings from other comprehensive income															

Items	2019														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
6. Others															
(V) Special reserves								-8,764,281.32					-8,764,281.32	-2,062,472.70	-10,826,754.02
1. Current withdrawal								15,614,407.84					15,614,407.84	1,901,545.42	17,515,953.26
2. Current use								-24,378,689.16					-24,378,689.16	-3,964,018.12	-28,342,707.28
(VI) Others					-5,537,341.63	-218,861,843.80							213,324,502.17		213,324,502.17
IV. Balance at the end of the current period	1,983,373,047.00				5,225,129,078.87		-25,390,064.89	27,226,568.71	430,418,353.66		1,406,894,608.22		9,047,651,591.57	1,063,578,843.52	10,111,230,435.09

8. *Statement of Changes in Shareholders' Equity of the Parent Company*

Current amount

Unit: RMB

	2020											
		Other equity instruments										
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
I. Balance at the end of previous year	1,983,373,047.00				5,225,582,278.36		748.10		417,144,099.36	1,791,657,645.17		9,417,757,817.99
Add: Changes in accounting policy												
Prior-period error correction												
Others												
II. Balance at the beginning of the current year	1,983,373,047.00				5,225,582,278.36		748.10		417,144,099.36	1,791,657,645.17		9,417,757,817.99
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")	793,349,218.00				-793,848,590.57				8,467,897.22	-320,463,534.42		-312,495,009.77
(I) Total comprehensive income										84,678,972.20		84,678,972.20
(II) Contribution and reduction of capital by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by other equity instrument holders												
3. Amount included in owners' equity in share payment												
4. Others												

	2020											
		Other equity instruments										
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
(III) Profit distribution									8,467,897.22	-405,142,506.62		-396,674,609.40
1. Withdrawal of surplus reserves									8,467,897.22	-8,467,897.22		
2. Distributions to owners (or shareholders)										-396,674,609.40		-396,674,609.40
3. Others												
(IV) Carry-forward of owners' equity	793,349,218.00				-793,349,218.00							
1. Conversion of capital reserves to increase capital (or share capital)	793,349,218.00				-793,349,218.00							
2. Conversion of surplus reserves to increase capital (or share capital)												
3. Making up of losses by surplus reserves												
4. Carry-forward of retained earnings from changes in defined benefit plans												
5. Carry-forward of retained earnings from other comprehensive income												
6. Others												
(V) Special reserves												
1. Current withdrawal												
2. Current use												
(VI) Others					-499,372.57							-499,372.57
IV. Balance at the end of the current period	2,776,722,265.00				4,431,733,687.79		748.10		425,611,996.58	1,471,194,110.75		9,105,262,808.22

Previous amount

Unit: RMB

	2019											
		Other equity instruments										
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
I. Balance at the end of previous year	1,983,373,047.00				5,231,119,619.99	218,861,843.80	748.10		239,640,456.12	585,717,164.46		7,820,989,191.87
Add: Changes in accounting policy												
Prior-period error correction												
Others												
II. Balance at the beginning of the current year	1,983,373,047.00				5,231,119,619.99	218,861,843.80	748.10		239,640,456.12	585,717,164.46		7,820,989,191.87
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")				-5,537,341.63	-218,861,843.80				177,503,643.24	1,205,940,480.71		1,596,768,626.12
(I) Total comprehensive income										1,775,036,432.35		1,775,036,432.35
(II) Contribution and reduction of capital by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by other equity instrument holders												
3. Amount included in owners' equity in share payment												
4. Others												

	2019											
		Other equity instruments										
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
(III) Profit distribution									177,503,643.24	-569,095,951.64		-391,592,308.40
1. Withdrawal of surplus reserves									177,503,643.24	-177,503,643.24		
2. Distributions to owners (or shareholders)										-391,592,308.40		-391,592,308.40
3. Others												
(IV) Carry-forward of owners' equity												
1. Conversion of capital reserves to increase capital (or share capital)												
2. Conversion of surplus reserves to increase capital (or share capital)												
3. Making up of losses by surplus reserves												
4. Carry-forward of retained earnings from changes in defined benefit plans												
5. Carry-forward of retained earnings from other comprehensive income												
6. Others												
(V) Special reserves												
1. Current withdrawal												
2. Current use												
(VI) Others					-5,537,341.63	-218,861,843.80						213,324,502.17
IV. Balance at the end of the current period	1,983,373,047.00				5,225,582,278.36		748.10		417,144,099.36	1,791,657,645.17		9,417,757,817.99

III. BASIC INFORMATION OF THE COMPANY

(I) Company Profile

Company name:	Yintai Gold Co., Ltd.
Abbreviation of the company:	Yintai Gold.
Registered address:	Harato Street, Balagalgaole Town, West Ujimqin Banner, XilinGol League, Inner Mongolia Autonomous Region.
Office address:	Rooms 5103/5104, Block C, Yintai Center, No. 2 Jianguomenwai Street, Chaoyang District, Beijing.
Registered capital:	RMB2,776,722,265.
Unified social credit code:	911525007116525588.
Legal representative:	Yang Haifei.
Business scope:	Investment and management of geological exploration, mining and beneficiation and smelting of gold and non-ferrous metals; processing and sales of by-products of gold and non-ferrous metal production; storage and sale of raw materials, fuels and equipment for the production of gold and non-ferrous metals; research and development and consulting services for gold and non-ferrous metal production technology and equipment; production, processing and wholesale of high purity gold products; purchase and sale of mineral products, precious metals and their products, metal materials and their products; leasing of metal materials and their products and precious metals; engaging in import and export of goods and technology.

(II) History of the Company

Yintai Gold Co., Ltd. (hereinafter referred to as the "**company**") was formerly known as "Chongqing Wujiang Power Co., Ltd. (重慶烏江電力股份有限公司) (the company's securities are abbreviated as Wujiang Power)", "Southern Science City Development Co., Ltd. (南方科學城發展股份有限公司) (the company's securities are abbreviated as Science City)", "Yintai Resources Co., Ltd. (銀泰資源股份有限公司)"(the company's securities are abbreviated as Yintai Resources)."

Approved by Chongqing Municipal People's Government (Yu Fu [1999] No. 90) on 20 May 1999, Chongqing Wujiang Electric Power Group Company (重慶烏江電力集團公司) ("**Wujiang Electric Power Group**"), as the main initiator, jointly sponsored the establishment of Wujiang Electric Power with Chongqing Qianjiang County Xiaonanhai (Group) Company (重慶市黔江縣小南海(集團)公司), Chongqing Qianjiang Development Zone Hydropower Engineering and Construction Installation Company (重慶市黔江開發區水電工程建築安裝公司), Chongqing Qianjiang Development Zone Hydropower Material Supply and Marketing Company (重慶市黔江開發區水電物資供銷公司) and Chongqing Wujiang Manganese Industry (Group) Co., Ltd. (重慶烏江錳業(集團)有限責任公司).

On 18 June 1999, Wujiang Power was registered with Chongqing Administration for Industry and Commerce, with a total share capital of 105,000,000 shares, and was approved by the China Securities Regulatory Commission (Zheng Jian Fa Xing Zi [2000] No. 40) to publicly issued 80,000,000 ordinary shares (A shares) to the public in 2000, including 32,000,000 shares allocated to strategic investors and 48,000,000 domestic listed and outstanding shares. The shares were listed on the Shenzhen Stock Exchange on 8 June 2000 with the stock code "000975".

The "Resolution on the Plan for Converting Interim Reserve Fund into Share Capital in 2001" was considered and approved at the 2001 first extraordinary general meeting of the company. Based on the company's total share capital of 185,000,000 shares on 30 June 2001, 6 shares were converted from capital reserves for every 10 shares, and a total of 111,000,000 shares were converted. The company's total share capital increased to 296,000,000 shares after the conversion.

On 18 March 2002, Wujiang Electric Power Group, the largest shareholder of the company, signed the "Share Transfer Agreement" with Guangzhou-Kaide Holdings Company Limited ("**Guangzhou Financial Holding**"), and Wujiang Electric Power Group transferred 157,465,400 state-owned legal person shares held by it to Guangzhou Financial Holding, accounting for 53.20% of the company's total share capital. The transfer was approved by Chongqing Municipal People's Government (Yu Fu [2002] No. 90), Ministry of Finance (Cai Qi [2002] No. 216), and CSRC (Zheng Jian Han [2002] No. 264).

In September 2002, the company's name was changed from "Chongqing Wujiang Power Co., Ltd." to "Southern Science City Development Co., Ltd." by resolution of the second extraordinary general meeting of 2002, and the business license of enterprise legal person Yu Zhi No. 5000001801901 was renewed on 23 September 2002. The abbreviation of the company's securities was changed from "Wujiang Power" to "Science City" with effect from 10 October 2002, with the same stock code (000975) as approved by China Securities Depository and Clearing Corporation.

On 10 May 2004, the company held the 2003 annual general meeting, considered and approved the proposal to increase the company's share capital in 2003. Based on the company's total share capital of 296,000,000 shares at the end of 2003, 8 shares were converted from capital reserves for every 10 shares, and a total of 236,800,000 shares were converted. The company's share capital increased to 532,800,000 shares after the conversion.

On 21 November 2005, Guangzhou Financial Holdings and China Yintai Holdings Co., Ltd. ("**China Yintai**") signed the "Share Transfer Agreement", transferring 24.40% of the company's state shares held by it to China Yintai. On 3 August 2006, a supplementary agreement was signed and the transfer of shares was changed to 29.90%. On 1 March 2007, it was approved by the SASAC, and on 10 September 2007, it was approved by the CSRC. After the completion of the equity transfer, China Yintai holds 159,307,200 shares of the company, accounting for 29.90% of the company's total share capital, and became the company's largest shareholder.

On 15 October 2007, the company held the 2007 second extraordinary general meeting, and considered and approved the Shareholding Reform Plan. The company's non-outstanding shares were reduced to 6.254 shares for every 10 shares. At the same time, according to the relevant agreement between China Yintai and Guangzhou Financial Holdings, the share reduction arrangement corresponding to the transfer of the shares held by China Yintai to Guangzhou Financial Holdings was executed by Guangzhou Financial Holdings on its behalf. After the share reduction, the company converted 3.485 shares for every 10 shares to all shareholders after the share reduction from the capital reserve. At the same time, the company distributed 1.3635 bonus shares and cash dividends of RMB0.1515 (including tax) for every 10 shares to all shareholders after the share reduction with undistributed profits. After the plan was implemented on 24 January 2008, the company's total share capital was changed from 532,800,000 shares to 622,925,700 shares, and the non-outstanding shares held by the original non-outstanding shareholders were changed to outstanding shares with limited selling conditions. This share capital change has been verified by Zhongxi Certified Public Accountants Co., Ltd., and Zhong Xi Yan Zi (2007) No. 02017 and No. 02018 capital verification reports have been issued. Accordingly, the company went through the industrial and commercial change registration procedures, and the registered capital was changed from RMB532,800,000 to RMB622,925,700.

On 16 July 2010, the company renewed its No.440101000118286 enterprise legal person business license with the Guangzhou Administration for Industry and Commerce, and its registered address was changed to A501, No. 11 Caipin Road, Science City, Guangzhou Development Zone.

On 10 March 2011, the commitments made by China Yintai, Guangzhou Financial Holdings and Chongqing Xinyu Investment (Group) Company Limited ("**Chongqing Xinyu**") in the announcement of the implementation of the shareholding reform plan were fulfilled and the corresponding shares were unlocked and can be transferred in the market.

On 4 January 2012 and 9 January 2012, China Yintai reduced its shareholding in the company by a total of 21,827,400 shares through block trading, after which China Yintai held 214,719,900 shares of the company, representing 34.47% of the total share capital, and remained the largest shareholder of the company.

On 28 December 2012, the company received the Reply on Approving the Major Assets Reorganization of Southern Science City Development Co., LTD., and the Issuance of Shares to Hou Renfeng and Other Parties to Purchase Assets and Raise Supporting Funds (《關於核准南方科學城發展股份有限公司重大資產重組及向侯仁峰等發行股份購買資產並募集配套資金的批覆》) (Zheng Jian Xu Ke [2012] No. 1740) from the CSRC, approving the major assets reorganization of the company and the issuance of 197,987,769 shares to Hou Renfeng, 198,018,132 shares to Wang Shui and 16,638,143 shares to Li Honglei to purchase related assets, and approving the company's non-public issue of not more than 50 million new shares to raise supporting funds for this share issue to purchase assets. On 11 January 2013, Zhongxi Certified Public Accountants Co., Ltd. issued a capital verification report (Zhong Xi Yan Zi [2013] No. 02001), in which the company actually received the new registered capital (share capital) of RMB412,644,044.00 from Hou Renfeng, Wang Shui and Li Honglei, who contributed their equity interests in Inner Mongolia Yulong Mining Co., Ltd. (內蒙古玉龍礦業股份有限公司) ("Yulong Mining") and received an additional registered capital (share capital) of RMB50,000,000.00 from China Yintai in the form of monetary capital, resulting in a total of 462,644,044 new shares.

On 24 January 2013, the newly issued shares subject to trading moratorium of the company were listed on the Shenzhen Stock Exchange. Upon completion of this issuance, the total share capital of the company was changed from 622,925,697 shares to 1,085,569,741 shares. China Yintai held 264,719,900 shares of the company, representing 24.39% of the total share capital, and remained the largest shareholder of the company. Upon completion of the reorganization, the company's main business changed from hotel and catering services to the mining, processing and sale of silver, lead and zinc and other non-ferrous metal ores.

On 28 February 2013, the company held its 2012 annual general meeting, which considered and passed the Resolution on the Change of Company Name, whereby the name of the company was changed from "Southern Science City Development Co., Ltd." to "Yintai Resources Co., Ltd.". The Chinese abbreviation was changed from "科學城" to "銀泰資源", and a new business license was obtained on 19 March 2013.

On 10 December 2014, China Yintai and Mr. Cheng Shaoliang signed the Share Transfer Agreement, whereby China Yintai transferred 25% of its shares in the company, i.e. 66,179,974 shares (of which 12,500,000 shares were shares subject to trading moratorium), to Mr. Cheng Shaoliang. Upon completion of the transfer, China Yintai held 198,539,922 shares of the company, representing 18.289% of the total share capital, and remained the largest shareholder of the company.

On 3 June 2015, the company held the 2015 second extraordinary general meeting, and considered and approved the Resolution on the Change of the Company's Registered Address, and changed the registered address to Haratu Street, Balagalgaol Town, West Ujumqin Banner, Xilingol League, Inner Mongolia Autonomous Region.

On 3 August 2015, the 2015 third extraordinary general meeting of the company considered and approved the Resolution on the Repurchase of Shares through Centralized Bidding Trading. During the period from 24 August 2015 to 27 August 2015, 3,953,671 shares of the company, representing 0.36% of the total share capital, were repurchased for a total amount of RMB45,780,900. On 22 September 2015, the cancellation procedures were completed at the Shenzhen Branch of the China Securities Depository Corporation. Accordingly, the registered capital of the company was changed from RMB1,085,569,741 to RMB1,081,616,070.

From 27 August 2015 to 14 September 2015, China Yintai increased its shareholding in the company by a total of 4,068,726 shares through the centralized bidding trading system, after which it held 202,608,648 shares of the company, representing 18.73% of the total share capital of the company, and remained the largest shareholder of the company.

From March to May 2017, Shen Guojun, the de facto controller of the company, increased his shareholding in the company by 13,675,318 shares. China Yintai, the controlling shareholder of the company, and Shen Guojun, the de facto controller, together held 216,283,966 shares of the company, representing 19.99% of the total share capital of the company in aggregate. In summary, this increase in shareholding did not affect the listing status of the company.

On 25 December 2017, the company's major asset reorganization was approved and obtained the Reply on Approving Yintai Resources Co., Ltd. to Issue Shares to Shen Guojun and Other Parties to Purchase Assets (《關於核准銀泰資源股份有限公司向沈國軍等發行股份購買資產的批覆》) (Zheng Jian Xu Ke [2017] No. 2365) from the CSRC to issue shares to eight counterparties, including Shen Guojun, to purchase 89.38% equity interest in Shanghai Shengwei. All counterparties completed the transfer procedures in respect of their shares in Shanghai Shengwei on 10 January 2018. As approved by the Shenzhen Stock Exchange, the additional shares were listed on 26 January 2018. The company completed the title transfer procedures for the above-mentioned shares and Shanghai Shengwei became its wholly-owned subsidiary, which has been included in the scope of consolidated statements since then. Pursuant to the above-mentioned approval of the CSRC, the company issued 72,319,201 shares to Shen Guojun, 62,344,139 shares to Shanghai Lanju Enterprise Management Center (Limited Partnership) (上海瀾聚企業管理中心(有限合夥)), 49,875,311 shares to Shanghai Baohu Investment Management Center (Limited Partnership) (上海趵虎投資管理中心(有限合夥)), 33,250,207 shares to Shanghai Wenwu Enterprise Management Center (Limited Partnership) (上海溫悟企業管理中心(有限合夥)), 32,252,701 shares to Cheng Shaoliang, 30,174,563 shares to Shanghai Chaomeng Enterprise Management Center (Limited Partnership) (上海巢盟企業管理中心(有限合夥)), 29,925,187 shares to Gongqingcheng Runda Investment Management Partnership (Limited Partnership) (共青城潤達投資管理合夥企業(有限合夥)) and 24,937,655 shares to Wang Shui to purchase the relevant assets at a par value of RMB1 per share and an issue price of RMB12.03 per share, increasing the registered capital by RMB335,078,964. After the issue, the registered capital and share capital of the company increased from RMB1,081,616,070 to RMB1,416,695,034. This change in share capital was verified by Zhongxi Certified Public Accountants (Special General Partnership), which issued the capital verification report of Zhong Xi Yan Zi (2018) No. 0001. The company accordingly went through the business change registration procedures, and the registered capital was changed from RMB1,081,616,070 to RMB1,416,695,034.

On 17 May 2018, the general meeting of the company considered and approved the Resolution on Profit Distribution Plan for 2017.On 1 June 2018, the company completed the implementation of the aforesaid profit distribution plan by converting 4 shares for every 10 shares to all shareholders from capital reserve, and the total share capital of the company after the conversion was 1,983,373,047 shares. After the change, the registered capital and share capital of the company increased from RMB1,416,695,034 to RMB1,983,373,047.

On 3 September 2018, China Yintai increased its shareholding in the company by 2,820,000 shares through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, China Yintai held 286,472,107 shares of the company, representing 14.44% of the total share capital of the company. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Shen Guojun and China Yintai held 20.51% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 17 September 2018, Mr. Shen Guojun increased his shareholding in the company by 3,400,000 shares through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, Mr. Shen Guojun held 123,792,327 shares of the company, representing 6.24% of the total share capital of the company. Mr. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Mr. Shen Guojun and China Yintai held 20.68% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 6 December 2018 and 7 December 2018, Mr. Shen Guojun his shareholding in the company by 4,864,900 shares in total through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, Mr. Shen Guojun held 128,657,227 shares of the company, representing 6.49% of the total share capital of the company. Mr. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Mr. Shen Guojun and China Yintai held 20.93% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 19 September 2019, the company held the 2019 first extraordinary general meeting, which considered and passed the Resolution on the Change of the Full Name of the Company and the Abbreviation of the Securities, whereby the name of the company was changed from Yintai Resources Co., Ltd. to Yintai Gold Co., Ltd., and the Chinese abbreviation was changed from "銀泰資源" to "銀泰黃金", and a new business license was obtained.

On 15 September 2020, the company held the 2020 first extraordinary general meeting, which considered and passed the resolution on the proposed capitalization of the company's capital reserve for the interim period of 2020, whereby the company converted 4 shares for every 10 shares from the capital reserve on the basis of 1,983,373,047 shares, and the amount of the conversion was RMB793,349,218.00, and the total share capital of the company after the conversion was 2,776,722,265 shares.

(III) Scope of consolidated financial statements

As of 31 December 2020, the subsidiaries within the scope of the company's consolidated financial statements were as follows:

Name of subsidiary	Abbreviation of subsidiary
Shanghai Shengwei Mining Investment Co., Ltd. (上海盛蔚礦業投資有限公司)	Shanghai Shengwei
Sino Gold Tenya (HK) Limited	Sino Gold Hong Kong
Rockmining Group Company Limited (HK)	Rockmining Hong Kong
Heihe Yintai Mining Development Co., Ltd. (黑河銀泰礦業開發有限責任公司)	Heihe Yintai
Qinghai Dachaidan Mining Co., Ltd. (青海大柴旦礦業有限公司)	Qinghai Dachaidan
Inner Mongolia Yulong Mining Co., Ltd. (內蒙古玉龍礦業股份有限公司)	Yulong Mining
Inner Mongolia Yulong Technology Testing Service Co., Ltd. (內蒙古玉龍技術檢測服務有限公司)	Yulong Technology Testing
Jilin Banmiaozi Mining Co., Ltd. (吉林板廟子礦業有限公司)	Jilin Banmiaozi
Jilin Yintai Shengxin Mining Co., Ltd. (吉林銀泰盛鑫礦業有限公司)	Yintai Shengxin
Sino Gold BMZ Limited	Sino Gold BMZ
Jilin Jincheng Mining Co., Ltd. (吉林金誠礦業有限公司)	Jincheng Mining
Yintai Shenghong Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司)	Yintai Shenghong
Ningbo Yintai Yongheng Trading Co., Ltd. (寧波銀泰永亨貿易有限公司)	Yongheng Trading
Yintai Shenghong Singapore Co., Ltd. (銀泰盛鴻新加坡有限公司)	Shenghong Singapore

For details on the scope of the consolidated financial statements for the current period and its changes, please refer to "VIII. CHANGES IN THE SCOPE OF CONSOLIDATION" and "IX. EQUITY IN OTHER ENTITIES" in this section.

(4) Approval and publication of financial statements

These financial statements have been approved for publication by the company's board of directors on 29 March 2021.

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The company prepares the financial statements based on the actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises – Basic Standards and Specific Enterprise Accounting Standards, Guidelines for the Application of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as "**Accounting Standards for Business Enterprises**") issued by the Ministry of Finance, and on this basis, in combination with the provisions of the China Securities Regulatory Commission's Regulation on the Information Disclosure of Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (Revised in 2014).

2. Going concern

The company evaluated its ability to continue as a going concern for a period of 12 months from the end of the reporting period and found no events or circumstances that cast significant doubt on its ability to continue as a going concern. Accordingly, the financial statements have been prepared on the going concern assumption.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The company is required to comply with the disclosure requirements of the Industry Information Disclosure Guidelines No. 2 of the Shenzhen Stock Exchange - Listed Companies Engaging in Solid Mineral Resources-related Business"

Specific Accounting Policies and Accounting Estimates Indication

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the company based on the actual production and operation characteristics. For details, please refer to "V.20. Fixed assets" and "V.23. Intangible assets", "V.30. Revenue", "V.34. Other significant accounting policies and accounting estimates".

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the company meet the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the company's financial position, operating results, cash flows and other relevant information during the reporting period.

2. Accounting period

An accounting period is from 1 January to 31 December of each calendar year.

3. Business cycle

The company's business cycle is 12 months.

4. Functional currency

Renminbi is adopted as the functional currency for recording.

5. Accounting treatments of business combinations involving entities under common control and entities not under common control

(1) If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment

① These transactions were entered into at the same time or after considering the effects of each other;

② Only when regarding these transactions as a whole, can it achieve a complete business result;

③ The occurrence of one transaction depends on the occurrence of at least one other transaction;

④ A transaction is not economical when treated alone, but is economical when considered with other transactions.

(2) Business combinations involving entities under common control

For assets and liabilities acquired under business combinations, the assets, liabilities of the acquiree (including goodwill arising from the acquisition of the acquiree by the ultimate controller) on the date of combination are included in the consolidated financial statements of the ultimate controller using the book values. If there is any difference between the book values of net assets acquired and the consideration paid for the combination (or the total amount of face value of issued shares), share premium in capital reserve is adjusted. If the share premium in capital reserve is insufficient, the retained earnings are adjusted.

If there is any contingent consideration required to be recognized as estimated obligations or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated obligations or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized through several transactions, in case of a package transaction, those transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income measured and recognized under the equity method or financial instrument recognition and measurement standards are not accounted until the accounting treatment for the disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; changes in the owners' equity other than the net losses and profits, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method, are not accounted, until disposal of such investment is transferred to current profit and losses.

(3) Business combinations involving entities not under common control

The acquisition date refers to the date on which the company actually obtained control over the acquiree, that is, the date when the acquiree's net assets or the control of production and business decisions were transferred to the company. At the same time when the following conditions are met, the company generally believes that the transfer of control rights has been achieved:

① The business combination contract or agreement has been approved by the internal authority of the company.

② The business combination matters, which need to be approved by the relevant competent departments of the state, has been approved.

③ The necessary procedures for the transfer of property rights have been completed.

④ The company has paid most of the combined price and has the ability and plan to pay the remaining amount.

⑤ The company has actually controlled the financial and operating policies of the acquiree and enjoyed corresponding benefits and assumed corresponding risks.

On the date of acquisition, when there is any difference between the fair values and book values of the assets provided and liabilities incurred or borne by the company as combination considerations, such differences shall be charged to profit and loss for the period.

Goodwill is recognized when the combination cost paid by the company is higher than the share of the fair value of the identifiable net assets in the acquiree obtained through the combination. When the combination cost paid is lower than the fair value of the share of the fair value of the identifiable net assets in the acquiree obtained through the combination, such difference shall be recognized in profit or loss for the period after review.

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, it should be accounted with all transactions as the one to acquire the control; in case of non-package transaction, it should be accounted under equity method: the equity investment held before the date of combination, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; due to the other comprehensive income accounted and recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is accounted according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative changes originally included in the other comprehensive income are transferred to current investment income on the date of combination.

(4) Relevant expenses in relation to combination

The intermediary expenses such as audit, legal services, appraisal and consultation and other directly related expenses occurred for the purpose of business combination are credited in profit or loss in the period when they incurred; trading fees for issue of equity securities for business combination can be deducted from equity if they are directly attributable to equity transactions.

6. *Preparation of consolidated financial statements*

(1) Scope of consolidation

The scope of consolidation of the consolidated financial statements of the company is determined on the basis of control. All subsidiaries (including individual entities controlled by the company) are included in the consolidated financial statements.

(2) Procedures of consolidation

The consolidated financial statements shall be prepared by the company based on the financial statements of the company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the company regards the whole business group as an accounting entity, and reflects the overall financial position, operating results and cash flow of the business group in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and unified accounting policies.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and financial period consistent with the company. When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries and the company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the company as necessary.

When consolidating the financial statements, the effects on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the company and its subsidiaries and among the subsidiaries shall be offset. For the consolidated financial statements of the business group, when there is divergence in the recognition of a single transaction by the company and its subsidiaries, the business group's position shall be taken up for adjustment on such transaction.

The owners' equity, the minority interest on net profit or loss for the period and comprehensive income should be separately disclosed under owners' equity in the consolidated balance sheet, and net profit and comprehensive income in the consolidated income statement. When loss for the period attributable to minority shareholders of a subsidiary exceeds the initial share of owners' equity in the subsidiary owned by such minority shareholders, the excess amount shall still be deducted against shareholders' equity.

For a subsidiary acquired through a business combination under the same control, adjustments are made to its financial statements based on the carrying amount of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate control party) in the financial statements of the ultimate control party.

For subsidiaries acquired through business combinations not under the same control, adjustments are made to their financial statements based on the fair value of net identifiable assets at the date of acquisition.

① Addition of subsidiary or business

During the reporting period, initial amount in the consolidated balance sheets is adjusted for the addition of new subsidiaries and businesses due to business combinations involving entities under common control. The income, expenses and profits of the subsidiaries from the beginning of the consolidation to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated cash flow statements. At the same time, those relevant items of comparison of financial statements are adjusted as if the consolidated reporting entity has existed since the date of establishment of control by the ultimate control party.

For exercising control over investee under common control due to the addition of investment, it shall consider those entities consolidated since the date of control began and adjust the existing conditions. For the equity investment held before obtaining the control of the combined party, between the later of the date of those equity held originally or the date of both parties under common control to combination date, those identifiable profit or loss, other comprehensive income and other change in net assets, shall be separately charged to initial amount of the comparative statements or the profit and loss of the period.

During the reporting period, initial amount in the consolidated balance sheets is not adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities not under common control. The income, expenses and profits of the subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statements.

For exercising control over investee not under common control due to addition of investment, those equity held before acquisition date is subject to re-measurement using fair value. Differences between fair value and book value is charged to investment income for the period. For movement in owners' equity other than other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits, equity held before acquisition date which was measured under equity method; and relevant other comprehensive income and movement in other owners' equity were changed to the profit or loss of the financial period of the acquisition date, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

② Disposal of subsidiary or business

1) General treatments

During the reporting period, for disposal of subsidiaries or businesses by the company, the income, expenses and profits of the subsidiaries from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries or businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements.

When the company loses control on the investee due to partial disposal of equity investment or otherwise, the remaining invested equity after disposal is re-measured based on the fair value at the date when control was lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, less the share of net assets calculated on a continuing basis starting from the date of acquisition or consolidation based on the original shareholding ratio and goodwill, shall be recognized as the investment gain for the period when control was lost. Other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits associated with equity investment in the former subsidiary shall be transferred to investment gain upon the loss of control, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

2) Piecemeal disposal of subsidiary

Through piecemeal disposals of equity of subsidiary until loss of control, normally those transactions would be accounted as a package of transactions if those arrangements and conditions and economic impacts of disposal transactions fulfilled one or more of the following situations:

A. Such transactions are occurred together or made under considerations of mutual impacts;

B. A complete business consequence could only be made under such series of transactions;

C. The occurrence of a transaction is dependent on occurrence of at least one transaction;

D. One transaction itself is not economical itself, but when considered together with other transactions would become economical.

Transactions for partly disposal of subsidiary until losing control which is considered as a package of transactions, the company treats this as one transaction under accounting treatment; however, the difference between each transaction proceeds and the net asset value of that disposal, is firstly treated as other comprehensive income and then charged together to profit or loss for the period until the control of subsidiary is lost.

Transactions for partly disposal of subsidiary until losing control which is not considered as a package of transactions, before the loss of control, the company treats it as the same as transactions for not losing control and treats as general disposal under accounting treatment when the control of subsidiary is lost.

③ Acquisition of minority interest of subsidiary

For the difference between the long-term equity investment newly obtained by the company due to the purchase of minority equity and the share of net assets of subsidiaries continuously calculated from the purchase date (or combination date) according to the newly increased shareholding ratio, the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, charge to the retained profits.

④ Partly disposal of equity investment in subsidiaries without losing control

Under the situation the difference between the proceeds from disposal of subsidiary without losing control and the attributable net assets value of the subsidiary continuously calculated from the acquisition date or combination date, the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, the retained profits shall be adjusted.

7. *Classification of joint arrangements and accounting treatment for joint operations*

(1) Classification of joint venture arrangements

The company classifies the joint venture arrangements into joint venture and joint operation according to the structure, legal form of joint venture arrangement, the terms agreed in the arrangement, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as joint operation:

① Its legal form shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

② The contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

③ Other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

(2) Accounting treatment for joint operations

The company recognizes the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant accounting standards for business enterprises:

① assets it solely holds and its share of jointly-held assets based on its percentage;

② liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

③ incomes from sale of output enjoyed by it from the joint operation;

④ incomes from sale of output from the joint operation based on its percentage; and

⑤ separate costs and costs for the joint operation based on its percentage.

When the company invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the company shall recognize such loss in full.

When the company purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the company shall recognize its part of such loss based on its percentage.

If the company has no joint control over a joint operation, but enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant accounting standards for business enterprises.

8. *Determination criteria for cash and cash equivalents*

In preparing cash flow statements, the company's cash on hand and deposits that can be readily utilized for payment are recognized as cash. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known amount of cash and minimal risk of value change, are recognized as cash equivalents.

9. *Foreign currency businesses and translation of foreign currency statements*

(1) Foreign currency businesses

Foreign currency business transaction are recognized at the beginning and translated into Renminbi using the spot exchange rate prevailing on the date when transaction occurred.

Balance of monetary items in foreign currency are translated using the spot exchange rate prevailing on the balance sheet date, and the exchange differences arising therefrom are recognized in profit or loss for the period, except for special foreign currency loans related to acquisition and construction of assets that satisfy capitalization requirements, whose exchange differences are accounted for using principles on capitalization of loan expenses. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged.

Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss for the period. In case of non-monetary items in foreign currency available for sales, the exchange difference arising therefrom is included in the other comprehensive income.

(2) Translation of foreign currency financial statements

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of transaction. The foreign currency translation difference arisen as a result of the above currency translation is included in the other comprehensive income.

When disposing of an overseas operation, the foreign currency translation difference for items under the other comprehensive income in the balance sheet that are related to such overseas operation is transferred from the other comprehensive income to profit or loss for the period; when disposing of partial overseas equity investment or due to other reasons causing decrease in holding ratio of overseas operation but not losing control, the foreign currency translation difference attributable for disposed is transferred to minority interests but not profit or loss for the period. In occasion disposal of equity interest in foreign associate or joint operation, the foreign currency translation difference attributable to the portion disposed of is transferred to profit or loss for the period.

10. Financial instruments

A financial asset or financial liability is recognized when the company becomes a party to a contract for a financial instrument.

The effective interest method is the method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over each accounting period.

The effective interest rate is the rate used to discount the estimated future cash flows of a financial asset or financial liability over its expected life to the carrying amount of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flows are estimated taking into account all contractual terms of the financial asset or financial liability (e.g, prepayment, extension, call option or other similar option, etc.), but without taking into account the expected credit losses.

The amortized cost of a financial asset or financial liability is the amount initially recognized for that financial asset or financial liability less the principal repaid, plus or minus the cumulative amortization of the difference between the amount initially recognized and the amount at maturity using the effective interest method, less the cumulative loss allowance (for financial assets only).

(1) Classification and measurement of financial assets

Based on the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the company classifies the financial assets into the following three categories:

① Financial assets measured in amortized cost.

② Financial assets at fair value through other comprehensive income.

③ Financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition, but trade or bills receivables arising from the sale of goods or services, etc., that do not contain a significant financing component or do not consider a financing component for more than one year are initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, transaction costs are charged directly to profit or loss, and transaction costs relating to other types of financial assets are charged to the amount initially recognized.

Subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified when and only when the company changes its business model for managing financial assets.

① Classified as financial assets measured in amortized cost

A financial asset is classified as a financial asset measured in amortized cost if the contractual terms of the financial asset specify that the cash flows that arise at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims to collect the contractual cash flows. The company's financial assets classified as measured in amortized cost include monetary funds, bills and trade receivables, other receivables, debt investments and long-term receivables etc. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are included in the non-current assets due within 1 year; debt investments with maturities of no more than 1 year (inclusive) at acquisition are included in other current assets.

Interest income is recognized by the company using the effective interest method for these financial assets and subsequently measured at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the profit or loss of the current period. Interest income is determined by multiplying the carrying amount of a financial asset by the effective interest rate, except for the following:

1) For financial assets that have been acquired or originated for credit impairment, the company calculates and determines the interest income based on the amortized cost and credit-adjusted effective interest rate of the financial assets from initial recognition.

2) For financial assets that have not been credit-impaired but become credit-impaired in subsequent periods, the company calculates and determines the interest income based on the amortized cost and effective interest rate of the financial assets in subsequent periods. If the financial instrument is no longer credit-impaired due to an improvement in its credit risk in a subsequent period, the company calculates and determines interest income by

multiplying the effective interest rate by the carrying amount of the financial asset.

② Financial assets classified as at fair value through other comprehensive income

A financial asset is classified by the company as a financial asset at fair value through other comprehensive income if the contractual terms of the financial asset stipulate that the cash flows generated at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims at both collecting the contractual cash flows and selling the financial asset.

The company recognizes interest income on these financial assets using the effective interest method. Changes in fair value are included in other comprehensive income, except for interest income, impairment losses and exchange differences, which are recognized in profit or loss for the period. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss for the current period.

Bills and receivables at fair value through other comprehensive income are presented as receivables financing and other such financial assets are presented as other debt investments, in which: other debt investments that fall due within one year from the balance sheet date are presented as non-current assets that fall due within one year and other debt investments that have an original maturity of less than one year are presented as other current assets.

③ Financial assets designated as at fair value through other comprehensive income

On initial recognition, the company may irrevocably designate an investment in a non-trading equity instrument as a financial asset at fair value through other comprehensive income on a single financial asset basis.

Changes in the fair value of these financial assets are included in other comprehensive income and no impairment allowance is required. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings. Dividend income is recognized and credited to profit or loss for the period in which the company holds the investment in the equity instrument when the company's right to receive dividends has been established, it is probable that economic benefits associated with the dividend will flow to the company and the amount of the dividend can be measured reliably. The company's investment in these financial assets is reported in other equity instruments.

An investment in an equity instrument is a financial asset that is measured at fair value through profit or loss if one of the following conditions is met: the financial asset is acquired primarily for immediate sale; it is part of a centrally managed portfolio of identifiable financial asset instruments at initial recognition and there is objective evidence that a short-term profit model actually exists in the near term; it is a derivative instrument (other than derivatives that meet the definition of a financial guarantee contract and are designated as valid hedging instruments).

④ Financial assets classified as at fair value through profit or loss

Financial assets that do not meet the criteria for being classified as either amortized cost-based or fair value through other comprehensive income or designated as fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

The company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The company presents these financial assets under the items of financial assets held for trading and other non-current financial assets based on their liquidity.

⑤ Financial assets designated as at fair value through profit or loss

At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company may irrevocably designate a financial asset as a financial asset at fair value through profit or loss on a single financial asset basis.

Where the hybrid contract contains one or more embedded derivatives and the host contract does not belong to the above financial assets, the company may designate the whole as a financial instrument at fair value through profit or loss, except for the following:

1) Embedded derivatives do not materially change the cash flows of the hybrid contract.

2) When initially determining whether a similar hybrid contract needs to be split, it is almost clear without analysis

that the embedded derivatives it contains should not be split. Where an embedded prepayment option for a loan allows the holder to prepay the loan at an amount close to amortized cost, the prepayment option does not need to be split.

The company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The company presents these financial assets under the items of financial assets held for trading and other non-current financial assets based on their liquidity.

(2) Classification and measurement of financial liabilities

The company classifies a financial instrument, or a component thereof, as a financial liability or an equity instrument on initial recognition based on the contractual terms of the financial instrument issued and the economic substance reflected therein, rather than solely in legal form, in combination with the definitions of a financial liability and an equity instrument. Financial liabilities are classified on initial recognition as financial liabilities at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value on initial recognition. For financial liabilities measured at fair value through profit or loss, the related transaction costs are charged directly to profit or loss; For other types of financial liabilities, the related transaction costs are included in the amount initially recognized.

Subsequent measurement of financial liabilities depends on their classification:

① Financial liabilities measured at fair value through profit or loss

Such financial liabilities include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss on initial recognition.

A financial liability is classified as a financial liability held for trading if one of the following conditions is met: the underlying financial liability is assumed primarily for the purpose of selling or repurchasing in the near term; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the enterprise has recently adopted a short-term profit model; it is a derivative instrument, except for those that are designated as effective hedging instruments and those that meet financial guarantee contracts. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value and all changes in fair value are included in profit or loss for the period, except for those relating to hedge accounting.

At initial recognition, in order to provide more relevant accounting information, the company irrevocably designates a financial liability that meets one of the following conditions as a financial liability at fair value through profit or loss:

1) Accounting mismatches can be eliminated or significantly reduced.

2) The management and performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis, in accordance with the corporate risk management or investment strategy as set out in the official written documents, and reporting to key management personnel within the enterprise on this basis.

The company subsequently measures these financial liabilities at fair value, except for changes in fair value arising from changes in the company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in the profit or loss of the current period. The company accounts for all changes in fair value (including the amount of the effect of changes in its own credit risk) in profit or loss for the current period, unless such changes in fair value through other comprehensive income would cause or enlarge an accounting mismatch in profit or loss.

② Other financial liabilities

The company classifies financial liabilities as financial liabilities measured in amortized cost, which are subsequently measured in accordance with amortized cost using the effective interest method, and gains or losses arising from derecognition or amortization are included in profit or loss for the period, except for the following:

1) Financial liabilities at fair value through profit or loss.

2) Financial liabilities arising from the transfer of a financial asset that does not meet the conditions for derecognition or continues to be involved in the transferred financial asset.

3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category 1) of this article for loans at below-market interest rates.

A financial guarantee contract is a contract that requires an issuer to pay a specific amount to a contract holder that has suffered a loss when a particular debtor fails to pay its debt in accordance with the terms of the original or modified debt instrument when due. Financial guarantee contracts that are not financial liabilities designated at fair value through profit or loss are measured after initial recognition at the higher of the loss allowance amount and the amount initially recognized less accumulated amortization over the guarantee period.

(3) Derecognition of financial assets and financial liabilities

① A financial asset is derecognized when one of the following conditions is met, i.e, it is written off from its account and balance sheet:

1) The contractual right to receive the cash flows from the financial asset is terminated.

2) The financial asset has been transferred and the transfer meets the requirements for derecognition of the financial asset.

② Conditions for derecognition of financial liabilities

A financial liability (or a portion of a financial liability) is derecognized if the current obligation of the financial liability (or portion of a financial liability) has been discharged.

Where an agreement is entered into between the company and the lender to replace the original financial liability by assuming the new financial liability and the contractual terms of the new financial liability and the original financial liability are materially different, or the contractual terms of the original financial liability (or a portion thereof) are materially modified, the original financial liability is derecognized and a new financial liability is simultaneously recognized, and the difference between the carrying amount and the consideration paid (including the non-cash assets transferred out or the liabilities assumed) is included in the profit or loss of the current period.

Where the company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated based on the fair value of the continuing recognition portion and the derecognition portion as a proportion of the fair value of the financial liability as a whole at the date of repurchase. The difference between the carrying amount allocated to the derecognized portion and the consideration paid, including the non-cash assets transferred out or liabilities assumed, is included in the current profit or loss.

(4) The basis for recognition and measurement of financial asset transfers

When a transfer of financial assets occurs, the company assesses the extent of the risks and rewards of retaining ownership of the financial assets and deals with each of the following:

① Where substantially all the risks and rewards of ownership of a financial asset are transferred, the financial asset is derecognized and the rights and obligations arising or retained in the transfer are recognized separately as assets or liabilities.

② A financial asset is recognized if it retains substantially all the risks and rewards of ownership.

③ Where substantially all the risks and rewards of ownership of a financial asset have not been transferred or retained (i.e, other than those in ① and ② of this article), they are dealt with in the following circumstances, depending on whether they retain control over the financial asset:

1) Where control over the financial asset is not retained, the financial asset is derecognized and the rights and obligations arising or retained in the transfer are recognized separately as assets or liabilities.

2) Where control over the financial asset is retained, the financial asset continues to be recognized to the extent that it continues to be involved in the transferred financial asset and the related liability is recognized accordingly. The extent to which the company continues to be involved in the transferred financial asset is the extent to which the company is exposed to risks or rewards from changes in the value of the transferred financial asset.

In determining whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted. The company classifies the transfer of financial assets into overall transfer and partial transfer of financial assets.

① Where the overall transfer of a financial asset satisfies the derecognition condition, the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the transferred financial asset at the date of derecognition.

2) The sum of the consideration received for the transfer of a financial asset and the amount of the corresponding derecognized portion of the cumulative change in fair value that would have been credited directly to other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with the change in other comprehensive income).

② Where a financial asset is partially transferred and the transferred portion as a whole satisfies the derecognition condition, the carrying amount of the financial asset as a whole before the transfer is apportioned between the derecognition portion and the continuing recognition portion (in which case, the retained service asset shall be regarded as a part of the continuing recognition of the financial asset) based on the relative fair value on the transfer date, and the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the derecognized portion at the date of derecognition.

2) The sum of the consideration received for the derecognition component and the amount of the corresponding derecognition component of the cumulative change in fair value originally included in other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with its change included in other comprehensive income).

Where the transfer of a financial asset does not meet the conditions for derecognition, the financial asset is continued to be recognized and the consideration received is recognized as a financial liability.

(5) Determination of fair value of financial assets and financial liabilities

A financial asset or financial liability that has an active market is determined at its fair value based on quoted prices in the active market, unless the financial asset has a shelf life that is specific to the asset itself. Financial assets that are restricted for sale against the asset itself are determined at quoted prices in active markets, net of the amount of compensation required by market participants to assume the risk of not selling the financial asset in the open market for a specified period of time. Quoted prices in active markets include quoted prices for related assets or liabilities that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, etc, and that represent actual and recurring market transactions on a fair trading basis.

Financial assets acquired or derived initially, or financial liabilities assumed, are determined on the basis of market transaction prices.

Financial assets or financial liabilities that do not have an active market are valued at fair value using valuation techniques. In making the valuation, the company uses valuation techniques that are appropriate in the circumstances and supported by sufficient available data and other information to select inputs that are consistent with the characteristics of the asset or liability that market participants consider in the transaction of the underlying asset or liability, and to the extent possible, gives preference to the relevant observable inputs. Unobservable inputs are used when the relevant observable inputs are not available or are not practicable to obtain.

(6) Impairment of financial instruments

The company performs impairment accounting and recognizes loss allowances on the basis of expected credit losses (ECLs) for financial assets classified as measured at amortized cost, financial assets classified as measured at fair value through other comprehensive income and financial guarantee contracts.

Expected credit losses are the weighted average of the credit losses on financial instruments weighted by the risk of default. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received, discounted at the company's original effective interest rate, being the present value of all cash shortfalls. Among them, credit-impaired financial assets purchased or originated by the company shall be discounted at the credit-adjusted effective interest rate of the financial assets.

For receivables arising from transactions governed by revenue standards, the company applies the simplified measurement method to measure the loss allowance at an amount equal to lifetime ECLs.

For financial assets that have been purchased or originated for credit impairment, only the cumulative change in expected credit losses over the lifetime after initial recognition is recognized as a loss allowance at the balance sheet date. At each balance sheet date, the amount of the change in ECLs over the lifetime is credited to profit or loss as an impairment loss or gain. Favorable changes in ECLs are recognized as impairment gains even if the lifetime ECLs determined at the balance sheet date are less than the amount of ECLs reflected in the estimated cash flows at initial recognition.

For financial assets other than those that have undergone credit impairment using the simplified measurement method and purchases or origination described above, the company assesses at each balance sheet date whether the credit risk of the relevant financial instrument has increased significantly since initial recognition and measures its loss allowance, recognizes ECLs and changes therein separately as follows:

① If the credit risk of the financial instrument has not increased significantly since initial recognition and is in stage 1, the loss allowance is measured at an amount equal to the expected credit loss of the financial instrument over the next 12 months and interest income is calculated based on the carrying amount and the effective interest rate.

② If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in stage 2, the loss allowance is measured at an amount equal to the expected credit loss over the lifetime of the financial instrument, and interest income is calculated based on the carrying amount and the effective interest rate.

③ If the financial instrument has been credit-impaired since initial recognition, it is in stage 3, the company measures its loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument and calculates interest income at amortized cost and effective interest rates.

The amount by which the credit loss allowance for a financial instrument is increased or reversed is credited to profit or loss as an impairment loss or gain. Except for financial assets classified as at fair value through other comprehensive income, credit loss allowance is made against the carrying amount of the financial asset. For financial assets classified as at fair value through other comprehensive income, the company recognizes its credit loss allowance in other comprehensive income and does not reduce the carrying amount of the financial asset as shown in the balance sheet.

If the company has measured the loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument in the previous accounting period, but the financial instrument is no longer subject to a significant increase in credit risk since initial recognition, the company measures the loss allowance at an amount equal to the expected credit losses over the next 12 months at the balance sheet date of the current period, and the reversal amount of the loss allowance thus formed is included in the current profit or loss as an impairment gain.

① Significant increase in credit risk

The company uses available reasonable and supportable forward-looking information to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the balance sheet date with the risk of a default occurring on the date of initial recognition. For financial guarantee contracts, the date on which the company becomes a party to an irrevocable commitment is the date of initial recognition when the company applies the impairment provision for financial instruments.

In assessing whether there has been a significant increase in credit risk, the company considers the following factors:

1) Whether there has been an actual or expected significant change in the operating results of the debtor;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;

3) Whether there has been a significant change in the value of the collateral used as security for the debt or in the quality of the guarantees or credit enhancements provided by third parties that is expected to reduce the debtor's economic incentive to pay within the contractual time limit or affect the probability of default;

4) Whether there has been a significant change in the expected performance and repayment behavior of the debtor;

5) Changes in the company's credit management methods for financial instruments, etc.

At the balance sheet date, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the company determines that the financial instrument has only low credit risk. A financial instrument is considered to have low credit risk if it has a low risk of default, the borrower has a strong ability to meet its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment over a longer period of time, it may not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

② Financial assets with credit impairment

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

1) Significant financial difficulties of the issuer or the debtor;

2) Breach of contract by the debtor, such as default or overdue payment of interest or principal, etc.;

3) A concession given by a creditor to the debtor that the debtor would not otherwise make for economic or contractual reasons relating to the debtor's financial difficulties;

4) The debtor is likely to go bankrupt or undergo other financial restructuring;

5) The financial difficulty of the issuer or the debtor results in the disappearance of an active market for the financial asset;

6) A financial asset is purchased or originated at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

③ Determination of expected credit losses

The company assesses the ECLs for financial instruments individually and in combination, taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions in assessing the ECLs.

The company classifies financial instruments into different combinations based on common credit risk characteristics. Common credit risk characteristics adopted by the company include: type of financial instrument, credit risk rating, aging mix, overdue aging mix, contract settlement cycle, debtor's industry, etc. See the accounting policies for the relevant financial instruments for the individual assessment criteria and the combined credit risk characteristics of the relevant financial instruments.

The company determines the ECLs for the relevant financial instruments as follows:

1) For financial assets, credit losses are the present value of the difference between the contractual cash flows that the company is expected to receive and the cash flows that it expects to receive.

2) For financial guarantee contracts, credit losses are the present value of the difference between the expected payments to be made by the company to the contract holder for credit losses incurred by the contract holder, less the amount that the company expects to receive from the contract holder, the debtor or any other party.

3) For a financial asset that is credit-impaired at the balance sheet date but not purchased or originated from credit-impaired, credit loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

Factors reflected in the company's measurement approach to ECL on finance instruments include: an unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; the time value of money; reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

④ Write-down of financial assets

When the company no longer reasonably expects the contractual cash flows of a financial asset to be recovered in whole or in part, the carrying amount of the financial asset is written down directly. Such a write-down constitutes a derecognition of the relevant financial asset.

(7) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, if the following conditions are met at the same time, the net amount after offsetting is shown in the balance sheet:

① The company has a legal right to set off the recognized amounts and such legal right is currently enforceable;

② The company plans to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

11. Bills receivable

See Note V.10.(6) Impairment of financial instruments for details of the method of determining and accounting for ECL on bills receivable.

When it is not possible to assess sufficient evidence of ECLs at a reasonable cost at the individual instrument level, the company refers to historical credit loss experience, combines current conditions with its judgement of future economic conditions, and based on credit risk characteristics, divides the bills receivable into several combinations, and calculates ECL on a combination basis. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Bank acceptance	Bank acceptance has a high credit rating, a short duration, low risk of default, and a strong ability to fulfill its contractual cash flow obligations in the short term	ECL is not recognized with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions
Trade acceptance	Classification according to common credit risk characteristics	ECL is measured with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions

12. Accounts receivable

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on accounts receivable.

The company separately determines the credit loss of accounts receivable that have been credit-impaired after the initial recognition.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the Company refers to historical credit loss experience, combines current conditions with judgement of future economic conditions, divides the accounts receivable into combinations based on credit risk characteristics, and calculates ECL on a combination basis. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Aging portfolio	Classification according to common credit risk characteristics	ECL is calculated based on aging and ECL rates over the lifetime
Related party portfolio	Receivables arising between related parties within the scope of consolidated statements	ECL rate of the portfolio is 0% based on default risk exposure and ECL rates over the lifetime

13. Accounts receivable financing

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on accounts receivable financing.

14. Other receivables

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on other receivables.

The company separately recognises credit losses on other receivables for which credit impairment has occurred subsequent to initial recognition.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the company calculates ECL on a portfolio basis by dividing other receivables into portfolios based on credit risk characteristics, with reference to historical credit loss experience, combining current conditions with judgement of future economic conditions. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Aging portfolio	Classification according to common credit risk characteristics	ECL is calculated based on default risk exposure and ECL rates within the next 12 months or over the lifetime
Related party portfolio	Receivables arising between related parties within the scope of consolidated statements	ECL rate of the portfolio is 0% based on default risk exposure and ECL rates within the next 12 months or over the lifetime

15. *Inventories*

(1) Classification of inventories

Inventories refer to the completed products or merchandize, semi-finished products under production process, and materials and items consumed during production or provision of labor services which are held for sale by the company over the course of ordinary activities. These mainly include raw materials, turnover materials, commissioned processing materials, work in progress, finished products (inventory goods), delivered goods, etc.

(2) Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The prices of inventories are calculated using weighted average method when they are taken or delivered.

(3) Determination criteria for the net realizable value of inventories and provision for inventory impairment

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

(4) Inventory system

Perpetual inventory system is adopted.

(5) Amortization of low-value consumables and packaging

① Low-value consumables are amortized by one-time write-off;

② Packaging materials are amortized by one-time write-off;

③ Other supplementary materials are amortized by one-time write-off.

16. Contract assets

If the company has transferred the goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as a contract asset. The company's unconditional (i.e. depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting treatment method of the expected credit losses of the contract assets of the company, please refer to Impairment of financial instruments of Note V. 10.(6).

17. *Contract Cost*

(1) Contract performance cost

The company recognises as an asset the cost of performing a contract that it incurs to perform the contract that is outside the scope of accounting standards for enterprises other than revenue standards and that simultaneously meets the following conditions:

① The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar), costs that are clearly attributable to the customer, and other costs that are incurred solely as a result of the contract;

② The cost increases the resources that the enterprise will use to fulfill its performance obligations in the future;

③ The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortisation period at initial recognition exceeds a normal operating cycle.

(2) Contract acquisition cost

Incremental costs incurred by the company in obtaining a contract that are expected to be recovered are recognised as contract acquisition costs as an asset. Incremental costs are costs that the company would not have incurred without obtaining a contract, such as sales commissions. Where the amortisation period does not exceed one year, it is included in the current profit or loss when incurred.

(3) Amortization of contract costs

The above assets relating to contract costs are amortised at the point in time when the performance obligation is satisfied or in accordance with the progress of the performance obligation, on the same basis as the recognition of income from goods or services relating to the asset, and are included in the profit or loss of the current period.

(4) Impairment of contract costs

Where the carrying value of the above assets relating to contract costs is higher than the difference between the remaining consideration expected to be obtained by the Company from the transfer of the commodities related to the assets and the cost estimated to be incurred for the transfer of the related commodities, the excess shall be provided for impairment and recognised as an asset impairment loss.

After the provision for impairment is made, if the difference between the above two items is higher than the carrying amount of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

18. Other debt investments

See Note V.10.(6) Impairment of financial instruments for details of the method of determining and accounting for ECL on other debt investments.

19. Long-term equity investments

(1) Initial determination of investment costs

① For long-term equity investment formed by business combination, details of accounting policies are set out in Note V. 5. Accounting treatments of business combinations involving entities under common control and entities not under common control.

② Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined by the actual consideration paid. The initial investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during insurance or acquisition of equity instrument that may be directly attributable to equity trade can be deducted from the equity.

The initial investment costs of long-term equity investment obtained in an exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a non-monetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

(2) Subsequent measurement and profit or loss recognition

① Cost method

The company adopts the cost method to record the long-term equity investment which is available for the investee to implement control, using consideration cost as the initial investment cost, and the subsequent additions and disposals would be adjusted to long-term equity investment cost.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the company recognizes cash dividends or profits declared by the investee as current investment gains.

② Equity method

The company adopts the equity method for accounting of long-term equity investment in joint ventures and associates; where part of the equity investment of the investing party is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value, the changes in which are included in the profit and loss.

When the initial investment cost of the long-term equity investment exceeds the share of fair value in the net tangible assets in the investee, the initial investment cost of a long-term equity investment is not adjusted based on such difference. When the initial investment cost is lower than the share of fair value in the net tangible asset in the investee, such difference is recognized in profit or loss for the period.

After the company acquires a long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, recognize the investment income and other comprehensive income respectively and simultaneously adjust the carrying value of the long-term equity investment. The company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the carrying value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the company shall adjust the carrying value of the long-term equity investment and include such change into the owners' equity.

The company shall, based on the fair value of identifiable net assets of the investee when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the company and the associates, joint ventures be deducted with the part attributable to the company according to the proportion the company is entitled to, and the gains or losses on investment shall be recognized on such basis.

Recognition of loss in the investee by the company shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investments is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of the long-term equity net investment in the investee and reduce the carrying amount of long-term receivables. Finally, after the above treatment, if the company still bears additional obligations stipulated under the investment contract or agreement, the estimated obligations assumed are recognized as estimated liabilities and recognized in profit or loss for the period.

If the investee records a profit subsequently, after reducing the attributable loss that is not yet recognized, the treatment by the company shall be the reverse of the above order: reverse the carrying balance of estimated liabilities already recognized, restore the carrying amount that physically constitute the long-term interests and long-term equity investment in the investee, and recognize investment gain.

(3) Change of the accounting methods for long-term equity investments

① Change of measurement at fair value to accounting under equity method

Where the equity investment held by the company with no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can place significant impact or carry out common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined subject to the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the new investment cost are determined to be the initial investment cost accounted under equity method.

If the previously held equity investment is classified as an available-for-sale financial asset, the difference between the fair value and the carrying amount, and the accumulated fair value changes previously recognised in other comprehensive income are transferred to the current gain or loss after being accounted for under the equity method.

The carrying value of the long-term equity investment is adjusted by the difference between the fair value shares of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment and the initial investment cost under equity cost and is included in current non-operating income.

② Change of measurement at fair value or accounting under equity method to cost method

For the equity investment of the investee held by the company with no control, joint control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can be controlled due to addition of investment, the sum of the carrying value of the original equity investment and the cost of new investment is changed to be accounted under cost method and recognized as the initial investment cost when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted on the same basis for the disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the accumulated fair value changes that were originally included in other comprehensive income shall be included in current profit or loss under cost method.

③ Change of accounting under equity method to measurement at fair value

Where the company losses common control or significant impact over the investee due to disposal of some of the equity investment, the remaining equity after disposal shall be subject to accounting under Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the carrying value is included in current profit or loss.

Other comprehensive income that is recognized previously for the equity investment due to adoption of the equity method shall be subject to accounting on the same basis for disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

④ Change of cost method to equity method

Where the company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal can place common control or significant impact over investee, it should be changed to equity method in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method is adopted at the acquisition.

⑤ Change of cost method into measurement at fair value

Where the company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal cannot place common control or significant impact over investee, the accounting should be changed and become subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the control is lost and the carrying value is included in current profit and loss.

(4) Disposal of long-term equity investment

When disposal of long-term equity investment, the difference between its carrying value and the payment actually acquired shall be included in the current profit or loss. When disposal of long-term equity investment measured by employing the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto according to the corresponding proportion.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment:

① these transactions were entered into at the same time or after considering the effects of each other;

② only when regarding these transactions as a whole, can it achieve a complete business result;

③ the occurrence of one transaction depends on the occurrence of at least one other transaction;

④ a transaction is not economical when treated alone, but is economical when considered with other transactions.

When an entity loses control on its original subsidiary due to partial disposal of equity investment or otherwise, it does not belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

① In separate financial statements for equity disposed, the difference between the carrying value and the actual payment is included in current profit or loss. Where the remaining equity after disposal can implement common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity is adopted at the time of acquisition; where the remaining equity after disposal cannot implement common control or place significant impact over the investee, relevant provisions of Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments shall be adopted for accounting, and the difference between the fair value on the date when the control is lost and the carrying value is included in current profit or loss.

② In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of loss of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of loss of control. The difference between the sum of the price acquired for disposal of equity and the fair value of the remaining equity less shares of net assets constantly calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to good will. Other comprehensive income related to original equity investment in the subsidiaries is transferred to current investment income at the time of loss of control.

If transactions in relation to the disposal of equity investments in subsidiaries until control is lost belong to a package transaction, each transaction shall be treated as a transaction for the disposal of equity investments in subsidiaries and the loss of control and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

① In separate financial statements, the difference between each disposal price before the loss of control and the carrying value of the long-term equity investment corresponding to the equity disposed is recognized as other comprehensive income; and shall be transferred to current profit or loss at the time of loss of control.

② In consolidated financial statements, the difference between each disposal price before the loss of control and the share of net assets in the subsidiary corresponding to the disposal of investment is recognized as other comprehensive income, and shall be transferred to profit or loss for the period when control is lost.

(5) Criteria for determination of common control and significant impact

If the company collectively controls certain arrangement with the other participants as agreed, and the decisions on the activities that may have significant impact on the return of arrangement exit with consistent agreement from participants sharing the control power, then the company and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, it is judged according to relevant agreement that, when the company is entitled to rights over the net assets of such entity, the entity is a joint venture and adopts equity method for accounting treatment. If judged according to relevant agreement that, the company has no rights over the net assets of such entity, such entity is joint operation, and the company recognize the items in relation to the shares in the joint operation and adopts provisions of relevant accounting standards for accounting treatment.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an invested entity, but not to control or jointly control together with other parties over the formulation of these policies. The company determines the significant impact on investee in one or more situations as follows after a comprehensive consideration of all facts and situations: ①dispatching representatives in the board of directors or similar power organ of the investee; ②participating in the formulation of the financial and operation policies of the investee; ③having significant deals with the investee; ④dispatching management personnel to the investee; and ⑤providing key technical data to investee.

20. Fixed assets

(1) Recognition conditions of fixed assets

Fixed assets refer to tangible assets held for the production of merchandize, provision of labor services, renting or operational management with useful life over one accounting year. Fixed assets are recognized when all of the following conditions are met:

① economic benefits related to such fixed assets are likely to flow into the enterprise;

② costs of such fixed assets can be reliably measured.

(2) Initial measurement of fixed assets

The fixed assets of the company are initially measured at cost.

① The cost of the externally purchased fixed assets include the purchase price, the import duties, and the other expenditure direct attributable to such assets for such assets to be available for its intended use.

② The cost of a self-constructed fixed asset consists of all necessary expenses incurred for enabling the asset to be available for its intended use.

③ The cost invested to a fixed asset by the investor is determined according to the value agreed upon in the investment contract or agreement. Where the valued agreed upon in the said investment contract or agreement is unfair, the said cost will be determined according to the fair value of the asset.

④ Where the price for purchase of the fixed assets exceeds the deferred payment on normal credit terms with substantial financing nature, the cost is determined on the basis of the present value of the purchase price. The difference between the actual payment and the purchase price, besides being capitalized, shall be included in current profit or loss during the credit period.

(3) Subsequent measurement and disposal of fixed assets

① Depreciation of fixed assets

The depreciation of fixed assets is provided within the estimated useful life based on the value carried less the expected net residue. For fixed assets with impairment provided, the depreciation can be determined based on the carrying value less the provision for impairment in future period and the remaining useful life. No depreciation is provided for still in use but fully depreciated assets.

The fixed assets formed by special reserve expenditures shall be reduced by the cost of forming fixed assets and the accumulated depreciation of the same amount shall be confirmed. The fixed assets shall not be further depreciated in the future.

The company determines the useful life and estimated net residual value of fixed assets based on their nature and use condition. The useful life, estimated net residual value and method of depreciation of fixed assets are re-assessed at the end of the period, and corresponding adjustment is made when any difference from the originally estimated amount is found.

The depreciation method, period of depreciation and annual depreciation ratio of different categories of fixed assets are as follows:

Category	**Method of depreciation**	**Period of depreciation**	**Residual value ratio**	**Annual depreciation ratio**
Houses and buildings	Average year method	20-50	5	1.90-4.75
Machinery equipment	Average year method	5-10	5	9.50-19.00
Underground works assets	Units-of-production method			
Transportation equipment	Average year method	5	5	19.00
Office facilities and others	Average year method	3-5	5	19.00-31.67

The depreciation method for underground works assets was changed from average year method to units-of-production method with effect from 1 January 2017, except for fixed assets that have been fully depreciated and are still in use, and land that is separately valued and accounted for as fixed assets in accordance with the regulations, etc. The depreciation method of other fixed assets is the average year method.

② Subsequent expenses of fixed assets

For subsequent expenses in relation to fixed assets, those that comply with the recognition criteria for fixed assets are included in the costs of fixed assets; those that do not are included in current profit or loss at the time of incurrence.

③ Disposal of fixed assets

A fixed asset is derecognized when the disposal or expected use or disposal of such fixed asset cannot create any economic benefits. The disposal income from sale, transfer, retirement or damage of fixed assets is recognized in profit or loss for the period after deducting its carrying amount and relevant taxation.

(4) Basis of recognition, valuation and depreciation of fixed assets acquired under finance leases

Fixed assets leased to the company are recognised as finance leased assets when one or more of the following criteria are met:

① The lease transfers ownership of the asset to the company by the end of the lease term.

② The company has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised.

③ The lease term is for the major part of the economic life of the asset, even if the title is not transferred.

④ At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

⑤ The leased assets are of a specialised nature such that only the company can use them without major modifications being made.

Fixed assets leased under finance leases are carried at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception date of the lease. The minimum lease payments are recorded as a long-term payable, with the difference being an unrecognised financing expense. Initial direct costs incurred in the course of negotiating and signing leases, such as handling fees, legal fees, travel expenses and stamp duty attributable to the leases, are included in the value of the leased assets. Unrecognised finance expenses are apportioned over the lease term using the effective interest method.

The company adopts the same depreciation policy as its self-owned fixed assets to accrue the depreciation of fixed assets acquired under finance leases. Where it is reasonably certain that ownership of the leased assets will be obtained at the end of the lease term, depreciation is provided over the useful life of the leased assets. Where it is not reasonably certain that ownership of the leased assets will be obtained at the end of the lease term, depreciation is provided over the shorter of the lease term and the useful life of the leased assets.

21. Constructions in progress

The company is required to comply with the disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 2 – Listed Companies Engaged in Solid Mineral Resources Related Business

(1) Initial determination of construction in progress

The self-constructed constructions in progress of the company are measured at actual cost, which consist of the necessary expenses required for bringing such constructions to the expected useable conditions including the cost of construction materials, labor costs, relevant taxes and fees paid, borrowing expenses to be capitalized and indirect costs to be apportioned.

(2) Criteria and timing for conversion of construction in progress into fixed assets

The total expenditure incurred before the construction in progress project is constructed to reach the intended usable condition shall be recorded as the carrying value of the fixed assets. For the construction in progress built which has reached the intended usable condition, but has not yet completed the final accounts, since the date of reaching expected use condition, according to the project budget, cost or actual project costs, it shall be converted into fixed assets at the estimated value, and fixed assets shall be depreciated in accordance with the depreciation policy of the company for fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

22. Borrowing expenses

(1) Principles of recognizing capitalization of borrowing expenses

The borrowing expenses of the company directly attributable to the construction or production of an asset meeting capitalization conditions are capitalized and recognized in relevant asset costs; other borrowing expenses are recognized as expenses based on the amount incurred and recognized in profit or loss for the period.

An asset that meets the capitalization conditions refers to fixed assets, real estate investments and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

Borrowing expenses are capitalized when all of the following conditions are met:

① the asset expense has occurred, which includes expenses in the form of cash paid, non-monetary asset transferred or interest-bearing obligations assumed for the construction or product of an asset that meets capitalization conditions;

② the borrowing expenses have occurred;

③ the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.

(2) Capitalization period of borrowing expenses

Capitalization period refers to the time starting from the borrowing expenses are capitalized to the time capitalization is stopped, except for the period which capitalization of borrowing expenses is suspended. When the construction or production of an asset meeting capitalization conditions has reached expected useful or saleable conditions, the capitalization of borrowing expenses is stopped.

When a portion of the construction or production of an asset meeting capitalization conditions has completed and can be used individually, the capitalization of borrowing expenses of such portion of asset is stopped.

When portions of the construction or production of an asset have been completed but will only become useful or saleable after the entire asset is completed, the capitalization of borrowing expenses is stopped when the entire asset is completed.

(3) Suspension of capitalization period

Capitalization of borrowing expenses is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions. If such interruption is a necessary procedure for the construction or production of the asset that meets capitalization conditions, the borrowing expenses are continued to be capitalized. The borrowing expenses incurred during the interruption are recognized as profit or loss for the period, and capitalization of borrowing expenses continues when the construction or production activities of the asset resumes.

(4) Calculation of capitalized amount of borrowing expenses

Interest expenses of special loans (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses incurred for the construction or production of asset that meets capitalization conditions before the asset reaches expected useable or saleable condition are capitalized.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special loan multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on normal weighted average interest rate.

When there is discount or premium in the loan, the discount or premium to be amortized in each accounting period is determined using effective interest method and the interest amount for each period is adjusted.

23. Intangible assets

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the company which have no physical form, including patent rights, non-patent technologies, trademark rights, copyrights, land use rights, geological achievements (mining rights), exploration and development expenditures and others.

(1) Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the entry value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognized in profit or loss for the period.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination of entities under common control, the entry value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the entry value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

(2) Subsequent measurement of intangible assets

The company determines the useful life of intangible assets on acquisition, which are classified as intangible assets with limited useful life and indefinite useful life.

1) Intangible assets with a limited useful life

Intangible assets with a limited useful life are amortised using straight line method over the term during which they bring economic benefits to the company. The company's geological achievements (mining rights) are amortised under the production method from the commencement of mining at the relevant mine.

The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	**Estimated useful life**	**Basis**
Land use right	7-50 years	Title certificate
Software	5-10 years	Benefit period

The useful life and amortisation method of intangible assets with limited life are re-assessed at the end of each period. If there are differences from the original estimates, corresponding adjustments are made.

2) Intangible assets with indefinite useful life

If the term of economic benefit the intangible asset can bring to the company cannot be estimated, it is deemed to be an intangible asset with indefinite life.

Intangible assets with indefinite useful life are not amortized during the holding period. The useful life of intangible assets with indefinite life is re-assessed at the end of each period. If it is re-assessed to remain indefinite at the end of the period, impairment tests shall be conducted during each accounting period.

24. *Exploration and development expenses*

Exploration and development expenses refer to expenses incurred in detailed investigation and exploration in geological exploration activities, with mining areas as accounting objects.

In the process of detailed investigation and exploration, if the company determines that no economically recoverable reserves are found in the activity after the completion of drilling and pitting, it shall be directly expensed; if it is determined that the activity has found proved economically recoverable reserves, the exploration and development expenses incurred shall be capitalized.

Where it is not certain that the exploration activity has discovered proved economically recoverable reserves, it shall be temporarily capitalised upon completion. Capitalised expenses on exploration continues to be temporarily capitalised and is otherwise included in profit or loss for the period if the discovery of proved economically recoverable reserves is uncertain at the end of the duration of the mineral rights and the following conditions are met: (1) sufficient reserves have been found in the exploration, but whether they belong to the proved economically recoverable reserves shall be determined; the exploration also requires further exploration activities, which are in progress or clearly planned and will be implemented; (2) the management judges that there are exploration prospects and that the mining right can be renewed normally.

25. Impairment of long-term assets

The long-term assets mentioned in this item mainly include non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a limited life, investment properties measured by cost model, and long-term equity investments in subsidiaries, joint ventures, and associates.

The company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

In the impairment test of goodwill, the carrying value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When taking an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related carrying value to recognise the corresponding impairment loss. Next, the company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the carrying value of the related asset group or portfolio of asset group (carrying value includes the share of goodwill) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the carrying value, the company will recognise the impairment loss of goodwill.

26. Long-term deferred expenses

Long-term deferred expenses refer to expenses that have already been spent by the company, but shall be amortised in the current period and the future periods and the benefit period is over 1 year. Long-term deferred expenses are amortised on a straight-line basis over benefit period.

27. Contract Liability

Contract Liability refers to the company's obligation to transfer goods to the customer for the consideration received or receivable.

28. Employee Remuneration

Employee remuneration refers to all kinds of remunerations and other relevant reimbursements made by the company to its employees in exchange for services of said employees or for termination of labor relation, including short-term employee remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Accounting treatment of short-term remuneration

Short-term remuneration refers to the employee compensation other than post-employment benefits and termination benefits, which are required to be fully paid within 12 months upon the end of the annual reporting period when the employees provide relevant services. During the accounting period when the employees provide services, the company recognizes the short-term remuneration payable as liabilities and includes them into relevant asset costs and expenses according to benefits from the services provided by employees.

(2) Accounting treatment of post-employment benefits

Post-employment benefit refers to all kinds of remunerations and benefits other than short-term remuneration and termination benefits that are provided by the company after the retirement of the employees or termination of labor relation with enterprises in exchange for services provided by employees.

The post-employment benefits of the company are categorized as defined contribution plans and defined benefit plans.

The defined contribution plans under the post-employment benefits are mainly for the participation in the social basis endowment insurance and unemployment insurance organized and carried out by local labor and social guarantee authorities. During the accounting period when the employees provide services for the Company, the payable amount of defined contribution plans is recognized as liabilities and included in current profit or loss or relevant costs of assets.

The defined benefit plans under the post-employment benefits are mainly well-defined standard additional benefits paid to the retirees, living expenses paid for the bereaved family members of the deceased employees, etc. For the obligations undertaken in the defined benefit plans, independent actuaries shall use the expected cumulative welfare unit method to conduct actuarial calculations on the balance sheet date, and attribute the welfare obligations arising from the defined benefit plans to the period during which employees provide services, and include them in profit or loss for the period or related asset costs. Of them, unless other accounting standards require or allow employee benefits costs to be included in assets costs, service costs of the defined benefit plans and net interest on net liabilities or net assets of the defined benefit plans are included in the current profit and loss during the period in which they occur; changes arising from the remeasurement of net liabilities or net assets in the defined benefit plans are included in other comprehensive income during the period in which they occur, which is not allowed to be reversed to profit or loss in subsequent accounting periods.

(3) Accounting treatment of termination benefits

Termination benefit refers to indemnity provided by the company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily. When the earlier of the company cannot unilaterally withdraws the employment relations or cut-down proposals and the date of confirmation of relevant cost and expenses on paying termination benefits, those liabilities arising from the confirmed terminations is charged to profit or loss for the period.

(4) Accounting treatment of other long-term employee benefits

Other long-term employee benefits refer to all the employee compensations other than short-term remuneration, post-employment benefits and termination benefits.

For other long-term employee benefits qualified for defined contribution plans, during the accounting period when the employees provide services for the company, the amount payable is recognized as liabilities and included in current profit and loss or relevant asset cost.

29. Estimated liabilities

(1) Criteria for recognition of estimated liabilities

The company recognises an estimated liability when the obligations associated with the contingency simultaneously meet the following conditions:

The obligation is a present obligation of the company;

Fulfilment of this obligation is likely to result in outflow of economic benefits from the company;

The amount of the obligation can be measured reliably.

(2) Measurement of estimated liabilities

The company's estimated liabilities are initially measured using the best estimate of the expenditure necessary to meet the relevant present obligations.

In determining the best estimate, the company considers factors such as risks, uncertainties and time value of money relating to contingencies. Where the effect on the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

The best estimates are dealt with as follows:

Where there is a continuous range (or interval) of expenditures required and the probabilities of various outcomes within that range are the same, the best estimate is determined based on the median of that range, which is the average of the upper and lower amounts.

Where there is no continuous range (or interval) of required expenditures, or there is a continuous range but the probability of occurrence of various results within the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; if the contingency involves more than one item, the best estimate is determined by calculating the various possible outcomes and the associated probabilities.

Where all or part of the expenses required by the company to settle the estimated liabilities are expected to be compensated by a third party, the amount of compensation is recognised separately as an asset when it is substantially certain that it will be received, and the amount of compensation recognised does not exceed the carrying amount of the estimated liabilities.

30. Revenue

The company's revenue is mainly derived from the sale of commodities and metal trading.

(1) General principles for revenue recognition

The company recognises revenue at the transaction price allocated to a contractual performance obligation when the customer obtains control of the related goods or services.

A performance obligation is a contract whereby the company conveys a clearly identifiable good or service to a customer.

Obtaining control over the relevant commodity means being able to dominate the use of the commodity and obtain substantially all of the economic benefits therefrom.

The company assesses a contract at the commencement date of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a time period or at a point in time. A performance obligation that is performed within a certain period of time if one of the following conditions is met, and the company recognises revenue over a period of time based on the performance schedule: ① the customer obtains and consumes the economic benefits brought about by the company's performance while the company performs; ② the customer is able to control the goods under construction during the company's performance; ③ commodities produced in the course of the company's performance have an irreplaceable use and the company is entitled to payment for the performance completed to date accumulated throughout the contract period. Otherwise, the company recognises revenue at a point in time when the customer obtains control of the related goods or services.

For performance obligations performed within a certain period of time, the company uses the output method/ input method to determine the appropriate performance schedule based on the nature of the goods and services. The output method determines the performance progress based on the value of the goods transferred to the customer (the input method determines the performance progress based on the company's inputs to fulfill the performance obligations). When the performance schedule cannot be reasonably determined, if the company expects to be compensated for the costs already incurred, revenue is recognised based on the amount of costs already incurred until the performance schedule can be reasonably determined.

(2) Specific method of revenue recognition

In addition to metal trading, the company's sales of main commodities include: alloy gold, lead concentrate (containing silver) and zinc concentrate. The specific conditions for revenue recognition are that the commodities have been delivered and the control has been transferred, and at the same time, both the purchaser and the seller have confirmed that the weighing and test results are correct, and have no objection to the selling price of the commodities.

31. *Government subsidies*

(1) Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation. According to the subsidy object stipulated in the documents of relevant government, government subsidies are divided into subsidies related to assets and subsidies related to revenue.

Government subsidies related to assets are obtained by the company for the purposes of constructing or forming long-term assets in other ways. Government subsidies related to revenue refer to the government subsidies other than those related to assets.

(2) Recognition of government subsidies

Where evidence shows that the company complies with relevant conditions of policies for financial supports and are expected to receive funds at the end of the period, the amount receivable is recognized as the government subsidies. Otherwise, the government subsidy is recognized upon receipt.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be reliably obtained, a nominal amount (RMB1) is used. Government subsidies that are measured at nominal amount shall be recognized in profit or loss for the period directly.

(3) Accounting treatment

The company determines whether a class of government subsidy business should be accounted for using the gross method or the net method based on the substance of the economic business. Generally, the company selects only one approach for same or similar government-subsidized business and applies that approach consistently to that business.

Government subsidies related to assets should be written down against the carrying amount of the related assets or recognised as deferred income. Government subsidies relating to assets that are recognised as deferred income are credited to profit or loss in a reasonable and systematic manner over the useful lives of the assets constructed or purchased.

Government subsidies related to revenue aimed at compensating for relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income once received, and are recognized in the current profit or loss or offset against related costs in the periods when relevant expenses or losses are recognized. Government subsidies aimed at compensating for relevant expenses or losses the enterprise that are already incurred are directly included in the current profit or loss or offset against related costs once received.

Government subsidies related to daily activities of enterprises are included in other income or offset against related costs and expenses; government subsidies that are not related to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy related to the discount interest received from policy-related preferential loans offsets the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the recording value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

When it is required to return recognized government subsidy, the carrying amount of the relevant assets is written down on initial recognition, and the carrying amount of the assets is adjusted. If there is relevant balance of deferred income, it shall be written down to relevant book value of relevant deferred income, and the excess is included in current profit or loss; where there is no relevant deferred income, it shall be directly included in current profit or loss.

32. Deferred income tax assets / deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period, when it is expected to recover such assets or repay such liabilities.

(1) Criteria for recognition of deferred income tax assets

The company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized, and deductible losses and taxes can be carried forward to subsequent years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognized: ① the transaction is not a business combination; or ② neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognized in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

(2) Criteria for recognition of deferred income tax liabilities

The company recognizes deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

① temporary difference arising from the initial recognition of goodwill;

② transactions or events arising from no business combination, and neither the accounting profit or the taxable income (or deductible losses) is affected when the transaction or event occurs;

③ for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the difference can be controlled and the difference is probably not reversed in a foreseeable future.

(3) Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met:

① The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

② Deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax administration department on the same taxable entity or different taxable entities, however, in the future period when each significant deferred income tax asset and deferred income tax liability are transferred back, the taxable entities involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and settle debts simultaneously.

33. Leasing

If the terms of the lease substantially transfer to the lessee all the risks and rewards associated with ownership of the leased asset, the lease is a finance lease and other leases are operating leases.

(1) Accounting treatment of operating lease

① Operating lease assets

The lease fee paid by the company for leasing assets shall be amortized on a straight-line basis during the entire lease period without deducting the rent-free period, and included in current expenses. The initial direct expenses paid by the company related to the leasing transaction shall be included in the current expenses.

When the lessor of the asset assumes the lease-related expenses that should be borne by the company, the company deducts the part of the expenses from the total rental amount, and the deducted rental expenses are apportioned during the lease term and included in the current expenses.

② Operating leased assets

The lease fees received by the company for renting assets are apportioned on a straight-line basis over the entire lease term without deducting the rent-free period and are recognized as lease income. The initial direct expenses related to lease transactions paid by the company are included in the current expenses; if the amount is larger, they are capitalized and are recorded in the current period in stages on the same basis as the recognition of lease income during the entire lease period.

When the company assumes the lease-related expenses that should be borne by the lessee, the company deducts the expenses from the total amount of rental income and allocates the deducted rental expenses during the lease period.

(2) Accounting treatment of finance lease

① Assets acquired under financing leases: On the lease starting date, the company takes the lower of the fair value of the leased assets and the current value of the minimum lease payments as the entry value of the leased assets, and regards the minimum lease payments as the entry value of long-term payables and the difference as unrecognized financing expenses. For details of the basis for the identification, valuation and depreciation of the finance leased assets, see Note V. 20. Fixed assets.

The company adopts the actual interest rate method to amortize the unrecognized financing expenses during the asset lease period and count it into financial expenses.

② Assets leased out under financing leases: The company recognizes the finance lease receivables on the lease starting date. The difference between the sum of the unguaranteed residual values and its current value is recognized as unrealized financing income. It is recognized as rental income over the period when rental is received in the future. The initial direct costs incurred by the company in relation to the lease transaction are included in the initial measurement of the finance lease receivable, and the amount of revenue recognized in the lease period is reduced.

34. Other important accounting policies and accounting estimates

(1) Hedge accounting

In order to reduce the impact of commodity price fluctuations in spot operations on the business, the company makes full use of hedging function of the financial derivatives market, and carries out daily accounting of the hedging business according to the provisions of the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting. According to the hedging relationship, the company divides hedging into fair value hedging and cash flow hedging.

A. The hedge accounting method is applied for hedging instruments that meet the following conditions at the same time

① The hedging relationship consists only of qualified hedging instruments and hedged items.

② At the beginning of hedging, the company officially designated the hedging instrument and the hedged item, and prepared written documents on the hedging relationship, the risk management strategy and objectives of the hedging.

③ The hedging relationship meets the requirements for hedging effectiveness.

If the hedging meets the following conditions at the same time, the hedging relationship is deemed to meet the requirements of hedging effectiveness:

1) There is an economic relationship between the hedged item and the hedging instrument. The economic relationship makes changes in the

opposite direction in the value of the hedging instrument and the hedged item due to their exposure to the same hedged risk.

2) The effect of credit risk does not dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.

3) The hedge ratio of the hedging relationship is equal to the ratio of the quantity of hedged items actually hedged by the company to the actual quantity of hedging instruments used to hedge them, which however does not reflect an imbalance in the relative weights of hedging items and hedging instruments, which will lead to ineffective hedging and may produce accounting results that are inconsistent with the objectives of hedge accounting.

B. Fair value hedge accounting

① Gain or loss from hedging instruments is included in profit and loss for the period. If the hedging instrument is used to hedge a non-trading equity instrument investment (or its component) that is measured at fair value through other comprehensive income, the gain or loss arising from the hedging instrument is included in other comprehensive income.

② The gain or loss of the hedged item due to the hedged risk exposure is included in profit or loss for the period, and the carrying amount of the recognized hedged item that is not measured at fair value is adjusted at the same time. If the hedged item is a financial asset (or its component) measured at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is included in profit or loss for the period, and its carrying amount has been measured at fair value and no adjustment is required. If the hedged item is a non-trading equity instrument investment (or its component) that the company chooses to measure at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is included in other comprehensive income, and its carrying amount has been measured at fair value and no adjustment is required.

If the hedged item is an unrecognized firm commitment (or its component), the cumulative changes in fair value caused by the hedged risk exposure after the hedging relationship is designated is recognized as an asset or liability, and the related gain or loss is included in profit or loss for each respective period. When an asset is acquired or a liability is assumed for the performance of the firm commitment, the initially recognized amount of the asset or liability is adjusted to include the accumulated changes in the fair value of the hedged item that has been recognized.

③ If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment to the carrying amount of the hedged item shall be amortized according to the actual interest rate recalculated on the date when the amortization starts, and included in profit or loss for the period. The amortization can start from the adjustment date, but not later than the time point of termination of the adjustment to hedging gain and loss on the hedged item. If the hedged item is a financial asset (or its component) measured at fair value through other comprehensive income, the accumulated hedging gain or loss recognized shall be amortized in the same way and included in profit or loss for the period, but the carrying amount of the financial asset (or its component) will not be adjusted.

C. Cash flow hedge accounting

① The part of gain or loss generated by the hedging instrument that is effective in hedging is included in other comprehensive income as the cash flow hedging reserve. The amount of cash flow hedging reserve shall be determined at the lower of absolute amounts of the following:

1) The cumulative gain or loss of the hedging instrument since the beginning of hedging;

2) The cumulative changes in the present value of estimated future cash flow of the hedged item since the beginning of hedging. The amount of cash flow hedge reserve included in other comprehensive income in each period is the change in cash flow hedging reserve for the period.

② The part of the gain or loss generated by the hedging instrument that is ineffective in hedging (that is, other gain or loss after deducting other comprehensive income) shall be included in profit or loss for the period.

③ The amount of cash flow hedging reserve shall be accounted for in accordance with the following requirements:

1) The hedged item is an expected transaction, and the expected transaction causes the company to subsequently recognize a non-financial asset or non-financial liability, or the expected transaction of a non-financial asset or a non-financial liability forms a firm commitment applicable to fair value hedge accounting, the cash flow hedging reserve amount originally recognized in other comprehensive income shall be transferred out and included in the initially recognized amount of the asset or liability.

2) For cash flow hedges that are not involved in the previous requirement, during the same period when the hedged expected cash flow affects profit and loss, the cash flow hedging reserve amount originally recognized in other comprehensive income is transferred out and included in profit and loss for the period.

3) If the cash flow hedging reserve amount recognized in other comprehensive income is a loss, and all or part of the loss is not expected to be covered in future accounting periods, in such case, the part that is not expected to be covered will be transferred out from other comprehensive income and included in profit and loss for the period.

D. Termination of hedge accounting

In case of any of the following circumstances, the use of hedge accounting shall be terminated:

① The hedging relationship no longer satisfies the risk management objectives due to changes in risk management objectives.

② The hedging instrument has expired, been sold, terminated or exercised.

③ The economic relationship between the hedged item and the hedging instrument no longer exists, or the effect of credit risk begins to dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.

④ The hedging relationship no longer satisfies other conditions for applying the hedging accounting method stipulated in this standard. When the rebalancing of the hedging relationship is applicable, the enterprise should first consider the rebalancing of hedging relationship, and then evaluate whether the hedging relationship meets the conditions for applying the hedge accounting method stipulated in this standard.

The termination of hedge accounting may affect the whole or part of the hedging relationship, and when only a part of it is affected, the remaining unaffected part is still applicable to hedge accounting.

E. Fair value options for credit risk exposure

When a credit derivative at fair value through profit or loss is used to manage the credit risk exposure of a financial instrument (or its component), when the financial instrument (or its component) is initially recognized, in the subsequent measurement or before it is recognized, it is designated as a financial instrument measured at fair value through profit or loss for the period, and a written record is made also, but should meet the following conditions simultaneously:

① The subject of credit risk exposure of the financial instrument (such as the borrower or holder of the loan commitment) is consistent with that involved in credit derivative instrument;

② The repayment level of the financial instrument is consistent with that of the instruments to be delivered according to the terms of credit derivative instrument.

(2) Safety production fee

The safety production fee set aside by the company in accordance with national regulations is included in the cost of related products or profit and loss for the period, and is also recorded in the "special reserve" item. When using the set aside safety production fee, if it is an expensed expenditure, it shall be directly offset against the special reserve. If it forms a fixed asset, the expenditures incurred are collected under the "construction in progress" item, and it is recognized as a fixed asset when the project is completed and reaches the intended usable state. At the same time, the cost of forming the fixed asset is offset against the special reserve, and the accumulated depreciation of the same amount is recognized. The fixed assets will not be depreciated in the subsequent periods.

The company's provision standard for special reserve is: RMB5/ton for open-pit mines, RMB10/ton for underground mines, and RMB1.0-1.5/ton for tailings safety production fees.

(3) Treasury shares

According to the relevant provisions of the Company Law, if the company's shares are repurchased, the amount actually paid should be regarded as treasury shares and registered for reference. If the shares repurchased are cancelled, the difference between the total face value of shares calculated as per the face value and number of the shares cancelled and the amount actually paid for repurchase should be used to write down the capital reserve. If the capital premium is insufficient for writing down, the retained earnings should be written down. If the repurchased shares used for equity incentives are equity-settled share-based payment, the amount determined based on actual exercise of options shall be written off against the cost of delivery of treasury shares and the accumulative amount of capital reserve (other capital reserves) in the vesting period, and the capital reserve (share premium) shall be adjusted according to the difference. If the repurchased shares used for employee stock ownership plan involves no share-based payment, the treasury shares will be directly offset when the price is received. If the enterprise holds treasury shares and then resells, all the considerations received will be recognized in equity to reduce the book value of treasury shares, and the capital reserve (share premium) shall be adjusted according to the difference. If the share premium is insufficient, the retained earnings should be written down.

The company shall comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 2 – Listed Companies Engaging in Solid Mineral Resources-related Business (《深圳證券交易所行業信息披露指引第2號－上市公司從事固體礦產資源相關業務》).

35. *Changes in important accounting policies and accounting estimates*

(1) Changes in important accounting policies

✔ Applicable ☐ N/A

Contents and reasons for changes in accounting policies	**Approval procedure**	**Remark**
The company has implemented the Accounting Standards for Business Enterprises No. 14 – Revenue revised by the Ministry of Finance in 2017 from 1 January 2020	Considered and approved by the board of directors and the board of supervisors on 21 February 2020	

The impact of implementing new revenue standard on the company:

The company has implemented the Accounting Standards for Business Enterprises No. 14 – Revenue (《企業會計準則第14號－收入》) revised by the Ministry of Finance in 2017 from 1 January 2020. For details of the revised accounting policies, please refer to Note V.30. Revenue.

According to transitional provisions of the new revenue standard, the amount of retained earnings and other related financial statements items at the beginning of the period of first implementation of the standard (1 January 2020) shall be adjusted against the accumulative impact of the first implementation of the standard, and the information for the comparable period will not be adjusted.

The implementation of the new revenue standard did not lead to major changes in the company's revenue recognition method, and this change in accounting policy will not affect the relevant financial data for 2019.

(2) Changes in important accounting estimates

☐ Applicable ✔ N/A

(3) Explanation on adjusting relevant financial statement items for the year of the first implementation of new revenue standard and new lease standard from 2020

Applicable

Is it necessary to adjust the balance sheet items at the beginning of the year

✔ Yes ☐ No

Consolidated Balance Sheet

Unit: RMB

Item	31 December 2019	1 January 2020	Adjustment
Current assets:			
Monetary funds	311,060,538.57	311,060,538.57	
Settlement reserves funds			
Placements with banks and other financial institutions			
Financial assets held for trading	501,201,536.40	501,201,536.40	
Derivative financial assets	136,388,500.71	136,388,500.71	
Bills receivable			
Accounts receivable	40,045,700.78	40,045,700.78	
Receivables financing			
Prepayments	23,837,821.75	23,837,821.75	
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	13,513,479.73	13,513,479.73	
Of which: Interest receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventory	1,064,917,555.82	1,064,917,555.82	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	70,059,644.21	70,059,644.21	
Total current assets	**2,161,024,777.97**	**2,161,024,777.97**	

Item	31 December 2019	1 January 2020	Adjustment
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term receivables	4,082,900.00	4,082,900.00	
Long-term equity investment			
Investment in other equity instruments	25,803,885.24	25,803,885.24	
Other non-current financial assets			
Investment property			
Fixed assets	2,527,186,463.13	2,527,186,463.13	
Construction in progress	472,194,944.49	472,194,944.49	
Productive biological assets			
Oil and gas assets			
Right-of-use asset			
Intangible assets	5,460,381,600.77	5,460,381,600.77	
Development expenditure			
Goodwill	452,365,699.74	452,365,699.74	
Long-term prepaid expenses	30,259,112.72	30,259,112.72	
Deferred income tax assets	107,491,791.48	107,491,791.48	
Other non-current assets	645,002,524.19	645,002,524.19	
Total non-current assets	**9,724,768,921.76**	**9,724,768,921.76**	
Total assets	**11,885,793,699.73**	**11,885,793,699.73**	

Item	31 December 2019	1 January 2020	Adjustment
Current liabilities:			
Short-term borrowing	296,014,423.33	296,014,423.33	
Borrowing from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable	260,000,000.00	260,000,000.00	
Accounts payable	203,797,598.88	203,797,598.88	
Advance payment	27,668,010.07		-27,668,010.07
Contract liabilities		24,484,964.66	24,484,964.66
Financial assets sold under repurchase agreements			
Receipts of deposits and deposits from other banks			
Brokerage for trading securities			
Amount paid for agency securities underwriting			
Employee remuneration payable	49,692,721.98	49,692,721.98	
Taxes payable	65,241,656.39	65,241,656.39	
Other payables	159,146,283.75	159,146,283.75	
Of which: Interest payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	8,476,720.00	8,476,720.00	
Other current liabilities		3,183,045.41	3,183,045.41
Total current liabilities	**1,070,037,414.40**	**1,070,037,414.40**	

Item	31 December 2019	1 January 2020	Adjustment
Non-current liabilities:			
Reserves for insurance contracts			
Long term borrowing	234,929,916.67	234,929,916.67	
Bonds payable			
Of which: Preferred shares			
Perpetual bonds			
Lease liability			
Long-term payables	25,430,160.00	25,430,160.00	
Long-term employee remuneration payable			
Estimated liabilities	36,579,567.93	36,579,567.93	
Deferred income	478,800.00	478,800.00	
Deferred income tax liabilities	392,858,942.29	392,858,942.29	
Other non-current liabilities	14,248,463.35	14,248,463.35	
Total non-current liabilities	**704,525,850.24**	**704,525,850.24**	
Total liabilities	**1,774,563,264.64**	**1,774,563,264.64**	

Item	31 December 2019	1 January 2020	Adjustment
Owners' equity:			
Share capital	1,983,373,047.00	1,983,373,047.00	
Other equity instruments			
Of which: Preferred shares			
Perpetual bonds			
Capital reserve	5,225,129,078.87	5,225,129,078.87	
Less: Treasury shares			
Other comprehensive income	-25,390,064.89	-25,390,064.89	
Special reserve	27,226,568.71	27,226,568.71	
Surplus reserve	430,418,353.66	430,418,353.66	
Provision for general risk			
Undistributed profit	1,406,894,608.22	1,406,894,608.22	
Total equity attributable to owners of the parent company	9,047,651,591.57	9,047,651,591.57	
Minority interests	1,063,578,843.52	1,063,578,843.52	
Total owner's equity	**10,111,230,435.09**	**10,111,230,435.09**	
Total liabilities and owner's equity	**11,885,793,699.73**	**11,885,793,699.73**	

Explanation of adjustments

Balance Sheet of the Parent Company

Unit: RMB

Item	31 December 2019	1 January 2020	Adjustment
Current assets:			
Monetary funds	50,568,085.63	50,568,085.63	
Financial assets held for trading	101,000,000.00	101,000,000.00	
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Prepayments	1,497,032.30	1,497,032.30	
Other receivables	1,336,023,281.79	1,336,023,281.79	
Of which: Interest receivable			
Dividends receivable			
Inventory			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	12,853.57	12,853.57	
Total current assets	**1,489,101,253.29**	**1,489,101,253.29**	
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment	7,535,036,559.55	7,535,036,559.55	
Investment in other equity instruments	12,000,000.00	12,000,000.00	
Other non-current financial assets			
Investment property			
Fixed assets	1,580,293.26	1,580,293.26	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	1,936,831.30	1,936,831.30	
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets	19,381,930.08	19,381,930.08	
Other non-current assets	600,000,000.00	600,000,000.00	
Total non-current assets	**8,169,935,614.19**	**8,169,935,614.19**	
Total assets	**9,659,036,867.48**	**9,659,036,867.48**	

Item	31 December 2019	1 January 2020	Adjustment
Current liabilities:			
Short-term borrowing			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payable	149,688.83	149,688.83	
Advance payment			
Contract liabilities			
Employee remuneration payable	2,757,693.59	2,757,693.59	
Taxes payable	2,539,487.42	2,539,487.42	
Other payables	902,262.98	902,262.98	
Of which: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Liabilities			
Other current liabilities			
Total current liabilities	**6,349,132.82**	**6,349,132.82**	
Non-current liabilities:			
Long term borrowing	234,929,916.67	234,929,916.67	
Bonds payable			
Of which: Preferred shares			
Perpetual bonds			
Lease liability			
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	**234,929,916.67**	**234,929,916.67**	
Total Liabilities	**241,279,049.49**	**241,279,049.49**	

Item	31 December 2019	1 January 2020	Adjustment
Owners' equity:			
Share capital	1,983,373,047.00	1,983,373,047.00	
Other equity instruments			
Of which: Preferred shares			
Perpetual bonds			
Capital reserve	5,225,582,278.36	5,225,582,278.36	
Less: Treasury shares			
Other comprehensive income	748.10	748.10	
Special reserve			
Surplus reserve	417,144,099.36	417,144,099.36	
Undistributed profit	1,791,657,645.17	1,791,657,645.17	
Total owner's equity	**9,417,757,817.99**	**9,417,757,817.99**	
Total liabilities and owner's equity	**9,659,036,867.48**	**9,659,036,867.48**	

Explanation of adjustments

(4) Explanation on retroactively adjusting the comparative data in the prior period due to the first implementation of new revenue standard and new lease standard from 2020

☐ Applicable ✔ N/A

VI. TAXATION

1. Main Types of Taxes and Corresponding Rates

Tax type	Tax basis	Tax rate
VAT	Product sales revenue / taxable service revenue	13%, 6%, 3%
Urban maintenance and construction tax	VAT	1%-7%
Corporate income tax	Taxable income	15%, 17%, 25%
Education surcharge	VAT	3%
Local education fee surcharge	VAT	2%, 1%
Resource tax	Sales revenue	5%, 4.5%, 4%, 3.5% for gold; 5%, 2.5%, 1.5% for silver; 6% for lead, zinc

Please make a disclosure if there are taxpayers with different corporate income tax rates

Name of taxpayer	Income tax rate
Yulong Mining, Qinghai Dachaidan	15%
Shenghong Singapore	17%
Other entities	25%

2. Tax Incentives

(1) Corporate income tax

According to the Notice on Tax Policy Issues Concerning the Deep Implementation of the Western Development Strategy jointly issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs (Cai Shui [2011] No. 58), the Announcement of the State Administration of Taxation on Corporate Income Tax Issues Concerning the Deep Implementation of the Western Development Strategy (No. 12 of 2012 of the State Administration of Taxation) issued by the State Administration of Taxation on 6 April 2012, the corporate income tax can be paid at a reduced tax rate of 15%. The company's subsidiary Yulong Mining and Qinghai Dachaidan were subject to the corporate income tax rate of 15% in 2020.

(2) VAT

According to the Notice on Gold Tax Policy Issues (Cai Shui [2002] No. 142) issued by the Ministry of Finance and the State Administration of Taxation, gold production and operation entities are exempt from VAT for sales of gold; member units of the Gold Exchange are exempted from VAT for selling standard gold through the Gold Exchange (holding the Gold Transaction Settlement Voucher issued by the Gold Exchange) without physical delivery; the VAT refund policy is implemented when physical delivery occurs, and urban maintenance and construction tax and education surcharges are exempted at the same time.

(3) Resource tax

According to the Specific Measures for Reduction and Exemption of Resource Tax in Jilin Province under Specific Circumstances jointly promulgated by the Jilin Provincial Department of Finance, the Jilin Provincial Taxation Bureau of the State

Administration of Taxation, and the Jilin Provincial Department of Natural Resources, where an enterprise mines co-associated ore and the sales of co-associated ore and main mineral products are accounted for separately, the resource tax shall be reduced by 50% of the tax payable on the silver of co-associated ore.

According to the Decision of the Standing Committee of the People's Congress of Heilongjiang Province on the Implementation of Authorized Matters of the Resource Tax Law promulgated by the Standing Committee of the People's Congress of Heilongjiang Province, the resource tax shall be levied by taxpayers on the exploitation of co-associated ore and low-grade ore at a reduced rate of 50%, and the resource tax shall be exempted from the exploitation of tailings.

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

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary Funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	304,773.93	699,154.43
Bank deposits	262,489,216.06	274,823,796.86
Other monetary funds	219,885,158.40	35,537,587.28
Total	482,679,148.39	311,060,538.57
Including: Total amount deposited overseas	26,369,038.62	3,579,570.61
Total amount of funds restricted for use due to mortgage, pledge or freezing	**37,574,546.87**	**19,788,866.60**

As of 31 December 2020, the company has no pledge or potential recovery risk. The breakdown of restricted monetary funds is as follows:

Item	Closing balance	Opening balance
Environmental governance deposit	33,462,255.21	19,788,866.60
Security deposit of futures companies	3,592,791.66	
Security deposit for bank acceptance	518,000.00	
ETC frozen funds	1,500.00	
Total	**37,574,546.87**	**19,788,866.60**

Explanation: Of the other monetary funds at the end of the period, RMB37,574,546.87 is restricted funds: RMB11,368,338.68 is the security deposit placed by the subsidiary Yulong Mining in the special account of Xilinhot Branch of the Bank of China according to the Supplementary Notice on Issues Related to the Registration of Mining Rights Concerning the Implementation of the Measures for the Administration of Deposit for Mining Geological Environment Improvement in the Inner Mongolia Autonomous Region (《關於執行〈內蒙古自治區礦山地質環境治理保證金管理辦法〉涉及採礦權登記有關問題的補充通知》)(Xi Guo Tu Zi Zi [2008] No. 143) issued by the West Ujimqin Banner Land and Resources Bureau; RMB11,142,119.12 is the environmental governance deposit placed in the bank by the subsidiary Qinghai Dachaidan; RMB5,808,537.81 is the geological environment protection deposit placed in the bank by the subsidiary Jilin Banmiaozi; RMB5,143,259.60 is the geological environment protection deposit placed in the bank by the subsidiary Heihe Yintai; RMB3,592,791.66 is the deposit placed by the subsidiary Shenghong Singapore in the futures company; RMB518,000.00 is the deposit for the bank acceptance bill placed in the bank by the subsidiary Yongheng Trading; RMB1,500.00 is the ETC frozen funds placed in the bank by the subsidiary Jilin Banmiaozi.

2. *Financial Assets Held for Trading*

Unit: RMB

Item	**Closing balance**	**Opening balance**
Financial assets measured at fair value through profit or loss	1,535,264,849.67	501,201,536.40
Of which: Wealth management products	1,535,264,849.67	501,201,536.40
Total	**1,535,264,849.67**	**501,201,536.40**

Explanation: RMB447,000,000.00 in wealth management products is restricted assets, see Note 54 for details.

3. *Derivative Financial Assets*

Unit: RMB

Item	**Closing balance**	**Opening balance**
Hedging instrument	70,246,083.57	83,039,373.60
Derivative financial assets with no designated hedging relationship	29,619,661.79	53,349,127.11
Total	**99,865,745.36**	**136,388,500.71**

4. *Accounts Receivable*

(1) Disclosure by classification of accounts receivable

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion	Carrying amount	Amount	Proportion	Amount	Proportion	Carrying amount
Accounts receivable with provision for bad debts on a group basis	50,810,385.53	100.00%	2,540,519.28	5.00%	48,269,866.25	42,153,369.24	100.00%	2,107,668.46	5.00%	40,045,700.78
Including: Grouped by aging	50,810,385.53	100.00%	2,540,519.28	5.00%	48,269,866.25	42,153,369.24	100.00%	2,107,668.46	5.00%	40,045,700.78
Total	**50,810,385.53**	**100.00%**	**2,540,519.28**	**5.00%**	**48,269,866.25**	**42,153,369.24**	**100.00%**	**2,107,668.46**	**5.00%**	**40,045,700.78**

Provision for bad debts on a group basis: RMB2,540,519.28

Unit: RMB

	Closing balance		
Name	Book balance	Bad debt provision	Proportion
Within 1 year	50,810,385.53	2,540,519.28	5.00%
Total	**50,810,385.53**	**2,540,519.28**	**–**

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	50,810,385.53
Total	**50,810,385.53**

(2) Provision for, recovery or reversal of bad debts in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Amount of change in the current period					
	Opening balance	Provision	Recovery or reversal	Write off	Others	Closing balance
Accounts receivable with provision for ECL on a group basis	2,107,668.46	432,993.49	142.67			2,540,519.28
Total	**2,107,668.46**	**432,993.49**	**142.67**			**2,540,519.28**

(3) Top five accounts receivable according to the closing balance collected by the debtor

Unit: RMB

Company name	Closing balance of accounts receivable	Proportion to the total closing balance of accounts receivable	Closing balance of provision for bad debts
Henan Zhongyuan Gold Smelter Co., Ltd. (河南中原黃金冶煉廠有限責任公司)	36,921,476.63	72.67%	1,846,073.83
Shandong Hengbang Smelting Co., Ltd. (山東恒邦冶煉股份有限公司)	13,792,117.80	27.14%	689,605.89
Chifeng Shanjin Ruipeng Trading Co., Ltd. (赤峰山金瑞鵬貿易有限公司)	96,791.10	0.19%	4,839.56
Total	**50,810,385.53**	**100.00%**	

5. ***Advance Payment***

(1) *Breakdown of prepayments by aging*

Unit: RMB

Aging	Closing balance Amount	Closing balance Proportion	Opening balance Amount	Opening balance Proportion
Within 1 year	26,038,337.56	96.85%	22,679,385.10	95.14%
1 to 2 years	215,260.98	0.80%	509,051.77	2.14%
2 to 3 years	47,818.64	0.18%	122,324.88	0.51%
Over 3 years	583,670.16	2.17%	527,060.00	2.21%
Total	**26,885,087.34**	**–**	**23,837,821.75**	**–**

(2) *Top five prepayments according to the closing balance collected by the debtor*

Company name	Closing balance	Proportion of total prepayments *(%)*	Reasons for late settlement
Wenzhou Tongye Construction Engineering Co., Ltd. (溫州通業建設工程有限公司)	8,954,844.79	33.31	Cooperation project not completed
CITIC International Trading Co., Ltd. (中信國際商貿有限公司)	6,161,656.54	22.92	Purchase order not completed
State Grid Jilin Electric Power Co., Ltd. Baishan Power Supply Company (國網吉林省電力有限公司白山供電公司)	5,944,259.99	22.11	Electricity needs to be paid in advance, billed once a month
Lanzhou Jinli Chemical Wool Textile Co., Ltd. (蘭州金利化工毛紡有限公司)	625,000.00	2.32	Purchase order not completed
Beijing Zhongan Huanyu Enterprise Management Consulting Co., Ltd. (北京中安寰宇企業管理諮詢有限公司)	550,000.00	2.05	Purchase order not completed
Total	**22,235,761.32**	**82.71**	

6. *Other Receivables*

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	20,886,951.58	13,513,479.73
Total	**20,886,951.58**	**13,513,479.73**

(1) Other receivables

1) Disclosure by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year	9,892,640.79	10,242,479.09
1–2 years	9,069,820.52	362,501.74
2–3 years	362,501.74	2,008,091.27
3–4 years	2,007,812.64	257,679.24
4–5 years	12,847.16	681,687.04
Over 5 years	9,095,459.88	9,519,649.16
Subtotal	30,441,082.73	23,072,087.54
Less: Provision for bad debts	9,554,131.15	9,558,607.81
Total	**20,886,951.58**	**13,513,479.73**

2) Classification by the nature of payment

Unit: RMB

Nature of payment	Closing balance	Opening balance
Current account	25,526,138.81	16,824,260.94
Reserve fund	318,824.46	752,724.96
Deposit and security deposit	4,232,048.05	4,001,944.57
Advance payment		766,619.23
Others	364,071.41	726,537.84
Total	**30,441,082.73**	**23,072,087.54**

3) Disclosure by three stages of financial asset impairment

Unit: RMB

	Closing balance			Opening balance		
Item	**Book balance**	**Bad debt provision**	**Carrying amount**	**Book balance**	**Bad debt provision**	**Carrying amount**
Stage I	23,205,290.71	2,318,339.13	20,886,951.58	15,312,383.95	1,798,904.22	13,513,479.73
Stage II						
Stage III	7,235,792.02	7,235,792.02		7,759,703.59	7,759,703.59	
Total	**30,441,082.73**	**9,554,131.15**	**20,886,951.58**	**23,072,087.54**	**9,558,607.81**	**13,513,479.73**

4) Disclosure by category of provision for bad debts

Unit: RMB

	Closing balance				
	Book balance		Bad debt provision		
Category	**Amount**	**Proportion** *(%)*	**Amount**	**Proportion** *(%)*	**Carrying amount**
Other receivables with provision for ECL on an individual basis	7,235,792.02	23.77	7,235,792.02	100.00	
Other receivables with provision for ECL on a group basis	23,205,290.71	76.23	2,318,339.13	9.99	20,886,951.58
Including: Grouped by aging	23,205,290.71	76.23	2,318,339.13	9.99	20,886,951.58
Total	**30,441,082.73**	**100.00**	**9,554,131.15**	**31.39**	**20,886,951.58**

Continued:

Unit: RMB

	Opening balance				
	Book balance		Bad debt provision		Carrying amount
Category	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with provision for ECL on an individual basis	7,759,703.59	33.63	7,759,703.59	100.00	
Other receivables with provision for ECL on a group basis	15,312,383.95	66.37	1,798,904.22	11.75	13,513,479.73
Including: Grouped by aging	15,312,383.95	66.37	1,798,904.22	11.75	13,513,479.73
Total	**23,072,087.54**	**100.00**	**9,558,607.81**	**41.43**	**13,513,479.73**

5) Other receivables with provision for ECL on an individual basis

Unit: RMB

	Closing balance			
Company name	Book balance	Bad debts proportion	Provision (%)	Reason for provision
West Ujimqin Banner Industrial Development Fund Management Office	3,000,000.00	3,000,000.00	100.00	Expected unrecoverable
People's Government Office of West Ujimqin Banner	700,000.00	700,000.00	100.00	Expected unrecoverable
Baiyinhua Government of West Ujimqin Banner	600,000.00	600,000.00	100.00	Expected unrecoverable
Beijing China Enterprise Appraisals Company	500,000.00	500,000.00	100.00	Expected unrecoverable
Beijing Jingtian & Gongcheng	400,000.00	400,000.00	100.00	Expected unrecoverable
Bayanhua Town Government of West Ujimqin Banner	303,209.77	303,209.77	100.00	Expected unrecoverable
Bayanhua Town Bayan Hubo Gacha	300,000.00	300,000.00	100.00	Expected unrecoverable
Others	1,432,582.25	1,432,582.25	100.00	Expected unrecoverable
Total	**7,235,792.02**	**7,235,792.02**	**100.00**	

6) Other receivables with provision for ECL on a group basis

① Grouped by aging

Unit: RMB

Aging	Closing balance		
	Book balance	Bad debt provision	Proportion *(%)*
Within 1 year	9,892,640.79	494,632.04	5.00
1–2 years	9,069,820.52	453,491.02	5.00
2–3 years	362,501.74	36,250.19	10.00
3–4 years	2,007,812.64	401,562.52	20.00
4–5 years	12,847.16	2,569.43	20.00
Over 5 years	1,859,667.86	929,833.93	50.00
Total	**23,205,290.71**	**2,318,339.13**	

7) Provision for bad debts of other receivables

Unit: RMB

Bad debt provision	Stage I	Stage II	Stage III	
	ECL over the next 12 months	Lifetime ECL (non-credit impaired	Lifetime ECL (credit impaired)	Total
Opening balance	1,798,904.22		7,759,703.59	9,558,607.81
Opening balance in the current period				
– Transfer to stage II				
– Transfer to stage III	-235,982.38		235,982.38	
– Reversed from stage II				
– Reversed from stage I				
Provision made for the period	1,468,698.78		235,982.37	1,704,681.15
Reversed in the period	713,281.49		995,876.32	1,709,157.81
Closing balance	**2,318,339.13**		**7,235,792.02**	**9,554,131.15**

8) Top five other receivables according to the closing balance collected by the debtor

Unit: RMB

Company name	Nature of payment	Closing balance	Aging	Proportion to the closing balance of other receivables *(%)*	Closing balance of provision for bad debts
The First Geological and Mineral Exploration Brigade of Qinghai Province (青海省第一地質礦產勘查大隊)	Current account	8,451,421.06	Within 1 year, 1–2 years	27.76	422,571.05
Dachaidan Administrative Committee State-owned Assets Investment Operation Co., Ltd. (大柴旦行政委員會國有資產投資運營有限公司)	Current account	8,451,421.06	Within 1 year, 1–2 years	27.76	422,571.05
West Ujimqin Banner Industrial Development Fund Management Office (西烏珠穆沁旗工業發展基金管理辦公室)	Current account	3,000,000.00	Over 5 years	9.86	3,000,000.00
Beijing Yintai Real Estate Co., Ltd.	Security deposit	1,555,709.40	3–4 years	5.11	311,141.88
Haixi Power Supply Company	Security deposit	1,500,000.00	1–2 years, Over 5 years	4.93	550,000.00
Total		**22,958,551.52**		**75.42**	**4,706,283.98**

7. *Inventory*

(1) *Classification of inventory*

Unit: RMB

Item	Closing balance: Book balance	Closing balance: Provision for inventory decline or impairment provision for contract performance cost	Closing balance: Carrying amount	Opening balance: Book balance	Opening balance: Provision for inventory decline or impairment provision for contract performance cost	Opening balance: Carrying amount
Raw materials	133,829,155.22	1,699,419.29	132,129,735.93	126,540,085.43	1,699,419.29	124,840,666.14
Work in process	481,333,840.40		481,333,840.40	364,701,663.43		364,701,663.43
Inventory goods	413,518,456.82		413,518,456.82	575,375,226.25		575,375,226.25
Total	**1,028,681,452.44**	**1,699,419.29**	**1,026,982,033.15**	**1,066,616,975.11**	**1,699,419.29**	**1,064,917,555.82**

Explanation: RMB118,204,849.61 in inventory is restricted assets, see Note 54 for details.

(2) *Provision for inventory decline and impairment provision for contract performance cost*

Unit: RMB

Item	Opening balance	Increased amount in the current period: Provision	Increased amount in the current period: Others	Decreased amount in the current period: Reversed or offset	Decreased amount in the current period: Others	Closing balance
Raw materials	1,699,419.29					1,699,419.29
Total	**1,699,419.29**					**1,699,419.29**

8. *Other Current Assets*

Unit: RMB

Item	Closing balance	Opening balance
Deposit for and interest from acquisition of equity, etc.	664,637,057.82	
VAT credit	26,691,379.85	53,859,545.81
Advanced income tax	1,275,495.80	15,098,485.84
Others	517,571.83	1,101,612.56
Total	**693,121,505.30**	**70,059,644.21**

9. *Long-term Receivables*

Unit: RMB

	Closing balance			Opening balance			
Item	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount	Discount rate range
Security deposit for land reclamation and ecological environment restoration				4,082,900.00		4,082,900.00	
Total				**4,082,900.00**		**4,082,900.00**	**–**

10. *Investment in Other Equity Instruments*

(1) Breakdown of investments in other equity instruments

Unit: RMB

Item	Closing balance	Opening balance
Qinghai Kunlun Gold Co., Ltd. (青海昆侖黃金有限公司)	12,000,000.00	12,000,000.00
Chifeng Herizeng Mining Development Co., Ltd. (赤峰市和日增礦業開發有限公司)	1,803,885.24	1,803,885.24
Shanghai Sijin Enterprise Management Co., Ltd. (上海思晉企業管理有限公司)	12,000,000.00	12,000,000.00
Jiaxing Xiyao Equity Investment Partnership (嘉興希耀股權投資合夥企業)	30,000,000.00	
Beijing Huaruineng Technology Development Co., Ltd. (北京華瑞能科技發展有限公司)	0.00	0.00
Shanghai Yiyuan Real Estate Development Co., Ltd. (上海頤園房地產開發有限公司)	0.00	0.00
Inner Mongolia Xing'an Copper and Zinc Smelting Co., Ltd. (內蒙古興安銅鋅冶煉有限公司)	0.00	0.00
Total	**55,803,885.24**	**25,803,885.24**

(2) Investment in non-trading equity instruments

Unit: RMB

Item	Reasons for designating to be measured at fair value through other comprehensive income	Dividend income recognized	Accumulated gains	Accumulated losses	Amounts transferred to retained earnings from other comprehensive income	Reasons for transferring other comprehensive income to retained earnings
Qinghai Kunlun Gold Co., Ltd.	Not for selling purposes					
Chifeng Herizeng Mining Development Co., Ltd.	Not for selling purposes					
Shanghai Sijin Enterprise Management Co., Ltd.	Not for selling purposes					
Jiaxing Xiyao Equity Investment Partnership	Not for selling purposes					
Beijing Huaruineng Technology Development Co., Ltd.	Not for selling purposes					
Shanghai Yiyuan Real Estate Development Co., Ltd.	Not for selling purposes					
Inner Mongolia Xing'an Copper and Zinc Smelting Co., Ltd.	Not for selling purposes					

11. Fixed Assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	2,783,312,677.63	2,527,186,463.13
Total	**2,783,312,677.63**	**2,527,186,463.13**

(1) Fixed assets

Unit: RMB

Item	Houses and buildings	Mechanical equipment	Shaft engineering assets	Means of transport	Office equipment and others	Total
1. Original carrying amount:						
1. Opening balance	1,616,148,114.70	1,415,581,316.42	1,732,405,521.90	69,041,831.03	31,723,911.96	4,864,900,696.01
2. Increased amount in the current period	375,481,050.94	103,947,750.31	77,658,002.57	5,315,221.28	6,238,472.28	568,640,497.38
(1) Purchase	3,269,043.87	30,510,563.50	4,726,583.50	5,315,221.28	1,179,893.71	45,001,305.86
(2) Transfer of construction in progress	358,296,299.85	73,437,186.81	72,931,419.07		5,058,578.57	509,723,484.30
(3) Other additions	13,915,707.22					13,915,707.22
3. Decreased amount in the current period	5,201,220.42	5,097,725.80	1,033,292.52	3,983,043.00	2,227,496.43	17,542,778.17
(1) Disposal or retirement	5,201,220.42	5,097,725.80	1,033,292.52	3,983,043.00	2,227,496.43	17,542,778.17
4. Closing balance	1,986,427,945.22	1,514,431,340.93	1,809,030,231.95	70,374,009.31	35,734,887.81	5,415,998,415.22
2. Accumulated depreciation						
1. Opening balance	809,857,604.32	926,045,593.81	519,313,419.41	50,248,077.81	20,758,347.90	2,326,223,043.25
2. Increased amount in the current period	80,426,143.91	83,604,282.87	134,734,718.37	6,369,546.36	4,475,805.32	309,610,496.83
(1) Accrual	80,426,143.91	83,604,282.87	134,734,718.37	6,369,546.36	4,475,805.32	309,610,496.83
3. Decrease d amount in the current period	5,795,185.70	2,747,870.15	445,346.89	3,452,803.05	2,197,786.33	14,638,992.12
(1) Disposal or retirement	5,795,185.70	2,747,870.15	445,346.89	3,452,803.05	2,197,786.33	14,638,992.12
4. Closing balance	884,488,562.53	1,006,902,006.53	653,602,790.89	53,164,821.12	23,036,366.89	2,621,194,547.96
3. Provision for impairment						
1. Opening balance	11,491,189.63					11,491,189.63
2. Increased amount in the current period						
(1) Accrual						
3. Decreased amount in the current period						
(1) Disposal or retirement						
4. Closing balance	11,491,189.63					11,491,189.63
IV. Carrying amount						
1. Closing carrying amount	1,090,448,193.06	507,529,334.40	1,155,427,441.06	17,209,188.19	12,698,520.92	2,783,312,677.63
2. Opening carrying amount	794,799,320.75	489,535,722.61	1,213,092,102.49	18,793,753.22	10,965,564.06	2,527,186,463.13

(2) Fixed assets without title certificate

Unit: RMB

Item	**Carrying amount**	**Reasons for not completing the certificate of title**
Heihe Yintai houses and buildings	37,247,420.68	Title certificate is in the process of application
Yulong Mining houses and buildings	52,612,343.39	Title certificate is in the process of application
Total	**89,859,764.07**	

12. Construction in Progress

Unit: RMB

Item	**Closing balance**	**Opening balance**
Construction in progress	198,263,994.48	470,007,839.85
Engineer materials	2,151,690.22	2,187,104.64
Total	**200,415,684.70**	**472,194,944.49**

(1) Construction in progress

Unit: RMB

	Closing balance			Opening balance		
Project	**Book balance**	**Provision for impairment**	**Carrying amount**	**Book balance**	**Provision for impairment**	**Carrying amount**
Jilin Banmiaozi shaft lane project	130,736,609.41		130,736,609.41	104,607,267.64		104,607,267.64
Jilin Banmiaozi tailings pond expansion project	1,163,566.83		1,163,566.83	80,544,159.84		80,544,159.84
Qinghai Dachaidan Qinglongtan underground engineering prospecting project	19,428,872.04		19,428,872.04	13,806,756.49		13,806,756.49
Qinghai Dachaidan Xijinggou underground prospecting project	11,796,662.23		11,796,662.23	11,644,548.95		11,644,548.95
Heihe Yintai phase II tailings pond project				79,404,919.22		79,404,919.22
Heihe Yintai underground excavation project				67,163,882.62		67,163,882.62
Heihe Yintai plant selection, reconstruction and expansion project				95,294,732.75		95,294,732.75
Jilin Banmiaozi new gas station construction				1,173,165.02		1,173,165.02
Qinghai Dachaidan Jinlonggou slope exploration engineering	16,523,858.21		16,523,858.21			
Heihe Yintai underground development engineering (phase II)	7,923,732.07		7,923,732.07			
Yulong Mining plant selection, reconstruction and expansion project	6,764,267.56		6,764,267.56	3,425,422.38		3,425,422.38
Yulong Mining Huaaobaote moutain mine section comprehensive mining project	1,686,492.24		1,686,492.24	1,563,850.73		1,563,850.73
Others	2,239,933.89		2,239,933.89	11,379,134.21		11,379,134.21
Total	**198,263,994.48**		**198,263,994.48**	**470,007,839.85**		**470,007,839.85**

(2) Changes in important construction-in-progress projects in the current period

Unit: RMB

Name of project	Budget	Opening balance	Amount of Increase in the current period	Amount transferred to fixed assets in the current period	Other decreased amount in the current period	Closing balance	Proportion of cumulative project investment to budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Including: Capitalized amount of interest in the current period	Current interest capitalization rate	Sources of funds
Jilin Banmiaozi shaft lane project	254,604,800.00	104,607,267.64	39,918,733.15	13,747,991.38	41,400.00	130,736,609.41	56.76	56.76				Self-owned funds
Jilin Banmiaozi tailings pond expansion project	91,471,100.00	80,544,159.84	9,330,314.11	50,610,758.22	38,100,148.90	1,163,566.83	98.25	98.25				Self-owned funds
Qinghai Dachaidan Qinglongtan underground engineering prospecting project	332,060,000.00	13,806,756.49	21,849,154.93	16,227,039.38		19,428,872.04	94.00	94.00	1,670,600.00			Borrowing, self-owned funds
Qinghai Dachaidan Xijinggou underground prospecting project	44,414,600.00	11,644,548.95	152,113.28			11,796,662.23	62.00	62.00	12,300.00			Borrowing, self-owned funds
Heihe Yintai phase II tailings pond project	149,443,600.00	79,404,919.22	65,110,051.01	44,377,582.19	100,137,388.04		96.70	100.00				Self-owned funds
Heihe Yintai underground excavation project	101,028,300.00	67,163,882.62	13,866,401.69	81,030,284.31			80.21	100.00				Self-owned funds
Heihe Yintai plant selection, reconstruction and expansion project	110,638,500.00	95,294,732.75	13,404,092.48	108,698,825.23			98.25	100.00				Self-owned funds
Qinghai Dachaidan Jinlonggou slope exploration engineering	129,000,000.00		16,523,858.21			16,523,858.21	12.81	12.81				Self-owned funds
Heihe Yintai underground development engineering (phase II)	24,564,800.00		7,923,732.07			7,923,732.07	32.26	25.00				Self-owned funds
Yulong Mining plant selection, reconstruction and expansion project	255,734,200.00	3,425,422.38	3,338,845.18			6,764,267.56	2.65	2.65				Self-owned funds
Yulong Mining Huaaobaote moutain mine section comprehensive mining project	20,728,200.00	1,563,850.73	122,641.51			1,686,492.24	8.14	8.14				Self-owned funds
Total	**1,513,688,100.00**	**457,455,540.62**	**191,539,937.62**	**314,692,480.71**	**138,278,936.94**	**196,024,060.59**			**1,682,900.00**			

(3) Engineering materials

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Steel	1,814,014.28		1,814,014.28	1,758,932.02		1,758,932.02
Wood	33,202.23		33,202.23	64,063.03		64,063.03
Others	304,473.71		304,473.71	364,109.59		364,109.59
Total	**2,151,690.22**		**2,151,690.22**	**2,187,104.64**		**2,187,104.64**

13. *Intangible Assets*

(1) Intangible assets

Unit: RMB

Item	Geological exploration costs	Geological achievements (Mining rights)	Land use rights	Software	Patented technology	Total
1. Original carrying amount						
1. Opening balance	780,687,040.37	5,865,951,380.19	343,171,854.93	16,242,695.04	30,000.00	7,006,082,970.53
2. Increased amount in the current period	71,590,449.49	34,380,294.22	137,957,536.94	158,000.00		244,086,280.65
(1) Purchase	63,281,041.04	4,500.00		158,000.00		63,443,541.04
(2) Increase for other reasons	8,309,408.45	34,375,794.22	137,957,536.94		180,642,739.61	
3. Decreased amount in the current period	34,375,794.22			9,000.00		34,384,794.22
(1) Disposal				9,000.00		9,000.00
(2) Decrease for other reasons	34,375,794.22					34,375,794.22
4. Closing balance	817,901,695.64	5,900,331,674.41	481,129,391.87	16,391,695.04	30,000.00	7,215,784,456.96
2. Accumulated amortization						
1. Opening balance		1,463,887,229.12	54,776,508.19	11,652,597.67	250.00	1,530,316,584.98
2. Increased amount in the current period		339,950,289.92	10,510,193.67	1,166,212.11	3,000.00	351,629,695.70
(1) Accrual		339,950,289.92	10,510,193.67	1,166,212.11	3,000.00	351,629,695.70
3. Decrease d amount in the current period				4,950.00		4,950.00
(1) Disposal				4,950.00		4,950.00
4. Closing balance		1,803,837,519.04	65,286,701.86	12,813,859.78	3,250.00	1,881,941,330.68
3. Provision for impairment						
1. Opening balance			15,384,784.78			15,384,784.78
2. Increased amount in the current period						
(1) Accrual						
3. Decrease d amount in the current period						
(1) Disposal						
4. Closing balance			15,384,784.78			15,384,784.78
4. Carrying amount						
1. Closing carrying amount	817,901,695.64	4,096,494,155.37	400,457,905.23	3,577,835.26	26,750.00	5,318,458,341.50
2. Beginning carrying amount	780,687,040.37	4,402,064,151.07	273,010,561.96	4,590,097.37	29,750.00	5,460,381,600.77

Explanation: The Banshigou exploration rights in the geological exploration costs amounting to RMB25,224,600 was invested by the 602nd Team of Jilin Provincial Nonferrous Metals Geological Survey Bureau, another shareholder of Jilin Jincheng Mining Co., Ltd. when it was established. In November 2020, Yintai Shengxin, the company's controlling subsidiary, signed relevant agreements with Sino Gold BMZ and the 602nd Team, pursuant to which the prospecting rights have been transferred to Yintai Shengxin.

(2) Land use rights without title certificates

Unit: RMB

Item	Carrying amount	Reasons for not completing the certificate of title
Land use right of Heihe Yintai	194,080,520.86	In progress
Land use right of Jilin Banmiaozi	37,820,148.90	In progress
Total	**231,900,669.76**	

14. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

		Increase in the current period	Decrease in the current period	
Name of investee or matters for goodwill to arise	Opening balance	Arising from a business combination	Disposal	Closing balance
Sino Gold Hong Kong	93,902,442.61			93,902,442.61
Jilin Banmiaozi	130,557,523.84			130,557,523.84
Qinghai Dachaidan	227,905,733.29			227,905,733.29
Total	**452,365,699.74**			**452,365,699.74**

(2) Provision for goodwill impairment

The company's goodwill arose when the subsidiary Shanghai Shengwei merged with enterprises not under the common control. The goodwill obtained from the merger has been allocated to the asset group of Sino Gold Hong Kong, asset group combination of Jilin Banmiaozi, and asset group combination of Qinghai Dachaidan for impairment test. The management of the company accesses the possible impairment of goodwill every year. The impairment test of goodwill is performed by the company based on the future business plan of asset groups, historical data and other information to predict the future cash flow to test the recoverable amount of asset groups containing goodwill on the reporting date. After testing, as of 31 December 2020, the balance of provision for goodwill impairment was RMB0.00.

Asset group of Sino Gold Hong Kong: The goodwill of this asset group arose when Shanghai Shengwei purchased Sino Gold Hong Kong, Rock Hong Kong and

Heihe Yintai, which is consistent with the asset group determined on the purchase date. On 31 December 2020, the carrying amount of the asset group to which goodwill is attributable is RMB2,084,917,300, and the recoverable amount is recognized at the present value of estimated future cash flow, and no indication of impairment was found in the asset group related to goodwill after testing.

Asset group combination of Jilin Banmiaozi: The asset group combination is composed of Sino Gold BMZ, Jincheng Mining, and Jilin Banmiaozi. Compared with the date of purchase, Xiaoshiren prospecting rights and Lengjiagou prospecting rights in the original asset group combination have been cancelled, and the carrying amount of such prospecting rights is RMB31,942,000 (representing a relatively small proportion of the asset group combination on the original purchase date, about 2%), which has less impact on the asset group combination and goodwill testing. On 31 December 2020, the carrying amount of the asset group combination to which goodwill is attributable is RMB1,402,475,600, and the recoverable amount is recognized at the present value of estimated future cash flow and the fair value net the disposal expenses, and no indication of impairment was found in the asset group combination related to goodwill after testing.

Asset group combination of Qinghai Dachaidan: The goodwill of this asset group combination arose when Shanghai Shengwei purchased Qinghai Dachaidan, which is consistent with the asset group combination determined on the purchase date. On 31 December 2020, the carrying amount of the asset group combination to which goodwill is attributable is RMB1,197,141,200, and the recoverable amount is recognized at the present value of estimated future cash flow and the fair value net the disposal expenses, and no indication of impairment was found in the asset group combination related to goodwill after testing.

According to the restructuring agreement, the total net profit after deducting non-recurring profit and loss under the mineral rights assessment standard realized by the committed assets from 2017 to 2020 shall not be less than RMB1,805,294,900, and the total net profit after deducting non-recurring profit and loss under the mineral rights assessment standard realized by the committed assets from 2017 to 2020 is RMB3,188,776,200. As of 31 December 2020, the company has completed its profit commitment, which will not affect the results of the goodwill impairment test.

15. Long-term Deferred Expenses

Unit: RMB

Item	Opening balance	Amount of Increase in the current period	Amortization amount in the current period	Other reductions	Closing balance
Highway outside the mining area	17,673,422.23		251,034.90		17,422,387.33
Electric facilities supporting fee	1,987,359.64		974,052.14		1,013,307.50
Asset maintenance expenditure	10,598,330.85	899,214.53	3,583,718.78		7,913,826.60
Others		890,163.40	482,312.78	247,000.00	160,850.62
Total	**30,259,112.72**	**1,789,377.93**	**5,291,118.60**	**247,000.00**	**26,510,372.05**

16. Deferred Income Tax Assets / Deferred Income Tax Liabilities

(1) Deferred income tax assets not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	40,671,044.18	7,736,439.44	40,241,669.97	7,614,243.83
Unrealized profit in intra-group transactions	32,056,406.92	8,014,101.73	33,348,317.44	8,337,079.36
Deductible losses	47,732,092.95	11,932,358.32	109,664,400.19	27,416,100.05
Depreciation and amortization	270,254,267.89	61,444,944.26	290,757,978.04	65,791,655.78
Expensed exploration expenditures	13,052,763.57	3,263,190.89	13,052,763.57	3,263,190.89
Estimated liabilities	18,905,908.11	2,707,667.58	24,101,553.26	4,187,204.27
Accrued expenses	11,067,125.05	2,766,781.26	10,973,993.00	2,743,498.25
Hedging instruments included in other comprehensive income	242,806.41	54,585.00	34,075,365.00	6,617,048.25
Total	**433,982,415.08**	**97,920,068.48**	**556,216,040.47**	**125,970,020.68**

(2) Deferred income tax liabilities not offset

Unit: RMB

	Closing balance		Opening balance	
Item	**Taxable temporary difference**	**Deferred income tax liabilities**	**Taxable temporary difference**	**Deferred income tax liabilities**
Appreciation of the combined asset valuation of enterprises not under the same control	1,556,568,240.46	344,391,938.95	1,735,153,547.87	383,915,889.54
Capitalized exploration expenditure	87,927,398.55	13,189,109.78	111,885,575.38	16,782,836.30
Depreciation and amortization	58,405,624.16	14,601,406.04	42,553,782.55	10,638,445.65
Total	**1,702,901,263.17**	**372,182,454.77**	**1,889,592,905.80**	**411,337,171.49**

(3) Deferred tax assets or liabilities stated on a net basis after offset

Unit: RMB

Item	**Deferred income tax assets and liabilities offset at the end of the period**	**Closing balance of deferred income tax assets or liabilities after offset**	**Deferred income tax assets and liabilities offset at the beginning of the period**	**Opening balance of deferred income tax assets or liabilities after offset**
Deferred income tax assets	17,619,106.59	80,300,961.89	18,478,229.20	107,491,791.48
Deferred income tax liabilities	17,619,106.59	354,563,348.18	18,478,229.20	392,858,942.29

17. *Other Non-Current Assets*

Unit: RMB

	Closing balance			Opening balance		
Item	**Book balance**	**Provision for impairment**	**Carrying amount**	**Book balance**	**Provision for impairment**	**Carrying amount**
Advance payment for engineering equipment	54,303,160.05		54,303,160.05	45,002,524.19		45,002,524.19
Deposit for equity purchase				600,000,000.00		600,000,000.00
Advance payment of the security deposit for prospecting rights	1,329,800.00		1,329,800.00			
Total	**55,632,960.05**		**55,632,960.05**	**645,002,524.19**		**645,002,524.19**

Explanation: The security deposit for prospecting rights is paid in advance, the balance of which is frozen and supervised by three parties through a tripartite supervision agreement signed by Yintai Shengxin, the 602nd Team of Jilin Provincial Nonferrous Metals Geological Exploration Bureau and its account opening bank.

18. *Short-term Borrowing*

Unit: RMB

Item	**Closing balance**	**Opening balance**
Borrowing guaranteed	179,000,000.00	200,000,000.00
Interest payable not due	194,662.50	265,833.33
Gold lease		95,748,590.00
Total	**179,194,662.50**	**296,014,423.33**

Explanation:

1. Qinghai Dachaidan, a subsidiary of the company, signed a loan contract with Dachaidan Sub-branch of China Construction Bank Co., Ltd. The loan amount of the contract is RMB180,000,000 for a term from 11 September 2020 to 11 September 2021.

2. On 3 December 2019, Heihe Yintai, a subsidiary of the company, signed the Gold Lease Contract and Oriented Gold Purchase Agreement with Heihe Branch of Industrial and Commercial Bank of China Co., Ltd., and Heihe Yintai shall not be responsible for the risk of gold price fluctuations during the gold lease period, and received funds of RMB95,748,590.00; the borrowing has been paid off in the current period.

19. Bills Payable

Unit: RMB

Type	**Closing balance**	**Opening balance**
Bank acceptance	447,518,000.00	260,000,000.00
Total	**447,518,000.00**	**260,000,000.00**

20. Accounts Payable

Unit: RMB

Item	**Closing balance**	**Opening balance**
Payment for engineering equipment	61,092,251.18	134,275,475.60
Material payables	47,187,548.70	29,183,795.42
Accounts payable	9,276,688.33	9,666,760.73
Service charge payable	568,143.37	1,019,404.30
Exploration fee	2,286,818.03	26,742,453.66
Others	1,741,205.87	2,909,709.17
Total	**122,152,655.48**	**203,797,598.88**

21. Advance payment

Unit: RMB

Item	**Closing balance**	**Opening balance**
Advances on sales	9,918,998.44	
Total	**9,918,998.44**	

22. Contract Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance receipt of merchandise sales	11,138,631.36	24,484,964.66
Total	**11,138,631.36**	**24,484,964.66**

23. Employee Salaries Payable

(1) Breakdown of employee salaries payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term remuneration	48,813,805.88	220,362,434.76	220,518,001.80	48,658,238.84
2. Post-employment benefits – defined contribution plan	878,916.10	6,959,842.79	7,666,092.84	172,666.05
3. Dismissal benefits		381,366.85	337,970.38	43,396.47
Total	**49,692,721.98**	**227,703,644.40**	**228,522,065.02**	**48,874,301.36**

(2) Breakdown of short-term remuneration

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages, bonuses, allowances and subsidy	34,770,011.03	187,942,659.77	187,861,727.10	34,850,943.70
2. Employee benefits		10,213,184.65	10,213,184.65	
3. Social insurance premiums	-277,207.81	8,833,629.68	8,425,172.53	131,249.34
Of which: Medical insurance premiums	-398,977.42	8,217,995.79	7,665,549.52	153,468.85
Work injury insurance premiums	93,537.23	457,899.84	576,617.58	-25,180.51
Maternity insurance premiums	28,232.38	157,734.05	183,005.43	2,961.00
4. Housing provident fund	133,555.21	10,148,608.15	10,095,428.91	186,734.45
5. Trade union funds and employee education funds	14,187,447.45	3,224,352.51	3,922,488.61	13,489,311.35
Total	**48,813,805.88**	**220,362,434.76**	**220,518,001.80**	**48,658,238.84**

(3) Breakdown of defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	823,023.36	6,673,634.63	7,328,814.61	167,843.38
2. Unemployment insurance premium	55,892.74	286,208.16	337,278.23	4,822.67
Total	**878,916.10**	**6,959,842.79**	**7,666,092.84**	**172,666.05**

24. *Taxes Payable*

Unit: RMB

Item	Closing balance	Opening balance
VAT	4,670,440.94	2,042,221.59
Corporate income tax	123,758,318.55	56,204,135.64
Personal income tax	813,398.33	820,746.01
Urban maintenance and construction tax	99,359.28	92,622.89
Education surcharge	58,336.10	55,140.43
Local education surcharges	38,890.74	36,760.29
Resource tax	9,029,400.44	90.76
Stamp duty	325,825.58	220,401.00
Environmental protection tax	57,478.55	134,220.04
Other taxes	1,333,327.36	5,635,317.74
Total	**140,184,775.87**	**65,241,656.39**

25. *Other Payables*

Unit: RMB

Item	Closing balance	Opening balance
Other payables	203,427,908.82	159,146,283.75
Total	**203,427,908.82**	**159,146,283.75**

(1) Other Payables

1) Breakdown of other payables by the nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Current account	55,459.86	51,782.98
Security deposit and deposit	171,166,065.52	132,163,955.61
Payment for project	16,267,624.84	19,448,924.28
Withholding payment	599,309.03	476,051.34
Service charges	94,769.29	50,213.42
Accrued expenses	11,067,125.05	2,096,906.00
Advance payment		1,926,135.37
Others	4,177,555.23	2,932,314.75
Total	**203,427,908.82**	**159,146,283.75**

2) Significant other payables aged more than 1 year

Unit: RMB

Item	Closing balance	Reasons for non-payment or carryover
China Huaye Science and Technology Group Co., Ltd. (中國華冶科工集團有限公司)	13,683,242.08	Quality assurance deposit, not due for settlement
Wenzhou Tongye Construction Engineering Co., Ltd. (溫州通業建設工程有限公司)	6,822,105.88	Quality assurance deposit, not due for settlement
The 8th Metallurgical Construction Group Company Limited Mine Engineering Branch (八冶建設集團有限公司礦山工程分公司)	4,338,150.62	Quality assurance deposit, not due for settlement
Shandong Huaxin Mining Engineering Co., Ltd. Xiwuqi Branch (山東華鑫礦業工程有限公司西烏旗分公司)	3,000,000.00	Quality assurance deposit, not due for settlement
Shandong Huaxin Mining Engineering Co., Ltd. Xiwuqi Guoliang Branch (山東華鑫礦業工程有限公司西烏旗國良分公司)	3,000,000.00	Quality assurance deposit, not due for settlement
Inner Mongolia Jindui Mining Engineering Co., Ltd. (內蒙古金堆礦山工程有限公司)	3,000,000.00	Quality assurance deposit, not due for settlement
Total	**33,843,498.58**	

26. Non-current Liabilities Due within One Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables due within one year	6,781,376.00	8,476,720.00
Total	**6,781,376.00**	**8,476,720.00**

27. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Tax on items to be offset	1,448,022.08	3,183,045.41
Total	**1,448,022.08**	**3,183,045.41**

28. Long-term Borrowing

Unit: RMB

Item	Closing balance	Opening balance
Borrowing guaranteed	234,500,000.00	234,500,000.00
Interest payable not due	429,916.67	429,916.67
Total	**234,929,916.67**	**234,929,916.67**

Explanation: In 2017, the company and Huaxin International Trust Co., Ltd. (華鑫國際信託有限公司) signed the Entrusted Loan Contract with a contract no. Huaxin Dan Xin Zi No. 2017795 - Loan. The contract loan amount is RMB234,500,000, and the loan period is from 9 November 2017 to 9 November 2022. China Yintai assumes joint and several liability guarantee for the contract.

29. Long-term Payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	20,344,128.00	25,430,160.00
Total	**20,344,128.00**	**25,430,160.00**

(1) Breakdown of long-term payables by the nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Mining rights transfer fees	27,125,504.00	33,906,880.00
Less: Long-term payables due within one year	6,781,376.00	8,476,720.00
Total	**20,344,128.00**	**25,430,160.00**

30. Estimated Liabilities

Unit: RMB

Item	Closing balance	Opening balance	Causes
Disposal fees	45,283,429.64	36,579,567.93	Estimated costs incurred in restoring the ecological environment of mining areas
Total	**45,283,429.64**	**36,579,567.93**	

31. *Deferred Income*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Causes
Government subsidies	478,800.00		34,200.00	444,600.00	Financial allocation of tailings environment special funds for pollution control
Total	**478,800.00**		**34,200.00**	**444,600.00**	

Items involving government subsidies:

Unit: RMB

Liability item	Opening balance	Amount of new subsidy in the current period	Amount included in non-operating revenue in the current period	Amount included in other income in the current period	Amount of offsetting costs and expenses in the current period	Other changes	Closing balance	Related to assets / related to income
Government subsidies for tailings pond environmental protection	478,800.00			34,200.00			444,600.00	Related to assets

32. *Other Non-Current Liabilities*

Unit: RMB

Item	Closing balance	Opening balance
Dividends payable by Jilin Banmiaozi to minority shareholders	14,248,463.35	14,248,463.35
Total	**14,248,463.35**	**14,248,463.35**

33. *Share Capital*

Unit: RMB

		Increase or decrease in this change (+, -)					
	Opening balance	Issuance of new shares	Bonus shares	Conversion of capital reserve into share capital	Others	Subtotal	Closing balance
Total number of shares	1,983,373,047.00			793,349,218.00		793,349,218.00	2,776,722,265.00

34. *Capital Reserve*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (share capital premium)	5,225,129,078.87		793,848,590.57	4,431,280,488.30
Total	**5,225,129,078.87**		**793,848,590.57**	**4,431,280,488.30**

Explanation: The share capital premium for the current period decreased by RMB793,848,590.57, of which RMB793,349,218.00 was converted to share capital.

35. *Other Comprehensive Income*

Unit: RMB

Item	Opening balance	Amount for the current period: Amount before income tax in the current period	Less: Transfer from other comprehensive income in the last period to profit or loss in the current period	Less: Transfer from other comprehensive income in the last period to retained earnings in the current period	Deduct: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
Other comprehensive income to be reclassified to profit or loss	-25,390,064.89	26,932,781.86			6,562,463.25	18,989,603.88	1,380,714.73	-6,400,461.01
Cash flow hedge reserve	-25,385,329.95	33,857,025.00			6,562,463.25	25,221,422.70	2,073,139.05	-163,907.25
Translation differences of foreign currency financial statements	-4,734.94	-6,924,243.14				-6,231,818.82	-692,424.32	-6,236,553.76
Total other comprehensive income	**-25,390,064.89**	**26,932,781.86**			**6,562,463.25**	**18,989,603.88**	**1,380,714.73**	**-6,400,461.01**

36. *Special Reserve*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production fees	11,664,958.64	22,781,565.92	29,100,043.67	5,346,480.89
Production maintenance fees	15,561,610.07		15,561,610.07	
Total	**27,226,568.71**	**22,781,565.92**	**44,661,653.74**	**5,346,480.89**

37. *Surplus Reserve*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	430,418,353.66	8,467,897.22		438,886,250.88
Total	**430,418,353.66**	**8,467,897.22**		**438,886,250.88**

38. *Undistributed Profit*

Unit: RMB

Item	For the current period	For the last period
Undistributed profit at the end of the last period before adjustment	1,406,894,608.22	1,111,825,131.01
Adjusted undistributed profit at the beginning of the period	1,406,894,608.22	1,111,825,131.01
Add: Net profit attributable to owners of the parent company in the current period	1,242,446,761.34	864,165,428.85
Less: Appropriation of statutory surplus reserve	8,467,897.22	177,503,643.24
Dividends payable on ordinary shares	396,674,609.40	391,592,308.40
Undistributed profit at the end of the period	2,244,198,862.94	1,406,894,608.22

39. *Operating Revenue and Operating Costs*

Unit: RMB

	Amount for the current period		Amount for the last period	
Item	Revenue	Costs	Revenue	Costs
Main business	7,902,639,439.32	5,745,935,431.31	5,144,292,083.50	3,590,528,586.92
Other businesses	3,162,899.63	1,538,042.42	4,658,569.76	3,493,930.62
Total	**7,905,802,338.95**	**5,747,473,473.73**	**5,148,950,653.26**	**3,594,022,517.54**

Revenue generated from the contract:

Contract classification	Amount for the current period
I. Market or customer type	
Of which: Non-ferrous metal mining and processing	3,290,839,290.41
Metal commodity trading	4,611,800,148.91
Others	3,162,899.63
Total	**7,905,802,338.95**

Explanation: Information related to performance obligations: The company has signed a legal and valid purchase and sale contract with customers in the sales of mineral products, which stipulates the target product, delivery method, delivery period, pricing method, weighing and testing standards, collection and payment settlement method and the liability for breach of contract, etc., and the performance obligations and rights are clear. There are clear market-based prices and calculation methods for the selling price of the company's products, and revenue is finally recognized after completion of product delivery, confirmation of test results and unit price and other performance obligations.

40. Taxes and Surcharges

Unit: RMB

Item	Amount for the current period	Amount for the last period
Urban maintenance and construction tax	4,081,849.62	2,716,760.40
Education surcharge	4,081,926.93	2,739,862.54
Resource tax	124,897,349.56	84,558,432.37
Property tax	3,008,370.23	2,718,423.27
Land holding tax	3,675,328.94	3,443,803.26
Vehicle usage tax	232,372.83	261,044.79
Stamp duty	3,046,367.58	2,765,611.69
Environmental protection tax	177,905.27	399,570.00
Mineral resource compensation fee	44,827,577.77	
Others	1,871,137.25	1,501,019.28
Total	**189,900,185.98**	**101,104,527.60**

41. Selling Expenses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Employee remuneration	1,009,141.30	562,434.85
Storage fee	997,957.48	682,306.81
Shipping fee	644,487.17	698,101.34
Travel expenses	233,963.85	129,802.20
Lab fees	197,376.00	208,802.94
Depreciation	612,351.47	
Others	127,273.48	231,509.96
Total	**3,822,550.75**	**2,512,958.10**

42. Management Costs

Unit: RMB

Item	Amount for the current period	Amount for the last period
Employee remuneration	126,604,317.62	116,520,073.43
Depreciation and amortization	34,356,710.95	29,379,884.24
Consulting and service fees	10,718,631.05	8,037,439.73
Business hospitality	8,098,640.23	9,855,561.35
Rental fees	6,904,043.30	7,269,288.68
Office expenses	2,525,236.40	2,025,060.96
Travel expenses	4,101,447.21	5,548,277.25
Tax	5,575,111.02	4,905,865.78
Maintenance fees	1,834,991.51	1,069,065.07
Utility bill	4,265,528.08	1,331,909.62
Downtime loss	6,511,564.59	37,428,086.02
Insurance fees	1,118,544.50	800,943.33
Vehicle and miscellaneous expenses	3,535,591.78	3,921,362.41
Greening costs	2,108,477.82	1,310,778.83
Heating costs	6,630,305.92	2,407,728.51
Material consumption	9,734,863.17	
Others	21,989,659.57	23,719,723.72
Total	**256,613,664.72**	**255,531,048.93**

43. Financial Expenses

Unit: RMB

Item	**Amount for the current period**	**Amount for the last period**
Interest expense	42,193,580.61	29,297,524.57
Less: Interest income	1,029,909.86	4,432,044.25
Exchange gains and losses	1,636,984.87	-219,026.69
Bank charges	865,496.65	2,770,426.52
Others		1,084,255.87
Total	**43,666,152.27**	**28,501,136.02**

44. Other Gains

Unit: RMB

Other sources of income	**Amount for the current period**	**Amount for the last period**
Multi-level capital market subsidies	3,000,000.00	
Enterprise transformation and upgrade subsidies	1,008,000.00	
Stabilizing job allowance	669,932.15	206,483.45
Rewards for technology innovation	540,000.00	
Rewards for enterprises above designated size	440,000.00	570,000.00
Special subsidies for scientific achievements	249,000.00	
Scientific research funding subsidies for high-tech enterprises	150,000.00	
Government subsidies for tailings pond environmental protection	34,200.00	34,200.00
Rewards for safety production		3,000.00
Refund of withholding fees	351,166.91	667,791.60
Others	124,708.66	10,225.95
Total	**6,567,007.72**	**1,491,701.00**

45. Investment Income

Unit: RMB

Item	Amount for the current period	Amount for the last period
Investment income of wealth management products	35,219,154.17	27,457,216.31
Investment income from disposal of derivative financial assets	-1,964,832.58	2,580,362.66
Interest income from acquisition of equity	53,857,224.11	
Others	1,808,565.48	-2,914,145.18
Total	**88,920,111.18**	**27,123,433.79**

46. Gains from Change in Fair Value

Unit: RMB

Source of gains from change in fair value	Amount for the current period	Amount for the last period
Financial assets held for trading	-8,792,960.06	-3,019,269.16
Including: Gains from change in fair value of derivative financial instruments	-8,792,960.06	-3,019,269.16
Total	**-8,792,960.06**	**-3,019,269.16**

47. Credit Impairment Losses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Bad debt loss	-1,194,993.39	-839,333.47
Total	**-1,194,993.39**	**-839,333.47**

48. Gains from disposal of assets

Unit: RMB

Source of gains on disposal of assets	Amount for the current period	Amount for the last period
Gains or losses on disposal of fixed assets	-1,890,453.55	94,500.55
Total	**-1,890,453.55**	**94,500.55**

49. Non-operating revenue

Unit: RMB

Item	Amount for the current period	Amount for the last period	Amount included in the current non-recurring profit and loss
Compensation	71,343,396.40		71,343,396.40
Forfeited income	166,984.32	380,355.53	166,984.32
Gains on surplus	196.17	4,457.62	196.17
Others	1,575,724.25	8,554,788.22	1,575,724.25
Total	**73,086,301.14**	**8,939,601.37**	**73,086,301.14**

50. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the last period	Amount included in the current non-recurring profit and loss
External donation	11,083,703.50	1,276,376.67	11,083,703.50
Loss on damage and retirement of non-current assets	2,687,356.72	21,838,768.47	2,687,356.72
Fines and late fees	45,352,163.28	200,851.77	45,352,163.28
Others	826,458.83	578,691.40	826,458.83
Total	**59,949,682.33**	**23,894,688.31**	**59,949,682.33**

51. Income Tax Expense

(1) Income tax expense table

Unit: RMB

Item	Amount for the current period	Amount for the last period
Current income tax expense	412,621,193.77	269,739,394.70
Deferred income tax expense	-17,667,227.77	-48,016,401.41
Total	**394,953,966.00**	**221,722,993.29**

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Amount for the current period
Total profit	1,761,071,642.21
Income tax expense calculated at statutory / applicable tax rate	440,267,910.55
Effect of different tax rates applicable to subsidiaries	-75,905,794.68
Effect of adjusting income taxes for the prior period	-5,077,224.84
Impact on non-taxable income	-1,717,486.25
Effect of non-deductible costs, expenses and losses	7,799,868.56
Effect of using deductible losses of deferred income tax assets not recognized in the prior period	587,091.01
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	208,458.18
Effect of the restoration of fair value of consolidated subsidiaries	28,791,143.47
Income tax expense	394,953,966.00

52. *Cash Flow Statement Items*

(1) Other cash received related to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Receipt of current account	3,499,388.27	1,959,961.25
Interest income	1,029,909.86	4,432,044.25
Government subsidies for daily business activities	6,056,932.15	779,483.45
Security deposit received	5,631,359.52	17,659,059.40
Others	1,941,303.97	1,505,488.93
Total	**18,158,893.77**	**26,336,037.28**

(2) Other cash paid related to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Payment of current account	25,153,644.76	12,893,979.46
Security deposit	11,134,036.03	11,475,040.32
Business hospitality	8,098,640.23	9,855,561.35
Consulting and service fees	10,718,631.05	8,037,439.73
Rental fees	6,904,043.30	7,269,288.68
Travel expenses	4,335,411.06	5,678,079.45
Maintenance fees	1,834,991.51	4,990,427.48
Bank charges	865,496.65	2,770,426.52
Office expenses	2,525,236.40	2,025,060.96
Warehousing and shipping fees	1,642,444.65	1,380,408.15
Environmental greening and water and soil conservation costs	2,108,477.82	1,310,778.83
External donation	11,083,703.50	1,276,376.67
Insurance fees	1,118,544.50	800,943.33
Fines and late fees	45,152,163.28	200,851.77
Material consumption	9,734,863.17	
Others	2,205,277.29	2,028,116.24
Total	**144,615,605.20**	**71,992,778.94**

(3) Other cash received related to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Compensation received	63,552,189.72	
Total	**63,552,189.72**	

(4) Other cash paid related to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Advance payment of deposit for prospecting rights	1,329,800.00	
Total	**1,329,800.00**	

(5) Other cash received related to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Warehouse receipt pledge offset security deposit	199,585,284.32	201,918,288.00
Receipt of bill financing	407,000,000.00	213,710,757.05
Total	**606,585,284.32**	**415,629,045.05**

(6) Other cash paid related to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Repayment of bill financing and discount interest	613,687,253.60	7,289,444.44
Warehouse receipt pledge offset security deposit	172,838,035.10	152,574,228.37
Stamp duty and transfer fee for the employee stock ownership plan		386,254.88
Share registration fee	529,334.02	
Total	**787,054,622.72**	**160,249,927.69**

53. *Supplementary Information on the Cash Flow Statement*

(1) Supplementary information on the cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the last period
1. Reconciliation of net profit to cash flows from operating activities:	–	–
Net profit	1,366,117,676.21	955,451,417.55
Add: Provision for impairment of assets	1,194,993.39	839,333.47
Depreciation of fixed assets, depreciation of oil and gas assets and depreciation of productive biological assets	309,610,496.83	248,706,753.62
Depreciation of right-of-use assets		
Amortization of intangible assets	351,629,695.70	281,279,945.10
Amortization of long-term deferred expenses	5,291,118.60	6,075,769.31
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain represented by "-")	1,890,453.55	–94,500.55
Losses from retirement of fixed assets (gain represented by "-")	2,687,356.72	21,838,768.47
Losses from changes in fair value (gain represented by "-")	8,792,960.06	3,019,269.16
Financial expenses (gain represented by "-")	42,193,580.61	29,297,524.57
Investment loss (gain represented by "-")	-88,920,111.18	-27,123,433.79
Decrease in deferred income tax assets (increase represented by "-")	27,190,829.59	39,824,612.53
Increase in deferred income tax liabilities (decrease represented by "-")	-38,295,594.11	-87,841,013.94
Decrease in inventory (increase represented by "-")	37,935,522.67	-399,941,080.97
Decrease in operating receivable items (increase represented by "-")	-14,990,377.07	-211,805.33
Increase in operating payable items (decrease represented by "-")	454,039,524.92	92,083,971.34
Others	-39,665,768.09	-16,992,513.51
Net cash flows from operating activities	2,426,702,358.40	1,146,213,017.03
2. Significant investment and financing activities that do not involve cash receipts and payments:	–	–
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Finance leasing of fixed assets		
3. Net changes in cash and cash equivalents:	–	–
Closing balance of cash	445,104,601.52	291,271,671.97
Less: Opening balance of cash	291,271,671.97	119,865,668.60
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	153,832,929.55	171,406,003.37

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
1. Cash	445,104,601.52	291,271,671.97
Including: Cash on hand	304,773.93	699,154.43
Bank deposits readily available for payment	262,489,216.06	274,823,796.86
Other monetary funds readily available for payment	182,310,611.53	15,748,720.68
3. Closing balance of cash and cash equivalents	445,104,601.52	291,271,671.97

54. *Assets with Restricted Ownership or Use Rights*

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Monetary funds	37,574,546.87	Of the other monetary funds at the end of the period, RMB37,574,546.87 is restricted funds: RMB11,368,338.68 is the security deposit placed by the subsidiary Yulong Mining in the special account of Xilinhot Branch of the Bank of China according to the Supplementary Notice on Issues Related to the Registration of Mining Rights Concerning the Implementation of the Measures for the Administration of Deposit for Mining Geological Environment Improvement in the Inner Mongolia Autonomous Region (《關於執行〈內蒙古自治區礦山地質環境治理保證金管理辦法〉涉及採礦權登記有關問題的補充通知》)(Xi Guo Tu Zi Zi [2008] No. 143); RMB11,142,119.12 is the environmental governance deposit placed in the bank by the subsidiary Qinghai Dachaidan; RMB5,808,537.81 is the geological environment protection deposit placed in the bank by the subsidiary Jilin Banmiaozi; RMB5,143,259.60 is the geological environment protection deposit placed in the bank by the subsidiary Heihe Yintai; RMB3,592,791.66 is the deposit placed by the subsidiary Shenghong Singapore in the futures company; RMB518,000.00 is the deposit for the bank acceptance bill placed in the bank by the subsidiary Yongheng Trading; RMB1,500.00 is the ETC frozen funds placed in the bank by the subsidiary Jilin Banmiaozi.
Inventory	118,204,849.61	In the closing inventory there is an amount of RMB118,204,849.61 that has usage rights restricted: of which RMB17,616,463.93 is the pledge made for the financing of the subsidiary Yintai Shenghong; RMB100,588,385.68 is the pledge made for the trade financing of the subsidiary Yongheng Trading.
Financial assets held for trading	447,000,000.00	The closing balance is a structured deposit, which is also the security deposit for bank acceptance.
Other non-current assets	1,329,800.00	The security deposit for prospecting rights is paid in advance, the balance of which is frozen and supervised by three parties through a tripartite supervision agreement signed by Yintai Shengxin, the 602nd Team of Jilin Provincial Nonferrous Metals Geological Exploration Bureau and its account opening bank.
Total	**604,109,196.48**	

55. *Monetary Items in Foreign Currency*

(1) Monetary items in foreign currency

Unit: RMB

Item	Closing foreign currency balance	Translation rate	Closing RMB balance after translation
Monetary funds	–	–	
Of which: US dollar	4,149,152.15	6.5249	27,072,802.86
Singapore dollar	14,598.95	4.9314	71,993.26

(2) Explanation of overseas operating entities, including for important overseas operating entities, the principal place of business overseas, recording currency and basis of choice, and if the recording currency changes, the reasons shall also be disclosed.

✔ Applicable ☐ N/A

Name of overseas subsidiary	Registered place of business	Reporting currency	Basis for adopting functional currency for bookkeeping
Yintai Shenghong Singapore Co., Ltd.	Singapore	US dollar	Sales, purchases, financing and other operating activities are mainly denominated in US dollars

56. *Hedging*

Disclosure of hedging items and related hedging instruments by hedging type, qualitative and quantitative information on hedged risks:

Gold, silver, lead, zinc contained in the company's products and silver, tin, nickel, aluminum, copper, etc. in the metal trade are basic products of trading varieties in precious metals and non-ferrous metals commodity futures markets. In order to reduce the impact of commodity price fluctuations in spot operations on the business, the company makes full use of hedging function of the financial derivatives market, and effectively controls the company's operating risks according to the principle of synchronous futures and spots and complementary profit and loss between futures and spots.

All derivatives investments of the company including hedging have been submitted to the board of directors for review, and the Derivatives Investment Business Management System and the Hedging Business Management System have been formulated as the internal control and management system for derivatives investment business. These systems clearly stipulate the variety scale, source of funds, approval authority, decision-making procedures, authorization system, business process, risk management, information disclosure, etc. of the company's derivatives investment business, which can effectively ensure the smooth progress of derivatives investment business, and effective control over its risks. The company's existing self-owned capital size can support the required Security deposit and follow-up support funds for the company's derivatives investment business.

According to the Accounting Standards for Business Enterprises No. 24 - Hedge Accounting, the daily accounting treatment of hedging business is carried out, and hedging is divided into fair value hedging and cash flow hedging.

Fair value hedging: The company is faced with large price fluctuations during metal trading activities, and manages the risk of commodity price changes through the futures contracts of futures exchanges for purchased commodity inventories or contracts for purchases and sales that have not yet been priced because it is worried that future inventory prices will fall and sales revenue will decline,. The company buys or sells a corresponding number of futures contracts in a certain proportion in the futures market, so as to stabilize the risk of price fluctuations for the company.

Cash flow hedging: For the mineral products that are expected to be sold, the company sells futures contracts for hedging because it is worried that the sales price will fall in the future and the cash income will decrease.

Unit: RMB

Hedging varieties	**Closing balance**	**Opening balance**
Precious metal hedging	47,303,728.16	72,592,125.60
Other non-ferrous metal hedging	22,942,355.41	10,447,248.00
Total	**70,246,083.57**	**83,039,373.60**

57. Government Subsidies

(1) Basic information on government subsidies

Unit: RMB

Type	**Amount**	**Presentation item**	**Amount included in profit and loss for the period**
Multi-level capital market subsidies	3,000,000.00	Other income	3,000,000.00
Enterprise transformation and upgrade subsidies	1,008,000.00	Other income	1,008,000.00
Stabilizing job allowance	669,932.15	Other income	669,932.15
Rewards for technology innovation	540,000.00	Other income	540,000.00
Special subsidies for scientific achievements	249,000.00	Other income	249,000.00
Scientific research funding subsidies for high-tech enterprises	150,000.00	Other income	150,000.00
Rewards for enterprises above designated size	440,000.00	Other income	440,000.00
Government subsidies for tailings pond environmental protection	478,800.00	Deferred income	34,200.00

(2) Return of government subsidies

☐ Applicable ✔ N/A

VIII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Changes in the Scope of Consolidation for Other reasons

Deregistration of subsidiaries in the period: In December 2020, the company deregistered its subsidiary Inner Mongolia Yulong Technology Inspection Service Co., Ltd. and completed the industrial and commercial deregistration on 28 January 2021.

In December 2019, the company liquidated its subsidiary Yintai Shengda Mining Investment and Development Co., Ltd. and completed the industrial and commercial deregistration on 22 January 2020.

Newly established subsidiaries in the period: On 18 September 2020, the company established a new subsidiary, namely Jilin Yintai Shengxin Mining Co., Ltd., with a shareholding ratio of 75%.

IX. EQUITY IN OTHER ENTITIES

1. Equity in Subsidiaries

(1) Composition of the enterprise group

Name of subsidiary	Major place of business	Place of registration	Business nature	Shareholding ratio Direct	Shareholding ratio Indirect	Method of obtaining
Yulong Mining	Inner Mongolia	Inner Mongolia Xilingol League	Mining of silver, lead, and zinc mines, sales of mineral products	76.67%		Business combination
Yintai Shenghong	Shanghai	Shanghai Free-Trade Zone	Supply chain management, etc.	90.00%		New establishment
Shenghong Singapore	Singapore	Singapore	supply chain management, etc.		90.00%	New establishment
Yongheng Trading	Ningbo	Jiangbei District, Ningbo City, Zhejiang Province	Trading services		90.00%	New establishment
Yulong Technology Inspection	Inner Mongolia	Inner Mongolia Xilingol League	Inspection technology consulting services		76.67%	New establishment
Shanghai Shengwei	Shanghai	Shanghai	Controlling company	100.00%		Business combination
Sino Gold BMZ	Cayman Islands	Cayman Islands	Controlling company		100.00%	Business combination
Jilin Banmiaozi	Baishan City, Jilin Province	Baishan City, Jilin Province	Prospecting, mining and smelting of gold mines, sales of mineral products		95.00%	Business combination
Jincheng Mining	Baishan City, Jilin Province	Baishan City, Jilin Province	Detailed survey of gold and metal mines		75.00%	Business combination
Yintai Shengxin	Baishan City, Jilin Province	Baishan City, Jilin Province	Geological prospecting		75.00%	New establishment
Sino Gold Hong Kong	Hong Kong	Hong Kong	Controlling company		100.00%	Business combination
Rock Hong Kong	Hong Kong	Hong Kong	Controlling company		100.00%	Business combination
Heihe Yintai	Xunke County, Heihe City, Heilongjiang Province	Xunke County, Heihe City, Heilongjiang Province	Prospecting, mining and smelting of gold mines, sales of mineral products		100.00%	Business combination
Qinghai Dachaidan	Haixi Prefecture, Qinghai Province	Haixi Prefecture, Qinghai Province	Prospecting, mining and smelting of gold mines, sales of mineral products		90.00%	Business combination

(2) Important non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority shareholding ratio	Profit and loss attributable to minority shareholders in the current period	Dividends declared for distribution to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Yulong Mining	23.33%	57,522,453.21		942,463,123.90
Jilin Banmiaozi	5.00%	12,255,064.32		69,170,052.34
Qinghai Dachaidan	10.00%	52,108,563.05	13,904,747.32	132,791,528.22
Yintai Shenghong	10.00%	1,992,627.55		23,321,967.02

(3) Major financial information of important non-wholly owned subsidiaries

Unit: RMB

	Closing balance						Opening balance					
Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Yulong Mine Industry	475,881,890.63	3,698,011,714.10	4,173,893,604.73	125,395,823.66	8,828,762.03	134,224,585.69	189,945,531.95	3,726,394,737.55	3,916,340,269.50	86,920,800.02	7,728,623.92	94,649,423.94
Jilin board Miaozi	163,297,846.59	1,459,503,062.92	1,622,800,909.51	134,508,188.40	180,565,474.32	315,073,662.72	154,034,606.69	1,561,854,085.86	1,715,888,692.55	452,904,161.46	200,358,570.57	653,262,732.03
Qinghai University Chai Dan	438,623,500.64	1,224,044,484.99	1,662,667,985.63	280,317,469.22	298,174,005.57	578,491,474.79	529,657,967.00	1,216,317,520.89	1,745,975,487.89	319,650,978.90	621,395,677.34	941,046,656.24
Intime Hung	1,232,783,090.89	4,081,060.20	1,236,864,151.09	1,003,621,536.99		1,003,621,536.99	978,327,610.08	634,779.60	978,962,389.68	753,607,904.12	-	753,607,904.12

Unit: RMB

	Amount for the current period				Amount for the last period			
Name of subsidiary	Operating revenue	Net profit	Total comprehensive income Forehead	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income Forehead	Cash flow from operating activities
Yulong Mining	798,021,145.95	246,557,908.69	246,557,908.69	452,121,178.12	523,353,207.51	144,426,091.87	144,426,091.87	220,901,761.00
Jilin Banmiaozi	705,848,193.07	245,101,286.27	245,101,286.27	426,856,560.77	380,459,080.52	53,327,502.97	53,327,502.97	145,690,045.03
Qinghai Dachaidan	751,143,593.48	293,116,939.83	293,116,939.83	381,355,921.40	469,862,491.46	232,858,097.56	232,858,097.56	341,422,770.32
Yintai Shenghong	7,856,134,303.10	14,812,371.68	7,888,128.54	374,972,465.65	5,098,032,039.26	13,793,293.00	13,893,277.07	-125,989,922.80

Other explanations: The major financial information of the subsidiary is the amount after adjusting the individual financial statements based on the fair value of the company's identifiable assets and liabilities on the purchase date when the consolidated statements are prepared.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The company's main financial instruments include monetary funds, derivative financial assets, financial assets held for trading and borrowings, etc. The company also has various other financial assets and liabilities directly arising from operations, such as accounts receivable, bills payable and accounts payable.

The main risks caused by the company's financial instruments are credit risk, liquidity risk and market risk.

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company is mainly exposed to customer's credit risk arising from sales on credit. The company establishes a customer credit management system, and conducts a credit review of the counterparty in accordance with the relevant regulations and procedures of the company's contract management measures before the transaction. The company only conducts transactions with approved and reputable customers, and makes sure that the counterparty is capable of performing relevant contract. In accordance with the company's policies, if credit transactions are carried out with identified specific customers, the company will continuously monitor the balance of accounts receivable to ensure that the company is not exposed to major bad debt risks.

The company's other financial assets include monetary funds and receivables and other receivables. The credit risk of these financial assets comes from the default of counterparties, and the maximum risk exposure is equal to the carrying amount of these instruments. The company is not exposed to the credit risk due to the provision of financial guarantees.

As of 31 December 2020, the book balance and expected credit impairment losses of relevant assets are as follows:

Unit: RMB

Item	Book balance	Provision for impairment
Financial assets held for trading	1,535,264,849.67	
Other current assets	693,121,505.30	
Derivative financial assets	99,865,745.36	
Accounts receivable	50,810,385.53	2,540,519.28
Other receivables	30,441,082.73	9,554,131.15
Total	**2,409,503,568.59**	**12,094,650.43**

2. *Liquidity risk*

Liquidity risk is the risk that the Company will encounter shortage of funds in meeting obligations that are settled by delivering cash or other financial assets.

It is the Company's policy to ensure that it has sufficient cash to meet debt obligations as they fall due. Liquidity risk is centrally controlled by the Company's financial department. The finance department will ensure that the company has sufficient funds to repay its debts under all reasonable forecasts through monitoring of cash balance, as well as rolling forecast of cash flows for the next 12 months.

As of 31 December 2020, the Company's financial liabilities and off-balance-sheet guarantee items are presented at undiscounted contractual cash flow over the remaining maturity of contract as follows:

Unit: RMB

	Closing balance			
Item	**Within 1 year**	**1-3 years**	**Over 3 years**	**Total**
Short-term borrowing	179,194,662.50			179,194,662.50
Bills payable	447,518,000.00			447,518,000.00
Accounts payable	96,983,839.48	19,167,067.68	6,001,748.32	122,152,655.48
Other payables	145,578,336.09	51,815,467.28	6,034,105.45	203,427,908.82
Long term borrowing		234,929,916.67		234,929,916.67
Long-term payables		13,562,752.00	6,781,376.00	20,344,128.00
Non-current liabilities due within one year	6,781,376.00			6,781,376.00
Total	**876,056,214.07**	**319,475,203.63**	**18,817,229.77**	**1,214,348,647.47**

3. *Market risk*

Market risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Exchange rate risk

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. At present, the amount of the company's foreign exchange assets is small, but the price risk will be affected by changes in the exchange rate.

As of 31 December 2020, the amount of foreign currency financial assets and foreign currency financial liabilities held by the company converted into RMB is presented as follows:

Unit: RMB

	Closing balance		
Item	**Dollar-denominated item**	**Singapore dollar -denominated item**	**Total**
Foreign currency financial assets:			
Monetary funds	27,072,802.86	71,993.26	27,144,796.12

(2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. Since the company's borrowings are at fixed interest rates, there is no risk of changes in RMB benchmark interest rates. In addition, the company purchases fixed-income or low-risk wealth management products in banks, which does not pursue high returns and are all short-term wealth management products, with low interest rate risk. There is basically no interest rate risk in the reverse repurchase of treasury bonds and the investment in monetary funds.

(3) Other price risks

The company's other price risks mainly come from bulk metal trading prices. In order to stabilize the risk of price fluctuations, when conducting metal trading, the company generally purchases similar futures products in the futures market to avoid the risk of price fluctuations or hedges corresponding forward bulk metal purchase contracts. Since the financial derivatives market itself has certain systemic risks, it is necessary to make reasonable and effective predictions on price trends when conducting hedging operations. Once the price forecast deviates, it may affect the effect of hedging business.

XI. DISCLOSURE OF FAIR VALUE

1. Financial Instruments Measured at Fair Value

The company presented the carrying amount of financial instruments measured at fair value on 31 December 2020 according to three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels to which each important input used in fair value measurement belongs. The three levels are defined as follows:

Level 1: They are unadjusted quoted prices in active markets for identical assets or liabilities available at the date of measurement;

Level 2: They are direct or indirect observable inputs for the relevant asset or liability other than Level 1 inputs;

Level 2 input include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for the identical or similar assets or liabilities in inactive markets; 3) other observable inputs excluding quoted price, such as interest rates and yield curves, implied volatility and credit spreads, etc. observable at commonly quoted intervals; 4) inputs that are evidenced in market, etc.

Level 3: They are unobservable inputs for the relevant asset or liability.

2. Fair Value Measurement at the End of the Period

(1) Continuous fair value measurement

Unit: RMB

	Fair value at the end of the period			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading		1,535,264,849.67		1,535,264,849.67
Derivative financial assets	99,865,745.36			99,865,745.36
Investment in other equity instruments			55,803,885.24	55,803,885.24

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The Parent Company of the Enterprise

Name of the parent company	**Place of registration**	**Business nature**	**Registered capital**	**Shareholding ratio of the parent company in the enterprise**	**Proportion of voting rights of the parent company in the enterprise**
China Yintai Holdings Co., Ltd.	Unit 404, 4th Floor, Building 3, Yard 2, Jianguomenwai Street, Chaoyang District, Beijing	Limited liability company	RMB1,000,000,000	14.44%	14.44%

Explanation of the parent company of the enterprise

(1) The parent company of the company is China Yintai Holdings Co., Ltd., the scope of whose main business is asset custody, reorganization and operation; investment, development and operation of agriculture, forestry, animal husbandry and fishery; investment, development and operation of high-tech

industries; research and development and sales of sanitary products and labor insurance products; investment and operation of commercial department store retailing.

(2) Shen Guojun holds 100% equity of Beijing Guojun Investment Co., Ltd. (北京國俊投資有限公司), which in turn holds 92.5% equity of China Yintai. As of the balance sheet date, Shen Guojun directly holds 6.49 % equity of Yintai Gold, and China Yintai holds 14.44 % equity of Yintai Gold. In view of the above, Shen Guojun and China Yintai jointly hold 20.93 % equity of Yintai Gold.

The ultimate controlling party of the enterprise is Shen Guojun.

2. Subsidiaries of the enterprise

For the details of subsidiaries of the enterprise, please refer to Note IX. Equity in Other Entities.

3. Other related party

Name of other related party	Relationship between other related parties and the company
Beijing Yintai Real Estate Co., Ltd. and its Property Management Branch	Same ultimate controller

4. Related transactions

(1) For subsidiaries that have a control relationship and have been included in the scope of the company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.

(2) Related party transactions of purchase and sale of goods, provision and acceptance of services

Unit: RMB

Related party	Related transaction content	Amount for the current period	Amount for the last period
Beijing Yintai Real Estate Co., Ltd. Property Management Branch	Property services	585,851.22	538,437.82

(3) Related leases

The company as lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease fees recognized in the current period	Lease fee recognized in the last period
Beijing Yintai Real Estate Co., Ltd.	Office building	5,432,636.00	5,926,512.00

(4) Related Guarantees

The company as the guaranteed party

Unit: RMB

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
China Yintai Holdings Co., Ltd.	234,500,000.00	9 November 2017	9 November 2024	No

(5) Remuneration of key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the last period
Remuneration of key management personnel	1,702.65	1,585.72

5. *Receivables and Payables of Related Parties*

(1) Receivable items

Unit: RMB

Item	Related party	Closing balance: Book balance	Closing balance: Provision for bad debts	Opening balance: Book balance	Opening balance: Provision for bad debts
Prepayments	Beijing Yintai Real Estate Co., Ltd.	518,569.80		1,037,139.60	
Prepayments	Beijing Yintai Real Estate Co., Ltd. Management Branch	52,618.39		88,165.64	
Other receivables	Beijing Yintai Real Estate Co., Ltd.	1,555,709.40	311,141.88	1,555,709.40	155,570.94
Other receivables	Beijing Yintai Real Estate Co., Ltd. Property Management Branch	107,181.60	21,436.32	107,181.60	10,718.16

XIII. COMMITMENTS AND CONTINGENCIES

1. *Important Commitments*

The company has no important commitments that need to be disclosed.

2. *Contingencies*

(1) Important contingencies existing on the balance sheet date

The company has no important contingencies that need to be disclosed.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. *Profit Distribution*

According to the Resolution on Consideration of the Company's Profit Distribution Plan for 2020 deliberated at the fourth meeting of the eighth session of the board of directors of the company, the proposed profit distribution plan for 2020 of the company is: based on the existing share capital of 2,776,722,265 shares, a cash dividend of RMB2.5 (tax included) will be distributed to all shareholders for every 10 shares, for a total of RMB694,180,566.25. The resolution still needs to be submitted to the company's 2020 annual general meeting for consideration.

2. *Description of Other Events after the Balance Sheet Date*

In December 2020, the company liquidated its subsidiary Yulong Technology Inspection, and completed the industrial and commercial deregistration in January 2021.

XV. OTHER IMPORTANT MATTERS

1. *Other Important Transactions and Matters that Affect Investors' Decision-Making*

(1) Implementation of employee stock ownership plan

On 15 May 2019, the 2018 annual general meeting of the company reviewed and approved the resolution on the Company's Phase I Employee Stock Ownership Plan (Draft) and other related resolutions. The employee stock ownership plan aims to establish and improve the benefit sharing mechanism between workers and owners, improve the cohesion of employees and the company's competitiveness, and ensure the company's long-term and stable development. The source of underlying stocks involved is the shares repurchased through the company's special account for repurchase, and the purchase price of underlying stocks is the price adjusted by the company's repurchase price after ex-rights and ex-dividend events. The total fund raised by the employee stock ownership plan is RMB213,710,800, for RMB1 each share, representing a total of 213,710,800 shares; the duration of the employee stock ownership plan is 24 months, commencing from the date when the company's general meeting considers and approves the draft employee stock ownership plan; the lock-up period of underlying stocks is 12 months, commencing from the date when the company announces the transfer of the last batch of underlying stocks to the name of the employee stock ownership plan.

On 17 July 2019, the company received the Securities Transfer Registration Confirmation issued by China Securities Depository and Clearing Co., Ltd., and 25,411,505 shares of the company held in the company's special account for repurchase were all transferred to the company's phase I employee stock ownership plan in the form of non-trading transfer on 16 July 2019. On 20 July 2020, the company's shares held by the company's phase I employee stock ownership plan have been sold out.

(2) Major asset restructuring

On 25 September 2019, the company held the 16th meeting of the seventh session of the board of directors, and considered the relevant resolutions on the issue of shares to purchase assets. It is planned to purchase 83.75% of the equity of Guizhou Dingshengxin Mining Development Co., Ltd. (貴州鼎盛鑫礦業發展有限公司) from Dong Ying (董贏) and Bai Guanghui (柏光輝) by way of issuing shares and paying in cash. On the same day, the company signed relevant agreements with Dong Ying and Bai Guanghui such as the Supplementary Agreement to the Framework Agreement on Issue of Shares and Payment of Cash to Purchase Assets. Pursuant to the relevant agreements, the company paid Dong Ying and Bai Guanghui a total deposit of RMB600 million. On 18 October 2019, Dong Ying and Bai Guanghui, the counterparties to the transaction, gone through the pledge procedures for their 16.25% equity held in Guizhou Dingshengxin Mining Development Co., Ltd. upon payment by the company of RMB600 million as deposit.

Due to large differences between both parties on certain terms of the supplementary agreement, they could not reach a consensus and failed to sign the supplementary agreement. In order to effectively protect the interests of the company and all shareholders, on 19 May 2020, the company held the 25th meeting of the seventh session of the board of directors, and reviewed and approved the Resolution on Terminating Matters Related to Major Asset Restructuring, agreeing to terminate this major asset restructuring.

According to the relevant agreements, Dong Ying and Bai Guanghui should return the deposit and compensation for capital occupation to the company within three working days after the termination of this transaction. However, within three working days after the termination of this transaction, the company did not receive the deposit and compensation for capital occupation.

Therefore, in order to avoid damage to the legitimate rights and interests of the company, on 2 July 2020, the company submitted the Application for Arbitration to the Beijing Arbitration Commission with Dong Ying and Bai Guanghui as the respondent.

On 2 February 2021, the company received the Beijing Arbitration Commission Award [(2021) Jing Zhong Cai Zi No. 0309] issued by the Beijing Arbitration Commission.

As of 3 March 2021, the company received the deposit of RMB600 million returned by Dong Ying and Bai Guanghui, as well as the compensation for capital occupation until the repayment date, legal fees, and arbitration fees totaling RMB672,323,151.96. Dong Ying and Bai Guanghui have already fulfilled the repayment obligation determined in the Beijing Arbitration Commission Award [(2021) Jing Zhong Cai Zi No. 0309].

(3) Proceeds from the transfer of mining rights of Jilin Banmiaozi Mining Co., Ltd.

According to relevant provisions of the Interim Measures for the Administration of Collection of Proceeds from the Transfer of Mining Rights (《礦業權出讓收益徵收管理暫行辦法》) (Cai Zong [2017] No. 35) issued by the Ministry of Finance and the Ministry of Land and Resources, if the prospecting right obtained after submitting prior application been converted into the mining right, the proceeds from the transfer of mining right shall be collected based on the remaining resources reserves by way of transfer by agreement. According to the Assessment Report on Proceeds from the Transfer of Jinying Gold Mine Mining Rights of Jilin Banmiaozi Mining Co., Ltd. (Jilin Guodi Mining Rights Ping Bao Zi [2020] No. S080) issued by Jilin Guodi Mining Rights Evaluation Co., Ltd. (吉林國地礦業權評估有限公司), the appraised value of proceeds from the transfer of Jinying Gold Mine mining right of

Jilin Banmiaozi Mining Co., Ltd. is RMB227,878,300, and the work related to such proceeds from the transfer is being carried out in an orderly manner.

(4) Participate in the establishment of investment funds

On 20 August 20 20, the company held the 26th meeting of the seventh session of the board of directors, and reviewed and approved the Resolution on the Company's Participation in the Establishment of Investment Funds. The company and 11 partners including Lianchu Runda Equity Investment Management Co., Ltd. (聯儲潤達股權投資管理有限公司) jointly established Jiaxing Xiyao Equity Investment Partnership (Limited Partnership) (嘉興希耀股權投資合夥企業(有限合夥)). The registered capital of the partnership established is RMB460,000,000, of which the company contributes RMB3,000,000 with its own funds as a limited partner, accounting for 6.52%. For details, please refer to the Announcement on Participating in the Establishment of Investment Funds disclosed on 21 August 2020 by the company on the website of CNINF and China Securities Journal, Shanghai Securities News and Securities Times.

On 21 September 2020, the company disclosed the Announcement on the Progress of Participating in the Establishment of Investment Funds. For details, please refer to the announcement disclosed by the company on the website of CNINF and China Securities Journal, Shanghai Securities News and Securities Times.

2. Guarantees Provided by the company for its Controlling Subsidiaries

Unit: RMB

Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Qinghai Dachaidan	179,000,000.00	25 September 2020	Three years after the expiration of the main contract debt performance period	No
Heihe Yintai	95,748,590.00	17 October 2019	Two years after the expiration of the precious metal lease term under the main contract	Yes
Yintai Shenghong	50,000,000.00	28 August 2020	Three years after the expiration of the main contract debt performance period	Yes

Explanation: Qinghai Dachaidan's approved guarantee amount is RMB200 million, Heihe Yintai's approved guarantee amount is RMB500 million; Yintai Shenghong's approved guarantee amount is RMB100 million.

XVI. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Other Receivables

Unit: RMB

Item	**Closing balance**	**Opening balance**
Other receivables	668,761,290.64	1,336,023,281.79
Total	**668,761,290.64**	**1,336,023,281.79**

(1) Other receivables

1) Disclosure by aging

Unit: RMB

Aging	**Closing balance**	**Opening balance**
Within 1 year	533,549,410.07	1,334,497,604.89
1–2 years	133,855,547.77	
2–3 years		1,693,391.00
3–4 years	1,693,391.00	
4–5 years		
Over 5 years	3,250.00	3,250.00
Subtotal	669,101,598.84	1,336,194,245.89
Less: Provision for bad debts	340,308.20	170,964.10
Total	**668,761,290.64**	**1,336,023,281.79**

2) Classification by the nature of payment

Unit: RMB

Nature of payment	Closing balance	Opening balance
Current account	667,404,857.84	1,334,497,604.89
Deposit and security deposit	1,696,641.00	1,696,641.00
Others	100.00	
Total	**669,101,598.84**	**1,336,194,245.89**

3) Disclosure by three stages of financial asset impairment

Unit: RMB

	Closing balance			Opening balance		
Item	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount
Stage I	669,101,598.84	340,308.20	668,761,290.64	1,336,194,245.89	170,964.10	1,336,023,281.79
Stage II						
Stage III						
Total	**669,101,598.84**	**340,308.20**	**668,761,290.64**	**1,336,194,245.89**	**170,964.10**	**1,336,023,281.79**

4) Disclosure by category of methods of provision for bad debts

Unit: RMB

	Closing balance				
	Book balance		Bad debt provision		Carrying amount
Category	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with provision for ECL on an individual basis					
Other receivables with provision for ECL on a group basis	669,101,598.84	100.00	340,308.20	0.05	668,761,290.64
Including: Grouped by aging	1,696,741.00	0.25	340,308.20	20.06	1,356,432.80
Grouped by related parties	667,404,857.84	99.75			667,404,857.84
Total	**669,101,598.84**	**100.00**	**340,308.20**	**0.05**	**668,761,290.64**

Continued:

Unit: RMB

	Opening balance				
	Book balance		Bad debt provision		Carrying
Category	Amount	Proportion	Amount	Proportion	amount
		(%)		*(%)*	
Other receivables with provision for ECL on an individual basis					
Other receivables with provision for ECL on a group basis	1,336,194,245.89	100.00	170,964.10	0.01	1,336,023,281.79
Including: Grouped by aging	1,696,641.00	0.13	170,964.10	10.08	1,525,676.90
Grouped by related parties	1,334,497,604.89	99.87			1,334,497,604.89
Total	**1,336,194,245.89**	**100.00**	**170,964.10**	**0.01**	**1,336,023,281.79**

5) Other receivables with provision for ECL on a group basis

① Grouped by aging

Unit: RMB

	Closing balance		
Aging	Book balance	Bad debt provision	Proportion
			(%)
Within 1 year	100.00	5.00	5.00
1–2 Year			
2–3 Year			
3–4 Year	1,693,391.00	338,678.20	20.00
4–5 Year			
Over 5 years	3,250.00	1,625.00	50.00
Total	**1,696,741.00**	**340,308.20**	

② Grouped by related parties

	Closing balance		
Aging	**Book balance**	**Bad debt provision**	**Proportion** *(%)*
Within 1 year	533,549,310.07		
1–2 years	133,855,547.77		
2–3 years			
3–4 years			
4–5 years			
Over 5 years			
Total	**667,404,857.84**		

6) Provision for bad debts of other receivables

Unit: RMB

	Stage I	Stage II	Stage III	
Bad debt provision	**ECL over the next 12 months**	**Lifetime ECL (non-credit impaired**	**Lifetime ECL (credit impaired)**	**Total**
Opening balance	170,964.10			170,964.10
Opening balance in the current period				
– Transfer to stage II				
– Transfer to stage III				
– Reversed from stage II				
– Reversed from stage I				
Provision made for the period	169,344.10			169,344.10
Reversed in the period				
Offset in the period				
Write off in the period				
Closing balance	**340,308.20**			**340,308.20**

7) Top five other receivables according to the closing balance collected by the debtor

Unit: RMB

Company name	Nature of payment	Closing balance	Aging	Proportion to the Closing balance of other receivables *(%)*	Closing balance of provision for bad debts
Ningbo Yintai Yongheng Trading Co., Ltd. (寧波銀泰永亨貿易有限公司)	Current account	309,524,666.71	Within 1 year 1-2 years	46.26	
Qinghai Dachaidan Mining Co., Ltd. (青海大柴旦礦業有限公司)	Current account	184,360,416.68	Within 1 year	27.55	
Yintai Shenghong Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司)	Current account	100,182,361.11	Within 1 year	14.97	
Jilin Banmiaozi Mining Co., Ltd. (吉林板廟子礦業有限公司)	Current account	54,485,500.32	Within 1 year 1-2 years	8.14	
Shanghai Shengwei Mining Investment Co., Ltd. (上海盛蔚礦業投資有限公司)	Current account	18,851,913.02	Within 1 year	2.82	
Total		**667,404,857.84**		**99.74**	

2. *Long-term equity investment*

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	7,535,036,559.55		7,535,036,559.55	7,535,036,559.55		7,535,036,559.55
Total	**7,535,036,559.55**		**7,535,036,559.55**	**7,535,036,559.55**		**7,535,036,559.55**

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (carrying amount)	Changes in the current period				Closing balance (carrying amount)	Closing balance of provision for impairment
		Additional investment	Reduce in investment	Provision for impairment	Others		
Inner Mongolia Yulong Mining Industry Co., Ltd. (內蒙古玉龍礦業股份有限公司)	2,745,459,892.91					2,745,459,892.91	
Shanghai Shengwei Mining Investment Co., Ltd. (上海盛蔚礦業投資有限公司)	4,609,576,666.64					4,609,576,666.64	
Yintai Shenghong Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司)	180,000,000.00					180,000,000.00	
Total	**7,535,036,559.55**					**7,535,036,559.55**	

3. *Investment Income*

Unit: RMB

Item	Amount for the current period	Amount for the last period
Income from long-term equity investments under cost method		1,746,576,947.25
Investment income from disposal of long-term equity investment		2,229,989.18
Investment income of wealth management products	9,085,491.00	14,683,545.21
Interest income from acquisition of equity	53,857,224.11	
Total	**62,942,715.11**	**1,763,490,481.64**

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit or Loss for the Period

✔ Applicable ☐ N/A

Unit: RMB

Item	Amount	Explanation
Gain and loss on disposal of non-current assets	-4,577,810.27	
Government grants included in current profit or loss (other than government grants which are closely related to corporate business and granted based on a fixed amount or a fixed quantity unified by the state)	6,091,132.15	
Capital occupation fee charged to non-financial enterprises included in current profits and losses	53,857,224.11	Interest income from acquisition of equity
Profit and loss from entrusting others to invest in or manage assets	35,219,154.17	Income from wealth management
Gain or loss on changes in fair value from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are related to the Company' s normal operation	-8,949,227.16	
Other non-operating income and expenses other than the above	17,345,424.35	
Less: Effect of income tax	27,551,006.49	
Effect of minority interest	-7,738,753.26	
Total	**79,173,644.12**	

Reasons shall be given with respect to the Company's defining non-recurring profit and loss items based on the "Explanatory Announcement No. 1 for Information Disclosure by Public Issuers of Securities– Non-recurring Profit or Loss", and classifying the non-recurring profit and loss items defined and listed in the Explanatory Notice on Information Disclosure of Companies with Public Offering No. 1-Non-recurring Profit and Loss (《公開發行證券的公司信息披露解釋性公告第1號－非經常性損益》) as recurring profit and loss items.

☐ Applicable ✔ N/A

2. *Return on net assets and earnings per share*

Profit during the reporting period	Weighted average return on equity	Earnings per share: Basic earnings per share *(RMB / share)*	Earnings per share: Diluted earnings per share *(RMB / share)*
Net profit attributable to ordinary shareholders of the company	13.21%	0.4475	0.4475
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit and loss	12.42%	0.4189	0.4189

3. *Differences in accounting data under domestic and foreign accounting standards*

(1) Differences in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable ✔ N/A

(2) Differences in net profit and net assets in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable ✔ N/A

(ii) The audited consolidated financial statements of the Target Group for the financial year ended 31 December 2021 prepared in accordance with CAS and audited by Da Hua Certified Public Accountants (Special General Partnership).

I. AUDIT REPORT

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	8 April 2022
Name of auditor	Da Hua Certified Public Accountants (Special General Partnership)
Number of audit report	Da Hua Shen Zi [2022] No. 008053
Name of certified public accountants	Hui Zengqiang Wang Zebin

Text of the Audit Report

AUDIT REPORT

Da Hua Shen Zi [2022] No. 008053

All shareholders of Yintai Gold Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Yintai Gold Co., Ltd. (hereinafter referred to as Yintai Gold), including the consolidated and parent company balance sheet on 31 December 2021, consolidated and parent company income statement, consolidated and parent company cash flow statement, consolidated and parent company statement of changes in shareholders' equity, and notes to relevant financial statements for 2021.

In our opinion, the attached financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects, and fairly reflect the consolidated and parent company financial position of Yintai Gold on 31 December 2021 and the consolidated and parent company operating results and cash flows in 2021.

II. The Basis for Forming the Audit Opinion

We have carried out the audit work in accordance with the provisions of the Auditing Standards for Certified Public Accountants of China. The "Responsibilities of the Certified Public Accountant for the Audit of the Financial Statements" section of the auditor report further sets out our responsibilities under these Standards. In accordance with the China Code of Ethics for Certified Public Accountants, we are independent from Yintai Gold and have fulfilled other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate, providing a basis for issuing an audit opinion.

III. Key Audit Matters

Key audit matters are matters that we consider to be the most important in the audit of the financial statements in the current period based on our professional judgment. These matters are addressed in the context of the audit of the financial statements taken as a whole and the formation of an audit opinion, and we do not express an opinion on these matters separately.

We have identified the following matters as key audit matters that need to be communicated in the audit report.

1. Revenue recognition;

2. Fixed assets and intangible assets;

3. Impairment of goodwill.

(I) Revenue recognition

1. Description of matter

As stated in the accounting policies described in "IV. Significant Accounting Policies and Accounting Estimates (xxxii)" and "VI. Note 40 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, revenue from the main operations of Yintai Gold was RMB9,037 million in 2021, an increase of 14.36% over the same period of the previous year. Given that operating revenue is one of the key performance indicators for Yintai Gold, we have identified revenue recognition as a key audit matter.

2. Audit response

Our important audit procedures for revenue recognition include:

(1) Understand and evaluate the effectiveness of Yintai Gold's design and implementation of internal control over sales and collection;

(2) Understand whether there are significant changes in the accounting policies for revenue recognition by examining agreements and contracts signed with major customers, and evaluate the appropriateness of the accounting policies for revenue recognition;

(3) Perform analytical procedures for fluctuations in revenue and gross margin of major products;

(4) Letter to major customers to confirm the sales amount and the receivables balance at the end of the period in 2021, and implement alternative audit procedures for customers who have not responded;

(5) Select samples from the recorded revenue transactions, and randomly check the supporting documents related to revenue, including sales contracts or agreements, sales invoices, delivery orders, settlement documents, etc.;

(6) Carry out a cut-off test on operating revenue to confirm whether the income is recorded in the correct accounting period;

(7) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the principles and methods adopted by the management in revenue recognition are reasonable.

(II) Fixed assets and intangible assets

1. Description of matter

As stated in the accounting policies described in "IV. Significant Accounting Policies and Accounting Estimates (xx) and (xxiv)" and "VI. Notes 10 and 13 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, as of 31 December 2021, the total carrying value of Yintai Gold's fixed assets was RMB2,809 million, and the total carrying value of intangible assets was RMB7,112 million, accounting for a significant proportion of the total consolidated assets, and Yintai Gold is an asset-heavy company with a large scale, quantity and type of assets, therefore, we think this matter is a key audit matter.

2. Audit response

Our important audit procedures for fixed assets and intangible assets include:

(1) Understand and evaluate the effectiveness of the internal control design and implementation of Yintai Gold's fixed assets and intangible assets;

(2) Check the original basis for the formation of the original value of fixed assets and intangible assets;

(3) Understand the assumptions and methods used in the depreciation and amortization model, and review the accuracy of the accrual and allocation of depreciation and amortization expenses;

(4) Check the ownership certificates of fixed assets and intangible assets to determine whether they are owned or controlled by the audited unit;

(5) Check the increase and decrease of fixed assets and intangible assets, and obtain relevant details for verification;

(6) In order to confirm the existence of fixed assets, a physical inventory procedure was carried out for the fixed assets, and a two-way check was carried out between the physical objects and the ledger;

(7) Check whether there is indication of impairment in fixed assets and intangible assets, and check whether the identification of asset groups is appropriate;

(8) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the accounting principles and methods adopted by the management for fixed assets and intangible assets are reasonable.

(III) Impairment of goodwill

1. Description of matter

As stated in the accounting policies described in "IV. Significant Accounting Policies and Accounting Estimates (xxvi)" and "VI. Note 14 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, as of 31 December 2021, the total carrying value of Yintai Gold's goodwill was RMB452 million, and the corresponding impairment provision balance was RMB0.00.

The management assesses the possible impairment of goodwill every year. The impairment assessment is an estimate of the value in use of goodwill based on the discounted cash flow projections prepared. The preparation of discounted cash flow projections involves the application of significant judgement and estimates and the determination of the risk-adjusted discount rate applied is subject to inherent uncertainties and may be influenced by management's preferences.

Due to the inherent uncertainty involved in the forecasted impairment of goodwill and discounted future cash flows, as well as the risk of management's preference in the selection of assumptions and estimates, we consider this matter to be a key audit matter.

2. Audit response

Our important audit procedures for goodwill impairment include:

(1) We evaluate and test the effectiveness of the design and implementation of the internal control related to the goodwill impairment test, including the adoption of key assumptions and the review and approval of impairment accrual amount;

(2) Evaluate the appropriateness of the valuation method used by the management when making cash flow projections by reference to industry practices;

(3) Recalculate the discount rate based on the market data of comparable companies in the industry, and compare our calculation results with those adopted by the management when calculating the present value of estimated future cash flows, to evaluate the discount rate used in calculating the present value of estimated future cash flows;

(4) Analyze the cash flow by comparing historical data and forecast data to evaluate the reliability and historical accuracy of the management's forecasting process.

(5) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the management's judgments and estimates on goodwill impairment are reasonable.

IV. Other Information

The management of Yintai Gold is responsible for other information. Other information includes that covered in Yintai Gold's 2021 Annual Report, but excludes the financial statements and our audit report.

Our audit opinion on the financial statements does not cover the other information, nor do we express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with, or appears to be materially misstated in, the financial statements or the circumstances of which we become aware in the course of our audit.

If, based on the work we have performed, we determine that there is a material misstatement of the other information, we shall report that fact. In this regard, we have nothing to report.

V. Management and Governance's Responsibilities for the Financial Statements

The management of Yintai Gold is responsible for preparing financial statements in accordance with the Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining necessary internal controls, so that the financial statements are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management of Yintai Gold is responsible for assessing Yintai Gold's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and using the going concern assumption, unless management plans to liquidate Yintai Gold, terminate operations, or have no other realistic options.

The governance is responsible for overseeing the financial reporting process of Yintai Gold.

VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements, which may result from fraud or error, are generally considered material if they, individually or in the aggregate, could reasonably be expected to affect the economic decisions that users of financial statements make based on the financial statements.

In the process of performing audit work in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. At the same time, we also perform the following tasks:

1. Identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as the basis for issuing an audit opinion. Since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls, the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error.

2. Understand the internal controls relevant to auditing in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls.

3. Evaluate the appropriateness of management's selection of accounting policies and the rationality of accounting estimates and related disclosures.

4. Conclude on the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, a conclusion is reached as to whether there is a material uncertainty regarding the matters or circumstances that may cast significant doubt on the ability of Yintai Gold to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the report to the relevant disclosures in the financial statements in the audit report; if the disclosures are inadequate, we should express a non-unqualified opinion. Our conclusions are based on the information available up to the date of the audit report. However, future matters or circumstances may cause Yintai Gold to be unable to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and matters.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities in Yintai Gold to express an opinion on the financial statements. We are responsible for guiding, supervising and performing group audits. We accept sole responsibility for our audit opinion.

We communicate with governance on matters such as the planned audit scope, timing and significant audit findings, including communication of internal control weaknesses of concern identified during our audit.

We also provide a statement to governance on having complied with ethical requirements relating to independence and communicate with governance on all relationships and other matters that may reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with governance, we determine which matters are most significant to the audit of the financial statements for the period and therefore constitute key audit matters. We describe these matters in our audit report, except where laws and regulations prohibit their public disclosure or, in rare circumstances, we determine that a matter should not be communicated in the audit report if there is a reasonable expectation that the negative consequences of communicating the matter in the audit report outweigh the benefits in the public interest.

Da Hua Certified Public Accountants (Special General Partnership)
Beijing, China

Certificate Public Accountant registered in China: (Project Partner) **Hui Zengqiang**

Certificate Public Accountant registered in China: **Wang Zebin**

8 April 2022

II. FINANCIAL STATEMENTS

The statement in the financial notes is presented in RMB

1. Consolidated Balance Sheet

Prepared by: Yintai Gold Co., Ltd.

Unit: RMB

Item	31 December 2021	31 December 2020
Current assets:		
Monetary capital	1,455,700,499.01	482,679,148.39
Clearing settlement funds		
Loans to other banks		
Financial assets held for trading	2,074,042,141.82	1,535,264,849.67
Derivative financial assets	112,351,762.10	99,865,745.36
Notes receivable		
Accounts receivable	39,977,496.73	48,269,866.25
Receivables financing		
Prepayments	42,740,385.17	26,885,087.34
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	47,639,935.53	20,886,951.58
Including: Interests receivable	336,372.46	
Dividends receivable		
Financial assets held under resale agreements		
Inventories	1,028,330,998.21	1,026,982,033.15
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	36,839,584.51	693,121,505.30
Total current assets	**4,837,622,803.08**	**3,933,955,187.04**

Item	31 December 2021	31 December 2020
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other equity instrument investments	44,303,885.24	55,803,885.24
Other non-current financial assets		
Investment properties		
Fixed assets	2,808,584,710.82	2,783,312,677.63
Construction in progress	424,659,399.66	200,415,684.70
Productive biological assets		
Oil and gas assets		
Right-of-use assets	37,134,963.76	
Intangible assets	7,112,054,994.74	5,318,458,341.50
Development expenses		
Goodwill	452,365,699.74	452,365,699.74
Long-term deferred expenses	29,672,067.83	26,510,372.05
Deferred income tax assets	98,305,166.55	80,300,961.89
Other non-current assets	88,552,675.92	55,632,960.05
Total non-current assets	**11,095,633,564.26**	**8,972,800,582.80**
Total assets	**15,933,256,367.34**	**12,906,755,769.84**

Item	31 December 2021	31 December 2020
Current liabilities:		
Short-term borrowings	682,032,529.88	179,194,662.50
Borrowing from central bank		
Loans from other banks		
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable	1,718,374,146.25	447,518,000.00
Accounts payable	162,883,100.68	122,152,655.48
Advances received	144,048.99	9,918,998.44
Contract liabilities	16,016,500.89	11,138,631.36
Proceeds from sale of repurchase financial assets		
Deposits from clients and placements from other banks		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Staff remuneration payables	56,319,147.45	48,874,301.36
Taxes payable	175,549,465.08	140,184,775.87
Other payables	215,556,106.87	203,427,908.82
Including: Interests payable		
Dividends payable		
Handling fees and commission payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	59,549,061.47	6,781,376.00
Other current liabilities	2,082,145.12	1,448,022.08
Total current liabilities	**3,088,506,252.68**	**1,170,639,331.91**

Item	31 December 2021	31 December 2020
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings		234,929,916.67
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	10,346,681.01	
Long-term payables	150,241,052.00	20,344,128.00
Long-term staff remuneration payables		
Accrued liabilities	42,538,554.00	45,283,429.64
Deferred income	410,400.00	444,600.00
Deferred income tax liabilities	302,467,065.46	354,563,348.18
Other non-current liabilities		14,248,463.35
Total non-current liabilities	**506,003,752.47**	**669,813,885.84**
Total liabilities	**3,594,510,005.15**	**1,840,453,217.75**

Item	31 December 2021	31 December 2020
Owners' equity:		
Share capital	2,776,722,265.00	2,776,722,265.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	4,431,280,488.30	4,431,280,488.30
Less: Treasury shares		
Other comprehensive income	-6,369,278.83	-6,400,461.01
Special reserve	2,558,340.56	5,346,480.89
Surplus reserve	503,405,545.11	438,886,250.88
General risk reserve		
Undistributed profit	2,758,837,701.09	2,244,198,862.94
Total equity attributable to the owners of the parent company	**10,466,435,061.23**	**9,890,033,887.00**
Non-controlling interest	1,872,311,300.96	1,176,268,665.09
Total owners' equity	**12,338,746,362.19**	**11,066,302,552.09**
Total liabilities and owners' equity	**15,933,256,367.34**	**12,906,755,769.84**

Legal Representative: Yang Haifei

Principal in charge of accounting: Wang Xuan

Head of the Accounting Department: Liu Weimin

2. *Balance Sheet of the Parent Company*

Unit: RMB

Item	31 December 2021	31 December 2020
Current assets:		
Monetary capital	40,367,127.30	7,328,002.01
Financial assets held for trading	115,263,500.00	431,000,000.00
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Prepayments	180,959.46	713,903.78
Other receivables	540,093,918.94	668,761,290.64
Including: Interests receivable		
Dividends receivable		
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,087.75	665,444,103.52
Total current assets	**695,906,593.45**	**1,773,247,299.95**
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	8,682,698,659.55	7,535,036,559.55
Other equity instrument investments	30,000,000.00	42,000,000.00
Other non-current financial assets		
Investment properties		
Fixed assets	904,572.54	980,491.80
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets	6,650,626.11	
Intangible assets	1,374,720.37	1,655,775.83
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	5,125,117.78	85,077.05
Other non-current assets		
Total non-current assets	**8,726,753,696.35**	**7,579,757,904.23**
Total assets	**9,422,660,289.80**	**9,353,005,204.18**

Item	31 December 2021	31 December 2020
Current liabilities:		
Short-term borrowings	100,129,861.11	
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable		
Accounts payable	147,775.09	318,282.93
Advances received		
Contract liabilities		
Staff remuneration payables	2,497,256.20	2,169,851.45
Taxes payable	564,411.06	10,083,669.45
Other payables	256,771,309.88	240,675.46
Including: Interests payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	5,782,240.66	
Other current liabilities		
Total current liabilities	**365,892,854.00**	**12,812,479.29**
Non-current liabilities:		
Long-term borrowings		234,929,916.67
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	492,251.54	
Long-term payables		
Long-term staff remuneration payables		
Accrued liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**492,251.54**	**234,929,916.67**
Total liabilities	**366,385,105.54**	**247,742,395.96**

Item	31 December 2021	31 December 2020
Owners' equity:		
Share capital	2,776,722,265.00	2,776,722,265.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	4,431,733,687.79	4,431,733,687.79
Less: Treasury shares		
Other comprehensive income	748.10	748.10
Special reserve		
Surplus reserve	490,131,290.81	425,611,996.58
Undistributed profit	1,357,687,192.56	1,471,194,110.75
Total owners' equity	**9,056,275,184.26**	**9,105,262,808.22**
Total liabilities and owners' equity	**9,422,660,289.80**	**9,353,005,204.18**

3. *Consolidated Statement of Income*

Unit: RMB

Item	2021	2020
I. Total operating revenue	9,040,243,854.29	7,905,802,338.95
Including: Operating revenue	9,040,243,854.29	7,905,802,338.95
Interest income		
Premium earned		
Handling fees and commission income		
II. Total operating cost	7,289,097,284.99	6,241,476,027.45
Including: Operating cost	6,771,001,162.75	5,747,473,473.73
Interest expenses		
Handling fees and commission expenses		
Surrender value		
Net payment of insurance claims		
Net provision of insurance liability contract reserve		
Premium bonus expenses		
Reinsurance expenses		
Taxes and surcharges	178,634,545.58	189,900,185.98
Selling expenses	7,575,466.67	3,822,550.75
Administrative expenses	264,633,295.30	256,613,664.72
R&D expenses		
Financial expenses	67,252,814.69	43,666,152.27
Including: Interest expenses	70,823,851.02	42,193,580.61
Interest income	7,564,849.45	1,029,909.86
Add: Other revenue	5,554,246.80	6,567,007.72
Investment income (loss is represented by "-")	90,914,114.99	88,920,111.18
Including: Investment income from associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost		
Gains from foreign exchange (loss is represented by "-")		
Gains from net exposure to hedging (loss is represented by "-")		
Gain on changes in fair value (loss is represented by "-")	20,542,397.64	-8,792,960.06
Impairment loss of credit (loss is represented by "-")	-1,538,036.32	-1,194,993.39
Impairment loss of assets (loss is represented by "-")		
Gains from disposal of assets (loss is represented by "-")	-1,743,156.41	-1,890,453.55

Item	2021	2020
III. Operating profit (loss is represented by "-")	1,864,876,136.00	1,747,935,023.40
Add: Non-operating revenue	3,561,948.20	73,086,301.14
Less: Non-operating expenses	23,821,011.96	59,949,682.33
IV. Total profit (total loss is represented by "-")	1,844,617,072.24	1,761,071,642.21
Less: Income tax expense	422,907,820.53	394,953,966.00
V. Net profit (net loss is represented by "-")	1,421,709,251.71	1,366,117,676.21
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net loss is represented by "-")	1,421,709,251.71	1,366,117,676.21
2. Net profit from discontinued operations (net loss is represented by "-")		
(II) Classified by ownership		
1. Net profit attributable to shareholders of the parent company	1,273,338,698.63	1,242,446,761.34
2. Profit or loss attributable to non-controlling interests	148,370,553.08	123,670,914.87
VI. Net other comprehensive income after tax	26,353.04	20,370,318.61
Net other comprehensive income after tax attributable to owners of the parent company	31,182.18	18,989,603.88
(I) Other comprehensive income not reclassified to profit or loss		
1. Changes arising on remeasurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of own credit risk of the company		
5. Others		

Item	2021	2020
(II) Other comprehensive income to be reclassified to profit or loss	31,182.18	18,989,603.88
1. Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provisions for credit impairment of other debt investments		
5. Reserve for cash flow hedging	534,118.82	25,221,422.70
6. Exchange differences on translation of financial statements in foreign currency	-502,936.64	-6,231,818.82
7.Others		
Net other comprehensive income after tax attributable to non-controlling interest	-4,829.14	1,380,714.73
VII. Total comprehensive income	1,421,735,604.75	1,386,487,994.82
Total comprehensive income attributable to owners of the parent company	1,273,369,880.81	1,261,436,365.22
Total comprehensive income attributable to non-controlling interests	148,365,723.94	125,051,629.60
VIII. Earnings per share:		
(I) Basic earnings per share	0.4586	0.4475
(II) Diluted earnings per share	0.4586	0.4475

Legal Representative: Yang Haifei

Principal in charge of accounting: Wang Xuan

Head of the Accounting Department: Liu Weimin

4. Income Statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Operating revenue	0.00	0.00
Less: Operating cost	0.00	0.00
Taxes and surcharges	837,593.97	375,997.91
Selling expenses		
Administrative expenses	57,208,029.81	55,461,920.92
R&D expenses		
Financial expenses	-1,345,851.34	-33,300,874.42
Including: Interest expenses	20,946,958.31	14,304,500.00
Interest income	22,674,021.99	47,637,995.27
Add: Other revenue	1,486,648.34	3,326,698.87
Investment income (loss is represented by "-")	695,469,924.17	62,942,715.11
Including: Investment income from associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost (loss is represented by "-")		
Gains from net exposure to hedging (loss is represented by "-")		
Gain on changes in fair value (loss is represented by "-")		
Impairment loss of credit (loss is represented by "-")	-1,625.00	-169,344.10
Impairment loss of assets (loss is represented by "-")		
Gains from disposal of assets (loss is represented by "-")	67,154.33	
II. Operating profit (loss is represented by "-")	640,322,329.40	43,563,025.47
Add: Non-operating revenue	1,886.79	71,343,396.40
Less: Non-operating expenses	13,139.81	
III. Total profit (total loss is represented by "-")	640,311,076.38	114,906,421.87
Less: Income tax expense	-4,881,865.91	30,227,449.67
IV. Net profit (net loss is represented by "-")	645,192,942.29	84,678,972.20
(I) Net profit from continuing operations (net loss is represented by "-")	645,192,942.29	84,678,972.20
(II) Net profit from discontinued operations (net loss is represented by "-")		

Item	2021	2020
V. Net other comprehensive income after tax		
(I) Other comprehensive income not reclassified to profit or loss		
1. Changes arising on remeasurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of own credit risk of the company		
5. Others		
(II) Other comprehensive income to be reclassified to profit or loss		
1. Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provisions for credit impairment of other debt investments		
5. Reserve for cash flow hedging		
6. Exchange differences on translation of financial statements in foreign currency		
7. Others		
VI. Total comprehensive income	645,192,942.29	84,678,972.20
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. *Consolidated Statement of Cash Flows*

Unit: RMB

Item	2021	2020
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	9,737,007,157.39	8,638,076,155.36
Net increase in deposits from clients and placements from other banks		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders and investments		
Cash received from interest, handling fees and commissions		
Net increase in loans from other banks		
Net increase in repurchases business fund		
Net cash received from agency security transaction		
Receipt of tax rebates	173,659.98	
Other cash received relating to operating activities	42,081,890.16	18,158,893.77
Sub-total of cash inflow from operating activities	**9,779,262,707.53**	**8,656,235,049.13**

Item	2021	2020
Cash paid for goods purchased and services rendered	6,645,078,019.71	5,264,752,257.08
Net increase in loans and advances to customers		
Net increase in placements with central bank and other banks		
Cash paid for claims on original insurance contracts		
Net increase in loans to other banks		
Cash payment for interest, handling fees and commissions		
Cash payment for premium bonus		
Cash paid to and on behalf of staff	274,355,512.39	217,834,530.29
Taxes paid	723,085,588.70	602,330,298.16
Other cash paid relating to operating activities	94,053,942.21	144,615,605.20
Sub-total of cash outflow from operating activities	**7,736,573,063.01**	**6,229,532,690.73**
Net cash flows generated from operating activities	**2,042,689,644.52**	**2,426,702,358.40**
II. Cash flows generated from investment activities:		
Cash received from disposal of investments	10,979,419,260.61	8,075,045,406.06
Cash received from gains in investments	161,141,190.44	26,165,936.94
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	194,330.40	84,100.00
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received relating to investment activities	600,000,000.00	63,552,189.72
Sub-total of cash inflow from investment activities	**11,740,754,781.45**	**8,164,847,632.72**

Item	2021	2020
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	718,407,227.52	603,620,657.39
Cash paid for investment	10,788,683,149.63	9,093,567,096.28
Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other operating entities	1,033,941,654.42	
Other cash paid relating to investment activities	4,810,225.00	1,329,800.00
Sub-total of cash outflow from investment activities	**12,545,842,256.57**	**9,698,517,553.67**
Net cash flows generated from investment activities	**-805,087,475.12**	**-1,533,669,920.95**
III. Cash flows from financing activities:		
Proceeds received from investments		8,207,100.00
Including: Proceeds received by subsidiaries from minority interests' investment		8,207,100.00
Cash received from borrowings	680,741,200.00	229,000,000.00
Other cash received relating to financing activities	950,682,812.67	606,585,284.32
Sub-total of cash inflow from financing activities	**1,631,424,012.67**	**843,792,384.32**
Cash paid for repayment of debts	514,500,000.00	345,748,590.00
Cash payments for dividend and profit distribution or interest repayment	1,006,986,085.66	445,008,409.62
Including: Dividend and profit paid by subsidiaries to minority interests	173,262,232.90	22,852,467.33
Other cash paid relating to financing activities	1,044,057,960.00	787,054,622.72
Sub-total of cash outflow from financing activities	**2,565,544,045.66**	**1,577,811,622.34**
Net cash flows generated from financing activities	**-934,120,032.99**	**-734,019,238.02**

Item	2021	2020
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates	-875,388.58	-5,180,269.88
V. Net increase in cash and cash equivalents	302,606,747.83	153,832,929.55
Add: Balance of cash and cash equivalents at the beginning of the period	445,104,601.52	291,271,671.97
VI. Balance of cash and cash equivalents at the end of the period	747,711,349.35	445,104,601.52

6. *Statement of Cash Flows of the Parent Company*

Unit: RMB

Item	2021	2020
I. Cash flows generated from operating activities:		
Cash received from sales of goods and provision of services		
Receipt of tax rebates		
Other cash received relating to operating activities	16,894,631.65	5,552,123.12
Sub-total of cash inflow from operating activities	**16,894,631.65**	**5,552,123.12**
Cash paid for goods purchased and services rendered		
Cash paid to and on behalf of staff	33,708,630.73	31,427,145.36
Taxes paid	10,525,442.90	9,587,939.27
Other cash paid relating to operating activities	18,618,254.69	26,381,527.54
Sub-total of cash outflow from operating activities	**62,852,328.32**	**67,396,612.17**
Net cash flows generated from operating activities	**-45,957,696.67**	**-61,844,489.05**
II. Cash flows generated from investment activities:		
Cash received from disposal of investments	5,081,926,500.00	2,346,000,000.00
Cash received from gains in investments	752,979,899.89	9,085,491.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	90,000.00	
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received relating to investment activities	1,953,610,946.31	1,382,045,544.75
Sub-total of cash inflow from investment activities	**7,788,607,346.20**	**3,737,131,035.75**

Item	2021	2020
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	512,520.38	18,186.00
Cash paid for investment	5,901,852,100.00	2,706,000,000.00
Net cash paid for acquiring subsidiaries and other operating entities		
Other cash paid relating to investment activities	1,207,000,000.00	601,000,000.00
Sub-total of cash outflow from investment activities	**7,109,364,620.38**	**3,307,018,186.00**
Net cash flows generated from investment activities	**679,242,725.82**	**430,112,849.75**
III. Cash flows generated from financing activities:		
Proceeds received from investments		
Cash received from borrowings	100,000,000.00	
Other cash received relating to financing activities	340,000,000.00	
Sub-total of cash inflow from financing activities	**440,000,000.00**	
Cash paid for repayment of debts	234,500,000.00	
Cash payments for dividend and profit distribution or interest repayment	709,523,066.26	410,979,109.40
Other cash paid relating to financing activities	96,222,837.60	529,334.92
Sub-total of cash outflow from financing activities	**1,040,245,903.86**	**411,508,444.32**
Net cash flows generated from financing activities	**-600,245,903.86**	**-411,508,444.32**
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates		
V. Net increase in cash and cash equivalents	33,039,125.29	-43,240,083.62
Add: Balance of cash and cash equivalents at the beginning of the period	7,328,002.01	50,568,085.63
VI. Balance of cash and cash equivalents at the end of the period	40,367,127.30	7,328,002.01

7. *Consolidated Statement of Changes in Owners' Equity*

Current Amount

Unit: RMB

Items	2021														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
I. Balance at the end of previous year	2,776,722,265.00				4,431,280,488.30		-6,400,461.01	5,346,480.89	438,886,250.88		2,244,198,862.94		9,890,033,887.00	1,176,268,665.09	11,066,302,552.09
Add: Changes in accounting policy															
Prior-period error correction															
Merger of enterprises under common control															
Others															
II. Balance at the beginning of the current year	2,776,722,265.00				4,431,280,488.30		-6,400,461.01	5,346,480.89	438,886,250.88		2,244,198,862.94		9,890,033,887.00	1,176,268,665.09	11,066,302,552.09
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")							31,182.18	-2,788,140.33	64,519,294.23		514,638,838.15		576,401,174.23	696,042,635.87	1,272,443,810.10
(I) Total comprehensive income							31,182.18				1,273,338,698.63		1,273,369,880.81	148,365,723.94	1,421,735,604.75
(II) Contribution and reduction of capital by owners														680,671,233.33	680,671,233.33
1. Ordinary shares contributed by owners															
2. Capital contributed by other equity instrument holders															

Items	2021														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
3. Amount included in owners' equity in share payment															
4. Others														680,671,233.33	680,671,233.33
(III) Profit distribution									64,519,294.23		-758,699,860.48		-694,180,566.25	-132,099,300.98	-826,279,867.23
1. Withdrawal of surplus reserves									64,519,2294.23		-64,519,94.23				
2. Withdrawal of general risk reserve															
3. Distributions to owners (or shareholders)											-694,180,566.25		-694,180,566.25	-132,099,300.98	-826,279,867.23
4. Others															
(IV) Carry-forward of owners' equity															
1. Conversion of capital reserves to increase capital (or share capital)															
2. Conversion of surplus reserves to increase capital (or share capital)															
3. Making up of losses by surplus reserves															
4. Carry-forward of retained earnings from changes in defined benefit plans															

	2021														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
5. Carry-forward of retained earnings from other comprehensive income															
6. Others															
(V) Special reserves								-2,788,140.33					-2,788,140.33	-895,020.42	-3,683,160.75
1. Current withdrawal								24,680,012.58					24,680,012.58	3,319,986.80	27,999,999.38
2. Current use								-27,468,152.91					-27,468,152.91	-4,215,007.22	-31,683,160.13
(VI) Others															
IV. Balance at the end of the current period	2,776,722,265.00				4,431,280,488.30		-6,369,278.83	2,558,340.56	503,405,545.11		2,758,837,701.09		10,466,435,061.23	1,872,311,300.96	12,338,746,362.19

Previous amount

Unit: RMB

	2020														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
I. Balance at the end of previous year	1,983,373,047.00				5,225,129,078.87		-25,390,064.89	27,226,568.71	430,418,353.66		1,406,894,608.22		9,047,651,591.57	1,063,578,843.52	10,111,230,435.09
Add: Changes in accounting policy															
Prior-period error correction															
Merger of enterprises under common control															
Others															
II. Balance at the beginning of the current year	1,983,373,047.00				5,225,129,078.87		-25,390,064.89	27,226,568.71	430,418,353.66		1,406,894,608.22		9,047,651,591.57	1,063,578,843.52	10,111,230,435.09
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")	793,349,218.00				-793,848,590.57		18,989,603.88	-21,880,087.82	8,467,897.22		837,304,254.72		842,382,295.43	112,689,821.57	955,072,117.00
(I) Total comprehensive income							18,989,603.88				1,242,446,761.34		1,261,436,365.22	125,051,629.60	1,386,487,994.82
(II) Contribution and reduction of capital by owners														8,207,100.00	8,207,100.00
1. Ordinary shares contributed by owners														8,207,100.00	8,207,100.00
2. Capital contributed by other equity instrument holders															

Items	2020														
	Equity attributable to the owners of the parent company													Non-controlling interest	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total		
		Preference shares	Perpetual bonds	Others											
3. Amount included in owners' equity in share payment															
4. Others															
(III) Profit distribution									8,467,897.22		-405,142,506.62		-396,674,609.40	-13,904,747.32	-410,579,356.72
1. Withdrawal of surplus reserves									8,467,897.22		-8,467,897.22				
2. Withdrawal of general risk reserve															
3. Distributions to owners (or shareholders)											-396,674,609.40		-396,674,609.40	-13,904,747.32	-410,579,356.72
4. Others															
(IV) Carry-forward of owners' equity	793,349,218.00				-793,349,218.00										
1. Conversion of capital reserves to increase capital (or share capital)	793,349,218.00				-793,349,218.00										
2. Conversion of surplus reserves to increase capital (or share capital)															
3. Making up of losses by surplus reserves															
4. Carry-forward of retained earnings from changes in defined benefit plans															
5. Carry-forward of retained earnings from other comprehensive income															
6. Others															

	2020														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
(V) Special reserves								-21,880,087.82					-21,880,087.82	-6,664,160.71	-28,544,248.53
1. Current withdrawal								22,781,565.92					22,781,565.92	2,816,014.33	25,597,580.25
2. Current use								-44,661,653.74					-44,661,653.74	-9,480,175.04	-54,141,828.78
(VI) Others					-499,372.57								-499,372.57		-499,372.57
IV. Balance at the end of the current period	2,776,722,265.00				4,431,280,488.30		-6,400,461.01	5,346,480.89	438,886,250.88		2,244,198,862.94		9,890,033,887.00	1,176,268,665.09	11,066,302,552.09

8. *Statement of Changes in Shareholders' Equity of the Parent Company*

Current amount

Unit: RMB

Items	2021											
		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
I. Balance at the end of previous year	2,776,722,265.00				4,431,733,687.79		748.10		425,611,996.58	1,471,194,110.75		9,105,262,808.22
Add: Changes in accounting policy												
Prior-period error correction												
Others												
II. Balance at the beginning of the current year	2,776,722,265.00				4,431,733,687.79		748.10		425,611,996.58	1,471,194,110.75		9,105,262,808.22
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")									64,519,294.23	-113,506,918.19		-48,987,623.96
(I) Total comprehensive income										645,192,942.29		645,192,942.29
(II) Contribution and reduction of capital by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by other equity instrument holders												
3. Amount included in owners' equity in share payment												
4. Others												
(III) Profit distribution									64,519,294.23	-758,699,860.48		-694,180,566.25
1. Withdrawal of surplus reserves									64,519,294.23	-64,519,294.23		

	2021											
		Other equity instruments										
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
2. Distributions to owners (or shareholders)										-694,180,566.25		-694,180,566.25
3. Others												
(IV) Carry-forward of owners' equity												
1. Conversion of capital reserves to increase capital (or share capital)												
2. Conversion of surplus reserves to increase capital (or share capital)												
3. Making up of losses by surplus reserves												
4. Carry-forward of retained earnings from changes in defined benefit plans												
5. Carry-forward of retained earnings from other comprehensive income												
6. Others												
(V) Special reserves												
1. Current withdrawal												
2. Current use												
(VI) Others												
IV. Balance at the end of the current period	2,776,722,265.00				4,431,733,687.79		748.10		490,131,290.81	1,357,687,192.56		9,056,275,184.26

Previous amount

Unit: RMB

Items	2020											
	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
I. Balance at the end of previous year	1,983,373,047.00				5,225,582,278.36		748.10		417,144,099.36	1,791,657,645.17		9,417,757,817.99
Add: Changes in accounting policy												
Prior-period error correction												
Others												
II. Balance at the beginning of the current year	1,983,373,047.00				5,225,582,278.36		748.10		417,144,099.36	1,791,657,645.17		9,417,757,817.99
III. Amount of increase/decrease/change in the current year (decrease is represented by "-")	793,349,218.00				-793,848,590.57				8,467,897.22	-320,463,534.42		-312,495,009.77
(I) Total comprehensive income										84,678,972.20		84,678,972.20
(II) Contribution and reduction of capital by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by other equity instrument holders												
3. Amount included in owners' equity in share payment												
4. Others												
(III) Profit distribution									8,467,897.22	-405,142,506.62		-396,674,609.40
1. Withdrawal of surplus reserves									8,467,897.22	-8,467,897.22		
2. Distributions to owners (or shareholders)										-396,674,609.40		-396,674,609.40

Items	2020											
		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
3. Others												
(IV) Carry-forward of owners' equity	793,349,218.00				-793,349,218.00							
1. Conversion of capital reserves to increase capital (or share capital)	793,349,218.00				-793,349,218.00							
2. Conversion of surplus reserves to increase capital (or share capital)												
3. Making up of losses by surplus reserves												
4. Carry-forward of retained earnings from changes in defined benefit plans												
5. Carry-forward of retained earnings from other comprehensive income												
6. Others												
(V) Special reserves												
1. Current withdrawal												
2. Current use												
(VI) Others					-499,372.57							-499,372.57
IV. Balance at the end of the current period	2,776,722,265.00				4,431,733,687.79		748.10		425,611,996.58	1,471,194,110.75		9,105,262,808.22

III. BASIC INFORMATION OF THE COMPANY

(I) Company Profile

Company name:	Yintai Gold Co., Ltd.
Abbreviation of the company:	Yintai Gold.
Registered address:	Harato Street, Balagalgaole Town, West Ujimqin Banner, XilinGol League, Inner Mongolia Autonomous Region.
Office address:	Rooms 5103/5104, Block C, Yintai Center, No. 2 Jianguomenwai Street, Chaoyang District, Beijing.
Registered capital:	RMB2,776,722,265.
Unified social credit code:	911525007116525588.
Legal representative:	Yang Haifei.
Business scope:	Investment and management of geological exploration, mining and beneficiation and smelting of gold and non-ferrous metals; processing and sales of by-products of gold and non-ferrous metal production; storage and sale of raw materials, fuels and equipment for the production of gold and non-ferrous metals; research and development and consulting services for gold and non-ferrous metal production technology and equipment; production, processing and wholesale of high purity gold products; purchase and sale of mineral products, precious metals and their products, metal materials and their products; leasing of metal materials and their products and precious metals; engaging in import and export of goods and technology.

(II) History of the Company

Yintai Gold Co., Ltd. (hereinafter referred to as the "**company**") was formerly known as "Chongqing Wujiang Power Co., Ltd. (重慶烏江電力股份有限公司) (the company's securities are abbreviated as Wujiang Power)", "Southern Science City Development Co., Ltd. (南方科學城發展股份有限公司) (the company's securities are abbreviated as Science City)", "Yintai Resources Co., Ltd. (銀泰資源股份有限公司)"(the company's securities are abbreviated as Yintai Resources)."

Approved by Chongqing Municipal People's Government (Yu Fu [1999] No. 90) on 20 May 1999, Chongqing Wujiang Electric Power Group Company (重慶烏江電力集團公司)

("**Wujiang Electric Power Group**"), as the main initiator, jointly sponsored the establishment of Wujiang Electric Power with Chongqing Qianjiang County Xiaonanhai (Group) Company (重慶市黔江縣小南海(集團)公司), Chongqing Qianjiang Development Zone Hydropower Engineering and Construction Installation Company (重慶市黔江開發區水電工程建築安裝公司), Chongqing Qianjiang Development Zone Hydropower Material Supply and Marketing Company (重慶市黔江開發區水電物資供銷公司) and Chongqing Wujiang Manganese Industry (Group) Co., Ltd. (重慶烏江錳業(集團)有限責任公司).

On 18 June 1999, Wujiang Power was registered with Chongqing Administration for Industry and Commerce, with a total share capital of 105,000,000 shares, and was approved by the China Securities Regulatory Commission (Zheng Jian Fa Xing Zi [2000] No. 40) to publicly issued 80,000,000 ordinary shares (A shares) to the public in 2000, including 32,000,000 shares allocated to strategic investors and 48,000,000 domestic listed and outstanding shares. The shares were listed on the Shenzhen Stock Exchange on 8 June 2000 with the stock code "000975".

The "Resolution on the Plan for Converting Interim Reserve Fund into Share Capital in 2001" was considered and approved at the 2001 first extraordinary general meeting of the company. Based on the company's total share capital of 185,000,000 shares on 30 June 2001, 6 shares were converted from capital reserves for every 10 shares, and a total of 111,000,000 shares were converted. The company's total share capital increased to 296,000,000 shares after the conversion.

On 18 March 2002, Wujiang Electric Power Group, the largest shareholder of the company, signed the "Share Transfer Agreement" with Guangzhou Development District Holding Group Limited (廣州開發區控股集團有限公司) ("**Guangzhou Development District Holding**"), and Wujiang Electric Power Group transferred 157,465,400 state-owned legal person shares held by it to Guangzhou Development District Holding, accounting for 53.20% of the company's total share capital. The transfer was approved by Chongqing Municipal People's Government (Yu Fu [2002] No. 90), Ministry of Finance (Cai Qi [2002] No. 216), and CSRC (Zheng Jian Han [2002] No. 264).

In September 2002, the company's name was changed from "Chongqing Wujiang Power Co., Ltd." to "Southern Science City Development Co., Ltd." by resolution of the second extraordinary general meeting of 2002, and the business license of enterprise legal person Yu Zhi No. 5000001801901 was renewed on 23 September 2002. The abbreviation of the company's securities was changed from "Wujiang Power" to "Science City" with effect from 10 October 2002, with the same stock code (000975) as approved by China Securities Depository and Clearing Corporation.

On 10 May 2004, the company held the 2003 annual general meeting, considered and approved the proposal to increase the company's share capital in 2003. Based on the company's total share capital of 296,000,000 shares at the end of 2003, 8 shares were converted from capital reserves for every 10 shares, and a total of 236,800,000 shares were converted. The company's share capital increased to 532,800,000 shares after the conversion.

On 21 November 2005, Guangzhou Development District Holding and China Yintai Holdings Co., Ltd. ("**China Yintai**") signed the "Share Transfer Agreement", transferring

24.40% of the company's state shares held by it to China Yintai. On 3 August 2006, a supplementary agreement was signed and the transfer of shares was changed to 29.90%. On 1 March 2007, it was approved by the SASAC, and on 10 September 2007, it was approved by the CSRC. After the completion of the equity transfer, China Yintai holds 159,307,200 shares of the company, accounting for 29.90% of the company's total share capital, and became the company's largest shareholder.

On 15 October 2007, the company held the 2007 second extraordinary general meeting, and considered and approved the Shareholding Reform Plan. The company's non-outstanding shares were reduced to 6.254 shares for every 10 shares. At the same time, according to the relevant agreement between China Yintai and Guangzhou Development District Holding, the share reduction arrangement corresponding to the transfer of the shares held by China Yintai to Guangzhou Development District Holding was executed by Guangzhou Development District Holding on its behalf. After the share reduction, the company converted 3.485 shares for every 10 shares to all shareholders after the share reduction from the capital reserve. At the same time, the company distributed 1.3635 bonus shares and cash dividends of RMB0.1515 (including tax) for every 10 shares to all shareholders after the share reduction with undistributed profits. After the plan was implemented on 24 January 2008, the company's total share capital was changed from 532,800,000 shares to 622,925,700 shares, and the non-outstanding shares held by the original non-outstanding shareholders were changed to outstanding shares with limited selling conditions. This share capital change has been verified by Zhongxi Certified Public Accountants Co., Ltd., and Zhong Xi Yan Zi (2007) No. 02017 and No. 02018 capital verification reports have been issued. Accordingly, the company went through the industrial and commercial change registration procedures, and the registered capital was changed from RMB532,800,000 to RMB622,925,700.

On 16 July 2010, the company renewed its No.440101000118286 enterprise legal person business license with the Guangzhou Administration for Industry and Commerce, and its registered address was changed to A501, No. 11 Caipin Road, Science City, Guangzhou Development Zone.

On 10 March 2011, the commitments made by China Yintai, Guangzhou Development District Holding and Chongqing Xinyu Investment (Group) Company Limited ("**Chongqing Xinyu**") in the announcement of the implementation of the shareholding reform plan were fulfilled and the corresponding shares were unlocked and can be transferred in the market.

On 4 January 2012 and 9 January 2012, China Yintai reduced its shareholding in the company by a total of 21,827,400 shares through block trading, after which China Yintai held 214,719,900 shares of the company, representing 34.47% of the total share capital, and remained the largest shareholder of the company.

On 28 December 2012, the company received the Reply on Approving the Major Assets Reorganization of Southern Science City Development Co., LTD., and the Issuance of Shares to Hou Renfeng and Other Parties to Purchase Assets and Raise Supporting Funds (《關於核准南方科學城發展股份有限公司重大資產重組及向侯仁峰等發行股份購買資產並募集配套資金的批覆》) (Zheng Jian Xu Ke [2012] No. 1740) from the CSRC, approving the major assets reorganization of the company and the issuance of 197,987,769 shares to

Hou Renfeng, 198,018,132 shares to Wang Shui and 16,638,143 shares to Li Honglei to purchase related assets, and approving the company's non-public issue of not more than 50 million new shares to raise supporting funds for this share issue to purchase assets. On 11 January 2013, Zhongxi Certified Public Accountants Co., Ltd. issued a capital verification report (Zhong Xi Yan Zi [2013] No. 02001), in which the company actually received the new registered capital (share capital) of RMB412,644,044.00 from Hou Renfeng, Wang Shui and Li Honglei, who contributed their equity interests in Inner Mongolia Yulong Mining Co., Ltd. (內蒙古玉龍礦業股份有限公司) ("Yulong Mining") and received an additional registered capital (share capital) of RMB50,000,000.00 from China Yintai in the form of monetary capital, resulting in a total of 462,644,044 new shares.

On 24 January 2013, the newly issued shares subject to trading moratorium of the company were listed on the Shenzhen Stock Exchange. Upon completion of this issuance, the total share capital of the company was changed from 622,925,697 shares to 1,085,569,741 shares. China Yintai held 264,719,900 shares of the company, representing 24.39% of the total share capital, and remained the largest shareholder of the company. Upon completion of the reorganization, the company's main business changed from hotel and catering services to the mining, processing and sale of silver, lead and zinc and other non-ferrous metal ores.

On 28 February 2013, the company held its 2012 annual general meeting, which considered and passed the Resolution on the Change of Company Name, whereby the name of the company was changed from "Southern Science City Development Co., Ltd." to "Yintai Resources Co., Ltd.". The Chinese abbreviation was changed from "科學城" to "銀泰資源", and a new business license was obtained on 19 March 2013.

On 10 December 2014, China Yintai and Mr. Cheng Shaoliang signed the Share Transfer Agreement, whereby China Yintai transferred 25% of its shares in the company, i.e. 66,179,974 shares (of which 12,500,000 shares were shares subject to trading moratorium), to Mr. Cheng Shaoliang. Upon completion of the transfer, China Yintai held 198,539,922 shares of the company, representing 18.289% of the total share capital, and remained the largest shareholder of the company.

On 3 June 2015, the company held the 2015 second extraordinary general meeting, and considered and approved the Resolution on the Change of the Company's Registered Address, and changed the registered address to Haratu Street, Balagalgaol Town, West Ujumqin Banner, Xilingol League, Inner Mongolia Autonomous Region.

On 3 August 2015, the 2015 third extraordinary general meeting of the company considered and approved the Resolution on the Repurchase of Shares through Centralized Bidding Trading. During the period from 24 August 2015 to 27 August 2015, 3,953,671 shares of the company, representing 0.36% of the total share capital, were repurchased for a total amount of RMB45,780,900. On 22 September 2015, the cancellation procedures were completed at the Shenzhen Branch of the China Securities Depository Corporation. Accordingly, the registered capital of the company was changed from RMB1,085,569,741 to RMB1,081,616,070.

From 27 August 2015 to 14 September 2015, China Yintai increased its shareholding in the company by a total of 4,068,726 shares through the centralized bidding trading system, after which it held 202,608,648 shares of the company, representing 18.73% of the total share capital of the company, and remained the largest shareholder of the company.

From March to May 2017, Shen Guojun, the de facto controller of the company, increased his shareholding in the company by 13,675,318 shares. China Yintai, the controlling shareholder of the company, and Shen Guojun, the de facto controller, together held 216,283,966 shares of the company, representing 19.99% of the total share capital of the company in aggregate. In summary, this increase in shareholding did not affect the listing status of the company.

On 25 December 2017, the company's major asset reorganization was approved and obtained the Reply on Approving Yintai Resources Co., Ltd. to Issue Shares to Shen Guojun and Other Parties to Purchase Assets (《關於核准銀泰資源股份有限公司向沈國軍等發行股份購買資產的批覆》) (Zheng Jian Xu Ke [2017] No. 2365) from the CSRC to issue shares to eight counterparties, including Shen Guojun, to purchase 89.38% equity interest in Shanghai Shengwei. All counterparties completed the transfer procedures in respect of their shares in Shanghai Shengwei on 10 January 2018. As approved by the Shenzhen Stock Exchange, the additional shares were listed on 26 January 2018. The company completed the title transfer procedures for the above-mentioned shares and Shanghai Shengwei became its wholly-owned subsidiary, which has been included in the scope of consolidated statements since then. Pursuant to the above-mentioned approval of the CSRC, the company issued 72,319,201 shares to Shen Guojun, 62,344,139 shares to Shanghai Lanju Enterprise Management Center (Limited Partnership) (上海瀾聚企業管理中心(有限合夥)), 49,875,311 shares to Shanghai Baohu Investment Management Center (Limited Partnership) (上海趵虎投資管理中心(有限合夥)), 33,250,207 shares to Shanghai Wenwu Enterprise Management Center (Limited Partnership) (上海溫悟企業管理中心(有限合夥)), 32,252,701 shares to Cheng Shaoliang, 30,174,563 shares to Shanghai Chaomeng Enterprise Management Center (Limited Partnership) (上海巢盟企業管理中心(有限合夥)), 29,925,187 shares to Gongqingcheng Runda Investment Management Partnership (Limited Partnership) (共青城潤達投資管理合夥企業(有限合夥)) and 24,937,655 shares to Wang Shui to purchase the relevant assets at a par value of RMB1 per share and an issue price of RMB12.03 per share, increasing the registered capital by RMB335,078,964. After the issue, the registered capital and share capital of the company increased from RMB1,081,616,070 to RMB1,416,695,034. This change in share capital was verified by Zhongxi Certified Public Accountants (Special General Partnership), which issued the capital verification report of Zhong Xi Yan Zi (2018) No. 0001. The company accordingly went through the business change registration procedures, and the registered capital was changed from RMB1,081,616,070 to RMB1,416,695,034.

On 17 May 2018, the general meeting of the company considered and approved the Resolution on Profit Distribution Plan for 2017.On 1 June 2018, the company completed the implementation of the aforesaid profit distribution plan by converting 4 shares for every 10 shares to all shareholders from capital reserve, and the total share capital of the company after the conversion was 1,983,373,047 shares. After the change, the registered capital and share capital of the company increased from RMB1,416,695,034 to RMB1,983,373,047.

On 3 September 2018, China Yintai increased its shareholding in the company by 2,820,000 shares through the centralized bidding trading system of the Shenzhen Stock

Exchange. After this increase, China Yintai held 286,472,107 shares of the company, representing 14.44% of the total share capital of the company. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Shen Guojun and China Yintai held 20.51% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 17 September 2018, Mr. Shen Guojun increased his shareholding in the company by 3,400,000 shares through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, Mr. Shen Guojun held 123,792,327 shares of the company, representing 6.24% of the total share capital of the company. Mr. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Mr. Shen Guojun and China Yintai held 20.68% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 6 December 2018 and 7 December 2018, Mr. Shen Guojun his shareholding in the company by 4,864,900 shares in total through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, Mr. Shen Guojun held 128,657,227 shares of the company, representing 6.49% of the total share capital of the company. Mr. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Mr. Shen Guojun and China Yintai held 20.93% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 19 September 2019, the company held the 2019 first extraordinary general meeting, which considered and passed the Resolution on the Change of the Full Name of the Company and the Abbreviation of the Securities, whereby the name of the company was changed from Yintai Resources Co., Ltd. to Yintai Gold Co., Ltd., and the Chinese abbreviation was changed from "銀泰資源" to "銀泰黃金", and a new business license was obtained.

On 15 September 2020, the company held the 2020 first extraordinary general meeting, which considered and passed the resolution on the proposed capitalization of the company's capital reserve for the interim period of 2020, whereby the company converted 4 shares for every 10 shares from the capital reserve on the basis of 1,983,373,047 shares, and the amount of the conversion was RMB793,349,218.00, and the total share capital of the company after the conversion was 2,776,722,265 shares.

(III) Scope of consolidated financial statements

As of 31 December 2021, the subsidiaries within the scope of the company's consolidated financial statements were as follows:

Name of subsidiary	Abbreviation of subsidiary
Shanghai Shengwei Mining Investment Co., Ltd. (上海盛蔚礦業投資有限公司)	Shanghai Shengwei
Sino Gold Tenya (HK) Limited	Sino Gold Hong Kong
Rockmining Group Company Limited (HK)	Rockmining Hong Kong
Heihe Yintai Mining Development Co., Ltd. (黑河銀泰礦業開發有限責任公司)	Heihe Yintai
Qinghai Dachaidan Mining Co., Ltd. (青海大柴旦礦業有限公司)	Qinghai Dachaidan
Inner Mongolia Yulong Mining Co., Ltd. (內蒙古玉龍礦業股份有限公司)	Yulong Mining
Jilin Banmiaozi Mining Co., Ltd. (吉林板廟子礦業有限公司)	Jilin Banmiaozi
Jilin Yintai Shengxin Mining Co., Ltd. (吉林銀泰盛鑫礦業有限公司)	Yintai Shengxin
Yintai Shenghong Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司)	Yintai Shenghong
Ningbo Yintai Yongheng Trading Co., Ltd. (寧波銀泰永亨貿易有限公司)	Yongheng Trading
Yintai Shenghong Singapore Co., Ltd. (銀泰盛鴻新加坡有限公司)	Shenghong Singapore
Mangshi Huasheng Gold Mine Development Co., Ltd. (芒市華盛金礦開發有限公司)	Huasheng Gold Mine

For details on the scope of the consolidated financial statements for the current period and its changes, please refer to "VIII. CHANGES IN THE SCOPE OF CONSOLIDATION" and "IX. EQUITY IN OTHER ENTITIES" in this section.

(IV) Approval and publication of financial statements

These financial statements have been approved for publication by the company's board of directors on 8 April 2022.

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The company prepares the financial statements based on the actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises – Basic Standards and Specific Enterprise Accounting Standards, Guidelines for the Application of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as "**Accounting Standards for Business Enterprises**") issued by the Ministry of Finance, and on this basis, in combination with the provisions of the China Securities Regulatory Commission's Regulation on the Information Disclosure of Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (Revised in 2014).

2. Going concern

The company evaluated its ability to continue as a going concern for a period of 12 months from the end of the reporting period and found no events or circumstances that cast significant doubt on its ability to continue as a going concern. Accordingly, the financial statements have been prepared on the going concern assumption.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The company is required to comply with the disclosure requirements for solid mineral resources business in the Guidelines No. 3 for Self-Regulatory Regulation of Listed Companies of the Shenzhen Stock Exchange – Industry Information Disclosure.

Specific Accounting Policies and Accounting Estimates Indication

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the company based on the actual production and operation characteristics. For details, please refer to "V. 20. Fixed assets" and "V.24. Intangible assets", "V. 31. Revenue", "V. 35. Other significant accounting policies and accounting estimates".

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the company meet the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the company's financial position, operating results, cash flows and other relevant information during the reporting period.

2. Accounting period

An accounting period is from 1 January to 31 December of each calendar year.

3. *Business cycle*

The company takes 12 months as a business cycle.

4. *Functional currency*

Renminbi is adopted as the functional currency for recording.

5. *Accounting treatments of business combinations involving entities under common control and entities not under common control*

(1) If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment

① These transactions were entered into at the same time or after considering the effects of each other;

② Only when regarding these transactions as a whole, can it achieve a complete business result;

③ The occurrence of one transaction depends on the occurrence of at least one other transaction;

④ A transaction is not economical when treated alone, but is economical when considered with other transactions.

(2) Business combinations involving entities under common control

For assets and liabilities acquired under business combinations, the assets, liabilities of the acquiree (including goodwill arising from the acquisition of the acquiree by the ultimate controller) on the date of combination are included in the consolidated financial statements of the ultimate controller using the book values. If there is any difference between the book values of net assets acquired and the consideration paid for the combination (or the total amount of face value of issued shares), share premium in capital reserve is adjusted. If the share premium in capital reserve is insufficient, the retained earnings are adjusted.

If there is any contingent consideration required to be recognized as estimated obligations or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated obligations or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized through several transactions, in case of a package transaction, those transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income measured and recognized under the equity method or financial instrument recognition and measurement standards are not accounted until the accounting treatment for the disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; changes in the owners' equity other than the net losses and profits, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method, are not accounted, until disposal of such investment is transferred to current profit and losses.

(3) Business combinations involving entities not under common control

The acquisition date refers to the date on which the company actually obtained control over the acquiree, that is, the date when the acquiree's net assets or the control of production and business decisions were transferred to the company. At the same time when the following conditions are met, the company generally believes that the transfer of control rights has been achieved:

① The business combination contract or agreement has been approved by the internal authority of the company.

② The business combination matters, which need to be approved by the relevant competent departments of the state, has been approved.

③ The necessary procedures for the transfer of property rights have been completed.

④ The company has paid most of the combined price and has the ability and plan to pay the remaining amount.

⑤ The company has actually controlled the financial and operating policies of the acquiree and enjoyed corresponding benefits and assumed corresponding risks.

On the date of acquisition, when there is any difference between the fair values and book values of the assets provided and liabilities incurred or borne by the company as combination considerations, such differences shall be charged to profit and loss for the period.

Goodwill is recognized when the combination cost paid by the company is higher than the share of the fair value of the identifiable net assets in the acquiree obtained through the combination. When the combination cost paid is lower than the fair value of the share of the fair value of the identifiable net assets in the acquiree obtained through the combination, such difference shall be recognized in profit or loss for the period after review.

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, it should be accounted with all transactions as the one to acquire the control; in case of non-package transaction, it should be accounted under equity method: the equity investment held before the date of combination, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; due to the other comprehensive income accounted and recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is accounted according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative changes originally included in the other comprehensive income are transferred to current investment income on the date of combination.

(4) Relevant expenses in relation to combination

The intermediary expenses such as audit, legal services, appraisal and consultation and other directly related expenses occurred for the purpose of business combination are credited in profit or loss in the period when they incurred; trading fees for issue of equity securities for business combination can be deducted from equity if they are directly attributable to equity transactions.

6. *Preparation of consolidated financial statements*

(1) Scope of consolidation

The scope of consolidation of the consolidated financial statements of the company is determined on the basis of control. All subsidiaries (including individual entities controlled by the company) are included in the consolidated financial statements.

(2) Procedures of consolidation

The consolidated financial statements shall be prepared by the company based on the financial statements of the company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the company regards the whole business group as an accounting entity, and reflects the overall financial position, operating results and cash flow of the business group in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and unified accounting policies.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and financial period consistent with the company. When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries and the company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the company as necessary.

When consolidating the financial statements, the effects on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the company and its subsidiaries and among the subsidiaries shall be offset. For the consolidated financial statements of the business group, when there is divergence in the recognition of a single transaction by the company and its subsidiaries, the business group's position shall be taken up for adjustment on such transaction.

The owners' equity, the minority interest on net profit or loss for the period and comprehensive income should be separately disclosed under owners' equity in the consolidated balance sheet, and net profit and comprehensive income in the consolidated income statement. When loss for the period attributable to minority shareholders of a subsidiary exceeds the initial share of owners' equity in the subsidiary owned by such minority shareholders, the excess amount shall still be deducted against shareholders' equity.

For a subsidiary acquired through a business combination under the same control, adjustments are made to its financial statements based on the carrying amount of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate control party) in the financial statements of the ultimate control party.

For subsidiaries acquired through business combinations not under the same control, adjustments are made to their financial statements based on the fair value of net identifiable assets at the date of acquisition.

① Addition of subsidiary or business

During the reporting period, initial amount in the consolidated balance sheets is adjusted for the addition of new subsidiaries and businesses due to business combinations involving entities under common control. The income, expenses and profits of the subsidiaries from the beginning of the consolidation to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated cash flow statements. At the same time, those relevant items of comparison of financial statements, are adjusted as if the consolidated reporting entity has existed since the date of establishment of control by the ultimate control party.

For exercising control over investee under common control due to the addition of investment, it shall consider those entities consolidated since the date of control began and adjust the existing conditions. For the equity investment held before obtaining the control of the combined party, between the later of the date of those equity held originally or the date of both parties under common control to combination date, those identifiable profit or loss, other comprehensive income and other change in net assets, shall be separately charged to initial amount of the comparative statements or the profit and loss of the period.

During the reporting period, initial amount in the consolidated balance sheets is not adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities not under common control. The income, expenses and profits of the subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statements.

For exercising control over investee not under common control due to addition of investment, those equity held before acquisition date is subject to re-measurement using fair value. Differences between fair value and book value is charged to investment income for the period. For movement in owners' equity other than other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits, equity held before acquisition date which was measured under equity method; and relevant other comprehensive income and movement in other owners' equity were changed to the profit or loss of the financial period of the acquisition date, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

② Disposal of subsidiary or business

1) General treatments

During the reporting period, for disposal of subsidiaries or businesses by the company, the income, expenses and profits of the subsidiaries from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries or businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements.

When the company loses control on the investee due to partial disposal of equity investment or otherwise, the remaining invested equity after disposal is re-measured based on the fair value at the date when control was lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, less the share of net assets calculated on a continuing basis starting from the date of acquisition or consolidation based on the original shareholding ratio and goodwill, shall be recognized as the investment gain for the period when control was lost. Other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits associated with equity investment in the former subsidiary shall be transferred to investment gain upon the loss of control, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

2) Piecemeal disposal of subsidiary

Through piecemeal disposals of equity of subsidiary until loss of control, normally those transactions would be accounted as a package of transactions if those arrangements and conditions and economic impacts of disposal transactions fulfilled one or more of the following situations:

A. Such transactions are occurred together or made under considerations of mutual impacts;

B. A complete business consequence could only be made under such series of transactions;

C. The occurrence of a transaction is dependent on occurrence of at least one transaction;

D. One transaction itself is not economical itself, but when considered together with other transactions would become economical.

Transactions for partly disposal of subsidiary until losing control which is considered as a package of transactions, the company treats this as one transaction under accounting treatment; however, the difference between each transaction proceeds and the net asset value of that disposal, is firstly treated as other comprehensive income and then charged together to profit or loss for the period until the control of subsidiary is lost.

Transactions for partly disposal of subsidiary until losing control which is not considered as a package of transactions, before the loss of control, the company treats it as the same as transactions for not losing control and treats as general disposal under accounting treatment when the control of subsidiary is lost.

③ Acquisition of minority interest of subsidiary

For the difference between the long-term equity investment newly obtained by the company due to the purchase of minority equity and the share of net assets of subsidiaries continuously calculated from the purchase date (or combination date) according to the newly increased shareholding ratio, the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, charge to the retained profits.

④ Partly disposal of equity investment in subsidiaries without losing control

Under the situation the difference between the proceeds from disposal of subsidiary without losing control and the attributable net assets value of the subsidiary continuously calculated from the acquisition date or combination date, the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, the retained profits shall be adjusted.

7. *Classification of joint venture arrangements and accounting treatment for joint operations*

(1) Classification of joint venture arrangements

The company classifies the joint venture arrangements into joint venture and joint operation according to the structure, legal form of joint venture arrangement, the terms agreed in the arrangement, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as joint operation:

① Its legal form shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

② The contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

③ Other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

(2) Accounting treatment for joint operations

The company recognizes the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant accounting standards for business enterprises:

① assets it solely holds and its share of jointly-held assets based on its percentage;

② liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

③ incomes from sale of output enjoyed by it from the joint operation;

④ incomes from sale of output from the joint operation based on its percentage; and

⑤ separate costs and costs for the joint operation based on its percentage.

When the company invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the company shall recognize such loss in full.

When the company purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the company shall recognize its part of such loss based on its percentage.

If the company has no joint control over a joint operation, but enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant accounting standards for business enterprises.

8. *Determination criteria for cash and cash equivalents*

In preparing cash flow statements, the company's cash on hand and deposits that can be readily utilized for payment are recognized as cash. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known amount of cash and minimal risk of value change, are recognized as cash equivalents.

9. *Foreign currency businesses and translation of foreign currency statements*

(1) Foreign currency businesses

Foreign currency business transaction are recognized at the beginning and translated into Renminbi using the spot exchange rate prevailing on the date when transaction occurred.

Balance of monetary items in foreign currency are translated using the spot exchange rate prevailing on the balance sheet date, and the exchange differences arising therefrom are recognized in profit or loss for the period, except for special foreign currency loans related to acquisition and construction of assets that satisfy capitalization requirements, whose exchange differences are accounted for using principles on capitalization of loan expenses. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged.

Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss for the period. In case of non-monetary items in foreign currency available for sales, the exchange difference arising therefrom is included in the other comprehensive income.

(2) Translation of foreign currency financial statements

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of transaction. The foreign currency translation difference arisen as a result of the above currency translation is included in the other comprehensive income.

When disposing of an overseas operation, the foreign currency translation difference for items under the other comprehensive income in the balance sheet that are related to such overseas operation is transferred from the other comprehensive income to profit or loss for the period; when disposing of partial overseas equity investment or due to other reasons causing decrease in holding ratio of overseas operation but not losing control, the foreign currency translation difference attributable for disposed is transferred to minority interests but not profit or loss for the period. In occasion disposal of equity interest in foreign associate or joint operation, the foreign currency translation difference attributable to the portion disposed of is transferred to profit or loss for the period.

10. Financial instruments

A financial asset or financial liability is recognized when the company becomes a party to a contract for a financial instrument.

The effective interest method is the method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over each accounting period.

The effective interest rate is the rate used to discount the estimated future cash flows of a financial asset or financial liability over its expected life to the carrying amount of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flows are estimated taking into account all contractual terms of the financial asset or financial liability (e.g, prepayment, extension, call option or other similar option, etc.), but without taking into account the expected credit losses.

The amortized cost of a financial asset or financial liability is the amount initially recognized for that financial asset or financial liability less the principal repaid, plus or minus the cumulative amortization of the difference between the amount initially recognized and the amount at maturity using the effective interest method, less the cumulative loss allowance (for financial assets only).

(1) Classification and measurement of financial assets

Based on the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the company classifies the financial assets into the following three categories:

① Financial assets measured in amortized cost.

② Financial assets at fair value through other comprehensive income.

③ Financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition, but trade or bills receivables arising from the sale of goods or services, etc., that do not contain a significant financing component or do not consider a financing component for more than one year are initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, transaction costs are charged directly to profit or loss, and transaction costs relating to other types of financial assets are charged to the amount initially recognized.

Subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified when and only when the company changes its business model for managing financial assets.

① Classified as financial assets measured in amortized cost

A financial asset is classified as a financial asset measured in amortized cost if the contractual terms of the financial asset specify that the cash flows that arise at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims to collect the contractual cash flows. The company's financial assets classified as measured in amortized cost include monetary funds, bills and trade receivables, other receivables, debt investments and long-term receivables etc. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are included in the non-current assets due within 1 year; debt investments with maturities of no more than 1 year (inclusive) at acquisition are included in other current assets.

Interest income is recognized by the company using the effective interest method for these financial assets and subsequently measured at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the profit or loss of the current period. Interest income is determined by multiplying the carrying amount of a financial asset by the effective interest rate, except for the following:

1) For financial assets that have been acquired or originated for credit impairment, the company calculates and determines the interest income based on the amortized cost and credit-adjusted effective interest rate of the financial assets from initial recognition.

2) For financial assets that have not been credit-impaired but become credit-impaired in subsequent periods, the company calculates and determines the interest income based on the amortized cost and effective interest rate of the financial assets in subsequent periods. If the financial instrument is no longer credit-impaired due to an improvement in its credit risk in a subsequent period, the company calculates and determines interest income by

multiplying the effective interest rate by the carrying amount of the financial asset.

② Financial assets classified as at fair value through other comprehensive income

A financial asset is classified by the company as a financial asset at fair value through other comprehensive income if the contractual terms of the financial asset stipulate that the cash flows generated at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims at both collecting the contractual cash flows and selling the financial asset.

The company recognizes interest income on these financial assets using the effective interest method. Changes in fair value are included in other comprehensive income, except for interest income, impairment losses and exchange differences, which are recognized in profit or loss for the period. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss for the current period.

Bills and receivables at fair value through other comprehensive income are presented as receivables financing and other such financial assets are presented as other debt investments, in which: other debt investments that fall due within one year from the balance sheet date are presented as non-current assets that fall due within one year and other debt investments that have an original maturity of less than one year are presented as other current assets.

③ Financial assets designated as at fair value through other comprehensive income

On initial recognition, the company may irrevocably designate an investment in a non-trading equity instrument as a financial asset at fair value through other comprehensive income on a single financial asset basis.

Changes in the fair value of these financial assets are included in other comprehensive income and no impairment allowance is required. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings. Dividend income is recognized and credited to profit or loss for the period in which the company holds the investment in the equity instrument when the company's right to receive dividends has been established, it is probable that economic benefits associated with the dividend will flow to the company and the amount of the dividend can be measured reliably. The company's investment in these financial assets is reported in other equity instruments.

An investment in an equity instrument is a financial asset that is measured at fair value through profit or loss if one of the following conditions is met: the financial asset is acquired primarily for immediate sale; it is part of a centrally managed portfolio of identifiable financial asset instruments at initial recognition and there is objective evidence that a short-term profit model actually exists in the near term; it is a derivative instrument (other than derivatives that meet the definition of a financial guarantee contract and are designated as valid hedging instruments).

④ Financial assets classified as at fair value through profit or loss

Financial assets that do not meet the criteria for being classified as either amortized cost-based or fair value through other comprehensive income or designated as fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

The company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The company presents these financial assets under the items of financial assets held for trading and other non-current financial assets based on their liquidity.

⑤ Financial assets designated as at fair value through profit or loss

At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company may irrevocably designate a financial asset as a financial asset at fair value through profit or loss on a single financial asset basis.

Where the hybrid contract contains one or more embedded derivatives and the host contract does not belong to the above financial assets, the company may designate the whole as a financial instrument at fair value through profit or loss, except for the following:

1) Embedded derivatives do not materially change the cash flows of the hybrid contract.

2) When initially determining whether a similar hybrid contract needs to be split, it is almost clear without analysis that the embedded derivatives it contains should not be

split. Where an embedded prepayment option for a loan allows the holder to prepay the loan at an amount close to amortized cost, the prepayment option does not need to be split.

The company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The company presents these financial assets under the items of financial assets held for trading and other non-current financial assets based on their liquidity.

(2) Classification, recognition and measurement of financial liabilities

The company classifies a financial instrument, or a component thereof, as a financial liability or an equity instrument on initial recognition based on the contractual terms of the financial instrument issued and the economic substance reflected therein, rather than solely in legal form, in combination with the definitions of a financial liability and an equity instrument. Financial liabilities are classified on initial recognition as financial liabilities at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value on initial recognition. For financial liabilities measured at fair value through profit or loss, the related transaction costs are charged directly to profit or loss; For other types of financial liabilities, the related transaction costs are included in the amount initially recognized.

Subsequent measurement of financial liabilities depends on their classification:

① Financial liabilities measured at fair value through profit or loss

Such financial liabilities include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss on initial recognition.

A financial liability is classified as a financial liability held for trading if one of the following conditions is met: the underlying financial liability is assumed primarily for the purpose of selling or repurchasing in the near term; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the enterprise has recently adopted a short-term profit model; it is a derivative instrument, except for those that are designated as effective hedging instruments and those that meet financial guarantee contracts. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value and all changes in fair value are included in profit or loss for the period, except for those relating to hedge accounting.

At initial recognition, in order to provide more relevant accounting information, the company irrevocably designates a financial liability that meets one of the following conditions as a financial liability at fair value through profit or loss:

1) Accounting mismatches can be eliminated or significantly reduced.

2) The management and performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis, in accordance with the corporate risk management or investment strategy as set out in the official written documents, and reporting to key management personnel within the enterprise on this basis.

The company subsequently measures these financial liabilities at fair value, except for changes in fair value arising from changes in the company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in the profit or loss of the current period. The company accounts for all changes in fair value (including the amount of the effect of changes in its own credit risk) in profit or loss for the current period, unless such changes in fair value through other comprehensive income would cause or enlarge an accounting mismatch in profit or loss.

② Other financial liabilities

The company classifies financial liabilities as financial liabilities measured in amortized cost, which are subsequently measured in accordance with amortized cost using the effective interest method, and gains or losses arising from derecognition or amortization are included in profit or loss for the period, except for the following:

1) Financial liabilities at fair value through profit or loss.

2) Financial liabilities arising from the transfer of a financial asset that does not meet the conditions for derecognition or continues to be involved in the transferred financial asset.

3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that

do not fall under category 1) of this article for loans at below-market interest rates.

A financial guarantee contract is a contract that requires an issuer to pay a specific amount to a contract holder that has suffered a loss when a particular debtor fails to pay its debt in accordance with the terms of the original or modified debt instrument when due. Financial guarantee contracts that are not financial liabilities designated at fair value through profit or loss are measured after initial recognition at the higher of the loss allowance amount and the amount initially recognized less accumulated amortization over the guarantee period.

(3) Derecognition of financial assets and financial liabilities

① A financial asset is derecognized when one of the following conditions is met, i.e, it is written off from its account and balance sheet:

1) The contractual right to receive the cash flows from the financial asset is terminated.

2) The financial asset has been transferred and the transfer meets the requirements for derecognition of the financial asset.

② Conditions for derecognition of financial liabilities

A financial liability (or a portion of a financial liability) is derecognized if the current obligation of the financial liability (or portion of a financial liability) has been discharged.

Where an agreement is entered into between the company and the lender to replace the original financial liability by assuming the new financial liability and the contractual terms of the new financial liability and the original financial liability are materially different, or the contractual terms of the original financial liability (or a portion thereof) are materially modified, the original financial liability is derecognized and a new financial liability is simultaneously recognized, and the difference between the carrying amount and the consideration paid (including the non-cash assets transferred out or the liabilities assumed) is included in the profit or loss of the current period.

Where the company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated based on the fair value of the continuing recognition portion and the derecognition portion as a proportion of the fair value of the financial liability as a whole at the date of repurchase. The difference between the carrying amount allocated to the derecognized portion and the consideration paid, including the non-cash assets transferred out or liabilities assumed, is included in the current profit or loss.

(4) The basis for recognition and measurement of financial asset transfers

When a transfer of financial assets occurs, the company assesses the extent of the risks and rewards of retaining ownership of the financial assets and deals with each of the following:

① Where substantially all the risks and rewards of ownership of a financial asset are transferred, the financial asset is derecognized and the rights and obligations arising or retained in the transfer are recognized separately as assets or liabilities.

② A financial asset is recognized if it retains substantially all the risks and rewards of ownership.

③ Where substantially all the risks and rewards of ownership of a financial asset have not been transferred or retained (i.e, other than those in ① and ② of this article), they are dealt with in the following circumstances, depending on whether they retain control over the financial asset:

1) Where control over the financial asset is not retained, the financial asset is derecognized and the rights and obligations arising or retained in the transfer are recognized separately as assets or liabilities.

2) Where control over the financial asset is retained, the financial asset continues to be recognized to the extent that it continues to be involved in the transferred financial asset and the related liability is recognized accordingly. The extent to which the company continues to be involved in the transferred financial asset is the extent to which the company is exposed to risks or rewards from changes in the value of the transferred financial asset.

In determining whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted. The company classifies the transfer of financial assets into overall transfer and partial transfer of financial assets.

① Where the overall transfer of a financial asset satisfies the derecognition condition, the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the transferred financial asset at the date of derecognition.

2) The sum of the consideration received for the transfer of a financial asset and the amount of the corresponding derecognized portion of the cumulative change in fair value that would have been credited directly to other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with the change in other comprehensive income).

② Where a financial asset is partially transferred and the transferred portion as a whole satisfies the derecognition condition, the carrying amount of the financial asset as a whole before the transfer is apportioned between the derecognition portion and the continuing recognition portion (in which case, the retained service asset shall be regarded as a part of the continuing recognition of the financial asset) based on the relative fair value on the transfer date, and the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the derecognized portion at the date of derecognition.

2) The sum of the consideration received for the derecognition component and the amount of the corresponding derecognition component of the cumulative change in fair value originally included in other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with its change included in other comprehensive income).

Where the transfer of a financial asset does not meet the conditions for derecognition, the financial asset is continued to be recognized and the consideration received is recognized as a financial liability.

(5) Determination of fair value of financial assets and financial liabilities

A financial asset or financial liability that has an active market is determined at its fair value based on quoted prices in the active market, unless the financial asset has a shelf life that is specific to the asset itself. Financial assets that are restricted for sale against the asset itself are determined at quoted prices in active markets, net of the amount of compensation required by market participants to assume the risk of not selling the financial asset in the open market for a specified period of time. Quoted prices in active markets include quoted prices for related assets or liabilities that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, etc, and that represent actual and recurring market transactions on a fair trading basis.

Financial assets acquired or derived initially, or financial liabilities assumed, are determined on the basis of market transaction prices.

Financial assets or financial liabilities that do not have an active market are valued at fair value using valuation techniques. In making the valuation, the company uses valuation techniques that are appropriate in the circumstances and supported by sufficient available data and other information to select inputs that are consistent with the characteristics of the asset or liability that market participants consider in the transaction of the underlying asset or liability, and to the extent possible, gives preference to the relevant observable inputs. Unobservable inputs are used when the relevant observable inputs are not available or are not practicable to obtain.

(6) Impairment of financial instruments

The company performs impairment accounting and recognizes loss allowances for financial assets measured at amortized cost, financial assets classified as measured at fair value through other comprehensive income and financial guarantee contracts.

Expected credit losses are the weighted average of the credit losses on financial instruments weighted by the risk of default. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received, discounted at the company's original effective interest rate, being the present value of all cash shortfalls. Among them, credit-impaired financial assets purchased or originated by the company shall be discounted at the credit-adjusted effective interest rate of the financial assets.

For receivables arising from transactions governed by revenue standards, the company applies the simplified measurement method to measure the loss allowance at an amount equal to lifetime ECLs.

For financial assets that have been purchased or originated for credit impairment, only the cumulative change in expected credit losses over the lifetime after initial recognition is recognized as a loss allowance at the balance sheet date. At each balance sheet date, the amount of the change in ECLs over the lifetime is credited to profit or loss as an impairment loss or gain. Favorable changes in ECLs are recognized as impairment gains even if the lifetime ECLs determined at the balance sheet date are less than the amount of ECLs reflected in the estimated cash flows at initial recognition.

For financial assets other than those that have undergone credit impairment using the simplified measurement method and purchases or origination described above, the company assesses at each balance sheet date whether the credit risk of the relevant financial instrument has increased significantly since initial recognition and measures its loss allowance, recognizes ECLs and changes therein separately as follows:

① If the credit risk of the financial instrument has not increased significantly since initial recognition and is in stage 1, the loss allowance is measured at an amount equal to the expected credit loss of the financial instrument over the next 12 months and interest income is calculated based on the carrying amount and the effective interest rate.

② If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in stage 2, the loss allowance is measured at an amount equal to the expected credit loss over the lifetime of the financial instrument, and interest income is calculated based on the carrying amount and the effective interest rate.

③ If the financial instrument has been credit-impaired since initial recognition, it is in stage 3, the company measures its loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument and calculates interest income at amortized cost and effective interest rates.

The amount by which the credit loss allowance for a financial instrument is increased or reversed is credited to profit or loss as an impairment loss or gain. Except for financial assets classified as at fair value through other comprehensive income, credit loss allowance is made against the carrying amount of the financial asset. For financial assets classified as at fair value through other comprehensive income, the company recognizes its credit loss allowance in other comprehensive income and does not reduce the carrying amount of the financial asset as shown in the balance sheet.

If the company has measured the loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument in the previous accounting period, but the financial instrument is no longer subject to a significant increase in credit risk since initial recognition, the company measures the loss allowance at an amount equal to the expected credit losses over the next 12 months at the balance sheet date of the current period, and the reversal amount of the loss allowance thus formed is included in the current profit or loss as an impairment gain.

① Significant increase in credit risk

The company uses available reasonable and supportable forward-looking information to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the balance sheet date with the risk of a default occurring on the date of initial recognition. For financial guarantee contracts, the date on which the company becomes a party to an irrevocable commitment is the date of initial recognition when the company applies the impairment provision for financial instruments.

In assessing whether there has been a significant increase in credit risk, the company considers the following factors:

1) Whether there has been an actual or expected significant change in the operating results of the debtor;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;

3) Whether there has been a significant change in the value of the collateral used as security for the debt or in the quality of the guarantees or credit enhancements provided by third parties that is expected to reduce the debtor's economic incentive to pay within the contractual time limit or affect the probability of default;

4) Whether there has been a significant change in the expected performance and repayment behavior of the debtor;

5) Changes in the company's credit management methods for financial instruments, etc.

At the balance sheet date, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the company determines that the financial instrument has only low credit risk. A financial instrument is considered to have low credit risk if it has a low risk of default, the borrower has a strong ability to meet its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment over a longer period of time, it may not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

② Financial assets with credit impairment

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

1) Significant financial difficulties of the issuer or the debtor;

2) Breach of contract by the debtor, such as default or overdue payment of interest or principal, etc.;

3) A concession given by a creditor to the debtor that the debtor would not otherwise make for economic or contractual reasons relating to the debtor's financial difficulties;

4) The debtor is likely to go bankrupt or undergo other financial restructuring;

5) The financial difficulty of the issuer or the debtor results in the disappearance of an active market for the financial asset;

6) A financial asset is purchased or originated at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

③ Determination of expected credit losses

The company assesses the ECLs for financial instruments individually and in combination, taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions in assessing the ECLs.

The company classifies financial instruments into different combinations based on common credit risk characteristics. Common credit risk characteristics adopted by the company include: type of financial instrument, credit risk rating, aging mix, overdue aging mix, contract settlement cycle, debtor's industry, etc. See the accounting policies for the relevant financial instruments for the individual assessment criteria and the combined credit risk characteristics of the relevant financial instruments.

The company determines the ECLs for the relevant financial instruments as follows:

1) For financial assets, credit losses are the present value of the difference between the contractual cash flows that the company is expected to receive and the cash flows that it expects to receive.

2) For lease receivables, the credit loss is the present value of the difference between the contract cash flow collectable by the Company and the expected cash flow.

3) For financial guarantee contracts, credit losses are the present value of the difference between the expected payments to be made by the company to the contract holder for credit losses incurred by the contract holder, less the amount that the company expects to receive from the contract holder, the debtor or any other party.

4) For a financial asset that is credit-impaired at the balance sheet date but not purchased or originated from credit-impaired, credit loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

Factors reflected in the company's measurement approach to ECL on finance instruments include: an unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; the time value of money; reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

④ Write-down of financial assets

When the company no longer reasonably expects the contractual cash flows of a financial asset to be recovered in whole or in part, the carrying amount of the financial asset is written down directly. Such a write-down constitutes a derecognition of the relevant financial asset.

(7) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, if the following conditions are met at the same time, the net amount after offsetting is shown in the balance sheet:

① The company has a legal right to set off the recognized amounts and such legal right is currently enforceable;

② The company plans to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

11. Bills receivable

See Note V.10.(6) Impairment of financial instruments for details of the method of determining and accounting for ECL on bills receivable.

When it is not possible to assess sufficient evidence of ECLs at a reasonable cost at the individual instrument level, the company refers to historical credit loss experience, combines current conditions with its judgement of future economic conditions, and based on credit risk characteristics, divides the bills receivable into several combinations, and calculates ECL on a combination basis. The basis for determining the combination is as follows:

Name of portfolio	**Basis for determination of portfolio**	**Method of provision**
Bank acceptance	Bank acceptance has a high credit rating, a short duration, low risk of default, and a strong ability to fulfill its contractual cash flow obligations in the short term	ECL is not recognized with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions
Trade acceptance	Classification according to common credit risk characteristics	ECL is measured with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions

12. Accounts receivable

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on accounts receivable.

The company separately determines the credit loss of accounts receivable that have been credit-impaired after the initial recognition.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the Company refers to historical credit loss experience, combines current conditions with judgement of future economic conditions, divides the accounts receivable into combinations based on credit risk characteristics, and calculates ECL on a combination basis. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Aging portfolio	Classification according to common credit risk characteristics	ECL is calculated based on aging and ECL rates over the lifetime
Related party portfolio	Receivables arising between related parties within the scope of consolidated statements	ECL rate of the portfolio is 0% based on default risk exposure and ECL rates over the lifetime

13. Accounts receivable financing

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on accounts receivable financing.

14. Other receivables

Method of determination and accounting treatment for ECL of other receivables

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on other receivables.

The company separately recognises credit losses on other receivables for which credit impairment has occurred subsequent to initial recognition.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the company calculates ECL on a portfolio basis by dividing other receivables into portfolios based on credit risk characteristics, with reference to historical credit loss experience, combining current conditions with judgement of future economic conditions. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Aging portfolio	Classification according to common credit risk characteristics	ECL is calculated based on default risk exposure and ECL rates within the next 12 months or over the lifetime
Related party portfolio	Receivables arising between related parties within the scope of consolidated statements	ECL rate of the portfolio is 0% based on default risk exposure and ECL rates within the next 12 months or over the lifetime

15. Inventories

(1) Classification of inventories

Inventories refer to the completed products or merchandize, semi-finished products under production process, and materials and items consumed during production or provision of labor services which are held for sale by the company over the course of ordinary activities. These mainly include raw materials, turnover materials, commissioned processing materials, work in progress, finished products (inventory goods), delivered goods, etc.

(2) Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The prices of inventories are calculated using weighted average method when they are taken or delivered.

(3) Determination criteria for the net realizable value of inventories and provision for inventory impairment

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

(4) Inventory system

Perpetual inventory system is adopted.

(5) Amortization of low-value consumables and packaging

① Low-value consumables are amortized by one-time write-off;

② Packaging materials are amortized by one-time write-off;

③ Other supplementary materials are amortized by one-time write-off.

16. Contract assets

If the company has transferred the goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as a contract asset. The company's unconditional (i.e. depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting treatment method of the expected credit losses of the contract assets of the company, please refer to Impairment of financial instruments of Note V.10.(6).

17. Contract Cost

(1) Contract performance cost

The company recognises as an asset the cost of performing a contract that it incurs to perform the contract that is outside the scope of accounting standards for enterprises other than revenue standards and that simultaneously meets the following conditions:

① The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar), costs that are clearly attributable to the customer, and other costs that are incurred solely as a result of the contract;

② The cost increases the resources that the enterprise will use to fulfill its performance obligations in the future;

③ The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortisation period at initial recognition exceeds a normal operating cycle.

(2) Contract acquisition cost

Incremental costs incurred by the company in obtaining a contract that are expected to be recovered are recognised as contract acquisition costs as an asset. Incremental costs are costs that the company would not have incurred without obtaining a contract, such as sales commissions. Where the amortisation period does not exceed one year, it is included in the current profit or loss when incurred.

(3) Amortization of contract costs

The above assets relating to contract costs are amortised at the point in time when the performance obligation is satisfied or in accordance with the progress of the performance obligation, on the same basis as the recognition of income from goods or services relating to the asset, and are included in the profit or loss of the current period.

(4) Impairment of contract costs

Where the carrying value of the above assets relating to contract costs is higher than the difference between the remaining consideration expected to be obtained by the Company from the transfer of the commodities related to the assets and the cost estimated to be incurred for the transfer of the related commodities, the excess shall be provided for impairment and recognised as an asset impairment loss.

After the provision for impairment is made, if the difference between the above two items is higher than the carrying amount of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

18. *Other debt investments*

See Note V.10.(6) Impairment of financial instruments for details of the method of determining and accounting for ECL on other debt investments.

19. *Long-term equity investments*

(1) Initial determination of investment costs

① For long-term equity investment formed by business combination, details of accounting policies are set out in Note V. 5. Accounting treatments of business combinations involving entities under common control and entities not under common control.

② Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined by the actual consideration paid. The initial investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during insurance or acquisition of equity instrument that may be directly attributable to equity trade can be deducted from the equity.

The initial investment costs of long-term equity investment obtained in an exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a non-monetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

(2) Subsequent measurement and profit or loss recognition

① Cost method

The company adopts the cost method to record the long-term equity investment which is available for the investee to implement control, using consideration cost as the initial investment cost, and the subsequent additions and disposals would be adjusted to long-term equity investment cost.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the company recognizes cash dividends or profits declared by the investee as current investment gains.

② Equity method

The company adopts the equity method for accounting of long-term equity investment in joint ventures and associates; where part of the equity investment of the investing party is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value, the changes in which are included in the profit and loss.

When the initial investment cost of the long-term equity investment exceeds the share of fair value in the net tangible assets in the investee, the initial investment cost of a long-term equity investment is not adjusted based on such difference. When the initial investment cost is lower than the share of fair value in the net tangible asset in the investee, such difference is recognized in profit or loss for the period.

After the company acquires a long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, recognize the investment income and other comprehensive income respectively and simultaneously adjust the carrying value of the long-term equity investment. The company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the carrying value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the company shall adjust the carrying value of the long-term equity investment and include such change into the owners' equity.

The company shall, based on the fair value of identifiable net assets of the investee when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the company and the associates, joint ventures be deducted with the part attributable to the company according to the proportion the company is entitled to, and the gains or losses on investment shall be recognized on such basis.

Recognition of loss in the investee by the company shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investments is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of the long-term equity net investment in the investee and reduce the carrying amount of long-term receivables. Finally, after the above treatment, if the company still bears additional obligations stipulated under the investment contract or agreement, the estimated obligations assumed are recognized as estimated liabilities and recognized in profit or loss for the period.

If the investee records a profit subsequently, after reducing the attributable loss that is not yet recognized, the treatment by the company shall be the reverse of the above order: reverse the carrying balance of estimated liabilities already recognized, restore the carrying amount that physically constitute the long-term interests and long-term equity investment in the investee, and recognize investment gain.

(3) Change of the accounting methods for long-term equity investments

① Change of measurement at fair value to accounting under equity method

Where the equity investment held by the company with no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can place significant impact or carry out common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined subject to the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the new investment cost are determined to be the initial investment cost accounted under equity method.

If the previously held equity investment is classified as an available-for-sale financial asset, the difference between the fair value and the carrying amount, and the accumulated fair value changes previously recognised in other comprehensive income are transferred to the current gain or loss after being accounted for under the equity method.

The carrying value of the long-term equity investment is adjusted by the difference between the fair value shares of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment and the initial investment cost under equity cost and is included in current non-operating income.

② Change of measurement at fair value or accounting under equity method to cost method

For the equity investment of the investee held by the company with no control, joint control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can be controlled due to addition of investment, the sum of the carrying value of the original equity investment and the cost of new investment is changed to be accounted under cost method and recognized as the initial investment cost when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted on the same basis for the disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the accumulated fair value changes that were originally included in other comprehensive income shall be included in current profit or loss under cost method.

③ Change of accounting under equity method to measurement at fair value

Where the company losses common control or significant impact over the investee due to disposal of some of the equity investment, the remaining equity after disposal shall be subject to accounting under Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the carrying value is included in current profit or loss.

Other comprehensive income that is recognized previously for the equity investment due to adoption of the equity method shall be subject to accounting on the same basis for disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

④ Change of cost method to equity method

Where the company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal can place common control or significant impact over investee, it should be changed to equity method in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method is adopted at the acquisition.

⑤ Change of cost method into measurement at fair value

Where the company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal cannot place common control or significant impact over investee, the accounting should be changed and become subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the control is lost and the carrying value is included in current profit and loss.

(4) Disposal of long-term equity investment

When disposal of long-term equity investment, the difference between its carrying value and the payment actually acquired shall be included in the current profit or loss. When disposal of long-term equity investment measured by employing the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto according to the corresponding proportion.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment:

① these transactions were entered into at the same time or after considering the effects of each other;

② only when regarding these transactions as a whole, can it achieve a complete business result;

③ the occurrence of one transaction depends on the occurrence of at least one other transaction;

④ a transaction is not economical when treated alone, but is economical when considered with other transactions.

When an entity loses control on its original subsidiary due to partial disposal of equity investment or otherwise, it does not belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

① In separate financial statements for equity disposed, the difference between the carrying value and the actual payment is included in current profit or loss. Where the remaining equity after disposal can implement common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity is adopted at the time of acquisition; where the remaining equity after disposal cannot implement common control or place significant impact over the investee, relevant provisions of Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments shall be adopted for accounting, and the difference between the fair value on the date when the control is lost and the carrying value is included in current profit or loss.

② In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of loss of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of loss of control. The difference between the sum of the price acquired for disposal of equity and the fair value of the remaining equity less shares of net assets constantly calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to good will. Other comprehensive income related to original equity investment in the subsidiaries is transferred to current investment income at the time of loss of control.

If transactions in relation to the disposal of equity investments in subsidiaries until control is lost belong to a package transaction, each transaction shall be treated as a transaction for the disposal of equity investments in subsidiaries and the loss of control and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

① In separate financial statements, the difference between each disposal price before the loss of control and the carrying value of the long-term equity investment corresponding to the equity disposed is recognized as other comprehensive income; and transferred to current profit or loss at the time of loss of control.

② In consolidated financial statements, the difference between each disposal price before the loss of control and the share of net assets in the subsidiary corresponding to the disposal of investment is recognized as other comprehensive income, and shall be transferred to profit or loss for the period when control is lost.

(5) Criteria for determination of common control and significant impact

If the company collectively controls certain arrangement with the other participants as agreed, and the decisions on the activities that may have significant impact on the return of arrangement exit with consistent agreement from participants sharing the control power, then the company and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, it is judged according to relevant agreement that, when the company is entitled to rights over the net assets of such entity, the entity is a joint venture and adopts equity method for accounting treatment. If judged according to relevant agreement that, the company has no rights over the net assets of such entity, such entity is joint operation, and the company recognize the items in relation to the shares in the joint operation and adopts provisions of relevant accounting standards for accounting treatment.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an invested entity, but not to control or jointly control together with other parties over the formulation of these policies. The company determines the significant impact on investee in one or more situations as follows after a comprehensive consideration of all facts and situations: ①dispatching representatives in the board of directors or similar power organ of the investee; ②participating in the formulation of the financial and operation policies of the investee; ③having significant deals with the investee; ④dispatching management personnel to the investee; and ⑤providing key technical data to investee.

20. *Fixed assets*

(1) Recognition conditions

Fixed assets refer to tangible assets held for the production of merchandize, provision of labor services, renting or operational management with useful life over one accounting year. Fixed assets are recognized when all of the following conditions are met:

① economic benefits related to such fixed assets are likely to flow into the enterprise;

② costs of such fixed assets can be reliably measured.

(2) Method of depreciation

Category	**Method of depreciation**	**Period of depreciation**	**Residual value ratio**	**Annual depreciation ratio**
			(%)	*(%)*
Houses and buildings	Average year method	20-50	5	1.90-4.75
Machinery equipment	Average year method	5-10	5	9.50-19.00
Underground works assets	Units-of-production method			
Transportation equipment	Average year method	5	5	19.00
Office facilities and others	Average year method	3-5	5	19.00-31.67

The depreciation of fixed assets is provided within the estimated useful life based on the value carried less the expected net residue. For fixed assets with impairment provided, the depreciation can be determined based on the carrying value less the provision for impairment in future period and the remaining useful life. No depreciation is provided for still in use but fully depreciated assets.

The fixed assets formed by special reserve expenditures shall be reduced by the cost of forming fixed assets and the accumulated depreciation of the same amount shall be confirmed. The fixed assets shall not be further depreciated in the future.

The company determines the useful life and estimated net residual value of fixed assets based on their nature and use condition. The useful life, estimated net residual value and method of depreciation of fixed assets are re-assessed at the end of the period, and corresponding adjustment is made when any difference from the originally estimated amount is found.

The depreciation method for underground works assets was changed from average year method to units-of-production method with effect from 1 January 2017, except for fixed assets that have been fully depreciated and are still in use, and land that is separately valued and accounted for as fixed assets in accordance with the regulations, etc. The depreciation method of other fixed assets is the average year method.

(3) Basis of recognition, valuation and depreciation of fixed assets acquired under finance leases

21. Construction in progress

The company is required to comply with the disclosure requirements of solid mineral resources business of the Guidelines No. 3 for Self-Regulatory Regulation of Listed Companies of the Shenzhen Stock Exchange – Industry Information Disclosure

(1) Initial determination of construction in progress

The self-constructed constructions in progress of the company are measured at actual cost, which consist of the necessary expenses required for bringing such constructions to the expected useable conditions including the cost of construction materials, labor costs, relevant taxes and fees paid, borrowing expenses to be capitalized and indirect costs to be apportioned.

(2) Criteria and timing for conversion of construction in progress into fixed assets

The total expenditure incurred before the construction in progress project is constructed to reach the intended usable condition shall be recorded as the carrying value of the fixed assets. For the construction in progress built which has reached the intended usable condition, but has not yet completed the final accounts, since the date of reaching expected use condition, according to the project budget, cost or actual project costs, it shall be converted into fixed assets at the estimated value, and fixed assets shall be depreciated in accordance with the depreciation policy of the company for fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

22. Borrowing expenses

(1) Principles of recognizing capitalization of borrowing expenses

The borrowing expenses of the company directly attributable to the construction or production of an asset meeting capitalization conditions are capitalized and recognized in relevant asset costs; other borrowing expenses are recognized as expenses based on the amount incurred and recognized in profit or loss for the period.

An asset that meets the capitalization conditions refers to fixed assets, real estate investments and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

Borrowing expenses are capitalized when all of the following conditions are met:

① the asset expense has occurred, which includes expenses in the form of cash paid, non-monetary asset transferred or interest-bearing obligations assumed for the construction or product of an asset that meets capitalization conditions;

② the borrowing expenses have occurred;

③ the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.

(2) Capitalization period of borrowing expenses

Capitalization period refers to the time starting from the borrowing expenses are capitalized to the time capitalization is stopped, except for the period which capitalization of borrowing expenses is suspended.

When the construction or production of an asset meeting capitalization conditions has reached expected useful or saleable conditions, the capitalization of borrowing expenses is stopped.

When a portion of the construction or production of an asset meeting capitalization conditions has completed and can be used individually, the capitalization of borrowing expenses of such portion of asset is stopped.

When portions of the construction or production of an asset have been completed but will only become useful or saleable after the entire asset is completed, the capitalization of borrowing expenses is stopped when the entire asset is completed.

(3) Suspension of capitalization period

Capitalization of borrowing expenses is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions. If such interruption is a necessary procedure for the construction or production of the asset that meets capitalization conditions, the borrowing expenses are continued to be capitalized. The borrowing expenses incurred during the interruption are recognized as profit or loss for the period, and capitalization of borrowing expenses continues when the construction or production activities of the asset resumes.

(4) Calculation of capitalized amount of borrowing expenses

Interest expenses of special loans (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses incurred for the construction or production of asset that meets capitalization conditions before the asset reaches expected useable or saleable condition are capitalized.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special loan multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on normal weighted average interest rate.

When there is discount or premium in the loan, the discount or premium to be amortized in each accounting period is determined using effective interest method and the interest amount for each period is adjusted.

23. Right-of-use assets

The company recognizes the right to use the leased assets during the lease period as the right-of-use assets at the commencement date of the lease, including:

1) The initial measurement amount of the lease liability;

2) If the lease payment is paid on or before the start of the lease period, if there is a lease incentive, the relevant amount of the lease incentive already enjoyed shall be deducted;

3) The initial direct costs incurred by the lessee;

4) The lessee expects to incur costs in order to dismantle and remove the leased assets, restore the premises where the leased assets are located, or restore the leased assets to the state agreed in the lease terms.

The company subsequently adopts the average year method to make provision for the depreciation of right-of-use assets. If it is reasonable to determine the ownership of the leased asset when the lease term expires, the Company shall make depreciation within the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the Company shall accrue depreciation within the shorter of the lease period and the remaining useful life of the leased assets.

The company uses the changed present value of lease payments to remeasure the lease liability and adjust the carrying amount of right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the company recognises any remaining amount of the remeasurement in profit or loss for the period.

24. *Intangible assets and development expenses*

(1) Valuation method, service life and impairment test

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the company which have no physical form, including patent rights, non-patent technologies, trademark rights, copyrights, land use rights, geological achievements (mining rights), exploration and development expenditures and others.

① Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the entry value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognized in profit or loss for the period.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination of entities under common control, the entry value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the entry value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

② Subsequent measurement of intangible assets

The company determines the useful life of intangible assets on acquisition, which are classified as intangible assets with limited useful life and indefinite useful life.

1) Intangible assets with a limited useful life

Intangible assets with a limited useful life are amortised using straight line method over the term during which they bring economic benefits to the company.

The company's geological achievements (mining rights) are amortised under the production method from the commencement of mining at the relevant mine.

The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	**Estimated useful life**	**Basis**
Land use right	7-50 years	Title certificate
Software	5-10 years	Benefit period

The useful life and amortisation method of intangible assets with limited life are re-assessed at the end of each period. If there are differences from the original estimates, corresponding adjustments are made.

2) Intangible assets with indefinite useful life

If the term of economic benefit the intangible asset can bring to the company cannot be estimated, it is deemed to be an intangible asset with indefinite life.

Intangible assets with indefinite useful life are not amortized during the holding period. The useful life of intangible assets with indefinite life is re-assessed at the end of each period. If it is re-assessed to remain indefinite at the end of the period, impairment tests shall be conducted during each accounting period.

25. Exploration and development expenses

Exploration and development expenses refer to expenses incurred in detailed investigation and exploration in geological exploration activities, with mining areas as accounting objects.

In the process of detailed investigation and exploration, if the company determines that no economically recoverable reserves are found in the activity after the completion of drilling and pitting, it shall be directly expensed; if it is determined that the activity has found proved economically recoverable reserves, the exploration and development expenses incurred shall be capitalized.

Where it is not certain that the exploration activity has discovered proved economically recoverable reserves, it shall be temporarily capitalised upon completion. Capitalised expenses on exploration continues to be temporarily capitalised and is otherwise included in profit or loss for the period if the discovery of proved economically recoverable reserves is uncertain at the end of the duration of the mineral rights and the following conditions are met: (1) sufficient reserves have been found in the exploration, but whether they belong to the proved economically recoverable reserves shall be determined; the exploration also requires further exploration activities, which are in progress or clearly planned and will be implemented; (2) the management judges that there are exploration prospects and that the mining right can be renewed normally.

26. Impairment of long-term assets

The long-term assets mentioned in this item mainly include non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a limited life, investment properties measured by cost model, and long-term equity investments in subsidiaries, joint ventures, and associates.

The company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

In the impairment test of goodwill, the carrying value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When taking an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related carrying value to recognise the corresponding impairment loss. Next, the company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the carrying value of the related asset group or portfolio of asset group (carrying value includes the share of goodwill) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the carrying value, the company will recognise the impairment loss of goodwill.

27. Long-term deferred expenses

Long-term deferred expenses refer to expenses that have already been spent by the company, but shall be amortised in the current period and the future periods and the benefit period is over 1 year. Long-term deferred expenses are amortised on a straight-line basis over benefit period.

28. Contract Liability

Contract Liability refers to the company's obligation to transfer goods to the customer for the consideration received or receivable.

29. Employee Remuneration

(1) Accounting treatment of short-term remuneration

Employee remuneration refers to all kinds of remunerations and other relevant reimbursements made by the company to its employees in exchange for services of said employees or termination of the labor relationship. Employee remuneration includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

(2) Accounting treatment of post-employment benefits

Post-employment benefit refers to all kinds of remunerations and benefits other than short-term remuneration and termination benefits that are provided by the company after the retirement of the employees or termination of labor relation with enterprises in exchange for services provided by employees.

The post-employment benefits of the company are categorized as defined contribution plans and defined benefit plans.

The defined contribution plans under the post-employment benefits are mainly for the participation in the social basis endowment insurance and unemployment insurance organized and carried out by local labor and social guarantee authorities. During the accounting period when the employees provide services for the Company, the payable amount of defined contribution plans is recognized as liabilities and included in current profit or loss or relevant costs of assets.

The defined benefit plans under the post-employment benefits are mainly well-defined standard additional benefits paid to the retirees, living expenses paid for the bereaved family members of the deceased employees, etc. For the obligations undertaken in the defined benefit plans, independent actuaries shall use the expected cumulative welfare unit method to conduct actuarial calculations on the balance sheet date, and attribute the welfare obligations arising from the defined benefit plans to the period during which employees provide services, and include them in profit or loss for the period or related asset costs. Of them, unless other accounting standards require or allow employee benefits costs to be included in assets costs, service costs of the defined benefit plans and net interest on net liabilities or net assets of the defined benefit plans are included in the current profit and loss during the period in which they occur; changes arising from the remeasurement of net liabilities or net assets in the defined benefit plans are included in other comprehensive income during the period in which they occur, which is not allowed to be reversed to profit or loss in subsequent accounting periods.

(3) Accounting treatment of termination benefits

Termination benefit refers to indemnity provided by the company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily. When the earlier of the company cannot unilaterally withdraws the employment relations or cut-down proposals and the date of confirmation of relevant cost and expenses on paying termination benefits, those liabilities arising from the confirmed terminations is charged to profit or loss for the period.

(4) Accounting treatment of other long-term employee benefits

Other long-term employee benefits refer to all the employee compensations other than short-term remuneration, post-employment benefits and termination benefits.

For other long-term employee benefits qualified for defined contribution plans, during the accounting period when the employees provide services for the company, the amount payable is recognized as liabilities and included in current profit and loss or relevant asset cost.

30. Lease Liability

On the commencement date of the lease term, the company recognizes the present value of unpaid lease payments as lease liabilities, except for short-term leases and leases of low-value assets. When calculating the present value of the lease payment, the company adopts the interest rate implicit in the leases as the discount rate; if the interest rate implicit in the leases cannot be determined, the lessee's incremental borrowing rate is adopted as the discount rate. The company calculates interest expenses of the lease liability during each period of the lease term according to a fixed periodic interest rate, which is included in the current profit and loss, unless otherwise stipulated to be included in the cost of related assets. Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss when they actually occur, unless otherwise stipulated to be included in the cost of related assets.

After the commencement date of the lease term, when there is change in either the in-substance fixed payments, the amount expected to be payable under a residual value guarantee, the index or rate used to determine the amount of lease payments, the assessment results on the purchase options, extension options or termination options or the actual exercise of such options, the lease liability is remeasured to the present value of the revised lease payments.

31. Estimated liabilities

(1) Criteria for recognition of estimated liabilities

The company recognises an estimated liability when the obligations associated with the contingency simultaneously meet the following conditions:

The obligation is a present obligation of the company;

Fulfilment of this obligation is likely to result in outflow of economic benefits from the company;

The amount of the obligation can be measured reliably.

(2) Measurement of estimated liabilities

The company's estimated liabilities are initially measured using the best estimate of the expenditure necessary to meet the relevant present obligations.

In determining the best estimate, the company considers factors such as risks, uncertainties and time value of money relating to contingencies. Where the effect on the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

The best estimates are dealt with as follows:

Where there is a continuous range (or interval) of expenditures required and the probabilities of various outcomes within that range are the same, the best estimate is determined based on the median of that range, which is the average of the upper and lower amounts.

Where there is no continuous range (or interval) of required expenditures, or there is a continuous range but the probability of occurrence of various results within the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; if the contingency involves more than one item, the best estimate is determined by calculating the various possible outcomes and the associated probabilities.

Where all or part of the expenses required by the company to settle the estimated liabilities are expected to be compensated by a third party, the amount of compensation is recognised separately as an asset when it is substantially certain that it will be received, and the amount of compensation recognised does not exceed the carrying amount of the estimated liabilities.

32. Revenue

The company is required to comply with the disclosure requirements of solid mineral resources business of the Guidelines No. 3 for Self-Regulatory Regulation of Listed Companies of the Shenzhen Stock Exchange – Industry Information Disclosure.

Accounting policies adopted for revenue recognition and measurement

The company's revenue is mainly derived from the sale of commodities and metal trading.

(1) General principles for revenue recognition

The company recognises revenue at the transaction price allocated to a contractual performance obligation when the customer obtains control of the related goods or services.

A performance obligation is a contract whereby the company conveys a clearly identifiable good or service to a customer.

Obtaining control over the relevant commodity means being able to dominate the use of the commodity and obtain substantially all of the economic benefits therefrom.

The company assesses a contract at the commencement date of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a time period or at a point in time. A performance obligation that is performed within a certain period of time if one of the following conditions is met, and the company recognises revenue over a period of time based on the performance schedule: ① the customer obtains and consumes the economic benefits brought about by the company's performance while the company performs; ② the customer is able to control the goods under construction during the company's performance; ③ commodities produced in the course of the company's performance have an irreplaceable use and the company is entitled to payment for the performance completed to date accumulated throughout the contract period. Otherwise, the company recognises revenue at a point in time when the customer obtains control of the related goods or services.

For performance obligations performed within a certain period of time, the company uses the output method/ input method to determine the appropriate performance schedule based on the nature of the goods and services. The output method determines the performance progress based on the value of the goods transferred to the customer (the input method determines the performance progress based on the company's inputs to fulfill the performance obligations). When the performance schedule cannot be reasonably determined, if the company expects to be compensated for the costs already incurred, revenue is recognised based on the amount of costs already incurred until the performance schedule can be reasonably determined.

(2) Specific method of revenue recognition

In addition to metal trading, the company's sales of main commodities include: alloy gold, lead concentrate (containing silver) and zinc concentrate. The specific conditions for revenue recognition are that the commodities have been delivered and the control has been transferred, and at the same time, both the purchaser and the seller have confirmed that the weighing and test results are correct, and have no objection to the selling price of the commodities. Revenue from metal trading is recognized when the company has delivered the bill of lading, weight bill, etc. or transferred the warehouse receipt to the customer according to the contract, has received the payment for the goods or obtained the right to receive payment, and the relevant economic benefits are likely to flow in the company.

33. Government subsidies

(1) Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation. According to the subsidy object stipulated in the documents of relevant government, government subsidies are divided into subsidies related to assets and subsidies related to revenue.

Government subsidies related to assets are obtained by the company for the purposes of constructing or forming long-term assets in other ways. Government subsidies related to revenue refer to the government subsidies other than those related to assets.

(2) Recognition of government subsidies

Where evidence shows that the company complies with relevant conditions of policies for financial supports and are expected to receive funds at the end of the period, the amount receivable is recognized as the government subsidies. Otherwise, the government subsidy is recognized upon receipt.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be reliably obtained, a nominal amount (RMB1) is used. Government subsidies that are measured at nominal amount shall be recognized in profit or loss for the period directly.

(3) Accounting treatment

The company determines whether a class of government subsidy business should be accounted for using the gross method or the net method based on the substance of the economic business. Generally, the company selects only one approach for same or similar government-subsidized business and applies that approach consistently to that business.

Government subsidies related to assets should be written down against the carrying amount of the related assets or recognised as deferred income. Government subsidies relating to assets that are recognised as deferred income are credited to profit or loss in a reasonable and systematic manner over the useful lives of the assets constructed or purchased.

Government subsidies related to revenue aimed at compensating for relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income once received, and are recognized in the current profit or loss or offset against related costs in the periods when relevant expenses or losses are recognized. Government subsidies aimed at compensating for relevant expenses or losses the enterprise that are already incurred are directly included in the current profit or loss or offset against related costs once received.

Government subsidies related to daily activities of enterprises are included in other income or offset against related costs and expenses; government subsidies that are not related to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy related to the discount interest received from policy-related preferential loans offsets the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the recording value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

When it is required to return recognized government subsidy, the carrying amount of the relevant assets is written down on initial recognition, and the carrying amount of the assets is adjusted. If there is relevant balance of deferred income, it shall be written down to relevant book value of relevant deferred income, and the excess is included in current profit or loss; where there is no relevant deferred income, it shall be directly included in current profit or loss.

34. Deferred income tax assets / deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period, when it is expected to recover such assets or repay such liabilities.

(1) Criteria for recognition of deferred income tax assets

The company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized, and deductible losses and taxes can be carried forward to subsequent years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognized: ① the transaction is not a business combination; or ② neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognized in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

(2) Criteria for recognition of deferred income tax liabilities

The company recognizes deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

① temporary difference arising from the initial recognition of goodwill;

② transactions or events arising from no business combination, and neither the accounting profit or the taxable income (or deductible losses) is affected when the transaction or event occurs;

③ for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the difference can be controlled and the difference is probably not reversed in a foreseeable future.

(3) Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met:

① The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

② Deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax administration department on the same taxable entity or different taxable entities, however, in the future period when each significant deferred income tax asset and deferred income tax liability are transferred back, the taxable entities involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and settle debts simultaneously.

35. Lease

(1) Accounting treatment of operating lease

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether the client in the contract has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of uses, and has the right to direct the use of the asset during such period.

Where a contract concurrently contains multiple separate leases, the company as a lessor and a lessee splits the contract and conducts accounting treatment for all separate leases respectively. Where the following conditions are concurrently met, use of the rights of identified assets shall constitute a separate lease in the contract:

1) A lessee may earn profits from separate use of the assets or joint use with other resources readily available;

2) There is no high dependence or high correlation between the assets and other assets in the contract.

Where a contract contains both lease and non-lease components, and when the company acts as a lessor and a lessee, the lease and non-lease components will be separated for accounting treatment.

(1) As a lessee

① Please refer to Note V. 23 and Note V. 30 for details of the accounting treatment of the company as a lessee.

② Modification of lease

Modification of lease is the modification of lease scope, lease consideration, and lease term beyond the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the modification of lease happens and meets the following conditions, the company will conduct accounting treatment for the modification of lease as a separate lease:

1) the modification of lease expands the scope of lease by increasing the rights of use of one or more leased assets;

2) the increased consideration and the individual price of the expanded part of lease are equivalent after adjustment is made in accordance with the contract situation.

If accounting treatment for the modification of lease as a separate lease is not conducted, the company shall redetermine the lease term on the effective date of modification of lease and discount the modified lease payments using the revised discount rate, in order to remeasure the lease liabilities. When calculating the present value of the lease payments after modification, the company adopts the interest rate contained in the lease for the remaining lease periods as the discount rate; if the lease interest rate contained in the lease for the remaining lease periods cannot be readily determined, the company's incremental borrowing rate shall then be used as the discount rate on the effective date of modification of lease.

In view of the consequences of the above adjustment of the lease liabilities, the company conducts accounting treatment based on each of the following cases accordingly:

1) if the modification of lease results in a narrower scope of lease or a shorter lease term, the company reduces the book value of the right-of-use assets to reflect the partial or complete termination of the lease. The company recognises the gain or loss relevant to the partial or complete termination of the leases in the current profits or loss;

2) for other modification of lease, the company adjusts the book value of the right-of-use assets accordingly.

③ Short-term leases and low-value asset leases

On the commencement date of the lease term, the company shall recognise leases with a lease term of less than 12 months and not including a call option as a short-term lease; single leases with a lower value when being a new asset are recognised as low-value asset leases. The company chooses not to recognise short-term leases and low-value asset leases as right-of-use assets and lease liabilities. During each period over the lease term, short-term leases and low-value asset leases shall be recognised in the related asset cost or current pro-fit and loss on a straight-line basis or recognised in profit or loss in the period in which they actually arise.

(2) As a lessor

On the commencement date of the lease term, all leases with risks and rewards incident to the ownership of the leased assets are substantially transferred into finance leases, and all other leases are operating leases.

As the lessor of an operating lease, lease payments under an operating lease are recognised in current profits or loss on a straight-line basis in each period over the lease term or recognised in profits or loss in the period in which they actually arise.

(2) Accounting treatment of finance lease

36. *Other important accounting policies and accounting estimates*

(1) Hedge accounting

In order to reduce the impact of commodity price fluctuations in spot operations on the business, the company makes full use of hedging function of the financial derivatives market, and carries out daily accounting of the hedging business according to the provisions of the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting. According to the hedging relationship, the company divides hedging into fair value hedging and cash flow hedging.

A. The hedge accounting method is applied for hedging instruments that meet the following conditions at the same time

① The hedging relationship consists only of qualified hedging instruments and hedged items.

② At the beginning of hedging, the company officially designated the hedging instrument and the hedged item, and prepared written documents on the hedging relationship, the risk management strategy and objectives of the hedging.

③ The hedging relationship meets the requirements for hedging effectiveness.

If the hedging meets the following conditions at the same time, the hedging relationship is deemed to meet the requirements of hedging effectiveness:

1) There is an economic relationship between the hedged item and the hedging instrument. The economic relationship makes changes in the opposite direction in the value of the hedging instrument and the hedged item due to their exposure to the same hedged risk.

2) The effect of credit risk does not dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.

3) The hedge ratio of the hedging relationship is equal to the ratio of the quantity of hedged items actually hedged by the company to the actual quantity of hedging instruments used to hedge them, which however does not reflect an imbalance in the relative weights of hedging items and hedging instruments, which will lead to ineffective hedging and may produce accounting results that are inconsistent with the objectives of hedge accounting.

B. Fair value hedge accounting

① Gain or loss from hedging instruments is included in profit and loss for the period. If the hedging instrument is used to hedge a non-trading equity instrument investment (or its component) that is measured at fair value through other comprehensive income, the gain or loss arising from the hedging instrument is included in other comprehensive income.

② The gain or loss of the hedged item due to the hedged risk exposure is included in profit or loss for the period, and the carrying amount of the recognized hedged item that is not measured at fair value is adjusted at the same time. If the hedged item is a financial asset (or its component) measured at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is included in profit or loss for the period, and its carrying amount has been measured at fair value and no adjustment is required. If the hedged item is a non-trading equity instrument investment (or its component) that the company chooses to measure at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is included in other comprehensive income, and its carrying amount has been measured at fair value and no adjustment is required.

If the hedged item is an unrecognized firm commitment (or its component), the cumulative changes in fair value caused by the hedged risk exposure after the hedging relationship is designated is recognized as an asset or liability, and the related gain or loss is included in profit or loss for each respective period. When an asset is acquired or a liability is assumed for the performance of the firm commitment, the initially recognized amount of the asset or liability is adjusted to include the accumulated changes in the fair value of the hedged item that has been recognized.

③ If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment to the carrying amount of the hedged item shall be amortized according to the actual interest rate recalculated on the date when the amortization starts, and included in profit or loss for the period. The amortization can start from the adjustment date, but not later than the time point of termination of the adjustment to hedging gain and loss on the hedged item. If the hedged item is a financial asset (or its component) measured at fair value through other comprehensive income, the accumulated hedging gain or loss recognized shall be amortized in the same way and included in profit or loss for the period, but the carrying amount of the financial asset (or its component) will not be adjusted.

C. Cash flow hedge accounting

① The part of gain or loss generated by the hedging instrument that is effective in hedging is included in other comprehensive income as the cash flow hedging reserve. The amount of cash flow hedging reserve shall be determined at the lower of absolute amounts of the following:

1) The cumulative gain or loss of the hedging instrument since the beginning of hedging;

2) The cumulative changes in the present value of estimated future cash flow of the hedged item since the beginning of hedging. The amount of cash flow hedge reserve included in other comprehensive income in each period is the change in cash flow hedging reserve for the period.

② The part of the gain or loss generated by the hedging instrument that is ineffective in hedging (that is, other gain or loss after deducting other comprehensive income) shall be included in profit or loss for the period.

③ The amount of cash flow hedging reserve shall be accounted for in accordance with the following requirements:

1) The hedged item is an expected transaction, and the expected transaction causes the company to subsequently recognize a non-financial asset or non-financial liability, or the expected transaction of a non-financial asset or a non-financial liability forms a firm commitment applicable to fair value hedge accounting, the cash flow hedging reserve amount originally recognized in other comprehensive income shall be transferred out and included in the initially recognized amount of the asset or liability.

2) For cash flow hedges that are not involved in the previous requirement, during the same period when the hedged expected cash flow affects profit and loss, the cash flow hedging reserve amount originally recognized in other comprehensive income is transferred out and included in profit and loss for the period.

3) If the cash flow hedging reserve amount recognized in other comprehensive income is a loss, and all or part of the loss is not expected to be covered in future accounting periods, in such case, the part that is not expected to be covered will be transferred out from other comprehensive income and included in profit and loss for the period.

D. Termination of hedge accounting

In case of any of the following circumstances, the use of hedge accounting shall be terminated:

① The hedging relationship no longer satisfies the risk management objectives due to changes in risk management objectives.

② The hedging instrument has expired, been sold, terminated or exercised.

③ The economic relationship between the hedged item and the hedging instrument no longer exists, or the effect of credit risk begins to dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.

④ The hedging relationship no longer satisfies other conditions for applying the hedging accounting method stipulated in this standard. When the rebalancing of the hedging relationship is applicable, the enterprise should first consider the rebalancing of hedging relationship, and then evaluate whether the hedging relationship meets the conditions for applying the hedge accounting method stipulated in this standard.

The termination of hedge accounting may affect the whole or part of the hedging relationship, and when only a part of it is affected, the remaining unaffected part is still applicable to hedge accounting.

E. Fair value options for credit risk exposure

When a credit derivative at fair value through profit or loss is used to manage the credit risk exposure of a financial instrument (or its component), when the financial instrument (or its component) is initially recognized, in the subsequent measurement or before it is recognized, it is designated as a financial instrument measured at fair value through profit or loss for the period, and a written record is made also, but should meet the following conditions simultaneously:

① The subject of credit risk exposure of the financial instrument (such as the borrower or holder of the loan commitment) is consistent with that involved in credit derivative instrument;

② The repayment level of the financial instrument is consistent with that of the instruments to be delivered according to the terms of credit derivative instrument.

(2) Safety production fee

The safety production fee set aside by the company in accordance with national regulations is included in the cost of related products or profit and loss for the period, and is also recorded in the "special reserve" item. When using the set aside safety production fee, if it is an expensed expenditure, it shall be directly offset against the special reserve. If it forms a fixed asset, the expenditures incurred are collected under the "construction in progress" item, and it is recognized as a fixed asset when the project is completed and reaches the intended usable state. At the same time, the cost of forming the fixed asset is offset against the special reserve, and the accumulated depreciation of the same amount is recognized. The fixed assets will not be depreciated in the subsequent periods.

The company's provision standard for special reserve is: RMB5/ton for open-pit mines, RMB10/ton for underground mines, and RMB1.0-1.5/ton for tailings safety production fees.

(3) Treasury shares

According to the relevant provisions of the Company Law, if the company's shares are repurchased, the amount actually paid should be regarded as treasury shares and registered for reference. If the shares repurchased are cancelled, the difference between the total face value of shares calculated as per the face value and number of the shares cancelled and the amount actually paid for repurchase should be used to write down the capital reserve. If the capital premium is insufficient for writing down, the retained earnings should be written down. If the repurchased shares used for equity incentives are equity-settled share-based payment, the amount determined based on actual exercise of options shall be written off against the cost of delivery of treasury shares and the accumulative amount of capital reserve (other capital reserves) in the vesting period, and the capital reserve (share premium) shall be adjusted according to the difference. If the repurchased shares used for employee stock ownership plan involves no share-based payment, the treasury shares will be directly offset when the price is received. If the enterprise holds treasury shares and then resells, all the considerations received will be recognized in equity to reduce the book value of treasury shares, and the capital reserve (share premium) shall be adjusted according to the difference. If the share premium is insufficient, the retained earnings should be written down.

The company is required to comply with the disclosure requirements for solid mineral resources business in the Guidelines No. 3 for Self-Regulatory Regulation of Listed Companies of the Shenzhen Stock Exchange – Industry Information Disclosure.

37. Changes in important accounting policies and accounting estimates

(1) Changes in important accounting policies

✔ Applicable ☐ N/A

Contents and reasons for changes in accounting policies	**Approval procedure**	**Remark**
The company has implemented the Accounting Standards for Business Enterprises No. 21 – Leasing revised by the Ministry of Finance in 2018 from 1 January 2021	Considered and approved by the board of directors on 27 April 2021	(1)

Note (1): Impact of the implementation of the new lease standard on the company

The company has implemented the Accounting Standards for Business Enterprises No. 21 – Leasing revised by the Ministry of Finance in 2018 from 1 January 2021. For details of the revised accounting policies, please refer to Note V. Significant Accounting Policies and Accounting Estimates.

On the date of initial implementation, from 1 January 2021, the Company has recognized right-of-use assets and lease liabilities at the present value of the minimum lease payments for the future rents payable in respect of all leased assets (excluding short-term lease and low-value asset lease for which the simplified approach is adopted), and has recognized depreciation separately, but the finance costs were not recognized and information for the comparable periods was not adjusted.

In addition, this change in accounting policy is carried out by the company in accordance with relevant regulations and requirements issued by the Ministry of Finance. After the change, the accounting policy can objectively and fairly reflect the company's financial conditions and operating results, and is in line with relevant laws and regulations and the actual situation of the company. This change in accounting policy will increase the company's total assets and total liabilities, but will not have a significant and substantial impact on the company's net assets and net profit, nor will it prejudice the interests of the company and shareholders.

The impact of implementation of the new lease standards on relevant items of the balance sheet as at 31 December 2020 is presented as follows:

Unit: RMB

Balance sheet items	31 December 2020	Cumulative amount impacted	1 January 2021
Prepayments	26,885,087.34	-518,569.80	26,366,517.54
Right-of-use assets		15,538,486.59	15,538,486.59
Total assets	**26,885,087.34**	**15,019,916.79**	**41,905,004.13**
Lease liability		8,266,472.95	8,266,472.95
Non-current liabilities due within one year	6,781,376.00	6,753,443.84	13,534,819.84
Total Liabilities	**6,781,376.00**	**15,019,916.79**	**21,801,292.79**

(2) Changes in important accounting estimates

☐ Applicable ✔ N/A

(3) Explanation on adjusting relevant financial statement items for the year of the first implementation of new lease standard from 2021

✔ Applicable ☐ N/A

Is it necessary to adjust the balance sheet items at the beginning of the year

✔ Yes ☐ No

Consolidated Balance Sheet

Unit: RMB

Item	31 December 2020	1 January 2021	Adjustment
Current assets:			
Monetary funds	482,679,148.39	482,679,148.39	
Settlement reserves funds			
Placements with banks and other financial institutions			
Financial assets held for trading	1,535,264,849.67	1,535,264,849.67	
Derivative financial assets	99,865,745.36	99,865,745.36	
Bills receivable			
Accounts receivable	48,269,866.25	48,269,866.25	
Receivables financing			
Prepayments	26,885,087.34	26,366,517.54	-518,569.80
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	20,886,951.58	20,886,951.58	
Of which: Interest receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventory	1,026,982,033.15	1,026,982,033.15	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	693,121,505.30	693,121,505.30	
Total current assets	**3,933,955,187.04**	**3,933,436,617.24**	**-518,569.80**

Item	31 December 2020	1 January 2021	Adjustment
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investment			
Investment in other equity instruments	55,803,885.24	55,803,885.24	
Other non-current financial assets			
Investment property			
Fixed assets	2,783,312,677.63	2,783,312,677.63	
Construction in progress	200,415,684.70	200,415,684.70	
Productive biological assets			
Oil and gas assets			
Right-of-use asset		15,538,486.59	15,538,486.59
Intangible assets	5,318,458,341.50	5,318,458,341.50	
Development expenditure			
Goodwill	452,365,699.74	452,365,699.74	
Long-term prepaid expenses	26,510,372.05	26,510,372.05	
Deferred income tax assets	80,300,961.89	80,300,961.89	
Other non-current assets	55,632,960.05	55,632,960.05	
Total non-current assets	**8,972,800,582.80**	**8,988,339,069.39**	**15,538,486.59**
Total assets	**12,906,755,769.84**	**12,921,775,686.63**	**15,019,916.79**

Item	31 December 2020	1 January 2021	Adjustment
Current liabilities:			
Short-term borrowing	179,194,662.50	179,194,662.50	
Borrowing from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable	447,518,000.00	447,518,000.00	
Accounts payable	122,152,655.48	122,152,655.48	
Advance payment	9,918,998.44	9,918,998.44	
Contract liabilities	11,138,631.36	11,138,631.36	
Financial assets sold under repurchase agreements			
Receipts of deposits and deposits from other banks			
Brokerage for trading securities			
Amount paid for agency securities underwriting			
Employee remuneration payable	48,874,301.36	48,874,301.36	
Taxes payable	140,184,775.87	140,184,775.87	
Other payables	203,427,908.82	203,427,908.82	
Of which: Interest payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payables			
Liabilities held for sale			
Non-current liabilities due within one year	6,781,376.00	13,534,819.84	6,753,443.84
Other current liabilities	1,448,022.08	1,448,022.08	
Total current liabilities	**1,170,639,331.91**	**1,177,392,775.75**	**6,753,443.84**

Item	31 December 2020	1 January 2021	Adjustment
Non-current liabilities:			
Reserves for insurance contracts			
Long term borrowing	234,929,916.67	234,929,916.67	
Bonds payable			
Of which: Preferred shares			
Perpetual bonds			
Lease liability		8,266,472.95	8,266,472.95
Long-term payables	20,344,128.00	20,344,128.00	
Long-term employee remuneration payable			
Estimated liabilities	45,283,429.64	45,283,429.64	
Deferred income	444,600.00	444,600.00	
Deferred income tax liabilities	354,563,348.18	354,563,348.18	
Other non-current liabilities	14,248,463.35	14,248,463.35	
Total non-current liabilities	**669,813,885.84**	**678,080,358.79**	**8,266,472.95**
Total liabilities	**1,840,453,217.75**	**1,855,473,134.54**	**15,019,916.79**
Owners' equity:			
Share capital	2,776,722,265.00	2,776,722,265.00	
Other equity instruments			
Of which: Preferred shares			
Perpetual bonds			
Capital reserve	4,431,280,488.30	4,431,280,488.30	
Less: Treasury shares			
Other comprehensive income	-6,400,461.01	-6,400,461.01	
Special reserve	5,346,480.89	5,346,480.89	
Surplus reserve	438,886,250.88	438,886,250.88	
Provision for general risk			
Undistributed profit	2,244,198,862.94	2,244,198,862.94	
Total equity attributable to owners of the parent company	**9,890,033,887.00**	**9,890,033,887.00**	
Minority interests	1,176,268,665.09	1,176,268,665.09	
Total owner's equity	**11,066,302,552.09**	**11,066,302,552.09**	
Total liabilities and owner's equity	**12,906,755,769.84**	**12,921,775,686.63**	**15,019,916.79**

Balance Sheet of the Parent Company

Unit: RMB

Item	31 December 2020	1 January 2021	Adjustment
Current assets:			
Monetary funds	7,328,002.01	7,328,002.01	
Financial assets held for trading	431,000,000.00	431,000,000.00	
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Prepayments	713,903.78	195,333.98	-518,569.80
Other receivables	668,761,290.64	668,761,290.64	
Of which: Interest receivable			
Dividends receivable			
Inventory			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	665,444,103.52	665,444,103.52	
Total current assets	**1,773,247,299.95**	**1,772,728,730.15**	**-518,569.80**

Item	31 December 2020	1 January 2021	Adjustment
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment	7,535,036,559.55	7,535,036,559.55	
Investment in other equity instruments	42,000,000.00	42,000,000.00	
Other non-current financial assets			
Investment property			
Fixed assets	980,491.80	980,491.80	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		12,351,162.79	12,351,162.79
Intangible assets	1,655,775.83	1,655,775.83	
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets	85,077.05	85,077.05	
Other non-current assets			
Total non-current assets	**7,579,757,904.23**	**7,592,109,067.02**	**12,351,162.79**
Total assets	**9,353,005,204.18**	**9,364,837,797.17**	**11,832,592.99**

Item	31 December 2020	1 January 2021	Adjustment
Current liabilities:			
Short-term borrowing			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable			
Accounts payable	318,282.93	318,282.93	
Advance payment			
Contract liabilities			
Employee remuneration payable	2,169,851.45	2,169,851.45	
Taxes payable	10,083,669.45	10,083,669.45	
Other payables	240,675.46	240,675.46	
Of which: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		5,558,100.77	5,558,100.77
Other current liabilities			
Total current liabilities	**12,812,479.29**	**18,370,580.06**	**5,558,100.77**
Non-current liabilities:			
Long term borrowing	234,929,916.67	234,929,916.67	
Bonds payable			
Of which: Preferred shares			
Perpetual bonds			
Lease liability		6,274,492.22	6,274,492.22
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	**234,929,916.67**	**241,204,408.89**	**6,274,492.22**
Total Liabilities	**247,742,395.96**	**259,574,988.95**	**11,832,592.99**

Item	31 December 2020	1 January 2021	Adjustment
Owners' equity:			
Share capital	2,776,722,265.00	2,776,722,265.00	
Other equity instruments			
Of which: Preferred shares			
Perpetual bonds			
Capital reserve	4,431,733,687.79	4,431,733,687.79	
Less: Treasury shares			
Other comprehensive income	748.10	748.10	
Special reserve			
Surplus reserve	425,611,996.58	425,611,996.58	
Undistributed profit	1,471,194,110.75	1,471,194,110.75	
Total owner's equity	**9,105,262,808.22**	**9,105,262,808.22**	
Total liabilities and owner's equity	**9,353,005,204.18**	**9,364,837,797.17**	**11,832,592.99**

(4) Explanation on retroactively adjusting the comparative data in the prior period due to the first implementation of new lease standard from 2021

☐ Applicable ✔ N/A

VI. TAXATION

1. *Main Types of Taxes and Corresponding Rates*

Tax type	Tax basis	Tax rate
VAT	Product sales revenue / taxable service revenue	13%, 6%, 3%
Urban maintenance and construction tax	VAT	1%-7%
Corporate income tax	Taxable income	15%, 17%, 25%
Education surcharge	VAT	3%
Local education fee surcharge	VAT	2%, 1%
Resource tax	Sales revenue	5%, 4.5%, 4% for gold; 5%, 3%, 2.5% for silver; 6% for lead, zinc.

Please make a disclosure if there are taxpayers with different corporate income tax rates

Name of taxpayer	Income tax rate
Yulong Mining, Qinghai Dachaidan	15%
Shenghong Singapore	17%
Other entities	25%

2. *Tax Incentives*

(1) Corporate income tax

According to the Notice on Tax Policy Issues Concerning the Deep Implementation of the Western Development Strategy jointly issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs (Cai Shui [2011] No. 58), the Announcement of the State Administration of Taxation on Corporate Income Tax Issues Concerning the Deep Implementation of the Western Development Strategy (No. 12 of 2012 of the State Administration of Taxation) issued by the State Administration of Taxation on 6 April 2012, the corporate income tax can be paid at a reduced tax rate of 15%. The company's subsidiary Yulong Mining and Qinghai Dachaidan were subject to the corporate income tax rate of 15% in 2021.

(2) VAT

According to the Notice on Gold Tax Policy Issues (Cai Shui [2002] No. 142) issued by the Ministry of Finance and the State Administration of Taxation, gold production and operation entities are exempt from VAT for sales of gold; member units of the Gold Exchange are exempted from VAT for selling standard gold through the Gold Exchange (holding the Gold Transaction Settlement Voucher issued by the Gold Exchange) without physical delivery; the VAT refund policy is implemented when physical delivery occurs, and urban maintenance and construction tax and education surcharges are exempted at the same time.

(3) Resource tax

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

According to the Decision of the Standing Committee of the People's Congress of Heilongjiang Province on the Implementation of Authorized Matters of the Resource Tax Law promulgated by the Standing Committee of the People's Congress of Heilongjiang Province, the resource tax shall be levied by taxpayers on the exploitation of co-associated ore and low-grade ore at a reduced rate of 50%, and the resource tax shall be exempted from the exploitation of tailings.

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

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary Funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	424,890.78	304,773.93
Bank deposits	604,795,496.29	262,489,216.06
Other monetary funds	850,480,111.94	219,885,158.40
Total	**1,455,700,499.01**	**482,679,148.39**
Including: Total amount deposited overseas	**126,811,871.06**	**26,369,038.62**

As of 31 December 2021, the company has no pledge, freezing or potential recovery risk.

The breakdown of restricted monetary funds is as follows:

Unit: RMB

Item	Closing balance	Opening balance
Environmental governance deposit	39,680,429.21	33,462,255.21
Security deposit for futures	7,969,625.00	3,592,791.66
Security deposit for bank acceptance	660,336,595.45	518,000.00
ETC frozen funds	2,500.00	1,500.00
Total	**707,989,149.66**	**37,574,546.87**

As of 31 December 2021, restricted funds are:

1. RMB39,680,429.21 of the environmental governance deposit, including RMB10,646,161.18 of the environmental governance deposit placed by the subsidiary Yulong Mining in the bank, RMB13,544,126.24 of the environmental governance deposit placed in the bank by the subsidiary Qinghai Dachaidan, RMB7,792,426.95 of the environment protection deposit placed in the bank by the subsidiary Jilin Banmiaozi, and RMB7,697,714.84 of the geological environment protection deposit placed in the bank by the subsidiary Heihe Yintai;

2. RMB7,969,625.00 of the deposit for futures placed by the subsidiary Shenghong Singapore in the futures exchange;

3. RMB660,336,595.45 of the deposit for the bank acceptance placed in the bank by the subsidiary Yintai Shenghong;

4. RMB2,500.00 of the ETC frozen funds placed in the bank by the subsidiary Jilin Banmiaozi.

2. Financial Assets Held for Trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	2,074,042,141.82	1,535,264,849.67
Of which: Wealth management products	2,074,042,141.82	1,535,264,849.67
Total	**2,074,042,141.82**	**1,535,264,849.67**

Other explanation: Among them, RMB810,000,000.00 of bank wealth management is restricted to be used as a deposit for bank acceptance, see Note 55 for details.

3. *Derivative Financial Assets*

Unit: RMB

Item	Closing balance	Opening balance
Hedging instrument	95,601,151.10	70,246,083.57
Derivative financial assets with no designated hedging relationship	16,750,611.00	29,619,661.79
Total	**112,351,762.10**	**99,865,745.36**

4. *Accounts Receivable*

(1) Disclosure by aging of accounts receivable

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year	42,081,575.52	50,810,385.53
1–2 years		
2–3 years		
3–4 years		
4–5 years		
Over 5 years		
Subtotal	42,081,575.52	50,810,385.53
Less: Provision for bad debts	2,104,078.79	2,540,519.28
Total	**39,977,496.73**	**48,269,866.25**

(2) Disclosure by category of provision for bad debts

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
Category	Amount	Proportion	Amount	Proportion	Carrying amount	Amount	Proportion	Amount	Proportion	Carrying amount
Accounts receivable with provision for bad debts on a group basis										
Accounts receivable with provision for bad debts on an individual basis	42,081,575.52	100.00%	2,104,078.79	5.00%	39,977,496.73	50,810,385.53	100.00%	2,540,519.28	5.00%	48,269,866.25
Including: Grouped by aging	42,081,575.52	100.00%	2,104,078.79	5.00%	39,977,496.73	50,810,385.53	100.00%	2,540,519.28	5.00%	48,269,866.25
Total	**42,081,575.52**	**100.00%**	**2,104,078.79**	**5.00%**	**39,977,496.73**	**50,810,385.53**	**100.00%**	**2,540,519.28**	**5.00%**	**48,269,866.25**

(3) Accounts receivable with provision for Book balance ECL by combination

Unit: RMB

	Closing balance		
Name	**Book balance**	**Bad debt provision**	**Proportion**
Within 1 year	42,081,575.52	2,104,078.79	5.00%
1–2 years			
2–3 years			
3–4 years			
4–5 years			
Over 5 years			
Total	**42,081,575.52**	**2,104,078.79**	**5.00%**

If the bad debt provision for accounts receivable is made according to the general model of expected credit losses, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

☐ Applicable ✔ N/A

(4) Provision for, recovery or reversal of bad debts in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Amount of change in the current period: Provision	Recovery or reversal	Write off	Others	Closing balance
Accounts receivable with provision for ECL on an individual basis						
Accounts receivable with provision for ECL on a group basis	2,540,519.28	-436,440.49				2,104,078.79
Including: Grouped by aging	2,540,519.28	-436,440.49				2,104,078.79
Total	**2,540,519.28**	**-436,440.49**				**2,104,078.79**

(5) Top five accounts receivable according to the closing balance collected by the debtor

Unit: RMB

Company name	Closing balance of accounts receivable	Proportion to the total closing balance of accounts receivable	Closing balance of provision for bad debts
Unit 1	29,093,622.53	69.14%	1,454,681.14
Unit 2	12,351,331.01	29.35%	617,566.55
Unit 3	636,621.98	1.51%	31,831.10
Total	**42,081,575.52**	**100.00%**	**2,104,078.79**

5. *Advance Payment*

(1) Breakdown of prepayments by aging

Unit: RMB

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
Within 1 year	42,290,340.47	98.95	25,519,767.76	96.79
1 to 2 years	263,235.33	0.62	215,260.98	0.82
2 to 3 years	64,377.67	0.15	47,818.64	0.18
Over 3 years	122,431.70	0.28	583,670.16	2.21
Total	**42,740,385.17**	**100.00**	**26,366,517.54**	**100.00**

(2) Top five prepayments according to the closing balance collected by the debtor

Unit: RMB

Company name	Closing balance	Proportion of total prepayments (%)	Time of prepayments	Reasons for no settlement
Unit 1	15,312,605.78	35.83	2021	Cooperation project not completed
Unit 2	10,644,006.11	24.90	2021	Electricity needs to be paid in advance, billed once a month
Unit 3	5,259,593.60	12.31	2021	Purchase order not completed
Unit 4	2,182,490.00	5.11	2021	Purchase order not completed
Unit 5	1,501,000.00	3.51	2021	Purchase order not completed
Total	**34,899,695.49**	**81.66**		

6. *Other Receivables*

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	336,372.46	
Dividend receivable		
Other receivables	47,303,563.07	20,886,951.58
Total	**47,639,935.53**	**20,886,951.58**

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable on forward locked remitting to statement date	336,372.46	
Total	**336,372.46**	

(2) Other receivables

1) Disclosure by aging

Unit: RMB

Aging	**Closing balance**	**Opening balance**
Within 1 year	32,618,038.49	9,892,640.79
1–2 years	15,505,574.91	9,069,820.52
2–3 years	30,463.29	362,501.74
3–4 years	97,974.66	2,007,812.64
4–5 years	1,717,048.52	12,847.16
Over 5 years	212,029.14	9,095,459.88
Subtotal	50,181,129.01	30,441,082.73
Less: Provision for bad debts	2,877,565.94	9,554,131.15
Total	**47,303,563.07**	**20,886,951.58**

2) Classification of other receivables by nature of payment

Unit: RMB

Nature of payment	**Closing balance**	**Opening balance**
Current account	44,296,754.78	25,526,138.81
Reserve fund	272,771.56	318,824.46
Deposit and security deposit	5,251,222.68	4,232,048.05
Others	360,379.99	364,071.41
Total	**50,181,129.01**	**30,441,082.73**

3) Disclosure by three stages of financial asset impairment

Unit: RMB

Name	Closing balance Book balance	Closing balance Bad debt provision	Closing balance Carrying amount	Opening balance Book balance	Opening balance Bad debt provision	Opening balance Carrying amount
Stage I	50,181,129.01	2,877,565.94	47,303,563.07	23,205,290.71	2,318,339.13	20,886,951.58
Stage II						
Stage III				7,235,792.02	7,235,792.02	
Total	**50,181,129.01**	**2,877,565.94**	**47,303,563.07**	**30,441,082.73**	**9,554,131.15**	**20,886,951.58**

4) Disclosure by category of provision for bad debts

Unit: RMB

Category	Closing balance Book balance Amount	Closing balance Book balance Proportion (%)	Closing balance Bad debt provision Amount	Closing balance Bad debt provision Proportion (%)	Closing balance Carrying amount	Opening balance Book balance Amount	Opening balance Book balance Proportion (%)	Opening balance Bad debt provision Amount	Opening balance Bad debt provision Proportion (%)	Opening balance Carrying amount
Other receivables with provision for ECL on an individual basis						7,235,792.02	23.77	7,235,792.02	100.00	
Other receivables with provision for ECL on a group basis	50,181,129.01	100.00	2,877,565.94	5.73	47,303,563.07	23,205,290.71	76.23	2,318,339.13	9.99	20,886,951.58
Including: Grouped by aging	50,181,129.01	100.00	2,877,565.94	5.73	47,303,563.07	23,205,290.71	76.23	2,318,339.13	9.99	20,886,951.58
Total	**50,181,129.01**	**100.00**	**2,877,565.94**	**5.73**	**47,303,563.07**	**30,441,082.73**	**100.00**	**9,554,131.15**	**31.39**	**20,886,951.58**

5) Other receivables with provision for ECL on a group basis

Unit: RMB

Aging	Closing balance Book balance	Bad debt provision	Proportion *(%)*
Within 1 year (inclusive)	32,618,038.49	1,630,221.67	5.00
1–2 years	15,505,574.91	775,278.75	5.00
2–3 years	30,463.29	3,046.33	10.00
3–4 years	97,974.66	19,594.94	20.00
4–5 years	1,717,048.52	345,791.74	20.00
Over 5 years	212,029.14	103,632.51	50.00
Total	**50,181,129.01**	**2,877,565.94**	**5.73**

6) Provision for bad debts of other receivables

Unit: RMB

Bad debt provision	Stage I ECL over the next 12 months	Stage II Lifetime ECL (non-credit impaired	Stage III Lifetime ECL (credit impaired)	Total
Balance as at 1 January 2021	2,318,339.13		7,235,792.02	9,554,131.15
Balance as at 1 January 2021 in the current period	–	–	–	–
– Transfer to stage III	-600,300.00		600,300.00	
Provision made for the period	1,159,526.81		814,950.00	1,974,476.81
Written off in the period			8,651,042.02	8,651,042.02
Balance as at 31 December 2021	**2,877,565.94**			**2,877,565.94**

7) Other receivables actually written off in the current period

Unit: RMB

Item	Write-off amount
Other receivables actually written off	8,651,042.02

Important write-offs of other receivables:

Unit: RMB

Company name	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the payment is generated by related party transactions
West Ujimqin Banner Industrial Development Fund Management Office	Current account	3,000,000.00	Unrecoverable	Approval by management	No
People's Government Office of West Ujimqin Banner	Current account	700,000.00	Unrecoverable	Approval by management	No
Baiyinhua Government of West Ujimqin Banner	Current account	600,000.00	Unrecoverable	Approval by management	No
Beijing China Enterprise Appraisals Company	Current account	500,000.00	Unrecoverable	Approval by management	No
West Ujimqin Banner Traffic Police Brigade	Current account	500,000.00	Unrecoverable	Approval by management	No
Beijing Jingtian & Gongcheng	Current account	400,000.00	Unrecoverable	Approval by management	No
Bayanhua Town Government of West Ujimqin Banner	Current account	303,209.77	Unrecoverable	Approval by management	No
Bayanhua Town Bayan Hubo Gacha	Current account	300,000.00	Unrecoverable	Approval by management	No
Chifeng Haifangtong Company	Current account	220,000.00	Unrecoverable	Approval by management	No
West Ujimqin Banner Aolinbaolige Professional Cooperative	Current account	200,000.00	Unrecoverable	Approval by management	No
Baorihushugacha People's Committee of Bayanhua Town, Xiwuzhumuqin Banner	Current account	200,000.00	Unrecoverable	Approval by management	No
Tubuqin	Current account	170,000.00	Unrecoverable	Approval by management	No
Beijing Dacheng Law Offices	Current account	150,000.00	Unrecoverable	Approval by management	No
Odenbaatar	Current account	128,569.30	Unrecoverable	Approval by management	No
Bi Yuande	Current account	121,625.00	Unrecoverable	Approval by management	No
Grass Supervision Bureau of West Ujimqin Banner	Current account	115,000.00	Unrecoverable	Approval by management	No
Herdsman borrowing - Hasbartel	Current account	100,000.00	Unrecoverable	Approval by management	No
Total	–	**7,708,404.07**	–	–	–

8) Top five other receivables according to the closing balance collected by the debtor

Unit: RMB

Unit name	Nature of payment	Closing balance	Aging	Proportion to the total closing balance of other receivables *(%)*	Closing balance of provision for bad debts
Unit 1	Current account	21,908,655.35	Within 1 year, 1–2 years	43.66	1,095,432.77
Unit 2	Current account	21,908,655.34	Within 1 year, 1–2 years	43.66	1,095,432.77
Unit 3	Deposit and security deposit	2,000,000.00	Within 1 year	3.99	100,000.00
Unit 4	Security deposit	1,555,709.40	4–5 years	3.10	311,141.88
Unit 5	Current account	342,820.00	Within 1 year	0.68	17,141.00
Total		**47,715,840.09**		**95.09**	**2,619,148.42**

7. Inventory

Does the company need to comply with the disclosure requirements of the real estate industry

No

(1) *Classification of inventory*

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for inventory decline or impairment provision for contract performance cost	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for inventory decline or impairment provision for contract performance cost	Opening balance Carrying amount
Raw materials	159,811,562.85		159,811,562.85	133,829,155.22	1,699,419.29	132,129,735.93
Work in process	433,327,966.03		433,327,966.03	481,333,840.40		481,333,840.40
Inventory goods	435,191,469.33		435,191,469.33	413,518,456.82		413,518,456.82
Total	**1,028,330,998.21**		**1,028,330,998.21**	**1,028,681,452.44**	**1,699,419.29**	**1,026,982,033.15**

(2) *Provision for inventory decline and impairment provision for contract performance cost*

Unit: RMB

Item	Opening balance	Increased amount in the current period Closing balance	Increased amount in the current period Provision	Decreased amount in the current period Others	Decreased amount in the current period Reversed or offset	Others
Raw materials	1,699,419.29			1,699,419.29		
Total	**1,699,419.29**			**1,699,419.29**		

8. *Other Current Assets*

Unit: RMB

Item	Closing balance	Opening balance
Deposit for and interest from acquisition of equity, etc.		664,637,057.82
VAT credit	34,558,798.54	26,691,379.85
Advanced income tax	2,239,746.51	1,275,495.80
Others	41,039.46	517,571.83
Total	**36,839,584.51**	**693,121,505.30**

9. *Investment in Other Equity Instruments*

Unit: RMB

Item	Closing balance	Opening balance
Qinghai Kunlun Gold Co., Ltd. (青海昆侖黃金有限公司)	12,000,000.00	12,000,000.00
Baishan Rongsheng Mining Co., Ltd. (白山市融盛礦業有限責任公司)	500,000.00	
Chifeng Herizeng Mining Development Co., Ltd. (赤峰市和日增礦業開發有限公司)	1,803,885.24	1,803,885.24
Shanghai Sijin Enterprise Management Co., Ltd. (上海思晉企業管理有限公司)		12,000,000.00
Jiaxing Xiyao Equity Investment Partnership (嘉興希耀股權投資合夥企業)	30,000,000.00	30,000,000.00
Total	**44,303,885.24**	**55,803,885.24**

10. *Fixed Assets*

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	2,808,584,710.82	2,783,312,677.63
Disposal of fixed assets	–	–
Total	**2,808,584,710.82**	**2,783,312,677.63**

(1) Fixed assets

Unit: RMB

Item	Houses and buildings	Machinery	Shaft engineering assets	Means of transport	Office equipment and others	Total
I. Original carrying amount:						
1. Opening balance	1,986,427,945.22	1,514,431,340.93	1,809,030,231.95	70,374,009.31	35,734,887.81	5,415,998,415.22
2. Increased amount in the current period	106,751,171.07	46,184,823.17	192,571,775.19	10,425,759.97	5,386,627.21	361,320,156.61
(1) Purchase	19,610,374.20	16,660,248.44	14,873,951.30	9,510,592.99	5,215,593.21	65,870,760.14
(2) Transfer of construction in progress	82,677,776.99	25,379,831.07	157,413,704.33		164,834.00	265,636,146.39
(3) Equity acquisition	4,463,019.88	4,144,743.66	20,284,119.56	915,166.98	6,200.00	29,813,250.08
3. Decreased amount in the current period	23,884,892.12	33,354,170.97	8,236,389.07	7,538,595.04	801,640.67	73,815,687.87
(1) Disposal or retirement	21,580,662.12	32,024,092.25	8,236,389.07	7,538,595.04	801,640.67	70,181,379.15
(2) Other decreases	2,304,230.00	1,330,078.72				3,634,308.72
4. Closing balance	2,069,294,224.17	1,527,261,993.13	1,993,365,618.07	73,261,174.24	40,319,874.35	5,703,502,883.96
II. Accumulated depreciation						
1. Opening balance	884,488,562.53	1,006,902,006.53	653,602,790.89	53,164,821.12	23,036,366.89	2,621,194,547.96
2. Increased amount in the current period	95,319,079.19	84,435,866.59	130,597,541.94	9,850,758.72	4,188,067.05	324,391,313.49
(1) Accrual	93,222,939.68	80,996,963.65	112,053,920.21	8,963,630.27	4,182,115.05	299,419,568.86
(2) Equity acquisition	2,096,139.51	3,438,902.94	18,543,621.73	887,128.45	5,952.00	24,971,744.63
3. Decreased amount in the current period	17,868,829.92	26,458,632.04	7,933,589.23	8,919,216.17	978,610.58	62,158,877.94
(1) Disposal or retirement	14,941,070.23	26,069,951.32	7,933,589.23	8,919,216.17	978,610.58	58,842,437.53
(2) Other decreases	2,927,759.69	388,680.72				3,316,440.41
4. Closing balance	961,938,811.80	1,064,879,241.08	776,266,743.60	54,096,363.67	26,245,823.36	2,883,426,983.51
III. Provision for impairment						
1. Opening balance	11,491,189.63					11,491,189.63
2. Increased amount in the current period						
(1) Accrual						
3. Decreased amount in the current period						
(1) Disposal or retirement						
4. Closing balance	11,491,189.63					11,491,189.63
IV. Carrying amount						
1. Closing carrying amount	1,095,864,222.74	462,382,752.05	1,217,098,874.47	19,164,810.57	14,074,050.99	2,808,584,710.82
2. Opening carrying amount	1,090,448,193.06	507,529,334.40	1,155,427,441.06	17,209,188.19	12,698,520.92	2,783,312,677.63

(2) Fixed assets without title certificate

Unit: RMB

Item	**Carrying amount**	**Reasons for not completing the certificate of title**
Heihe Yintai houses and buildings	29,514,038.59	Title certificate is in the process of application
Yulong Mining houses and buildings	63,947,881.96	Title certificate is in the process of application
Total	**93,461,920.55**	

11. Construction in Progress

Unit: RMB

Item	**Closing balance**	**Opening balance**
Construction in progress	424,659,399.66	198,263,994.48
Engineer materials		2,151,690.22
Total	**424,659,399.66**	**200,415,684.70**

(1) Construction in progress

Unit: RMB

Project	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Jilin Banmiaozi shaft project	47,680,131.22		47,680,131.22	130,736,609.41		130,736,609.41
Jilin Banmiaozi tailings pond expansion project	9,387,042.08		9,387,042.08	1,163,566.83		1,163,566.83
Jilin Banmiaozi's other projects	4,174,411.44		4,174,411.44			
Qinghai Dachaidan Qinglongtan underground engineering prospecting project	41,596,642.28		41,596,642.28	19,428,872.04		19,428,872.04
Qinghai Dachaidan Xijinggou underground prospecting project	13,564,562.23		13,564,562.23	11,796,662.23		11,796,662.23
Qinghai Dachaidan Jinlonggou slope exploration engineering	52,858,428.63		52,858,428.63	16,523,858.21		16,523,858.21
Qinghai Dachaidan 323 South open pit stripping project	91,600,593.18		91,600,593.18			
Heihe Yintai plant selection, reconstruction and expansion project	1,707,473.00		1,707,473.00			
Heihe Yintai underground excavation project (phase II)				7,923,732.07		7,923,732.07
Yulong Mining plant selection, reconstruction and expansion project	140,484,628.67		140,484,628.67	6,764,267.56		6,764,267.56
Yulong Mining Huaaobaote moutain mine section comprehensive mining project	1,707,718.66		1,707,718.66	1,686,492.24		1,686,492.24
Surface diamond drilling in Huasheng Gold Mine	1,332,550.70		1,332,550.70			
Others	18,565,217.57		18,565,217.57	2,239,933.89		2,239,933.89
Total	**424,659,399.66**		**424,659,399.66**	**198,263,994.48**		**198,263,994.48**

(2) Changes in important construction-in-progress projects in the current period

Unit: RMB

Name of project	Budget	Opening balance	Amount of Increase in the current period	Amount transferred to fixed assets in the current period	Other decreased amount in the current period	Closing balance	Proportion of cumulative project investment to budget (%)	Project progress (%)	Accumulated amount of interest capitalized	Including: Capitalized amount of interest in the current period	Current interest capitalization rate	Sources of funds
Jilin Banmiaozi shaft lane project	271,074,800.00	130,736,609.41	34,079,945.37	116,791,399.86	345,023.70	47,680,131.22	60.80	67.92				Self-owned funds
Jilin Banmiaozi tailings pond expansion project	100,435,400.00	1,163,566.83	10,134,079.26	1,752,787.01	157,817.00	9,387,042.08	99.57	99.64				Self-owned funds
Qinghai Dachaidan Qinglongtan underground engineering prospecting project	431,994,800.00	19,428,872.04	48,669,944.36	26,502,174.12		41,596,642.28	95.64	95.64	1,670,600.00			Borrowing, self-owned funds
Qinghai Dachaidan Xijinggou underground prospecting project	44,414,600.00	11,796,662.23	1,767,900.00			13,564,562.23	62.00	62.00	12,300.00			Borrowing, self-owned funds
Qinghai Dachaidan Jinlonggou slope exploration engineering	129,000,000.00	16,523,858.21	49,020,673.13	12,686,102.71		52,858,428.63	50.81	50.81				Self-owned funds
Qinghai Dachaidan 323 South open pit stripping project	184,210,000.00		91,600,593.18			91,600,593.18	49.73	49.73				Self-owned funds
Heihe Yintai underground excavation project (phase II)	40,000,000.00	7,923,732.07	30,446,740.86	38,370,472.93		0.00	95.93	100.00				Self-owned funds
Heihe Yintai plant selection, reconstruction and expansion project	5,850,000.00		5,459,472.75	3,730,066.75	21,933.00	1,707,473.00	93.32	90.00				Self-owned funds
Heihe Yintai underground development engineering (phase II)												
Yulong Mining plant selection, reconstruction and expansion project	212,074,500.00	6,764,267.56	156,917,201.12		23,196,840.01	140,484,628.67	77.18	75.00				Self-owned funds
Yulong Mining Huaaobaote moutain mine section comprehensive mining project	5,600,000.00	1,686,492.24	21,226.42			1,707,718.66	30.49	5.00				Self-owned funds
Total	**1,424,654,100.00**	**196,024,060.59**	**428,117,776.45**	**199,833,003.38**	**23,721,613.71**	**400,587,219.95**			**1,682,900.0**			

(3) Engineering materials

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Steel				1,814,014.28		1,814,014.28
Wood				33,202.23		33,202.23
Others				304,473.71		304,473.71
Total				**2,151,690.22**		**2,151,690.22**

12. Right-of-use assets

Unit: RMB

Item	Houses and buildings	Land	Total
I. Original carrying amount:			
1. Opening balance	15,538,486.59		15,538,486.59
2. Increased amount in the current period	739,002.51	28,774,298.84	29,513,301.35
Lease	739,002.51	28,774,298.84	29,513,301.35
3. Decreased amount in the current period			
4. Closing balance	16,277,489.10	28,774,298.84	45,051,787.94
II. Accumulated depreciation			
1. Opening balance			
2. Increased amount in the current period	6,971,289.60	945,534.58	7,916,824.18
(1) Accrual	6,971,289.60	945,534.58	7,916,824.18
3. Decreased amount in the current period			
4. Closing balance	6,971,289.60	945,534.58	7,916,824.18
III. Provision for impairment			
1. Opening balance			
2. Increased amount in the current period			
(1) Accrual			
3. Decreased amount in the current period			
(1) Disposal			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	9,306,199.50	27,828,764.26	37,134,963.76
2. Opening carrying amount	15,538,486.59		15,538,486.59

13. *Intangible Assets*

(1) *Intangible assets*

Unit: RMB

Item	Geological exploration costs	Geological achievements (Mining rights)	Land use rights	Software	Patented technology	Total
I. Original carrying amount						
1. Opening balance	817,901,695.64	5,900,331,674.41	481,129,391.87	16,391,695.04	30,000.00	7,215,784,456.96
2. Increased amount in the current period	96,739,677.02	2,182,394,563.68	29,990,759.11	584,905.66		2,309,709,905.47
(1) Purchase	85,208,673.52	227,878,300.00	29,990,759.11	584,905.66		343,662,638.29
(2) Equity acquisition	11,531,003.50	1,954,516,263.68				1,966,047,267.18
3. Decreased amount in the current period	10,016,095.33			62,655.00		10,078,750.33
(1) Disposal	10,016,095.33			62,655.00		10,078,750.33
4. Closing balance	904,625,277.33	8,082,726,238.09	511,120,150.98	16,913,945.70	30,000.00	9,515,415,612.10
II. Accumulated amortization						
1. Opening balance		1,803,837,519.04	65,286,701.86	12,813,859.78	3,250.00	1,881,941,330.68
2. Increased amount in the current period		492,742,338.26	12,372,109.46	979,709.18	3,000.00	506,097,156.90
(1) Accrual		492,742,338.26	12,372,109.46	979,709.18	3,000.00	506,097,156.90
3. Decrease d amount in the current period				62,655.00		62,655.00
(1) Disposal				62,655.00		62,655.00
4. Closing balance		2,296,579,857.30	77,658,811.32	13,730,913.96	6,250.00	2,387,975,832.58
III. Provision for impairment						
1. Opening balance			15,384,784.78			15,384,784.78
2. Increased amount in the current period						
3. Decreased amount in the current period						
4. Closing balance			15,384,784.78			15,384,784.78
IV. Carrying amount						
1. Closing carrying amount	904,625,277.33	5,786,146,380.79	418,076,554.88	3,183,031.74	23,750.00	7,112,054,994.74
2. Beginning carrying amount	817,901,695.64	4,096,494,155.37	400,457,905.23	3,577,835.26	26,750.00	5,318,458,341.50

Explanation: In January 2022, the mining rights of Huasheng Gold Mine have been lifted from the seizure.

(2) *Land use rights without title certificates*

Unit: RMB

Item	Carrying amount	Reasons for not completing the certificate of title
Land acquisition for the expansion construction project of Jilin Banmiaozi tailings pond	37,000,712.34	Title certificate is in the process of application

14. *Goodwill*

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or matters for goodwill to arise	Opening balance	Increase in the current period: Arising from a business combination	Increase in the current period: Others	Decrease in the current period: Disposal	Decrease in the current period: Others	Closing balance
Sino Gold Hong Kong	93,902,442.61					93,902,442.61
Jilin Banmiaozi	130,557,523.84					130,557,523.84
Qinghai Dachaidan	227,905,733.29					227,905,733.29
Total	**452,365,699.74**					**452,365,699.74**

Information about the asset group or combination of asset groups to which the goodwill is attributable

(2) Provision for goodwill impairment

The company's goodwill arose when the subsidiary Shanghai Shengwei merged with enterprises not under the common control. The goodwill obtained from the merger has been allocated to the asset group of Sino Gold Hong Kong, asset group combination of Jilin Banmiaozi, and asset group combination of Qinghai Dachaidan for impairment test. The management of the company accesses the possible impairment of goodwill every year. The impairment test of goodwill is performed by the company based on the future business plan of asset groups, historical data and other information to predict the future cash flow to test the recoverable amount of asset groups containing goodwill on the reporting date. After testing, as of 31 December 2021, the balance of provision for goodwill impairment was RMB0.00.

Asset group of Sino Gold Hong Kong: The goodwill of this asset group arose when Shanghai Shengwei purchased Sino Gold Hong Kong, Rock Hong Kong and Heihe Yintai, which is consistent with the asset group determined on the purchase date. On 31 December 2021, the carrying amount of the asset group to which goodwill is attributable is RMB1,793,732,700, and the recoverable amount is recognized at the present value of estimated future cash flow, and no indication of impairment was found in the asset group related to goodwill after testing.

Asset group combination of Jilin Banmiaozi: The goodwill of asset group combination arose from the acquisition of Jilin Banmiaozi by Shanghai Shengwei. Compared with the date of purchase, Xiaoshiren prospecting rights, Lengjiagou prospecting rights and Zhenzhumen prospecting rights in the original asset group combination have been cancelled, and the carrying amount of such prospecting rights is RMB39,000,000 (representing a relatively small proportion of the asset group combination on the original purchase date, about 2.3%), which has less impact on the asset group combination and goodwill testing. On 31 December 2021, the carrying amount of the asset group combination to which goodwill is attributable is RMB1,477,711,300, and the recoverable amount is recognized at the present value of estimated future cash flow and the fair value net the disposal expenses, and no indication of impairment was found in the asset group combination related to goodwill after testing.

Asset group combination of Qinghai Dachaidan: The goodwill of this asset group combination arose when Shanghai Shengwei purchased Qinghai Dachaidan, which is consistent with the asset group combination determined on the purchase date. On 31 December 2021, the carrying amount of the asset group combination to which goodwill is attributable is RMB1,395,455,500, and the recoverable amount is recognized at the present value of estimated future cash flow and the fair value net the disposal expenses, and no indication of impairment was found in the asset group combination related to goodwill after testing.

15. *Long-term Deferred Expenses*

Unit: RMB

Item	Opening balance	Amount of Increase in the current period	Amortization amount in the current period	Other reductions	Closing balance
Highway outside the mining area	17,422,387.33		974,052.14		16,448,335.19
Electric facilities supporting fee	1,013,307.50	1,866,474.46	251,034.90		2,628,747.06
Asset maintenance expenditure	7,913,826.60	299,699.72	2,757,847.56		5,455,678.76
35KV line reconstruction and expansion		197,805.22	16,038.26		181,766.96
Reconstruction of power distribution room and power generation room		19,290.66	332.60		18,958.06
Shaft engineering design fee		1,074,638.29	84,839.87		989,798.42
Land rent		299,074.85	17,944.49		281,130.36
Slope control project		557,627.36	44,023.21		513,604.15
Carbon pulp plant design fee		3,131,490.23	84,634.87		3,046,855.36
Others	160,850.62	5,008.74	58,665.85		107,193.51
Total	**26,510,372.05**	**7,451,109.53**	**4,289,413.75**		**29,672,067.83**

16. *Deferred Income Tax Assets / Deferred Income Tax Liabilities*

(1) Deferred income tax assets not offset

Unit: RMB

Item	Closing balance Deductible temporary differences	Closing balance Deferred income tax assets	Opening balance Deductible temporary differences	Opening balance Deferred income tax assets
Provision for assets impairment	31,857,619.18	6,191,908.64	40,671,044.18	7,736,439.44
Unrealized profit in intra-group transactions	30,765,720.40	7,691,430.10	32,056,406.92	8,014,101.73
Deductible losses	148,488,798.21	37,122,199.55	47,732,092.95	11,932,358.32
Depreciation and amortization	269,968,395.68	61,862,140.42	270,254,267.89	61,444,944.26
Expensed exploration expenditures	13,052,763.57	3,263,190.89	13,052,763.57	3,263,190.89
Estimated liabilities	17,066,746.00	2,608,297.03	18,905,908.11	2,707,667.58
Accrued expenses	6,323,487.40	1,580,871.85	11,067,125.05	2,766,781.26
Hedging instruments included in other comprehensive income			242,806.41	54,585.00
Total	**517,523,530.44**	**120,320,038.48**	**433,982,415.08**	**97,920,068.48**

(2) Deferred income tax liabilities not offset

Unit: RMB

Item	Closing balance Taxable temporary difference	Closing balance Deferred income tax liabilities	Opening balance Taxable temporary difference	Opening balance Deferred income tax liabilities
Appreciation of the combined asset valuation of enterprises not under the same control	1,341,341,379.61	296,719,189.28	1,556,568,240.46	344,391,938.95
Capitalized exploration expenditure	75,762,914.80	11,364,437.22	87,927,398.55	13,189,109.78
Depreciation and amortization	53,505,572.00	13,376,393.01	58,405,624.16	14,601,406.04
Change in fair value	11,576,662.40	2,894,165.59		
Hedging instruments included in other comprehensive income	511,009.16	127,752.29		
Total	**1,482,697,537.97**	**324,481,937.39**	**1,702,901,263.17**	**372,182,454.77**

(3) Deferred income tax assets or liabilities stated on a net basis after offset

Unit: RMB

Item	Deferred income tax assets and liabilities offset at the end of the period	Closing balance of deferred income tax assets or liabilities after offset	Deferred income tax assets and liabilities offset at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets	22,014,871.93	98,305,166.55	17,619,106.59	80,300,961.89
Deferred income tax liabilities	22,014,871.93	302,467,065.46	17,619,106.59	354,563,348.18

17. Other Non-Current Assets

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Advance payment for engineering equipment	30,321,875.92		30,321,875.92	54,303,160.05		54,303,160.05
Advance payment of the transfer fee for prospecting rights	56,901,000.00		56,901,000.00			
Advance payment of the security deposit for prospecting rights	1,329,800.00		1,329,800.00	1,329,800.00		1,329,800.00
Total	**88,552,675.92**		**88,552,675.92**	**55,632,960.05**		**55,632,960.05**

Other explanation:

The security deposit for prospecting rights is paid in advance, the balance of which is frozen and supervised by three parties through a tripartite supervision agreement signed by Yintai Shengxin, the 602nd Team of Jilin Provincial Nonferrous Metals Geological Exploration Bureau and its account opening bank.

18. Short-term Loans

(1) Classification of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loan	579,741,200.00	179,000,000.00
Credit loan	100,000,000.00	
Interest payable not due	2,291,329.88	194,662.50
Total	**682,032,529.88**	**179,194,662.50**

(2) Explanation of short-term loans

The subsidiary Qinghai Dachaidan obtained a loan of RMB180 million from Haixi Branch of China Construction Bank Co., Ltd. through a guaranteed loan, and the guarantor was Yintai Gold Co., Ltd.

The subsidiary Heihe Yintai obtained two loans from Heihe Branch of Industrial and Commercial Bank of China Co., Ltd. through guaranteed loans, both of which were RMB100 million. Heihe Yintai has signed the Gold Lease Contract with Heihe Branch of Industrial and Commercial Bank of China Co., Ltd. through secured guarantee, and the guarantor was Yintai Gold Co., Ltd. Heihe Yintai obtained a loan of RMB139,741,200 on the premise that it does not assume the risk of price fluctuations during the gold lease period.

The subsidiary Yulong Mining obtained a loan of RMB60 million from Xilingol League Branch of Industrial and Commercial Bank of China Co., Ltd. through a guaranteed loan, and the guarantor was Yintai Gold Co., Ltd.

19. Bills Payable

Unit: RMB

Type	Closing balance	Opening balance
Bank acceptance	1,618,374,146.25	447,518,000.00
Domestic letter of credit	100,000,000.00	
Total	**1,718,374,146.25**	**447,518,000.00**

20. Accounts Payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for engineering equipment	77,612,260.35	61,092,251.18
Material payables	46,777,935.53	47,187,548.70
Accounts payable	20,424.15	9,276,688.33
Service charge payable	7,219,748.16	568,143.37
Exploration fee	29,157,825.39	2,286,818.03
Others	2,094,907.10	1,741,205.87
Total	**162,883,100.68**	**122,152,655.48**

21. Advance payment

Unit: RMB

Item	Closing balance	Opening balance
Advances on sales	144,048.99	9,918,998.44
Total	**144,048.99**	**9,918,998.44**

22. Contract Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance receipt of merchandise sales	16,016,500.89	11,138,631.36
Total	**16,016,500.89**	**11,138,631.36**

23. Employee Salaries Payable

(1) Breakdown of employee salaries payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term remuneration	48,658,238.84	258,673,285.75	251,394,469.96	55,937,054.63
2. Post-employment benefits – defined contribution plan	172,666.05	23,020,143.61	22,810,716.84	382,092.82
3. Dismissal benefits	43,396.47	2,447,731.12	2,491,127.59	
Total	**48,874,301.36**	**284,141,160.48**	**276,696,314.39**	**56,319,147.45**

(2) Breakdown of short-term remuneration

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages, bonuses, allowances and subsidy	34,850,943.70	213,070,545.43	208,230,803.46	39,690,685.67
2. Employee benefits		18,877,118.70	18,877,118.70	
3. Social insurance premiums	131,249.34	11,800,267.17	10,697,755.26	1,233,761.25
Of which: Medical insurance premiums	153,468.85	9,830,788.78	8,857,839.96	1,126,417.67
Work injury insurance premiums	-25,180.51	1,787,756.91	1,673,098.16	89,478.24
Maternity insurance premiums	2,961.00	181,721.48	166,817.14	17,865.34
4. Housing provident fund	186,734.45	11,222,836.32	10,765,992.48	643,578.29
5. Trade union funds and employee education funds	13,489,311.35	3,702,518.13	2,822,800.06	14,369,029.42
Total	**48,658,238.84**	**258,673,285.75**	**251,394,469.96**	**55,937,054.63**

(3) Breakdown of defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	167,843.38	22,204,849.81	22,001,725.91	370,967.28
2. Unemployment insurance premium	4,822.67	815,293.80	808,990.93	11,125.54
Total	**172,666.05**	**23,020,143.61**	**22,810,716.84**	**382,092.82**

24. Taxes Payable

Unit: RMB

Item	Closing balance	Opening balance
VAT	12,893,090.28	4,670,440.94
Corporate income tax	138,693,536.45	123,758,318.55
Personal income tax	735,550.36	813,398.33
Urban maintenance and construction tax	737,924.59	99,359.28
Education surcharge	112,825.32	58,336.10
Local education surcharges	75,216.88	38,890.74
Resource tax	20,128,571.60	9,029,400.44
Stamp duty	1,020,489.54	325,825.58
Environmental protection tax	150,085.37	57,478.55
Other taxes	1,002,174.69	1,333,327.36
Total	**175,549,465.08**	**140,184,775.87**

25. Other Payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	215,556,106.87	203,427,908.82
Total	**215,556,106.87**	**203,427,908.82**

(1) Breakdown of other payables by the nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Current account	32,705,151.57	55,459.86
Security deposit and deposit	160,020,142.40	171,166,065.52
Payment for project	12,977,989.66	16,267,624.84
Withholding payment	831,893.14	599,309.03
Service charges	611,100.92	94,769.29
Accrued expenses	1,384,617.40	11,067,125.05
Advance payment		
Others	7,025,211.78	4,177,555.23
Total	**215,556,106.87**	**203,427,908.82**

2) Significant other payables aged more than 1 year

Unit: RMB

Item	Closing balance	Reasons for non-payment or carryover
Unit 1	22,988,994.18	Payment terms have not been met
Unit 2	5,259,302.78	Payment terms have not been met
Unit 3	3,000,000.00	Payment terms have not been met
Unit 4	3,000,000.00	Payment terms have not been met
Unit 5	3,000,000.00	Payment terms have not been met
Total	**37,248,296.96**	

26. Non-current Liabilities Due within One Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables due within one year	52,381,376.00	6,781,376.00
Lease liabilities due within one year	7,167,685.47	6,753,443.84
Total	**59,549,061.47**	**13,534,819.84**

27. *Other Current Liabilities*

Unit: RMB

Item	Closing balance	Opening balance
Tax on items to be offset	2,082,145.12	1,448,022.08
Total	**2,082,145.12**	**1,448,022.08**

28. *Long-term Loans*

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans		234,500,000.00
Interest payable not due		429,916.67
Total		**234,929,916.67**

29. *Lease liabilities*

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities	17,514,366.48	15,019,916.79
Less: Lease liabilities due within one year	7,167,685.47	6,753,443.84
Total	**10,346,681.01**	**8,266,472.95**

30. *Long-term Payables*

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	150,241,052.00	20,344,128.00
Total	**150,241,052.00**	**20,344,128.00**

(1) Breakdown of long-term payables by the nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Mining rights transfer fees	202,622,428.00	27,125,504.00
Less: Long-term payables due within one year	52,381,376.00	6,781,376.00
Total	**150,241,052.00**	**20,344,128.00**

31. Estimated Liabilities

Unit: RMB

Item	Closing balance	Opening balance	Causes
Disposal fees	42,538,554.00	45,283,429.64	Estimated costs incurred in restoring the ecological environment of mining areas
Total	**42,538,554.00**	**45,283,429.64**	

32. Deferred Income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Causes
Government subsidies related to assets	444,600.00		34,200.00	410,400.00	Financial allocation of tailings environment special funds for pollution control
Total	**444,600.00**		**34,200.00**	**410,400.00**	

Items involving government subsidies:

Unit: RMB

Liability item	Opening balance	Amount of new subsidy in the current period	Amount included in non-operating income in the current period	Amount included in other income in the current period	Amount of offsetting costs and expenses in the current period	Other changes	Closing balance	Related to assets / related to income
Government subsidies for tailings pond environmental protection	444,600.00			34,200.00			410,400.00	Related to assets
Total	**444,600.00**			**34,200.00**			**410,400.00**	

33. *Other Non-Current Liabilities*

Unit: RMB

Item	Closing balance	Opening balance
Dividends payable by Jilin Banmiaozi to minority shareholders		14,248,463.35
Total		**14,248,463.35**

34. *Share Capital*

Unit: RMB

	Opening balance	Increase or decrease in this change (+, -)					Closing balance
		Issuance of new shares	Bonus shares	Conversion of capital reserve into share capital	Others	Subtotal	
Total number of shares	2,776,722,265.00						2,776,722,265.00

35. *Capital Reserve*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (share capital premium)	4,431,280,488.30			4,431,280,488.30
Total	**4,431,280,488.30**			**4,431,280,488.30**

36. *Other Comprehensive Income*

Unit: RMB

		Amount for the current period						
Item	Opening balance	Amount before income tax in the current period	Less: Transfer from other comprehensive income in the last period to profit or loss in the current period	Less: Transfer from other comprehensive income in the last period to retained earnings in the current period	Deduct: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
I. Other comprehensive income to be reclassified to profit or loss	-6,400,461.01	208,690.33			182,337.29	31,182.18	-4,829.14	-6,369,278.83
Cash flow hedge reserve	-163,907.25	729,349.16			182,337.29	534,118.82	12,893.05	370,211.57
Translation differences of foreign currency financial statements	-6,236,553.76	-520,658.83				-502,936.64	-17,722.19	-6,739,490.40
Total other comprehensive income	**-6,400,461.01**	**208,690.33**			**182,337.29**	**31,182.18**	**-4,829.14**	**-6,369,278.83**

37. Special Reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production fees	5,346,480.89	24,680,012.58	27,468,152.91	2,558,340.56
Total	**5,346,480.89**	**24,680,012.58**	**27,468,152.91**	**2,558,340.56**

38. Surplus Reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	438,886,250.88	64,519,294.23		503,405,545.11
Total	**438,886,250.88**	**64,519,294.23**		**503,405,545.11**

39. Undistributed Profit

Unit: RMB

Item	For the current period	For the last period
Undistributed profit at the end of the last period before adjustment	2,244,198,862.94	1,406,894,608.22
Adjusted undistributed profit at the beginning of the period	2,244,198,862.94	1,406,894,608.22
Add: Net profit attributable to owners of the parent company in the current period	1,273,338,698.63	1,242,446,761.34
Less: Appropriation of statutory surplus reserve	64,519,294.23	8,467,897.22
Dividends payable on ordinary shares	694,180,566.25	396,674,609.40
Undistributed profit at the end of the period	2,758,837,701.09	2,244,198,862.94

40. Operating Revenue and Operating Costs

Unit: RMB

	Amount for the current period		Amount for the last period	
Item	**Revenue**	**Costs**	**Revenue**	**Costs**
Main business	9,037,064,242.29	6,769,224,798.67	7,902,639,439.32	5,745,935,431.31
Other businesses	3,179,612.00	1,776,364.08	3,162,899.63	1,538,042.42
Total	**9,040,243,854.29**	**6,771,001,162.75**	**7,905,802,338.95**	**5,747,473,473.73**

Is the lower of the net profit before and after deducting non-recurring profit and loss after auditing negative

☐ Yes ✔ No

Income related information:

Unit: RMB

Contract classification	**Amount for the current period**	**Amount for the last period**
I. Market or customer type		
Of which: Non-ferrous metal mining and processing	3,787,132,977.43	3,290,839,290.41
Metal commodity trading	5,249,931,264.86	4,611,800,148.91
Others	3,179,612.00	3,162,899.63
Total	**9,040,243,854.29**	**7,905,802,338.95**

Information related to performance obligations: The company has signed a legal and valid purchase and sale contract with customers in the sales of mineral products, which stipulates the target product, delivery method, delivery period, pricing method, weighing and testing standards, collection and payment settlement method and the liability for breach of contract, etc., and the performance obligations and rights are clear. There are clear market-based prices and calculation methods for the selling price of the company's products, and revenue is finally recognized after completion of product delivery, confirmation of test results and unit price and other performance obligations.

41. *Taxes and Surcharges*

Unit: RMB

Item	Amount for the current period	Amount for the last period
Urban maintenance and construction tax	4,956,487.82	4,081,849.62
Education surcharge	4,946,520.37	4,081,926.93
Resource tax	155,159,454.12	124,897,349.56
Property tax	3,101,688.39	3,008,370.23
Land holding tax	2,959,184.69	3,675,328.94
Vehicle usage tax	216,980.23	232,372.83
Stamp duty	4,705,190.26	3,046,367.58
Environmental protection tax	433,571.38	177,905.27
Mineral resource compensation fee		44,827,577.77
Others	2,155,468.32	1,871,137.25
Total	**178,634,545.58**	**189,900,185.98**

42. *Selling Expenses*

Unit: RMB

Item	Amount for the current period	Amount for the last period
Employee remuneration	1,410,955.96	1,009,141.30
Storage fee	5,442,955.54	997,957.48
Shipping fee		644,487.17
Travel expenses	215,021.68	233,963.85
Lab fees	115,498.85	197,376.00
Depreciation	22,595.23	612,351.47
Others	368,439.41	127,273.48
Total	**7,575,466.67**	**3,822,550.75**

43. Management Costs

Unit: RMB

Item	Amount for the current period	Amount for the last period
Employee remuneration	144,328,192.26	126,604,317.62
Depreciation and amortization	31,506,485.42	34,356,710.95
Consulting and service fees	16,997,967.52	10,718,631.05
Business hospitality	8,944,129.36	8,098,640.23
Rental fees	7,526,718.61	6,904,043.30
Office expenses	2,133,029.60	2,525,236.40
Travel expenses	3,067,393.36	4,101,447.21
Tax	1,023,526.22	5,575,111.02
Maintenance fees	3,632,869.16	1,834,991.51
Utility bill	3,254,442.02	4,265,528.08
Downtime loss	1,194,520.24	6,511,564.59
Insurance fees	1,218,195.25	1,118,544.50
Vehicle and miscellaneous expenses	4,393,113.08	3,535,591.78
Greening costs	2,125,717.50	2,108,477.82
Heating costs	5,222,484.22	6,630,305.92
Feasibility study fees	3,638,000.00	9,734,863.17
Others	24,426,511.48	21,989,659.57
Total	**264,633,295.30**	**256,613,664.72**

44. Financial Expenses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Interest expense	70,823,851.02	42,193,580.61
Less: Interest income	7,564,849.45	1,029,909.86
Exchange gains and losses	-692,005.56	1,636,984.87
Bank charges	2,717,180.31	865,496.65
Others	1,968,638.37	
Total	**67,252,814.69**	**43,666,152.27**

45. Other Gains

Unit: RMB

Other sources of income	Amount for the current period	Amount for the last period
Government subsidies	4,842,666.91	6,091,132.15
Refund of withholding fees	619,914.88	351,166.91
Others	91,665.01	124,708.66
Total	**5,554,246.80**	**6,567,007.72**

46. Investment Income

Unit: RMB

Item	Amount for the current period	Amount for the last period
Investment income of wealth management products	60,942,723.35	35,219,154.17
Investment income from disposal of derivative financial assets	10,070,401.46	-1,964,832.58
Interest income from acquisition of equity	7,021,969.51	53,857,224.11
Equity investment	14,412,012.62	
Others	-1,532,991.95	1,808,565.48
Total	**90,914,114.99**	**88,920,111.18**

47. Gains from Change in Fair Value

Unit: RMB

Source of gains from change in fair value	Amount for the current period	Amount for the last period
Financial assets held for trading	8,833,282.20	
Derivative financial instruments	11,709,115.44	-8,792,960.06
Total	**20,542,397.64**	**-8,792,960.06**

48. Credit Impairment Losses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Bad debt loss	-1,538,036.32	-1,194,993.39
Total	**-1,538,036.32**	**-1,194,993.39**

49. Gains from disposal of assets

Unit: RMB

Source of gains on disposal of assets	Amount for the current period	Amount for the last period
Gains or losses on disposal of fixed assets	-1,743,156.41	-1,890,453.55
Total	**-1,743,156.41**	**-1,890,453.55**

50. Non-operating revenue

Unit: RMB

Item	Amount for the current period	Amount for the last period	Amount included in the current non-recurring profit and loss
Compensation		71,343,396.40	
Liquidated damages income	588,015.61		588,015.61
Forfeited income	795,485.92	166,984.32	795,485.92
Gains on surplus	1,122.00	196.17	1,122.00
Others	2,177,324.67	1,575,724.25	2,177,324.67
Total	**3,561,948.20**	**73,086,301.14**	**3,561,948.20**

51. *Non-operating expenses*

Unit: RMB

Item	Amount for the current period	Amount for the last period	Amount included in the current non-recurring profit and loss
External donation	936,406.43	11,083,703.50	936,406.43
Loss on damage and retirement of non-current assets	18,032,295.28	2,687,356.72	18,032,295.28
Fines and late fees	1,966,554.94	45,352,163.28	1,966,554.94
Liquidated damages and compensation	1,013,807.40		1,013,807.40
Others	1,871,947.91	826,458.83	1,871,947.91
Total	**23,821,011.96**	**59,949,682.33**	**23,821,011.96**

52. *Income Tax Expense*

(1) Income tax expense table

Unit: RMB

Item	Amount for the current period	Amount for the last period
Current income tax expense	476,670,275.93	412,621,193.77
Deferred income tax expense	-53,762,455.40	-17,667,227.77
Total	**422,907,820.53**	**394,953,966.00**

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	**Amount for the current period**
Total profit	1,844,617,072.24
Income tax expense calculated at statutory / applicable tax rate	461,154,268.06
Effect of different tax rates applicable to subsidiaries	-97,453,300.47
Effect of adjusting income taxes for the prior period	7,295,270.92
Impact on non-taxable income	-168,134.43
Effect of non-deductible costs, expenses and losses	12,189,817.67
Effect of using deductible losses of deferred in-come tax assets not recognized in the prior period	724,848.28
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	206,257.48
Effect of the restoration of fair value of consolidated subsidiaries	38,958,793.02
Income tax expense	422,907,820.53

53. Cash Flow Statement Items

(1) Other cash received related to operating activities

Unit: RMB

Item	**Amount for the current period**	**Amount for the last period**
Receipt of current account	16,667,025.86	3,499,388.27
Interest income	7,564,849.45	1,029,909.86
Government subsidies for daily business activities	4,808,466.91	6,056,932.15
Security deposit received	10,567,370.24	5,631,359.52
Others	2,474,177.70	1,941,303.97
Total	**42,081,890.16**	**18,158,893.77**

(2) Other cash paid related to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Payment of current account	6,545,329.33	25,153,644.76
Security deposit	6,524,470.72	11,134,036.03
Business hospitality	8,943,754.85	8,098,640.23
Consulting and service fees	18,508,017.29	10,718,631.05
Rental fees	1,896,586.85	6,904,043.30
Travel expenses	3,269,727.83	4,335,411.06
Maintenance fees	4,556,047.04	1,834,991.51
Bank charges	2,717,180.31	865,496.65
Office expenses	3,044,321.22	2,525,236.40
Warehousing and shipping fees	7,120,931.27	1,642,444.65
Environmental greening and water and soil conservation costs	10,473,926.32	2,108,477.82
External donation	956,219.85	11,083,703.50
Insurance fees	830,227.88	1,118,544.50
Fines and late fees	1,964,307.36	45,152,163.28
Material consumption	653,433.05	9,734,863.17
Others	16,049,461.04	2,205,277.29
Total	**94,053,942.21**	**144,615,605.20**

(3) Other cash received related to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Compensation received		63,552,189.72
Withdrawal of deposit for equity acquisition	600,000,000.00	
Total	**600,000,000.00**	**63,552,189.72**

(4) Other cash paid related to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Advance payment of deposit for prospecting rights		1,329,800.00
Security deposit for futures pledge	4,810,225.00	
Total	**4,810,225.00**	**1,329,800.00**

(5) Other cash received related to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Receipt of bill financing	443,900,000.00	407,000,000.00
Funds received from warehouse receipts, cargo pledges or other credit financing	506,782,812.67	199,585,284.32
Total	950,682,812.67	606,585,284.32

(6) Other cash paid related to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Repayment of bill financing and discount interest	499,642,227.76	613,687,253.60
Share registration fee		529,334.02
Repayment of warehouse receipts, cargo pledges or other credit financing and interest	486,878,024.86	172,838,035.10
Loan liquidated damages	25,591,000.00	
Purchase of minority interest	10,662,100.00	
Rentals	21,284,607.38	
Total	**1,044,057,960.00**	**787,054,622.72**

Explanation: The liquidated damages for breach of contract of loan is that for breach of contract of loan incurred by Huasheng Gold Mine before the acquisition by the company. At present, the loan has been fully settled.

54. *Supplementary Information on the Cash Flow Statement*

(1) Supplementary information on the cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,421,709,251.71	1,366,117,676.21
Add: Credit impairment loss	1,538,036.32	1,194,993.39
Depreciation of fixed assets, depreciation of oil and gas assets and depreciation of productive biological assets	299,419,568.86	309,610,496.83
Depreciation of right-of-use assets	7,916,824.18	
Amortization of intangible assets	506,097,156.90	351,629,695.70
Amortization of long-term deferred expenses	4,289,413.75	5,291,118.60
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain represented by "–")	1,743,156.41	1,890,453.55
Losses from retirement of fixed assets (gain represented by "–")	18,032,295.28	2,687,356.72
Losses from changes in fair value (gain represented by "–")	-20,542,397.64	8,792,960.06
Financial expenses (gain represented by "–")	70,823,851.02	42,193,580.61
Investment loss (gain represented by "–")	-90,914,114.99	88,920,111.18
Decrease in deferred income tax assets (increase represented by "–")	-1,538,420.39	27,190,829.59
Increase in deferred income tax liabilities (decrease represented by "–")	-52,224,035.01	-38,295,594.11
Decrease in inventory (increase represented by "–")	-1,348,965.06	37,935,522.67
Decrease in operating receivable items (increase represented by "–")	-26,866,534.10	-14,990,377.07
Increase in operating payable items (decrease represented by "–")	577,757,300.40	454,039,524.92
Others	-673,202,743.12	-39,665,768.09
Net cash flows from operating activities	2,042,689,644.52	2,426,702,358.40
2. Significant investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Finance leasing of fixed assets		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	747,711,349.35	445,104,601.52
Less: Opening balance of cash	445,104,601.52	291,271,671.97
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	302,606,747.83	153,832,929.55

(2) Net cash paid for acquisition of subsidiaries in the current period

Unit: RMB

	Amount
Cash or cash equivalents paid in the current period for business combination occurred in the current period	1,037,000,000.00
Of which: Huasheng Gold Mine	1,037,000,000.00
Less: Cash and cash equivalents held by subsidiaries on the date of purchase	3,058,345.58
Of which: Huasheng Gold Mine	3,058,345.58
Add: cash or cash equivalents paid in the current period for business combinations that occurred in previous periods	
Receipt of net cash paid by subsidiaries	1,033,941,654.42

(3) Total cash outflow related to leases

The total cash outflow related to lease in the current period was RMB21,284,607.38 (for last period: RMB6,181,705.30).

(4) Composition of cash and cash equivalents

Unit: RMB

Item	**Closing balance**	**Opening balance**
I. Cash	747,711,349.35	445,104,601.52
Including: Cash on hand	424,890.78	304,773.93
Bank deposits readily available for payment	604,795,496.29	262,489,216.06
Other monetary funds readily available for payment	142,490,962.28	182,310,611.53
II. Cash equivalents		
Including: Bond investments that mature within three months		
III. Closing balance of cash and cash equivalents	747,711,349.35	445,104,601.52
Including: Restricted cash and cash equivalents used by the parent company or subsidiaries within the group		

55. *Assets with Restricted Ownership or Use Rights*

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Monetary funds	707,989,149.66	As of 31 December 2021, restricted funds are: 1. RMB39,680,429.21 of the environmental governance deposit, including RMB10,646,161.18 of the environmental governance deposit placed by the subsidiary Yulong Mining in the bank, RMB13,544,126.24 of the environmental governance deposit placed in the bank by the subsidiary Qinghai Dachaidan, RMB7,792,426.95 of the environment protection deposit placed in the bank by the subsidiary Jilin Banmiaozi, and RMB7,697,714.84 of the geological environment protection deposit placed in the bank by the subsidiary Heihe Yintai; 2. RMB7,969,625.00 of the deposit for futures placed by the subsidiary Shenghong Singapore in the futures exchange; 3. RMB660,336,595.45 of the deposit for the bank acceptance placed in the bank by the subsidiary Yintai Shenghong; 4. RMB2,500.00 of the ETC frozen funds placed in the bank by the subsidiary Jilin Banmiaozi.
Financial assets held for trading	810,000,000.00	The closing balance is a structured deposit, which is also the security deposit for bank acceptance.
Inventory	129,268,144.55	In the inventory at the end of the period, RMB129,268,144.55 was restricted in use: RMB25,318,647.56 was pledged for the financing of the subsidiary Yintai Shenghong; RMB103,949,496.99 was pledged for the financing of the subsidiary Yongheng Trading.
Other non-current assets	1,329,800.00	The security deposit for prospecting rights is paid in advance, the balance of which is frozen and supervised by three parties through a tripartite supervision agreement signed by Yintai Shengxin, the 602nd Team of Jilin Provincial Nonferrous Metals Geological Exploration Bureau and its account opening bank.
Total	**1,648,587,094.21**	

56. Monetary Items in Foreign Currency

(1) Monetary items in foreign currency

Unit: RMB

Item	Closing foreign currency balance	Translation rate	Closing RMB balance after translation
Monetary funds	–	–	
Of which: US dollar	19,793,620.08	6.3757	126,198,183.54
Singapore dollar	71,662.11	4.7179	338,094.67

(2) Explanation of overseas operating entities, including for important overseas operating entities, the principal place of business overseas, recording currency and basis of choice, and if the recording currency changes, the reasons shall also be disclosed.

✔ Applicable ☐ N/A

Name of overseas subsidiary	Registered place of business	Reporting currency	Basis for adopting functional currency for bookkeeping
Yintai Shenghong Singapore Co., Ltd.	Singapore	US dollar	Sales, purchases, financing and other operating activities are mainly denominated in US dollars

57. Hedging

Disclosure of hedging items and related hedging instruments by hedging type, qualitative and quantitative information on hedged risks:

Gold, silver, lead, zinc contained in the company's products and silver, tin, nickel, aluminum, copper, etc. in the metal trade are basic products of trading varieties in precious metals and non-ferrous metals commodity futures markets. In order to reduce the impact of commodity price fluctuations in spot operations on the business, the company makes full use of hedging function of the financial derivatives market, and effectively controls the company's operating risks according to the principle of synchronous futures and spots and complementary profit and loss between futures and spots.

All derivatives investments of the company including hedging have been submitted to the board of directors for review, and the Derivatives Investment Business Management System and the Hedging Business Management System have been formulated as the internal control and management system for derivatives investment business. These systems clearly stipulate the variety scale, source of funds, approval authority, decision-making procedures, authorization system, business process, risk management, information disclosure, etc. of the company's derivatives investment business, which can effectively ensure the smooth progress of derivatives investment business, and effective control over its risks. The company's existing self-owned capital size can support the required Security deposit and follow-up support funds for the company's derivatives investment business.

According to the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting, the daily accounting treatment of hedging business is carried out, and hedging is divided into fair value hedging and cash flow hedging.

Fair value hedging: The company is faced with large price fluctuations during metal trading activities, and manages the risk of commodity price changes through the futures contracts of futures exchanges for purchased commodity inventories or contracts for purchases and sales that have not yet been priced because it is worried that future inventory prices will fall and sales revenue will decline. The company buys or sells a corresponding number of futures contracts in a certain proportion in the futures market, so as to stabilize the risk of price fluctuations for the company.

Cash flow hedging: For the mineral products that are expected to be sold, the company sells futures contracts for hedging because it is worried that the sales price will fall in the future and the cash income will decrease.

Unit: RMB

Item	**Closing balance**	**Opening balance**
Precious metal hedging	78,582,692.60	47,303,728.16
Other non-ferrous metal hedging	17,018,458.50	22,942,355.41
Total	**95,601,151.10**	**70,246,083.57**

58. Government Subsidies

(1) Basic information on government subsidies

Unit: RMB

Type	Amount	Presentation item	Amount included in profit and loss for the period
Multi-level capital market subsidies	1,226,211.00	Other income	1,226,211.00
Enterprise transformation and upgrade subsidies	2,120,000.00	Other income	2,120,000.00
Stabilizing job allowance	790,355.91	Other income	790,355.91
Rewards for enterprises above designated size	300,000.00	Other income	300,000.00
Special subsidies for scientific achievements	236,000.00	Other income	236,000.00
Government subsidies for tailings pond environmental protection	444,600.00	Deferred income	34,200.00
Safety production reward	135,900.00	Other income	135,900.00

VIII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Changes in the Scope of Consolidation for Other reasons

Explain the changes in the scope of consolidation caused by other reasons (such as the establishment of new subsidiaries, liquidation of subsidiaries, etc.) and related circumstances:

Deregistration of subsidiary in the period: Sino Gold BMZ Limited was approved to be deregistered by the Registrar of Companies of Cayman Islands in December 2021.

Deregistration of subsidiary in the period: Jilin Jincheng Mining Co., Ltd. completed the deregistration in April 2021.

Addition of subsidiary in the period: In September 2021, the company acquired 60% of the equity in Huasheng Gold Mine through cash acquisition and included it in the scope of consolidated statements. When the company obtains control over the subsidiary, the subsidiary does not constitute a business and is not accounted for in accordance with the business combination standards. The company allocates the purchase cost based on the relative fair value of various identifiable assets and liabilities acquired on the purchase date.

IX. EQUITY IN OTHER ENTITIES

1. *Equity in Subsidiaries*

(1) *Composition of the enterprise group*

Name of subsidiary	Major place of business	Place of registration	Business nature	Shareholding ratio Direct	Shareholding ratio Indirect	Method of obtaining
Yulong Mining	Inner Mongolia	Inner Mongolia Xilingol League	Mining of silver, lead, and zinc mines, sales of mineral products	76.67%		Business combination
Yintai Shenghong	Shanghai	Shanghai Free-Trade Zone	Supply chain management, etc.	96.60%		New establishment
Shenghong Singapore	Singapore	Singapore	supply chain management, etc.		96.60%	New establishment
Yongheng Trading	Ningbo	Jiangbei District, Ningbo City, Zhejiang Province	Trading services		96.60%	New establishment
Shanghai Shengwei	Shanghai	Shanghai	Controlling company	100.00%		Business combination
Jilin Banmiaozi	Baishan City, Jilin Province	Baishan City, Jilin Province	Prospecting, mining and smelting of gold mines, sales of mineral products		95.00%	Business combination
Yintai Shengxin	Baishan City, Jilin Province	Baishan City, Jilin Province	Geological prospecting		75.00%	New establishment
Sino Gold Hong Kong	Hong Kong	Hong Kong	Controlling company		100.00%	Business combination
Rock Hong Kong	Hong Kong	Hong Kong	Controlling company		100.00%	Business combination
Heihe Yintai	Xunke County, Heihe City, Heilongjiang Province	Xunke County, Heihe City, Heilongjiang Province	Prospecting, mining and smelting of gold mines, sales of mineral products		100.00%	Business combination
Qinghai Dachaidan	Haixi Prefecture, Qinghai Province	Haixi Prefecture, Qinghai Province	Prospecting, mining and smelting of gold mines, sales of mineral products		90.00%	Business combination
Huasheng Gold Mine	Mangshi, Dehong Prefecture, Yunnan	Mangshi, Dehong Prefecture, Yunnan	Prospecting, mining and smelting of gold mines, sales of mineral products	60.00%		Purchase in cash

(2) Important non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority shareholding ratio	Profit and loss attributable to minority shareholders in the current period	Dividends declared for distribution to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Yulong Mining	23.33%	80,371,498.81	104,985,900.00	916,926,897.25
Jilin Banmiaozi	5.00%	13,066,854.02	15,000,000.00	67,236,906.36
Qinghai Dachaidan	10.00%	57,549,131.74	10,113,400.98	180,256,886.80
Yintai Shenghong	3.40%	556,835.82	2,000,000.00	11,211,873.70
Huasheng Gold Mine	40.00%	-2,653,312.34		688,680,020.99

(3) Major financial information of important non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance: Current assets	Closing balance: Non-current assets	Closing balance: Total assets	Closing balance: Current liabilities	Closing balance: Non-current liabilities	Closing balance: Total Liabilities	Opening balance: Current assets	Opening balance: Non-current assets	Opening balance: Total assets	Opening balance: Current liabilities	Opening balance: Non-current liabilities	Opening balance: Total Liabilities
Yulong Mine Industry	391,398,834.01	3,752,235,722.90	4,143,634,556.91	203,467,844.31	9,953,363.24	213,421,207.55	475,881,890.63	3,698,011,714.10	4,173,893,604.73	125,395,823.66	8,828,762.03	134,224,585.69
Jilin Banmiaozi	168,362,446.30	1,522,632,539.97	1,690,994,986.27	143,282,089.76	278,648,569.19	421,930,658.95	163,297,846.59	1,459,503,062.92	1,622,800,909.51	134,508,188.40	180,565,474.32	315,073,662.72
Qinghai University Chai Dan	403,010,132.85	1,425,308,976.32	1,828,319,109.17	296,468,099.26	199,499,729.47	495,967,828.73	438,623,500.64	1,224,044,484.99	1,662,667,985.63	280,317,469.22	298,174,005.57	578,491,474.79
Yintai Hung	2,365,357,189.37	5,779,516.74	2,371,136,706.11	2,040,182,102.64	1,562,030.75	2,041,744,133.39	1,232,783,090.89	4,081,060.20	1,236,864,151.09	1,003,621,536.99		1,003,621,536.99
Huasheng Gold Mine	19,378,283.43	2,026,058,004.55	2,045,436,287.98	314,630,239.44	9,105,996.06	323,736,235.50						

Unit: RMB

Name of subsidiary	Amount for the current period: Operating revenue	Amount for the current period: Net profit	Amount for the current period: Total comprehensive income Forehead	Amount for the current period: Cash flow from operating activities	Amount for the last period: Operating revenue	Amount for the last period: Net profit	Amount for the last period: Total comprehensive income Forehead	Amount for the last period: Cash flow from operating activities
Yulong Mining	1,042,599,941.58	344,495,541.46	344,495,541.46	538,020,123.82	798,021,145.95	246,557,908.69	246,557,908.69	452,121,178.12
Jilin Banmiaozi	831,644,408.53	261,337,080.53	261,337,080.53	479,932,499.78	705,848,193.07	245,101,286.27	245,101,286.27	426,856,560.77
Qinghai Dachaidan	800,485,728.94	332,355,032.35	332,355,032.35	478,927,865.37	751,143,593.48	293,116,939.83	293,116,939.83	381,355,921.40
Yintai Shenghong	8,747,281,951.12	16,287,360.58	16,149,958.62	-72,306,228.78	7,856,134,303.10	14,812,371.68	7,888,128.54	374,972,465.65
Huasheng Gold Mine	–	6,633,280.85	-6,633,280.85	-11,637,815.88				

Other explanations: The major financial information of the subsidiary is the amount after adjusting the individual financial statements based on the fair value of the company's identifiable assets and liabilities on the purchase date when the consolidated statements are prepared.

2. *Transactions in which share of the subsidiary's owner's equity changes and still controls the subsidiary*

(1) Explanation on the share of changes in the owner's equity of the subsidiary

The company acquired 5% equity of Yintai Shenghong held by minority shareholders at a cash payment of RMB10.6621 million in the current period, with its shareholding ratio increasing from 90% to 95%. In addition, the company increased capital of RMB100 million to Yintai Shenghong, and its shareholding ratio increased from 95% to 96.5962%.

(2) Impact of the transaction on minority interest and owner's equity attributable to the parent company

Unit: RMB

Item	**Yintai Shenghong Supply Chain Management Co., Ltd.**
Purchase cost/disposal consideration	10,662,100.00
– Cash	10,662,100.00
– Fair value of non-cash assets	
Total purchase cost/disposal consideration	10,662,100.00
Less: Share of net assets of subsidiaries calculated based on the proportion of equity acquired/disposed of	10,662,100.00
Difference	0.00
Including: Adjusted capital reserve	
Adjusted surplus reserve	
Adjusted retained earnings	

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The company's main financial instruments include monetary funds, derivative financial assets, financial assets held for trading and borrowings, etc. The company also has various other financial assets and liabilities directly arising from operations, such as accounts receivable, bills payable and accounts payable.

The main risks caused by the company's financial instruments are credit risk, liquidity risk and market risk.

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company is mainly exposed to customer's credit risk arising from sales on credit. The company establishes a customer credit management system, and conducts a credit review of the counterparty in accordance with the relevant regulations and procedures of the company's contract management measures before the transaction. The company only conducts transactions with approved and reputable customers, and makes sure that the counterparty is capable of performing relevant contract. In accordance with the company's policies, if credit transactions are carried out with identified specific customers, the company will continuously monitor the balance of accounts receivable to ensure that the company is not exposed to major bad debt risks.

The company's other financial assets include monetary funds and receivables and other receivables. The credit risk of these financial assets comes from the default of counterparties, and the maximum risk exposure is equal to the carrying amount of these instruments. The company is not exposed to the credit risk due to the provision of financial guarantees.

As of 31 December 2021, the book balance and expected credit impairment losses of relevant assets are as follows:

Unit: RMB

Item	**Book balance**	**Provision for impairment**
Financial assets held for trading	2,074,042,141.82	
Derivative financial assets	112,351,762.10	
Accounts receivable	42,081,575.52	2,104,078.79
Other receivables	50,181,129.01	2,877,565.94
Other current assets	36,839,584.51	
Total	**2,315,496,192.96**	**4,981,644.73**

2. *Liquidity risk*

Liquidity risk is the risk that the company will encounter shortage of funds in meeting obligations that are settled by delivering cash or other financial assets.

It is the company's policy to ensure that it has sufficient cash to meet debt obligations as they fall due. Liquidity risk is centrally controlled by the company's financial department. The finance department will ensure that the company has sufficient funds to repay its debts under all reasonable forecasts through monitoring of cash balance, as well as rolling forecast of cash flows for the next 12 months.

As of 31 December 2021, the company's financial liabilities and off-balance-sheet guarantee items are presented at undiscounted contractual cash flow over the remaining maturity of contract as follows:

Unit: RMB

	Closing balance			
Item	**Within 1 year**	**1-3 years**	**Over 3 years**	**Total**
Short-term borrowing	682,032,529.88			682,032,529.88
Bills payable	1,718,374,146.25			1,718,374,146.25
Accounts payable	155,957,459.68	3,052,021.89	3,873,619.11	162,883,100.68
Other payables	190,937,625.70	13,975,403.38	10,643,077.79	215,556,106.87
Lease liabilities		1,821,077.49	8,525,603.52	10,346,681.01
Long-term payables		104,762,752.00	45,478,300.00	150,241,052.00
Non-current liabilities due within one year	59,549,061.47			59,549,061.47
Total	**2,806,850,822.98**	**123,611,254.76**	**68,520,600.42**	**2,998,982,678.16**

3. *Market risk*

Market risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Exchange rate risk

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. At present, the amount of the company's foreign exchange assets is small, but the price risk will be affected by changes in the exchange rate.

As of 31 December 2021, the amount of foreign currency financial assets and foreign currency financial liabilities held by the company converted into RMB is presented as follows:

Unit: RMB

	Closing balance		
Item	**US dollar-denominated item**	**Singapore dollar -denominated item**	**Total**
Foreign currency financial assets:			
Monetary funds	126,198,183.54	338,094.67	126,536,278.21

(2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. Since the company's borrowings are at fixed interest rates, there is no risk of changes in RMB benchmark interest rates. In addition, the company purchases fixed-income or low-risk wealth management products in banks, which does not pursue high returns and are all short-term wealth management products, with low interest rate risk. There is basically no interest rate risk in the reverse repurchase of treasury bonds and the investment in monetary funds.

(3) Other price risks

The company's other price risks mainly come from bulk metal trading prices. In order to stabilize the risk of price fluctuations, when conducting metal trading, the company generally purchases similar futures products in the futures market to avoid the risk of price fluctuations or hedges corresponding forward bulk metal purchase contracts. Since the financial derivatives market itself has certain systemic risks, it is necessary to make reasonable and effective predictions on price trends when conducting hedging operations. Once the price forecast deviates, it may affect the effect of hedging business.

XI. DISCLOSURE OF FAIR VALUE

1. Financial Instruments Measured at Fair Value

The company presented the carrying amount of financial instruments measured at fair value on 31 December 2021 according to three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels to which each important input used in fair value measurement belongs. The three levels are defined as follows:

Level 1: They are unadjusted quoted prices in active markets for identical assets or liabilities available at the date of measurement;

Level 2: They are direct or indirect observable inputs for the relevant asset or liability other than Level 1 inputs;

Level 2 input include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for the identical or similar assets or liabilities in inactive markets; 3) other observable inputs excluding quoted price, such as interest rates and yield curves, implied volatility and credit spreads, etc. observable at commonly quoted intervals; 4) inputs that are evidenced in market, etc.

Level 3: They are unobservable inputs for the relevant asset or liability.

2. *Fair Value Measurement at the End of the Period*

(1) Continuous fair value measurement

Unit: RMB

	Fair value at the end of the period			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading		2,074,042,141.82		2,074,042,141.82
Derivative financial assets	112,351,762.10			112,351,762.10
Investment in other equity instruments			44,303,885.24	44,303,885.24
Total	**112,351,762.10**	**2,074,042,141.82**	**44,303,885.24**	**2,230,697,789.16**

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. *The Parent Company of the Enterprise*

Name of the parent company	Place of registration	Business nature	Registered capital	Shareholding ratio of the parent company in the enterprise	Proportion of voting rights of the parent company in the enterprise
China Yintai Holdings Co., Ltd.	Unit 4701, 47th Floor, Building 3, Yard 2, Jianguomenwai Street, Chaoyang District, Beijing	Limited liability company	RMB1,000,000,000	14.44%	14.44%

Explanation of the parent company of the enterprise

(1) The parent company of the company is China Yintai Holdings Co., Ltd., the scope of whose main business is asset custody, reorganization and operation; investment, development and operation of agriculture, forestry, animal

husbandry and fishery; investment, development and operation of high-tech industries; research and development and sales of sanitary products and labor insurance products; investment and operation of commercial department store retailing.

(2) Shen Guojun holds 100% equity of Beijing Guojun Investment Co., Ltd. (北京國俊投資有限公司), which in turn holds 92.5% equity of China Yintai. As of the balance sheet date, Shen Guojun directly holds 6.49% equity of Yintai Gold, and China Yintai holds 14.44% equity of Yintai Gold. In view of the above, Shen Guojun and China Yintai jointly hold 20.93% equity of Yintai Gold.

The ultimate controlling party of the enterprise is Shen Guojun.

2. Subsidiaries of the Enterprise

For the details of subsidiaries of the enterprise, please refer to Note IX. EQUITY IN OTHER ENTITIES.

3. Other Related Party

Name of other related party	Relationship between other related parties and the company
Beijing Yintai Real Estate Co., Ltd. and its Property Management Branch	Same ultimate controller

4. Related Transactions

(1) For subsidiaries that have a control relationship and have been included in the scope of the company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.

(2) Related party transactions of purchase and sale of goods, provision and acceptance of services

Unit: RMB

Related party	Related transaction content	Amount for the current period	Amount for the last period
Beijing Yintai Real Estate Co., Ltd. Property Management Branch	Property services	591,301.85	585,851.22

(3) Related leases

The company as lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease fees recognized in the current period	Lease fee recognized in the last period
Beijing Yintai Real Estate Co., Ltd.	Office building	5,700,536.68	5,432,636.00

(4) Remuneration of key management personnel

Unit: RMB0'000

Item	Amount for the current period	Amount for the last period
Remuneration of key management personnel	1,767.29	1,702.65

5. Receivables and Payables of Related Parties

(1) Receivable items

Unit: RMB

		Closing balance		Opening balance	
Item	Related party	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Beijing Yintai Real Estate Property Management Branch	54,026.73		52,618.39	
Other receivables	Beijing Yintai Real Estate Co., Ltd.	1,555,709.40	311,141.88	1,555,709.40	311,141.88
	Beijing Yintai Real Estate Co., Ltd. Property Management Branch	107,181.60	21,436.32	107,181.60	21,436.32

XIII. COMMITMENTS AND CONTINGENCIES

1. Important Commitments

The company has no important commitments that need to be disclosed.

2. Contingencies

(1) Important contingencies existing on the balance sheet date

The company has no important contingencies that need to be disclosed.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit Distribution

According to the Resolution on Consideration of the Company's Profit Distribution Plan for 2021 deliberated at the twelfth meeting of the eighth session of the board of directors of the company, the proposed profit distribution plan for 2021 of the company is: based on the existing share capital of 2,776,722,265 shares, a cash dividend of RMB2.5 (tax included) will be distributed to all shareholders for every 10 shares, for a total of RMB694,180,566.25. The resolution still needs to be submitted to the company's 2021 annual general meeting for consideration.

XV. OTHER IMPORTANT MATTERS

1. Proceeds from the Transfer of Mining Rights of Jilin Banmiaozi

According to relevant provisions of the Interim Measures for the Administration of Collection of Proceeds from the Transfer of Mining Rights (《礦業權出讓收益徵收管理暫行辦法》) (Cai Zong [2017] No. 35) issued by the Ministry of Finance and the Ministry of Land and Resources, if the prospecting right obtained after submitting prior application been converted into the mining right, the proceeds from the transfer of mining right shall be collected based on the remaining resources reserves by way of transfer by agreement. According to the Assessment Report on Proceeds from the Transfer of Jinying Gold Mine Mining Rights of Jilin Banmiaozi Mining Co., Ltd. (Jilin Guodi Mining Rights Ping Bao Zi [2020] No. S080) issued by Jilin Guodi Mining Rights Evaluation Co., Ltd. (吉林國地礦業權評估有限公司), the appraised value of proceeds from the transfer of Jinying Gold Mine mining right of Jilin Banmiaozi Mining Co., Ltd. is RMB227,878,300, and such mining rights was acquired on 13 April 2021.

2. *Guarantees Provided by the Company for its Controlling Subsidiaries*

Unit: RMB

Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Yulong Mining	60,000,000.00	2021/3/31	Three years after the expiration of the main contract debt performance period	No
Heihe Yintai	200,000,000.00	2021/4/9	Two years after the expiration of the precious metal lease term under the main contract	No
Heihe Yintai	139,741,200.00	2021/9/30	Two years after the expiration of the precious metal lease term under the main contract	No
Qinghai Dachaidan	180,000,000.00	2021/9/27	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	100,000,000.00	2021/8/26	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	150,000,000.00	2021/11/18	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	62,500,000.00	2021/11/11	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	29,998,500.00	2021/11/22	Three years after the expiration of the main contract debt performance period	No
Total	**922,239,700.00**			

XVI. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Other Receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	540,093,918.94	668,761,290.64
Total	**540,093,918.94**	**668,761,290.64**

1) Classification of other receivables according to the nature of payment

Unit: RMB

Nature of payment	Closing book balance	Opening book balance
Current account	538,739,111.14	667,404,857.84
Deposit and security deposit	1,693,391.00	1,696,641.00
Others	100.00	100.00
Total	**540,432,602.14**	**669,101,598.84**

2) Provision for bad debts

Unit: RMB

Bad debt provision	Stage I ECL over the next 12 months	Stage II Lifetime ECL (non-credit impaired Lifetime ECL (non-credit impaired)	Stage III Lifetime ECL (non-credit impaired Lifetime ECL (credit impaired)	Total
Balance as at 1 January 2021	340,308.20			340,308.20
Balance as at 1 January 2021 in the current period	–	–	–	–
– Transfer to stage III	-1,625.00		1,625.00	0.00
Provision made for the period			1,625.00	1,625.00
Reversed in the period			3,250.00	3,250.00
Balance as at 31 December 2021	**338,683.20**			**338,683.20**

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	488,739,211.14
1–2 years	50,000,000.00
2–3 years	
3–4 years	
4–5 years	1,693,391.00
Over 5 years	
Total	**540,432,602.14**

3) *Provision for bad debts made, recovered or reversed in the current period*

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Changes in the current period				Closing balance
		Provision	Recovered or reversed	Write off	Others	
Receivables with provision for ECL on a group basis	340,308.20	1,625.00		3,250.00		338,683.20

4) *Top five other receivables according to the closing balance collected by the debtor*

Unit: RMB

Unit name	Nature of payment	Closing balance	Aging	Proportion to the total closing balance of other receivables	Closing balance of provision for bad debts
Unit 1	Current account	282,793,777.77	Within 1 year, 1-2 years	52.33%	
Unit 2	Current account	104,659,777.80	Within 1 year	19.37%	
Unit 3	Current account	100,000,000.00	Within 1 year	18.50%	
Unit 4	Current account	51,285,555.57	Within 1 year 1-2 years	9.49%	
Unit 5	Security deposit	1,555,709.40	4-5 years	0.29%	311,141.88
Total		**540,294,820.54**		**99.98%**	**311,141.88**

2. *Long-term Equity Investment*

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Investment in subsidiaries	8,682,698,659.55		8,682,698,659.55	7,535,036,559.55		7,535,036,559.55
Total	**8,682,698,659.55**		**8,682,698,659.55**	**7,535,036,559.55**		**7,535,036,559.55**

(1) *Investment in subsidiaries*

Unit: RMB

Investee	Opening balance (carrying amount)	Changes in the current period: Additional investment	Changes in the current period: Reduce in investment	Changes in the current period: Provision for impairment	Changes in the current period: Others	Closing balance (carrying amount)	Closing balance of provision for impairment
Yintai Shenghong Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司)	180,000,000.00	110,662,100.00				290,662,100.00	
Mangshi Huasheng Gold Mine Development Co., Ltd. (芒市華盛金礦開發有限公司)		1,037,000,000.00				1,037,000,000.00	
Inner Mongolia Yulong Mining Industry Co., Ltd. (內蒙古玉龍礦業股份有限公司)	2,745,459,892.91					2,745,459,892.91	
Shanghai Shengwei Mining Investment Co., Ltd. (上海盛蔚礦業投資有限公司)	4,609,576,666.64					4,609,576,666.64	
Total	**7,535,036,559.55**	**1,147,662,100.00**				**8,682,698,659.55**	

3. Investment Income

Unit: RMB

Item	Amount for the current period	Amount for the last period
Income from long-term equity investments under cost method	663,014,100.00	
Investment income of wealth management products	25,433,854.66	9,085,491.00
Interest income from acquisition of equity	7,021,969.51	53,857,224.11
Total	**695,469,924.17**	**62,942,715.11**

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit or Loss for the Period

✔ Applicable ☐ N/A

Unit: RMB

Item	Amount	Explanation
Gain and loss on disposal of non-current assets	-19,775,451.69	
Government grants included in current profit or loss (other than government grants which are closely related to the company's business, in line with national policies and regulations and granted continuously based on a fixed amount or a fixed quantity unified by the state)	4,842,666.91	
Capital occupation fee charged to non-financial enterprises included in current profits and losses	7,021,969.51	
Profit and loss from entrusting others to invest in or manage assets	69,776,005.55	Income from wealth management
Gain or loss on changes in fair value from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investment, except for effective hedging transactions that are related to the Company' s normal operation	36,191,529.52	
Other non-operating income and expenses other than the above	-1,515,188.59	
Less: Effect of income tax	24,357,257.59	
Effect of minority interest	521,126.38	
Total	**71,663,147.24**	

Specific circumstances of other profit and loss items that meet the definition of non-recurring profit and loss:

☐ Applicable ✔ N/A

The company does not have other specific circumstances of profit and loss items that meet the definition of non-recurring profit and loss.

Explanation shall be given with respect to the defining of non-recurring profit and loss items set out in the Explanatory Notice on Information Disclosure of Companies with Public Offering No. 1-Non-recurring Profit and Loss (《公開發行證券的公司信息披露解釋性公告第1號－非經常性損益》) as recurring profit and loss items.

☐ Applicable ✔ N/A

2. Return on Net Assets and Earnings per Share

Profit during the reporting period	Weighted average return on equity	Earnings per share Basic earnings per share *(RMB/share)*	Earnings per share Diluted earnings per share *(RMB/share)*
Net profit attributable to ordinary shareholders of the company	12.65%	0.4586	0.4586
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit and loss	11.98%	0.4328	0.4328

3. Differences in Accounting Data under Domestic and Foreign Accounting Standards

(1) Differences in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable ✔ N/A

(2) Differences in net profit and net assets in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable ✔ N/A

(3) Explanation of the reasons for the differences in accounting data under domestic and foreign accounting standards. If the difference is adjusted for materials that have been audited by an overseas audit institution, the name of the overseas institution should be indicated

☐ Applicable ✔ N/A

(iii) The audited consolidated financial statements of the Target Group for the financial year ended 31 December 2022 prepared in accordance with the CAS and audited by Da Hua Certified Public Accountants (Special General Partnership).

I. AUDIT REPORT

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	27 February 2023
Name of auditor	Da Hua Certified Public Accountants (Special General Partnership)
Number of audit report	Da Hua Shen Zi [2023] No. 002726
Name of certified public accountants	Hui Zengqiang Wang Zebin

Text of the Audit Report

Da Hua Shen Zi [2023] No. 002726

All shareholders of Yintai Gold Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Yintai Gold Co., Ltd. (hereinafter referred to as Yintai Gold), including the consolidated and parent company balance sheet on 31 December 2022, consolidated and parent company income statement, consolidated and parent company cash flow statement, consolidated and parent company statement of changes in shareholders' equity, and notes to relevant financial statements for 2022.

In our opinion, the attached financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects, and fairly reflect the consolidated and parent company financial position of Yintai Gold on 31 December 2022 and the consolidated and parent company operating results and cash flows in 2022.

II. The Basis for Forming the Audit Opinion

We have carried out the audit work in accordance with the provisions of the Auditing Standards for Certified Public Accountants of China. The "Responsibilities of the Certified Public Accountant for the Audit of the Financial Statements" section of the auditor report further sets out our responsibilities under these Standards. In accordance with the China Code of Ethics for Certified Public Accountants, we are independent from Yintai Gold and have fulfilled other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate, providing a basis for issuing an audit opinion.

III. Key Audit Matters

Key audit matters are matters that we consider to be the most important in the audit of the financial statements in the current period based on our professional judgment. These matters are addressed in the context of the audit of the financial statements taken as a whole and the formation of an audit opinion, and we do not express an opinion on these matters separately.

We have identified the following matters as key audit matters that need to be communicated in the audit report:

1. Revenue recognition;

2. Fixed assets and intangible assets;

3. Impairment of goodwill.

(I) Revenue recognition

1. Description of matter

As stated in the accounting policies described in "III. Significant Accounting Policies and Accounting Estimates (xxxii)" and "V. Note 40 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, revenue from the main operations of Yintai Gold was RMB8,373 million in 2022, a decrease of 7.35% over the same period of the previous year. Given that operating revenue is one of the key performance indicators for Yintai Gold, we have identified revenue recognition as a key audit matter.

2. Audit response

Our important audit procedures for revenue recognition include:

(1) Understand and evaluate the effectiveness of Yintai Gold's design and implementation of internal control over sales and collection;

(2) Understand whether there are significant changes in the accounting policies for revenue recognition by examining agreements and contracts signed with major customers, and evaluate the appropriateness of the accounting policies for revenue recognition;

(3) Perform analytical procedures for fluctuations in revenue and gross margin of major products;

(4) Letter to major customers to confirm the sales amount and the receivables balance at the end of the period in 2022, and implement alternative audit procedures for customers who have not responded;

(5) Select samples from the recorded revenue transactions, and randomly check the supporting documents related to revenue, including sales contracts or agreements, sales invoices, delivery orders, settlement documents, etc.;

(6) Carry out a cut-off test on operating revenue to confirm whether the income is recorded in the correct accounting period;

(7) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the principles and methods adopted by the management in revenue recognition are reasonable.

(II) Fixed assets and intangible assets

1. Description of matter

As stated in the accounting policies described in "III. Significant Accounting Policies and Accounting Estimates (xx) and (xxiv)" and "V. Notes 10 and 13 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, as of 31 December 2022, the total carrying value of Yintai Gold's fixed assets was RMB2,906 million, and the total carrying value of intangible assets was RMB6,572 million, accounting for a significant proportion of the total consolidated assets, and Yintai Gold is an asset-heavy company with a large scale, quantity and type of assets, therefore, we think this matter is a key audit matter.

2. Audit response

Our important audit procedures for fixed assets and intangible assets include:

(1) Understand and evaluate the effectiveness of the internal control design and implementation of Yintai Gold's fixed assets and intangible assets;

(2) Check the original basis for the formation of the original value of fixed assets and intangible assets;

(3) Understand the assumptions and methods used in the depreciation and amortization model, and review the accuracy of the accrual and allocation of depreciation and amortization expenses;

(4) Check the ownership certificates of fixed assets and intangible assets to determine whether they are owned or controlled by the audited unit;

(5) Check the increase and decrease of fixed assets and intangible assets, and obtain relevant details for verification;

(6) In order to confirm the existence of fixed assets, a physical inventory procedure was carried out for the fixed assets, and a two-way check was carried out between the physical objects and the ledger;

(7) Check whether there is indication of impairment in fixed assets and intangible assets, and check whether the identification of asset groups is appropriate;

(8) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the accounting principles and methods adopted by the management for fixed assets and intangible assets are reasonable.

(III) Impairment of goodwill

1. Description of matter

As stated in the accounting policies described in "III. Significant Accounting Policies and Accounting Estimates (xxvi)" and "V. Note 14 to the Main Items of the Consolidated Financial Statements" in the notes to the financial statements, as of 31 December 2022, the total carrying value of Yintai Gold's goodwill was RMB452 million, and the corresponding impairment provision balance was RMB0.00.

The management assesses the possible impairment of goodwill every year. The impairment assessment is an estimate of the value in use of goodwill based on the discounted cash flow projections prepared. The preparation of discounted cash flow projections involves the application of significant judgement and estimates and the determination of the risk-adjusted discount rate applied is subject to inherent uncertainties and may be influenced by management's preferences.

Due to the inherent uncertainty involved in the forecasted impairment of goodwill and discounted future cash flows, as well as the risk of management's preference in the selection of assumptions and estimates, we consider this matter to be a key audit matter.

2. Audit response

Our important audit procedures for goodwill impairment include:

(1) We evaluate and test the effectiveness of the design and implementation of the internal control related to the goodwill impairment test, including the adoption of key assumptions and the review and approval of impairment accrual amount;

(2) Evaluate the appropriateness of the valuation method used by the management when making cash flow projections by reference to industry practices;

(3) Recalculate the discount rate based on the market data of comparable companies in the industry, and compare our calculation results with those adopted by the management when calculating the present value of estimated future cash flows, to evaluate the discount rate used in calculating the present value of estimated future cash flows;

(4) Analyze the cash flow by comparing historical data and forecast data to evaluate the reliability and historical accuracy of the management's forecasting process.

(5) Review the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Based on the audit work performed, we believe that the management's judgments and estimates on goodwill impairment are reasonable.

IV. OTHER INFORMATION

The management of Yintai Gold is responsible for other information. Other information includes that covered in Yintai Gold's 2022 Annual Report, but excludes the financial statements and our audit report.

Our audit opinion on the financial statements does not cover the other information, nor do we express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with, or appears to be materially misstated in, the financial statements or the circumstances of which we become aware in the course of our audit.

If, based on the work we have performed, we determine that there is a material misstatement of the other information, we shall report that fact. In this regard, we have nothing to report.

V. MANAGEMENT AND GOVERNANCE'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The management of Yintai Gold is responsible for preparing financial statements in accordance with the Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining necessary internal controls, so that the financial statements are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management of Yintai Gold is responsible for assessing Yintai Gold's ability to continue as a going concern, disclosing matters related to going concern, and using the going concern assumption, unless management plans to liquidate Yintai Gold, terminate operations, or have no other realistic options.

The governance is responsible for overseeing the financial reporting process of Yintai Gold.

VI. RESPONSIBILITIES OF CERTIFIED PUBLIC ACCOUNTANTS FOR THE AUDIT OF FINANCIAL STATEMENTS

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements, which may result from fraud or error, are generally considered material if they, individually or in the aggregate, could reasonably be expected to affect the economic decisions that users of financial statements make based on the financial statements.

In the process of performing audit work in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. At the same time, we also perform the following tasks:

1. Identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as the basis for issuing an audit opinion. Since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls, the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error.

2. Understand the internal controls relevant to auditing in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls.

3. Evaluate the appropriateness of management's selection of accounting policies and the rationality of accounting estimates and related disclosures.

4. Conclude on the appropriateness of management's use of the going concern assumption. At the same time, based on the audit evidence obtained, a conclusion is reached as to whether there is a material uncertainty regarding the matters or circumstances that may cast significant doubt on the ability of Yintai Gold to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require that we draw the attention of users of the report to the relevant disclosures in the financial statements in the audit report; if the disclosures are inadequate, we should express a non-unqualified opinion. Our conclusions are based on the information available up to the date of the audit report. However, future matters or circumstances may cause Yintai Gold to be unable to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and matters.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities in Yintai Gold to express an opinion on the financial statements. We are responsible for guiding, supervising and performing group audits. We accept sole responsibility for our audit opinion.

We communicate with governance on matters such as the planned audit scope, timing and significant audit findings, including communication of internal control weaknesses of concern identified during our audit.

We also provide a statement to governance on having complied with ethical requirements relating to independence and communicate with governance on all relationships and other matters that may reasonably be perceived to affect our independence, as well as related precautions, if applicable.

From the matters communicated with governance, we determine which matters are most significant to the audit of the financial statements for the period and therefore constitute key audit matters. We describe these matters in our audit report, except where laws and regulations prohibit their public disclosure or, in rare circumstances, we determine that a matter should not be communicated in the audit report if there is a reasonable expectation that the negative consequences of communicating the matter in the audit report outweigh the benefits in the public interest.

Da Hua Certified Public Accountants
(Special General Partnership)
Beijing, China

Certificate Public Accountant registered in China: (Project Partner) **Hui Zengqiang**
Certificate Public Accountant registered in China: **Wang Zebin**

27 February 2023

II. FINANCIAL STATEMENTS

The statement in the financial notes is presented in RMB

1. Consolidated Balance Sheet

Prepared by: Yintai Gold Co., Ltd.

Unit: RMB

Item	**31 December 2022**	**1 January 2022**
Current assets:		

Item	31 December 2022	1 January 2022
Monetary capital	1,873,983,258.68	1,455,700,499.01
Clearing settlement funds		
Loans to other banks		
Financial assets held for trading	2,000,435,680.65	2,074,042,141.82
Derivative financial assets	300,234,674.43	112,351,762.10
Notes receivable		
Accounts receivable	39,811,311.25	39,977,496.73
Receivables financing		
Prepayments	22,094,356.86	42,740,385.17
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	62,238,875.25	47,639,935.53
Including: Interests receivable		336,372.46
Dividends receivable		
Financial assets held under resale agreements		
Inventories	1,359,012,390.21	1,028,330,998.21
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	25,111,662.32	36,839,584.51
Total current assets	**5,682,922,209.65**	**4,837,622,803.08**

Item	31 December 2022	1 January 2022
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other equity instrument investments	14,303,885.24	44,303,885.24
Other non-current financial assets		
Investment properties		
Fixed assets	2,906,294,177.88	2,808,584,710.82
Construction in progress	247,342,850.20	424,659,399.66
Productive biological assets		
Oil and gas assets		
Right-of-use assets	35,102,199.66	37,134,963.76
Intangible assets	6,571,669,996.38	7,112,054,994.74
Development expenses		
Goodwill	452,365,699.74	452,365,699.74
Long-term deferred expenses	26,657,502.44	29,672,067.83
Deferred income tax assets	138,588,065.52	98,305,166.55
Other non-current assets	91,553,046.79	88,552,675.92
Total non-current assets	**10,483,877,423.85**	**11,095,633,564.26**
Total assets	**16,166,799,633.50**	**15,933,256,367.34**

Item	31 December 2022	1 January 2022
Current liabilities:		
Short-term borrowings	839,659,319.93	682,032,529.88
Borrowing from central bank		
Loans from other banks		
Financial liabilities held for trading		
Derivative financial liabilities	33,218,530.67	
Bills payable	1,293,652,490.61	1,718,374,146.25
Accounts payable	235,922,157.80	162,883,100.68
Advances received	3,165,054.05	144,048.99
Contract liabilities	17,797,907.12	16,016,500.89
Proceeds from sale of repurchase financial assets		
Deposits from clients and placements from other banks		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Staff remuneration payables	64,444,311.21	56,319,147.45
Taxes payable	153,170,488.64	175,549,465.08
Other payables	275,141,052.63	215,556,106.87
Including: Interests payable		
Dividends payable		
Handling fees and commission payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	56,447,686.55	59,549,061.47
Other current liabilities	2,313,727.92	2,082,145.12
Total current liabilities	**2,974,932,727.13**	**3,088,506,252.68**
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings	109,143,213.89	
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	10,140,594.47	10,346,681.01
Long-term payables	97,859,676.00	150,241,052.00
Long-term staff remuneration payables		
Accrued liabilities	42,824,545.30	42,538,554.00
Deferred income	376,200.00	410,400.00
Deferred income tax liabilities	252,142,938.19	302,467,065.46
Other non-current liabilities		
Total non-current liabilities	**512,487,167.85**	**506,003,752.47**
Total liabilities	**3,487,419,894.98**	**3,594,510,005.15**

Item	31 December 2022	1 January 2022
Owners' equity:		
Share capital	2,776,722,265.00	2,776,722,265.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	4,431,280,488.30	4,431,280,488.30
Less: Treasury shares		
Other comprehensive income	7,244,129.12	-6,369,278.83
Special reserve	5,013,951.45	2,558,340.56
Surplus reserve	551,831,400.23	503,405,545.11
General risk reserve		
Undistributed profit	3,140,687,398.34	2,758,837,701.09
Total equity attributable to the owners of the parent company	**10,912,779,632.44**	**10,466,435,061.23**
Non-controlling interest	1,766,600,106.08	1,872,311,300.96
Total owners' equity	**12,679,379,738.52**	**12,338,746,362.19**
Total liabilities and owners' equity	**16,166,799,633.50**	**15,933,256,367.34**

Legal Representative: Yang Haifei	Principal in charge of accounting: Wang Xuan	Head of the Accounting Department: Liu Weimin

2. *Balance Sheet of the Parent Company*

Unit: RMB

Item	31 December 2022	1 January 2022
Current assets:		
Monetary capital	7,045,958.87	40,367,127.30
Financial assets held for trading	262,000,000.00	115,263,500.00
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Prepayments	963,020.33	180,959.46
Other receivables	856,238.25	540,093,918.94
Including: Interests receivable		
Dividends receivable		
Inventories		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	74,432.81	1,087.75
Total current assets	**270,939,650.26**	**695,906,593.45**
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other equity instrument investments	8,682,698,659.55	8,682,698,659.55
Other non-current financial assets		30,000,000.00
Investment properties		
Fixed assets	1,147,571.88	904,572.54
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets	950,089.46	6,650,626.11
Intangible assets	1,093,664.90	1,374,720.37
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	14,953,901.31	5,125,117.78
Other non-current assets		
Total non-current assets	**8,700,843,887.10**	**8,726,753,696.35**
Total assets	**8,971,783,537.36**	**9,422,660,289.80**

Item	31 December 2022	1 January 2022
Current liabilities:		
Short-term borrowings	100,117,638.89	100,129,861.11
Financial liabilities held for trading		
Derivative financial liabilities		
Bills payable		
Accounts payable	214,202.15	147,775.09
Advances received		
Contract liabilities		
Staff remuneration payables	6,668,372.74	2,497,256.20
Taxes payable	237,426.87	564,411.06
Other payables	17,700,475.97	256,771,309.88
Including: Interests payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	492,251.55	5,782,240.66
Other current liabilities		
Total current liabilities	**125,430,368.17**	**365,892,854.00**
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		492,251.54
Lease liabilities		
Long-term payables		
Long-term staff remuneration payables		
Accrued liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		**492,251.54**
Total liabilities	**125,430,368.17**	**366,385,105.54**

Item	31 December 2022	1 January 2022
Owners' equity:		
Share capital	2,776,722,265.00	2,776,722,265.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	4,431,733,687.79	4,431,733,687.79
Less: Treasury shares		
Other comprehensive income	748.10	748.10
Special reserve		
Surplus reserve	538,557,145.93	490,131,290.81
Undistributed profit	1,099,339,322.37	1,357,687,192.56
Total owners' equity	**8,846,353,169.19**	**9,056,275,184.26**
Total liabilities and owners' equity	**8,971,783,537.36**	**9,422,660,289.80**

3. *Consolidated Statement of Income*

Unit: RMB

Item	2022	2021
I. Total operating revenue	8,381,544,037.91	9,040,243,854.29
Including: Operating revenue	8,381,544,037.91	9,040,243,854.29
Interest income		
Premium earned		
Handling fees and commission income		
II. Total operating cost	6,832,124,550.81	7,289,097,284.99
Including: Operating cost	6,301,963,158.77	6,771,001,162.75
Interest expenses		
Handling fees and commission expenses		
Surrender value		
Net payment of insurance claims		
Net provision of insurance liability contract reserve		
Premium bonus expenses		
Reinsurance expenses		
Taxes and surcharges	177,936,589.48	178,634,545.58
Selling expenses	3,078,911.57	7,575,466.67
Administrative expenses	310,824,328.57	264,633,295.30
R&D expenses		
Financial expenses	38,321,562.42	67,252,814.69
Including: Interest expenses	60,358,985.39	70,823,851.02
Interest income	16,331,096.68	7,564,849.45
Add: Other revenue	10,423,604.61	5,554,246.80
Investment income (loss is represented by "-")	107,659,154.29	90,914,114.99
Including: Investment income from associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost		
Gains from foreign exchange (loss is represented by "-")		
Gains from net exposure to hedging (loss is represented by "-")		
Gain on changes in fair value (loss is represented by "-")	12,267,690.03	20,542,397.64
Impairment loss of credit (loss is represented by "-")	-64,533,177.70	-1,538,036.32
Impairment loss of assets (loss is represented by "-")		
Gains from disposal of assets (loss is represented by "-")	569,620.39	-1,743,156.41

Item	2022	2021
III. Operating profit (loss is represented by "-")	1,615,806,378.72	1,864,876,136.00
Add: Non-operating revenue	482,003.27	3,561,948.20
Less: Non-operating expenses	7,186,185.63	23,821,011.96
IV. Total profit (total loss is represented by "-")	1,609,102,196.36	1,844,617,072.24
Less: Income tax expense	364,853,266.11	422,907,820.53
V. Net profit (net loss is represented by "-")	1,244,248,930.25	1,421,709,251.71
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net loss is represented by "-")	1,244,248,930.25	1,421,709,251.71
2. Net profit from discontinued operations (net loss is represented by "-")		
(II) Classified by ownership		
1. Net profit attributable to shareholders of the parent company	1,124,456,118.62	1,273,338,698.63
2. Profit or loss attributable to non-controlling interests	119,792,811.63	148,370,553.08
VI. Net other comprehensive income after tax	14,093,109.20	26,353.04
Net other comprehensive income after tax attributable to owners of the parent company	13,613,407.95	31,182.18
(I) Other comprehensive income not reclassified to profit or loss		
1. Changes arising on remeasurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of own credit risk of the company		
5. Others		
(II) Other comprehensive income to be reclassified to profit or loss	13,613,407.95	31,182.18
1. Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provisions for credit impairment of other debt investments		

Item	2022	2021
5. Reserve for cash flow hedging	-370,211.57	534,118.82
6. Exchange differences on translation of financial statements in foreign currency	13,983,619.52	-502,936.64
7.Others		
Net other comprehensive income after tax attributable to non-controlling interest	479,701.25	-4,829.14
VII. Total comprehensive income	1,258,342,039.45	1,421,735,604.75
Total comprehensive income attributable to owners of the parent company	1,138,069,526.57	1,273,369,880.81
Total comprehensive income attributable to non-controlling interests	120,272,512.88	148,365,723.94
VIII. Earnings per share:		
(I) Basic earnings per share	0.4050	0.4586
(II) Diluted earnings per share	0.4050	0.4586

Legal Representative: Yang Haifei	Principal in charge of accounting: Wang Xuan	Head of the Accounting Department: Liu Weimin

4. *Income Statement of the Parent Company*

Unit: RMB

Item	2022	2021
I. Operating revenue	0.00	0.00
Less: Operating cost	0.00	0.00
Taxes and surcharges	111,623.89	837,593.97
Selling expenses		
Administrative expenses	54,878,572.38	57,208,029.81
R&D expenses		
Financial expenses	3,360,496.00	-1,345,851.34
Including: Interest expenses	15,662,951.86	20,946,958.31
Interest income	12,362,548.15	22,674,021.99
Add: Other revenue	5,343,648.98	1,486,648.34
Investment income (loss is represented by "-")	527,867,229.05	695,469,924.17
Including: Investment income from associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost (loss is represented by "-")		
Gains from net exposure to hedging (loss is represented by "-")		
Gain on changes in fair value (loss is represented by "-")		
Impairment loss of credit (loss is represented by "-")	-508,514.55	-1,625.00
Impairment loss of assets (loss is represented by "-")		
Gains from disposal of assets (loss is represented by "-")	93,633.00	67,154.33
II. Operating profit (loss is represented by "-")	474,445,304.21	640,322,329.40
Add: Non-operating revenue	450.00	1,886.79
Less: Non-operating expenses	15,986.56	13,139.81
III. Total profit (total loss is represented by "-")	474,429,767.65	640,311,076.38
Less: Income tax expense	-9,828,783.53	-4,881,865.91
IV. Net profit (net loss is represented by "-")	484,258,551.18	645,192,942.29
(I) Net profit from continuing operations (net loss is represented by "-")	484,258,551.18	645,192,942.29
(II) Net profit from discontinued operations (net loss is represented by "-")		

Item	2022	2021
V. Net other comprehensive income after tax		
(I) Other comprehensive income not reclassified to profit or loss		
1. Changes arising on remeasurement of defined benefit plans		
2. Other comprehensive income accounted for using the equity method that cannot be reclassified to profit or loss		
3. Changes in fair value of investments in other equity instruments		
4. Changes in fair value of own credit risk of the company		
5. Others		
(II) Other comprehensive income to be reclassified to profit or loss		
1. Other comprehensive income accounted for using the equity method that may be reclassified to profit or loss		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provisions for credit impairment of other debt investments		
5. Reserve for cash flow hedging		
6. Exchange differences on translation of financial statements in foreign currency		
7. Others		
VI. Total comprehensive income	484,258,551.18	645,192,942.29
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. *Consolidated Statement of Cash Flows*

Unit: RMB

Item	2022	2021
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services		
Net increase in deposits from clients and placements from other banks	8,959,658,060.33	9,737,007,157.39
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders and investments		
Cash received from interest, handling fees and commissions		
Net increase in loans from other banks		
Net increase in repurchases business fund		
Net cash received from agency security transaction		
Receipt of tax rebates	8,659,368.70	173,659.98
Other cash received relating to operating activities	39,937,963.68	42,081,890.16
Sub-total of cash inflow from operating activities	9,008,255,392.71	9,779,262,707.53
Cash paid for goods purchased and services rendered	5,883,466,565.16	6,645,078,019.71
Net increase in loans and advances to customers		
Net increase in placements with central bank and other banks		
Cash paid for claims on original insurance contracts		
Net increase in loans to other banks		
Cash payment for interest, handling fees and commissions		
Cash payment for premium bonus		
Cash paid to and on behalf of staff	292,844,093.91	274,355,512.39
Taxes paid	758,358,964.90	723,085,588.70
Other cash paid relating to operating activities	84,503,415.12	94,053,942.21
Sub-total of cash outflow from operating activities	**7,019,173,039.09**	**7,736,573,063.01**
Net cash flows generated from operating activities	**1,989,082,353.62**	**2,042,689,644.52**

Item	2022	2021
II. Cash flows generated from investment activities:		
Cash received from disposal of investments	8,322,631,116.12	10,979,419,260.61
Cash received from gains in investments	152,756,366.67	161,141,190.44
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		194,330.40
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received relating to investment activities	3,214,000.00	600,000,000.00
Sub-total of cash inflow from investment activities	8,478,601,482.79	11,740,754,781.45
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	608,637,399.88	718,407,227.52
Cash paid for investment	9,230,410,372.00	10,788,683,149.63
Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other operating entities		1,033,941,654.42
Other cash paid relating to investment activities		4,810,225.00
Sub-total of cash outflow from investment activities	**9,839,047,771.88**	**12,545,842,256.57**
Net cash flows generated from investment activities	**-1,360,446,289.09**	**-805,087,475.12**

Item	2022	2021
III. Cash flows from financing activities:		
Proceeds received from investments		
Including: Proceeds received by subsidiaries from minority interests' investment		
Cash received from borrowings	968,754,000.00	680,741,200.00
Other cash received relating to financing activities	889,069,448.56	950,682,812.67
Sub-total of cash inflow from financing activities	1,857,823,448.56	1,631,424,012.67
Cash paid for repayment of debts	700,741,200.00	514,500,000.00
Cash payments for dividend and profit distribution or interest repayment	927,426,594.64	1,006,986,085.66
Including: Dividend and profit paid by subsidiaries to minority interests	188,175,568.54	173,262,232.90
Other cash paid relating to financing activities	824,276,981.14	1,044,057,960.00
Sub-total of cash outflow from financing activities	**2,452,444,775.78**	**2,565,544,045.66**
Net cash flows generated from financing activities	**-594,621,327.22**	**-934,120,032.99**
IV. Effect on cash and cash equivalents due to changes in foreign exchange rates	8,116,467.53	-875,388.58
V. Net increase in cash and cash equivalents	42,131,204.84	302,606,747.83
Add: Balance of cash and cash equivalents at the beginning of the period	747,711,349.35	445,104,601.52
VI. Balance of cash and cash equivalents at the end of the period	789,842,554.19	747,711,349.35

6. *Statement of Cash Flows of the Parent Company*

Unit: RMB

Item		2022	2021
I.	**Cash flows generated from operating activities:**		
	Cash received from sales of goods and provision of services		
	Receipt of tax rebates		
	Other cash received relating to operating activities	6,985,085.77	16,894,631.65
	Sub-total of cash inflow from operating activities	6,985,085.77	16,894,631.65
	Cash paid for goods purchased and services rendered		
	Cash paid to and on behalf of staff	33,801,276.81	33,708,630.73
	Taxes paid	1,051,421.05	10,525,442.90
	Other cash paid relating to operating activities	12,722,994.96	18,618,254.69
	Sub-total of cash outflow from operating activities	**47,575,692.82**	**62,852,328.32**
	Net cash flows generated from operating activities	**-40,590,607.05**	**-45,957,696.67**
II.	**Cash flows generated from investment activities:**		
	Cash received from disposal of investments	1,982,263,500.00	5,081,926,500.00
	Cash received from gains in investments	527,867,229.05	752,979,899.89
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		90,000.00
	Net cash received from disposal of subsidiaries and other operating entities		
	Other cash received relating to investment activities	919,558,972.19	1,953,610,946.31
	Sub-total of cash inflow from investment activities	3,429,689,701.24	7,788,607,346.20

Item		2022	2021
	Cash paid for purchase of fixed assets, intangible assets and other long-term assets	556,511.84	512,520.38
	Cash paid for investment	2,099,000,000.00	5,901,852,100.00
	Net cash paid for acquiring subsidiaries and other operating entities		
	Other cash paid relating to investment activities	368,000,000.00	1,207,000,000.00
	Sub-total of cash outflow from investment activities	**2,467,556,511.84**	**7,109,364,620.38**
	Net cash flows generated from investment activities	**962,133,189.40**	**679,242,725.82**
III.	**Cash flows generated from financing activities:**		
	Proceeds received from investments		
	Cash received from borrowings	100,000,000.00	100,000,000.00
	Other cash received relating to financing activities	270,000,000.00	340,000,000.00
	Sub-total of cash inflow from financing activities	370,000,000.00	440,000,000.00
	Cash paid for repayment of debts	100,000,000.00	234,500,000.00
	Cash payments for dividend and profit distribution or interest repayment	698,097,649.58	709,523,066.26
	Other cash paid relating to financing activities	526,766,101.20	96,222,837.60
	Sub-total of cash outflow from financing activities	**1,324,863,750.78**	**1,040,245,903.86**
	Net cash flows generated from financing activities	**-954,863,750.78**	**-600,245,903.86**
IV.	**Effect on cash and cash equivalents due to changes in foreign exchange rates**		
V.	**Net increase in cash and cash equivalents**	-33,321,168.43	33,039,125.29
	Add: Balance of cash and cash equivalents at the beginning of the period	40,367,127.30	7,328,002.01
VI.	**Balance of cash and cash equivalents at the end of the period**	7,045,958.87	40,367,127.30

7. *Consolidated Statement of Changes in Owners' Equity*

Current Amount

Unit: RMB

	2022														
	Equity attributable to the owners of the parent company														
	Other equity instruments														
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
I. Balance at the end of previous year	2,776,722,265.00				4,431,280,488.30		-6,369,278.83	2,558,340.56	503,405,545.11		2,758,837,701.09		10,466,435,061.23	1,872,311,300.96	12,338,746,362.19
Add: Changes in accounting policy															
Prior-period error correction															
Merger of enterprises under common control															
Others															
II. Balance at the beginning of the current year	2,776,722,265.00				4,431,280,488.30		-6,369,278.83	2,558,340.56	503,405,545.11		2,758,837,701.09		10,466,435,061.23	1,872,311,300.96	12,338,746,362.19
III. Amount of increase/decrease/change in the current year (decrease is represented by "–")							13,613,407.95	2,455,610.89	48,425,855.12		381,849,697.25		446,344,571.21	-105,711,194.88	340,633,376.33
(I) Total comprehensive income							13,613,407.95				1,124,456,118.62		1,138,069,526.57	120,272,512.88	1,258,342,039.45
(II) Contribution and reduction of capital by owners															
1. Ordinary shares contributed by owners															
2. Capital contributed by other equity instrument holders															
3. Amount included in owners' equity in share payment															
4. Others															

Items	2022														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
(III) Profit distribution															
1. Withdrawal of surplus reserves									48,425,855.12		-742,606,421.37		-694,180,566.25	-225,983,315.16	-920,163,881.41
2. Withdrawal of general risk reserve									48,425,855.12		-48,425,855.12				
3. Distributions to owners (or shareholders)											-694,180,566.25		-694,180,566.25	-225,983,315.16	-920,163,881.41
4. Others															
(IV) Carry-forward of owners' equity															
1. Conversion of capital reserves to increase capital (or share capital)															
2. Conversion of surplus reserves to increase capital (or share capital)															
3. Making up of losses by surplus reserves															
4. Carry-forward of retained earnings from changes in defined benefit plans															
5. Carry-forward of retained earnings from other comprehensive income															
6. Others															
(V) Special reserves								2,455,610.89					2,455,610.89	-392.60	2,455,218.29
1. Current withdrawal								34,211,119.00					34,211,119.00	4,897,318.97	39,108,437.97
2. Current use								-31,755,508.11					-31,755,508.11	-4,897,711.57	-36,653,219.68
(VI) Others															
IV. Balance at the end of the current period	2,776,722,265.00				4,431,280,488.30		7,244,129.12	5,013,951.45	551,831,400.23		3,140,687,398.34		10,912,779,632.44	1,766,600,106.08	12,679,379,738.52

Previous amount

Unit: RMB

	2021														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
I. Balance at the end of previous year	2,776,722,265.00				4,431,280,488.30		-6,400,461.01	5,346,480.89	438,886,250.88		2,244,198,862.94		9,890,033,887.00	1,176,268,665.09	11,066,302,552.09
Add: Changes in accounting policy															
Prior-period error correction															
Merger of enterprises under common control															
Others															
II. Balance at the beginning of the current year	2,776,722,265.00				4,431,280,488.30		-6,400,461.01	5,346,480.89	438,886,250.88		2,244,198,862.94		9,890,033,887.00	1,176,268,665.09	11,066,302,552.09
III. Amount of increase/decrease/change in the current year (decrease is represented by "–")							31,182.18	-2,788,140.33	64,519,294.23		514,638,838.15		576,401,174.23	696,042,635.87	1,272,443,810.10
(I) Total comprehensive income							31,182.18				1,273,338,698.63		1,273,369,880.81	148,365,723.94	1,421,735,604.75
(II) Contribution and reduction of capital by owners														680,671,233.33	680,671,233.33
1. Ordinary shares contributed by owners															
2. Capital contributed by other equity instrument holders															
3. Amount included in owners' equity in share payment															
4. Others														680,671,233.33	680,671,233.33
(III) Profit distribution									64,519,294.23		-758,699,860.48		-694,180,566.25	-132,099,300.98	-826,279,867.23
1. Withdrawal of surplus reserves									64,519,294.23		-64,519,294.23				
2. Withdrawal of general risk reserve															
3. Distributions to owners (or shareholders)											-694,180,566.25		-694,180,566.25	-132,099,300.98	-826,279,867.23
4. Others															

Items	2021														
	Equity attributable to the owners of the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Sub-total	Non-controlling interest	Total owners' equity
(IV) Carry-forward of owners' equity															
1. Conversion of capital reserves to increase capital (or share capital)															
2. Conversion of surplus reserves to increase capital (or share capital)															
3. Making up of losses by surplus reserves															
4. Carry-forward of retained earnings from changes in defined benefit plans															
5. Carry-forward of retained earnings from other comprehensive income															
6. Others															
(V) Special reserves								-2,788,140.33					-2,788,140.33	-895,020.42	-3,683,160.75
1. Current withdrawal								24,680,012.58					24,680,012.58	3,319,986.80	27,999,999.38
2. Current use								-27,468,152.91					-27,468,152.91	-4,215,007.22	-31,683,160.13
(VI) Others															
IV. Balance at the end of the current period	2,776,722,265.00				4,431,280,488.30		-6,369,278.83	2,558,340.56	503,405,545.11		2,758,837,701.09		10,466,435,061.23	1,872,311,300.96	12,338,746,362.19

8. *Statement of Changes in Shareholders' Equity of the Parent Company*

Current amount

Unit: RMB

	2022											
		Other equity instruments										
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
I. Balance at the end of previous year	2,776,722,265.00				4,431,733,687.79		748.10		490,131,290.81	1,357,687,192.56		9,056,275,184.26
Add: Changes in accounting policy												
Prior-period error correction												
Others												
II. Balance at the beginning of the current year	2,776,722,265.00				4,431,733,687.79		748.10		490,131,290.81	1,357,687,192.56		9,056,275,184.26
III. Amount of increase/decrease/change in the current year (decrease is represented by "–")									48,425,855.12	-258,347,870.19		-209,922,015.07
(I) Total comprehensive income										484,258,551.18		484,258,551.18
(II) Contribution and reduction of capital by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by other equity instrument holders												
3. Amount included in owners' equity in share payment												
4. Others												

Items	2022											
		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
(III) Profit distribution									48,425,855.12	-742,606,421.37		-694,180,566.25
1. Withdrawal of surplus reserves									48,425,855.12	-48,425,855.12		0.00
2. Distributions to owners (or shareholders)										-694,180,566.25		-694,180,566.25
3. Others												
(IV) Carry-forward of owners' equity												
1. Conversion of capital reserves to increase capital (or share capital)												
2. Conversion of surplus reserves to increase capital (or share capital)												
3. Making up of losses by surplus reserves												
4. Carry-forward of retained earnings from changes in defined benefit plans												
5. Carry-forward of retained earnings from other comprehensive income												
6. Others												
(V) Special reserves												
1. Current withdrawal												
2. Current use												
(VI) Others												
IV. Balance at the end of the current period	2,776,722,265.00			4,431,733,687.79			748.10		538,557,145.93	1,099,339,322.37		8,846,353,169.19

Previous amount

Unit: RMB

Items	2021											
		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
I. Balance at the end of previous year	2,776,722,265.00				4,431,733,687.79		748.10		425,611,996.58	1,471,194,110.75		9,105,262,808.22
Add: Changes in accounting policy												
Prior-period error correction												
Others												
II. Balance at the beginning of the current year	2,776,722,265.00				4,431,733,687.79		748.10		425,611,996.58	1,471,194,110.75		9,105,262,808.22
III. Amount of increase/decrease/change in the current year (decrease is represented by "–")									64,519,294.23	-113,506,918.19		-48,987,623.96
(I) Total comprehensive income										645,192,942.29		645,192,942.29
(II) Contribution and reduction of capital by owners												
1. Ordinary shares contributed by owners												
2. Capital contributed by other equity instrument holders												
3. Amount included in owners' equity in share payment												
4. Others												
(III) Profit distribution									64,519,294.23	-758,699,860.48		-694,180,566.25
1. Withdrawal of surplus reserves									64,519,294.23	-64,519,294.23		
2. Distributions to owners (or shareholders)										-694,180,566.25		-694,180,566.25
3. Others												

	2021											
		Other equity instruments										
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
(IV) Carry-forward of owners' equity												
1. Conversion of capital reserves to increase capital (or share capital)												
2. Conversion of surplus reserves to increase capital (or share capital)												
3. Making up of losses by surplus reserves												
4. Carry-forward of retained earnings from changes in defined benefit plans												
5. Carry-forward of retained earnings from other comprehensive income												
6. Others												
(V) Special reserves												
1. Current withdrawal												
2. Current use												
(VI) Others												
IV. Balance at the end of the current period	2,776,722,265.00				4,431,733,687.79		748.10		490,131,290.81	1,357,687,192.56		9,056,275,184.26

III. BASIC INFORMATION OF THE COMPANY

(I) Company Profile

Company name:	Yintai Gold Co., Ltd.
Abbreviation of the company:	Yintai Gold.
Registered address:	Harato Street, Balagalgaole Town, West Ujimqin Banner, XilinGol League, Inner Mongolia Autonomous Region.
Office address:	Rooms 5103/5104, Block C, Yintai Center, No. 2 Jianguomenwai Street, Chaoyang District, Beijing.
Registered capital:	RMB2,776,722,265.
Unified social credit code:	911525007116525588.
Legal representative:	Yang Haifei.
Business scope:	Investment and management of geological exploration, mining and beneficiation and smelting of gold and non-ferrous metals; processing and sales of by-products of gold and non-ferrous metal production; storage and sale of raw materials, fuels and equipment for the production of gold and non-ferrous metals; research and development and consulting services for gold and non-ferrous metal production technology and equipment; production, processing and wholesale of high purity gold products; purchase and sale of mineral products, precious metals and their products, metal materials and their products; leasing of metal materials and their products and precious metals; engaging in import and export of goods and technology.

(II) History of the Company

Yintai Gold Co., Ltd. (hereinafter referred to as the "**company**") was formerly known as "Chongqing Wujiang Power Co., Ltd. (重慶烏江電力股份有限公司) (the company's securities are abbreviated as Wujiang Power)", "Southern Science City Development Co., Ltd. (南方科學城發展股份有限公司) (the company's securities are abbreviated as Science City)", "Yintai Resources Co., Ltd. (銀泰資源股份有限公司)" (the company's securities are abbreviated as Yintai Resources)."

Approved by Chongqing Municipal People's Government (Yu Fu [1999] No. 90) on 20 May 1999, Chongqing Wujiang Electric Power Group Company (重慶烏江電力集團公司) ("**Wujiang Electric Power Group**"), as the main initiator, jointly sponsored the establishment of Wujiang Electric Power with Chongqing Qianjiang County Xiaonanhai (Group) Company (重慶市黔江縣小南海(集團)公司), Chongqing Qianjiang Development Zone Hydropower Engineering and Construction Installation Company (重慶市黔江開發區水電工程建築安裝公司), Chongqing Qianjiang Development Zone Hydropower Material Supply and Marketing Company (重慶市黔江開發區水電物資供銷公司) and Chongqing Wujiang Manganese Industry (Group) Co., Ltd. (重慶烏江錳業(集團)有限責任公司).

On 18 June 1999, Wujiang Power was registered with Chongqing Administration for Industry and Commerce, with a total share capital of 105,000,000 shares, and was approved by the China Securities Regulatory Commission (Zheng Jian Fa Xing Zi [2000] No. 40) to publicly issued 80,000,000 ordinary shares (A shares) to the public in 2000, including 32,000,000 shares allocated to strategic investors and 48,000,000 domestic listed and outstanding shares. The shares were listed on the Shenzhen Stock Exchange on 8 June 2000 with the stock code "000975".

The "Resolution on the Plan for Converting Interim Reserve Fund into Share Capital in 2001" was considered and approved at the 2001 first extraordinary general meeting of the company. Based on the company's total share capital of 185,000,000 shares on 30 June 2001, 6 shares were converted from capital reserves for every 10 shares, and a total of 111,000,000 shares were converted. The company's total share capital increased to 296,000,000 shares after the conversion.

On 18 March 2002, Wujiang Electric Power Group, the largest shareholder of the company, signed the "Share Transfer Agreement" with GDD Holding Group Co., Ltd. ("**GDD Holding**"), and Wujiang Electric Power Group transferred 157,465,400 state-owned legal person shares held by it to GDD Holding, accounting for 53.20% of the company's total share capital. The transfer was approved by Chongqing Municipal People's Government (Yu Fu [2002] No. 90), Ministry of Finance (Cai Qi [2002] No. 216), and CSRC (Zheng Jian Han [2002] No. 264).

In September 2002, the company's name was changed from "Chongqing Wujiang Power Co., Ltd." to "Southern Science City Development Co., Ltd." by resolution of the second extraordinary general meeting of 2002, and the business license of enterprise legal person Yu Zhi No. 5000001801901 was renewed on 23 September 2002. The abbreviation of the company's securities was changed from "Wujiang Power" to "Science City" with effect from 10 October 2002, with the same stock code (000975) as approved by China Securities Depository and Clearing Corporation.

On 10 May 2004, the company held the 2003 annual general meeting, considered and approved the proposal to increase the company's share capital in 2003. Based on the company's total share capital of 296,000,000 shares at the end of 2003, 8 shares were converted from capital reserves for every 10 shares, and a total of 236,800,000 shares were converted. The company's share capital increased to 532,800,000 shares after the conversion.

On 21 November 2005, GDD Holding and China Yintai Holdings Co., Ltd. ("**China Yintai**") signed the "Share Transfer Agreement", transferring 24.40% of the company's state shares held by it to China Yintai. On 3 August 2006, a supplementary agreement was signed and the transfer of shares was changed to 29.90%. On 1 March 2007, it was approved by the SASAC, and on 10 September 2007, it was approved by the CSRC. After the completion of the equity transfer, China Yintai holds 159,307,200 shares of the company, accounting for 29.90% of the company's total share capital, and became the company's largest shareholder.

On 15 October 2007, the company held the 2007 second extraordinary general meeting, and considered and approved the Shareholding Reform Plan. The company's non-outstanding shares were reduced to 6.254 shares for every 10 shares. At the same time, according to the relevant agreement between China Yintai and GDD Holding, the share reduction arrangement corresponding to the transfer of the shares held by China Yintai to GDD Holding was executed by GDD Holding on its behalf. After the share reduction, the company converted 3.485 shares for every 10 shares to all shareholders after the share reduction from the capital reserve. At the same time, the company distributed 1.3635 bonus shares and cash dividends of RMB0.1515 (including tax) for every 10 shares to all shareholders after the share reduction with undistributed profits. After the plan was implemented on 24 January 2008, the company's total share capital was changed from 532,800,000 shares to 622,925,700 shares, and the non-outstanding shares held by the original non-outstanding shareholders were changed to outstanding shares with limited selling conditions. This share capital change has been verified by Zhongxi Certified Public Accountants Co., Ltd., and Zhong Xi Yan Zi (2007) No. 02017 and No. 02018 capital verification reports have been issued. Accordingly, the company went through the industrial and commercial change registration procedures, and the registered capital was changed from RMB532,800,000 to RMB622,925,700.

On 16 July 2010, the company renewed its No.440101000118286 enterprise legal person business license with the Guangzhou Administration for Industry and Commerce, and its registered address was changed to A501, No. 11 Caipin Road, Science City, Guangzhou Development Zone.

On 10 March 2011, the commitments made by China Yintai, GDD Holding and Chongqing Xinyu Investment (Group) Company Limited ("**Chongqing Xinyu**") in the announcement of the implementation of the shareholding reform plan were fulfilled and the corresponding shares were unlocked and can be transferred in the market.

On 4 January 2012 and 9 January 2012, China Yintai reduced its shareholding in the company by a total of 21,827,400 shares through block trading, after which China Yintai held 214,719,900 shares of the company, representing 34.47% of the total share capital, and remained the largest shareholder of the company.

On 28 December 2012, the company received the Reply on Approving the Major Assets Reorganization of Southern Science City Development Co., LTD., and the Issuance of Shares to Hou Renfeng and Other Parties to Purchase Assets and Raise Supporting Funds (《關於核准南方科學城發展股份有限公司重大資產重組及向侯仁峰等發行股份購買資產並募集配套資金的批覆》) (Zheng Jian Xu Ke [2012] No. 1740) from the CSRC, approving the major assets reorganization of the company and the issuance of 197,987,769 shares to Hou Renfeng, 198,018,132 shares to Wang Shui and 16,638,143 shares to Li Honglei to purchase related assets, and approving the company's non-public issue of not more than 50 million new shares to raise supporting funds for this share issue to purchase assets. On 11 January 2013, Zhongxi Certified Public Accountants Co., Ltd. issued a capital verification report (Zhong Xi Yan Zi [2013] No. 02001), in which the company actually received the new registered capital (share capital) of RMB412,644,044.00 from Hou Renfeng, Wang Shui and Li Honglei, who contributed their equity interests in Inner Mongolia Yulong Mining Co., Ltd. (內蒙古玉龍礦業股份有限公司) ("**Yulong Mining**") and received an additional registered capital (share capital) of RMB50,000,000.00 from China Yintai in the form of monetary capital, resulting in a total of 462,644,044 new shares.

On 24 January 2013, the newly issued shares subject to trading moratorium of the company were listed on the Shenzhen Stock Exchange. Upon completion of this issuance, the total share capital of the company was changed from 622,925,697 shares to 1,085,569,741 shares. China Yintai held 264,719,900 shares of the company, representing 24.39% of the total share capital, and remained the largest shareholder of the company. Upon completion of the reorganization, the company's main business changed from hotel and catering services to the mining, processing and sale of silver, lead and zinc and other non-ferrous metal ores.

On 28 February 2013, the company held its 2012 annual general meeting, which considered and passed the Resolution on the Change of Company Name, whereby the name of the company was changed from "Southern Science City Development Co., Ltd." to "Yintai Resources Co., Ltd.". The Chinese abbreviation was changed from "科學城" to "銀泰資源", and a new business license was obtained on 19 March 2013.

On 10 December 2014, China Yintai and Mr. Cheng Shaoliang signed the Share Transfer Agreement, whereby China Yintai transferred 25% of its shares in the company, i.e. 66,179,974 shares (of which 12,500,000 shares were shares subject to trading moratorium), to Mr. Cheng Shaoliang. Upon completion of the transfer, China Yintai held 198,539,922 shares of the company, representing 18.289% of the total share capital, and remained the largest shareholder of the company.

On 3 June 2015, the company held the 2015 second extraordinary general meeting, and considered and approved the Resolution on the Change of the Company's Registered Address, and changed the registered address to Haratu Street, Balagalgaol Town, West Ujumqin Banner, Xilingol League, Inner Mongolia Autonomous Region.

On 3 August 2015, the 2015 third extraordinary general meeting of the company considered and approved the Resolution on the Repurchase of Shares through Centralized Bidding Trading. During the period from 24 August 2015 to 27 August 2015, 3,953,671 shares of the company, representing 0.36% of the total share capital, were repurchased for a total amount of RMB45,780,900. On 22 September 2015, the cancellation procedures were completed at the Shenzhen Branch of the China Securities Depository Corporation. Accordingly, the registered capital of the company was changed from RMB1,085,569,741 to RMB1,081,616,070.

From 27 August 2015 to 14 September 2015, China Yintai increased its shareholding in the company by a total of 4,068,726 shares through the centralized bidding trading system, after which it held 202,608,648 shares of the company, representing 18.73% of the total share capital of the company, and remained the largest shareholder of the company.

From March to May 2017, Shen Guojun, the de facto controller of the company, increased his shareholding in the company by 13,675,318 shares. China Yintai, the controlling shareholder of the company, and Shen Guojun, the de facto controller, together held 216,283,966 shares of the company, representing 19.99% of the total share capital of the company in aggregate. In summary, this increase in shareholding did not affect the listing status of the company.

On 25 December 2017, the company's major asset reorganization was approved and obtained the Reply on Approving Yintai Resources Co., Ltd. to Issue Shares to Shen Guojun and Other Parties to Purchase Assets (《關於核准銀泰資源股份有限公司向沈國軍等發行股份購買資產的批覆》) (Zheng Jian Xu Ke [2017] No. 2365) from the CSRC to issue shares to eight counterparties, including Shen Guojun, to purchase 89.38% equity interest in Shanghai Shengwei. All counterparties completed the transfer procedures in respect of their shares in Shanghai Shengwei on 10 January 2018. As approved by the Shenzhen Stock Exchange, the additional shares were listed on 26 January 2018. The company completed the title transfer procedures for the above-mentioned shares and Shanghai Shengwei became its wholly-owned subsidiary, which has been included in the scope of consolidated statements since then. Pursuant to the above-mentioned approval of the CSRC, the company issued 72,319,201 shares to Shen Guojun, 62,344,139 shares to Shanghai Lanju Enterprise Management Center (Limited Partnership) (上海瀾聚企業管理中心(有限合夥)), 49,875,311 shares to Shanghai Baohu Investment Management Center (Limited Partnership) (上海趵虎投資管理中心(有限合夥)), 33,250,207 shares to Shanghai Wenwu Enterprise Management Center (Limited Partnership) (上海溫悟企業管理中心(有限合夥)), 32,252,701 shares to Cheng Shaoliang, 30,174,563 shares to Shanghai Chaomeng Enterprise Management Center (Limited Partnership) (上海巢盟企業管理中心(有限合夥)), 29,925,187 shares to Gongqingcheng Runda Investment Management Partnership (Limited Partnership) (共青城潤達投資管理合夥企業(有限合夥)) and 24,937,655 shares to Wang Shui to purchase the relevant assets at a par value of RMB1 per share and an issue price of RMB12.03 per share, increasing the registered capital by RMB335,078,964. After the issue, the registered capital and share capital of the company increased from RMB1,081,616,070 to RMB1,416,695,034. This change in share capital was verified by Zhongxi Certified Public Accountants (Special General Partnership), which issued the capital verification report of Zhong Xi Yan Zi (2018) No. 0001. The company accordingly went through the business change registration procedures, and the registered capital was changed from RMB1,081,616,070 to RMB1,416,695,034.

On 17 May 2018, the general meeting of the company considered and approved the Resolution on Profit Distribution Plan for 2017.On 1 June 2018, the company completed the implementation of the aforesaid profit distribution plan by converting 4 shares for every 10 shares to all shareholders from capital reserve, and the total share capital of the company after the conversion was 1,983,373,047 shares. After the change, the registered capital and share capital of the company increased from RMB1,416,695,034 to RMB1,983,373,047.

On 3 September 2018, China Yintai increased its shareholding in the company by 2,820,000 shares through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, China Yintai held 286,472,107 shares of the company, representing 14.44% of the total share capital of the company. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Shen Guojun and China Yintai held 20.51% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 17 September 2018, Mr. Shen Guojun increased his shareholding in the company by 3,400,000 shares through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, Mr. Shen Guojun held 123,792,327 shares of the company, representing 6.24% of the total share capital of the company. Mr. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Mr. Shen Guojun and China Yintai held 20.68% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 6 December 2018 and 7 December 2018, Mr. Shen Guojun his shareholding in the company by 4,864,900 shares in total through the centralized bidding trading system of the Shenzhen Stock Exchange. After this increase, Mr. Shen Guojun held 128,657,227 shares of the company, representing 6.49% of the total share capital of the company. Mr. Shen Guojun, the de facto controller of the company, and China Yintai, the controlling shareholder of the company, were parties acting in concert. After this increase, Mr. Shen Guojun and China Yintai held 20.93% equity interest in aggregate in the company. In summary, this increase in shareholding did not affect the listing status of the company.

On 19 September 2019, the company held the 2019 first extraordinary general meeting, which considered and passed the Resolution on the Change of the Full Name of the Company and the Abbreviation of the Securities, whereby the name of the company was changed from Yintai Resources Co., Ltd. to Yintai Gold Co., Ltd., and the Chinese abbreviation was changed from “銀泰資源” to “銀泰黃金”, and a new business license was obtained.

On 15 September 2020, the company held the 2020 first extraordinary general meeting, which considered and passed the resolution on the proposed capitalization of the company’s capital reserve for the interim period of 2020, whereby the company converted 4 shares for every 10 shares from the capital reserve on the basis of 1,983,373,047 shares, and the amount of the conversion was RMB793,349,218.00, and the total share capital of the company after the conversion was 2,776,722,265 shares.

(III) Scope of consolidated financial statements

As of 31 December 2022, the subsidiaries within the scope of the company's consolidated financial statements were as follows:

Name of subsidiary	Abbreviation of subsidiary
Shanghai Shengwei Mining Investment Co., Ltd. (上海盛蔚礦業投資有限公司)	Shanghai Shengwei
Sino Gold Tenya (HK) Limited	Sino Gold Hong Kong
Rockmining Group Company Limited	Rockmining Hong Kong
Heihe Yintai Mining Development Co., Ltd. (黑河銀泰礦業開發有限責任公司)	Heihe Yintai
Qinghai Dachaidan Mining Co., Ltd. (青海大柴旦礦業有限公司)	Qinghai Dachaidan
Inner Mongolia Yulong Mining Co., Ltd. (內蒙古玉龍礦業股份有限公司)	Yulong Mining
Jilin Banmiaozi Mining Co., Ltd. (吉林板廟子礦業有限公司)	Jilin Banmiaozi
Jilin Yintai Shengxin Mining Co., Ltd. (吉林銀泰盛鑫礦業有限公司)	Yintai Shengxin
Yintai Shenghong Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司)	Yintai Shenghong
Ningbo Yintai Yongheng Trading Co., Ltd. (寧波銀泰永亨貿易有限公司)	Yongheng Trading
Yintai Shenghong Singapore Co., Ltd. (銀泰盛鴻新加坡有限公司)	Shenghong Singapore
Mangshi Huasheng Gold Mine Development Co., Ltd. (芒市華盛金礦開發有限公司)	Huasheng Gold Mine

For details on the scope of the consolidated financial statements for the current period and its changes, please refer to "VIII. CHANGES IN THE SCOPE OF CONSOLIDATION" and "IX. EQUITY IN OTHER ENTITIES" in this section.

(IV) Approval and publication of financial statements

These financial statements have been approved for publication by the company's board of directors on 27 February 2023.

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The company prepares the financial statements based on the actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises – Basic Standards and Specific Enterprise Accounting Standards, Guidelines for the Application of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as "**Accounting Standards for Business Enterprises**") issued by the Ministry of Finance, and on this basis, in combination with the provisions of the China Securities Regulatory

Commission's Regulation on the Information Disclosure of Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (Revised in 2014).

2. Going concern

The company evaluated its ability to continue as a going concern for a period of 12 months from the end of the reporting period and found no events or circumstances that cast significant doubt on its ability to continue as a going concern. Accordingly, the financial statements have been prepared on the going concern assumption.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The company is required to comply with the disclosure requirements for the solid mineral resources industry under the Self-Regulatory Guidelines No. 3 – Industrial Information Disclosure for Listed Companies on the Shenzhen Stock Exchange.

Specific Accounting Policies and Accounting Estimates Indication

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the company based on the actual production and operation characteristics. For details, please refer to "V. 20. Fixed assets" and "V.24. Intangible assets", "V. 33. Revenue", "V. 36. Other significant accounting policies and accounting estimates".

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the company meet the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the company's financial position, operating results, cash flows and other relevant information during the reporting period.

2. Accounting period

An accounting period is from 1 January to 31 December of each calendar year.

3. Business cycle

The company adopts 12 months as a business cycle.

4. Functional currency

Renminbi is adopted as the functional currency for recording.

5. Accounting treatments of business combinations involving entities under common control and entities not under common control

(1) If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment

① These transactions were entered into at the same time or after considering the effects of each other;

② Only when regarding these transactions as a whole, can it achieve a complete business result;

③ The occurrence of one transaction depends on the occurrence of at least one other transaction;

④ A transaction is not economical when treated alone, but is economical when considered with other transactions.

(2) Business combinations involving entities under common control

For assets and liabilities acquired under business combinations, the assets, liabilities of the acquiree (including goodwill arising from the acquisition of the acquiree by the ultimate controller) on the date of combination are included in the consolidated financial statements of the ultimate controller using the book values. If there is any difference between the book values of net assets acquired and the consideration paid for the combination (or the total amount of face value of issued shares), share premium in capital reserve is adjusted. If the share premium in capital reserve is insufficient, the retained earnings are adjusted. If there is any contingent consideration required to be recognized as estimated obligations or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated obligations or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized through several transactions, in case of a package transaction, those transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income measured and recognized under the equity method or financial instrument recognition and measurement standards are not accounted until the accounting treatment for the disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; changes in the owners' equity other than the net losses and profits, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method, are not accounted, until disposal of such investment is transferred to current profit and losses.

(3) Business combinations involving entities not under common control

The acquisition date refers to the date on which the company actually obtained control over the acquiree, that is, the date when the acquiree's net assets or the control of production and business decisions were transferred to the company. At the same time when the following conditions are met, the company generally believes that the transfer of control rights has been achieved:

① The business combination contract or agreement has been approved by the internal authority of the company.

② The business combination matters, which need to be approved by the relevant competent departments of the state, has been approved.

③ The necessary procedures for the transfer of property rights have been completed.

④ The company has paid most of the combined price and has the ability and plan to pay the remaining amount.

⑤ The company has actually controlled the financial and operating policies of the acquiree and enjoyed corresponding benefits and assumed corresponding risks.

On the date of acquisition, when there is any difference between the fair values and book values of the assets provided and liabilities incurred or borne by the company as combination considerations, such differences shall be charged to profit and loss for the period.

Goodwill is recognized when the combination cost paid by the company is higher than the share of the fair value of the identifiable net assets in the acquiree obtained through the combination. When the combination cost paid is lower than the fair value of the share of the fair value of the identifiable net assets in the acquiree obtained through the combination, such difference shall be recognized in profit or loss for the period after review.

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, it should be accounted with all transactions as the one to acquire the control; in case of non-package transaction, it should be accounted under equity method: the equity investment held before the date of combination, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; due to the other comprehensive income accounted and recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is accounted according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative changes originally included in the other comprehensive income are transferred to current investment income on the date of combination.

(4) Relevant expenses in relation to combination

The intermediary expenses such as audit, legal services, appraisal and consultation and other directly related expenses occurred for the purpose of business combination are credited in profit or loss in the period when they incurred; trading fees for issue of equity securities for business combination can be deducted from equity if they are directly attributable to equity transactions.

6. *Preparation of consolidated financial statements*

(1) Scope of consolidation

The scope of consolidation of the consolidated financial statements of the company is determined on the basis of control. All subsidiaries (including individual entities controlled by the company) are included in the consolidated financial statements.

(2) Procedures of consolidation

The consolidated financial statements shall be prepared by the company based on the financial statements of the company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the company regards the whole business group as an accounting entity, and reflects the overall financial position, operating results and cash flow of the business group in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and unified accounting policies.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and financial period consistent with the company. When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries and the company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the company as necessary.

When consolidating the financial statements, the effects on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the company and its subsidiaries and among the subsidiaries shall be offset. For the consolidated financial statements of the business group, when there is divergence in the recognition of a single transaction by the company and its subsidiaries, the business group's position shall be taken up for adjustment on such transaction.

The owners' equity, the minority interest on net profit or loss for the period and comprehensive income should be separately disclosed under owners' equity in the consolidated balance sheet, and net profit and comprehensive income in the consolidated income statement. When loss for the period attributable to minority shareholders of a subsidiary exceeds the initial share of owners' equity in the subsidiary owned by such minority shareholders, the excess amount shall still be deducted against shareholders' equity.

For a subsidiary acquired through a business combination under the same control, adjustments are made to its financial statements based on the carrying amount of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate control party) in the financial statements of the ultimate control party.

For subsidiaries acquired through business combinations not under the same control, adjustments are made to their financial statements based on the fair value of net identifiable assets at the date of acquisition.

① Addition of subsidiary or business

During the reporting period, initial amount in the consolidated balance sheets is adjusted for the addition of new subsidiaries and businesses due to business combinations involving entities under common control. The income, expenses and profits of the subsidiaries from the beginning of the consolidation to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated cash flow statements. At the same time, those relevant items of comparison of financial statements are adjusted as if the consolidated the reporting entity has existed since the date of establishment of control by the ultimate control party.

For exercising control over investee under common control due to the addition of investment, it shall consider those entities consolidated since the date of control began and adjust the existing conditions. For the equity investment held before obtaining the control of the combined party, between the later of the date of those equity held originally or the date of both parties under common control to combination date, those identifiable profit or loss, other comprehensive income and other change in net assets, shall be separately charged to initial amount of the comparative statements or the profit and loss of the period.

During the reporting period, initial amount in the consolidated balance sheets is not adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities not under common control. The income, expenses and profits of the subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statements.

For exercising control over investee not under common control due to addition of investment, those equity held before acquisition date is subject to re-measurement using fair value. Differences between fair value and book value is charged to investment income for the period. For movement in owners' equity other than other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits, equity held before acquisition date which was measured under equity method; and relevant other comprehensive income and movement in other owners' equity were changed to the profit or loss of the financial period of the acquisition date, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

② Disposal of subsidiary or business

1) General treatments

During the reporting period, for disposal of subsidiaries or businesses by the company, the income, expenses and profits of the subsidiaries from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries or businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements.

When the company loses control on the investee due to partial disposal of equity investment or otherwise, the remaining invested equity after disposal is re-measured based on the fair value at the date when control was lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, less the share of net assets calculated on a continuing basis starting from the date of acquisition or consolidation based on the original shareholding ratio and goodwill, shall be recognized as the investment gain for the period when control was lost. Other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits associated with equity investment in the former subsidiary shall be transferred to investment gain upon the loss of control, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

2) Piecemeal disposal of subsidiary

Through piecemeal disposals of equity of subsidiary until loss of control, normally those transactions would be accounted as a package of transactions if those arrangements and conditions and economic impacts of disposal transactions fulfilled one or more of the following situations:

A. Such transactions are occurred together or made under considerations of mutual impacts;

B. A complete business consequence could only be made under such series of transactions;

C. The occurrence of a transaction is dependent on occurrence of at least one transaction;

D. One transaction itself is not economical itself, but when considered together with other transactions would become economical.

Transactions for partly disposal of subsidiary until losing control which is considered as a package of transactions, the company treats this as one transaction under accounting treatment; however, the difference between each transaction proceeds and the net asset value of that disposal, is firstly treated as other comprehensive income and then charged together to profit or loss for the period until the control of subsidiary is lost.

Transactions for partly disposal of subsidiary until losing control which is not considered as a package of transactions, before the loss of control, the company treats it as the same as transactions for not losing control and treats as general disposal under accounting treatment when the control of subsidiary is lost.

③ Acquisition of minority interest of subsidiary

For the difference between the long-term equity investment newly obtained by the company due to the purchase of minority equity and the share of net assets of subsidiaries continuously calculated from the purchase date (or combination date) according to the newly increased shareholding ratio, the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, charge to the retained profits.

④ Partly disposal of equity investment in subsidiaries without losing control

Under the situation the difference between the proceeds from disposal of subsidiary without losing control and the attributable net assets value of the subsidiary continuously calculated from the acquisition date or combination date, the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, the retained profits shall be adjusted.

7. *Classification of joint arrangements and accounting treatment for joint operations*

(1) Classification of joint venture arrangements

The company classifies the joint venture arrangements into joint venture and joint operation according to the structure, legal form of joint venture arrangement, the terms agreed in the arrangement, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as joint operation:

① Its legal form shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

② The contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

③ Other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

(2) Accounting treatment for joint operations

The company recognizes the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant accounting standards for business enterprises:

① assets it solely holds and its share of jointly-held assets based on its percentage;

② liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

③ incomes from sale of output enjoyed by it from the joint operation;

④ incomes from sale of output from the joint operation based on its percentage; and

⑤ separate costs and costs for the joint operation based on its percentage.

When the company invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the company shall recognize such loss in full.

When the company purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the company shall recognize its part of such loss based on its percentage.

If the company has no joint control over a joint operation, but enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant accounting standards for business enterprises.

8. *Determination criteria for cash and cash equivalents*

In preparing cash flow statements, the company's cash on hand and deposits that can be readily utilized for payment are recognized as cash. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known amount of cash and minimal risk of value change, are recognized as cash equivalents.

9. *Foreign currency businesses and translation of foreign currency statements*

(1) Foreign currency businesses

Foreign currency business transaction are recognized at the beginning and translated into Renminbi using the spot exchange rate prevailing on the date when transaction occurred.

Balance of monetary items in foreign currency are translated using the spot exchange rate prevailing on the balance sheet date, and the exchange differences arising therefrom are recognized in profit or loss for the period, except for special foreign currency loans related to acquisition and construction of assets that satisfy capitalization requirements, whose exchange differences are accounted for using principles on capitalization of loan expenses. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged.

Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss for the period. In case of non-monetary items in foreign currency available for sales, the exchange difference arising therefrom is included in the other comprehensive income.

(2) Translation of foreign currency financial statements

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of transaction. The foreign currency translation difference arisen as a result of the above currency translation is included in the other comprehensive income.

When disposing of an overseas operation, the foreign currency translation difference for items under the other comprehensive income in the balance sheet that are related to such overseas operation is transferred from the other comprehensive income to profit or loss for the period; when disposing of partial overseas equity investment or due to other reasons causing decrease in holding ratio of overseas operation but not losing control, the foreign currency translation difference attributable for disposed is transferred to minority interests but not profit or loss for the period. In occasion disposal of equity interest in foreign associate or joint operation, the foreign currency translation difference attributable to the portion disposed of is transferred to profit or loss for the period.

10. Financial instruments

A financial asset or financial liability is recognized when the company becomes a party to a contract for a financial instrument.

The effective interest method is the method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over each accounting period.

The effective interest rate is the rate used to discount the estimated future cash flows of a financial asset or financial liability over its expected life to the carrying amount of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flows are estimated taking into account all contractual terms of the financial asset or financial liability (e.g, prepayment, extension, call option or other similar option, etc.), but without taking into account the expected credit losses.

The amortized cost of a financial asset or financial liability is the amount initially recognized for that financial asset or financial liability less the principal repaid, plus or minus the cumulative amortization of the difference between the amount initially recognized and the amount at maturity using the effective interest method, less the cumulative loss allowance (for financial assets only).

(1) Classification and measurement of financial assets

Based on the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the company classifies the financial assets into the following three categories:

① Financial assets measured in amortized cost.

② Financial assets at fair value through other comprehensive income.

③ Financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition, but trade or bills receivables arising from the sale of goods or services, etc., that do not contain a significant financing component or do not consider a financing component for more than one year are initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, transaction costs are charged directly to profit or loss, and transaction costs relating to other types of financial assets are charged to the amount initially recognized.

Subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified when and only when the company changes its business model for managing financial assets.

① Classified as financial assets measured in amortized cost

A financial asset is classified as a financial asset measured in amortized cost if the contractual terms of the financial asset specify that the cash flows that arise at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims to collect the contractual cash flows. The company's financial assets classified as measured in amortized cost include monetary funds, bills and trade receivables, other receivables, debt investments and long-term receivables etc. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are included in the non-current assets due within 1 year; debt investments with maturities of no more than 1 year (inclusive) at acquisition are included in other current assets.

Interest income is recognized by the company using the effective interest method for these financial assets and subsequently measured at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the profit or loss of the current period. Interest income is determined by multiplying the carrying amount of a financial asset by the effective interest rate, except for the following:

1) For financial assets that have been acquired or originated for credit impairment, the company calculates and determines the interest income based on the amortized cost and credit-adjusted effective interest rate of the financial assets from initial recognition.

2) For financial assets that have not been credit-impaired but become credit-impaired in subsequent periods, the company calculates and determines the interest income based on the amortized cost and effective interest rate of the financial assets in subsequent periods. If the financial instrument is no longer credit-impaired due to an improvement in its credit risk in a subsequent period, the company calculates and determines interest income by multiplying the effective interest rate by the carrying amount of the financial asset.

② Financial assets classified as at fair value through other comprehensive income

A financial asset is classified by the company as a financial asset at fair value through other comprehensive income if the contractual terms of the financial asset stipulate that the cash flows generated at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims at both collecting the contractual cash flows and selling the financial asset.

The company recognizes interest income on these financial assets using the effective interest method. Changes in fair value are included in other comprehensive income, except for interest income, impairment losses and exchange differences, which are recognized in profit or loss for the period. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss for the current period.

Bills and receivables at fair value through other comprehensive income are presented as receivables financing and other such financial assets are presented as other debt investments, in which: other debt investments that fall due within one year from the balance sheet date are presented as non-current assets that fall due within one year and other debt investments that have an original maturity of less than one year are presented as other current assets.

③ Financial assets designated as at fair value through other comprehensive income

On initial recognition, the company may irrevocably designate an investment in a non-trading equity instrument as a financial asset at fair value through other comprehensive income on a single financial asset basis.

Changes in the fair value of these financial assets are included in other comprehensive income and no impairment allowance is required. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings. Dividend income is recognized and credited to profit or loss for the period in which the company holds the investment in the equity instrument when the company's right to receive dividends has been established, it is probable that economic benefits associated with the dividend will flow to the company and the amount of the dividend can be measured reliably. The company's investment in these financial assets is reported in other equity instruments.

An investment in an equity instrument is a financial asset that is measured at fair value through profit or loss if one of the following conditions is met: the financial asset is acquired primarily for immediate sale; it is part of a centrally managed portfolio of identifiable financial asset instruments at initial recognition and there is objective evidence that a short-term profit model actually exists in the near term; it is a derivative instrument (other than derivatives that meet the definition of a financial guarantee contract and are designated as valid hedging instruments).

④ Financial assets classified as at fair value through profit or loss

Financial assets that do not meet the criteria for being classified as either amortized cost-based or fair value through other comprehensive income or designated as fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

The company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The company presents these financial assets under the items of financial assets held for trading and other non-current financial assets based on their liquidity.

⑤ Financial assets designated as at fair value through profit or loss

At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company may irrevocably designate a financial asset as a financial asset at fair value through profit or loss on a single financial asset basis.

Where the hybrid contract contains one or more embedded derivatives and the host contract does not belong to the above financial assets, the company may designate the whole as a financial instrument at fair value through profit or loss, except for the following:

1) Embedded derivatives do not materially change the cash flows of the hybrid contract.

2) When initially determining whether a similar hybrid contract needs to be split, it is almost clear without analysis that the embedded derivatives it contains should not be split. Where an embedded prepayment option for a loan allows the holder to prepay the loan at an amount close to amortized cost, the prepayment option does not need to be split.

The company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The company presents these financial assets under the items of financial assets held for trading and other non-current financial assets based on their liquidity.

(2) Classification, recognition and measurement of financial liabilities

The company classifies a financial instrument, or a component thereof, as a financial liability or an equity instrument on initial recognition based on the contractual terms of the financial instrument issued and the economic substance reflected therein, rather than solely in legal form, in combination with the definitions of a financial liability and an equity instrument. Financial liabilities are classified on initial recognition as financial liabilities at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value on initial recognition. For financial liabilities measured at fair value through profit or loss, the related transaction costs are charged directly to profit or loss; For other types of financial liabilities, the related transaction costs are included in the amount initially recognized.

Subsequent measurement of financial liabilities depends on their classification:

① Financial liabilities measured at fair value through profit or loss

Such financial liabilities include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss on initial recognition.

A financial liability is classified as a financial liability held for trading if one of the following conditions is met: the underlying financial liability is assumed primarily for the purpose of selling or repurchasing in the near term; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the enterprise has recently adopted a short-term profit model; it is a derivative instrument, except for those that are designated as effective hedging instruments and those that meet financial guarantee contracts. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value and all changes in fair value are included in profit or loss for the period, except for those relating to hedge accounting.

At initial recognition, in order to provide more relevant accounting information, the company irrevocably designates a financial liability that meets one of the following conditions as a financial liability at fair value through profit or loss:

1) Accounting mismatches can be eliminated or significantly reduced.

2) The management and performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis, in accordance with the corporate risk management or investment strategy as set out in the official written documents, and reporting to key management personnel within the enterprise on this basis.

The company subsequently measures these financial liabilities at fair value, except for changes in fair value arising from changes in the company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in the profit or loss of the current period. The company accounts for all changes in fair value (including the amount of the effect of changes in its own credit risk) in profit or loss for the current period, unless such changes in fair value through other comprehensive income would cause or enlarge an accounting mismatch in profit or loss.

② Other financial liabilities

The company classifies financial liabilities as financial liabilities measured in amortized cost, which are subsequently measured in accordance with amortized cost using the effective interest method, and gains or losses arising from derecognition or amortization are included in profit or loss for the period, except for the following:

1) Financial liabilities at fair value through profit or loss.

2) Financial liabilities arising from the transfer of a financial asset that does not meet the conditions for derecognition or continues to be involved in the transferred financial asset.

3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category 1) of this article for loans at below-market interest rates.

A financial guarantee contract is a contract that requires an issuer to pay a specific amount to a contract holder that has suffered a loss when a particular debtor fails to pay its debt in accordance with the terms of the original or modified debt instrument when due. Financial guarantee contracts that are not financial liabilities designated at fair value through profit or loss are measured after initial recognition at the higher of the loss allowance amount and the amount initially recognized less accumulated amortization over the guarantee period.

(3) Derecognition of financial assets and financial liabilities

① A financial asset is derecognized when one of the following conditions is met, i.e, it is written off from its account and balance sheet:

1) The contractual right to receive the cash flows from the financial asset is terminated.

2) The financial asset has been transferred and the transfer meets the requirements for derecognition of the financial asset.

② Conditions for derecognition of financial liabilities

A financial liability (or a portion of a financial liability) is derecognized if the current obligation of the financial liability (or portion of a financial liability) has been discharged.

Where an agreement is entered into between the company and the lender to replace the original financial liability by assuming the new financial liability and the contractual terms of the new financial liability and the original financial liability are materially different, or the contractual terms of the original financial liability (or a portion thereof) are materially modified, the original financial liability is derecognized and a new financial liability is simultaneously recognized, and the difference between the carrying amount and the consideration paid (including the non-cash assets transferred out or the liabilities assumed) is included in the profit or loss of the current period.

Where the company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated based on the fair value of the continuing recognition portion and the derecognition portion as a proportion of the fair value of the financial liability as a whole at the date of repurchase. The difference between the carrying amount allocated to the derecognized portion and the consideration paid, including the non-cash assets transferred out or liabilities assumed, is included in the current profit or loss.

(4) The basis for recognition and measurement of financial asset transfers

When a transfer of financial assets occurs, the company assesses the extent of the risks and rewards of retaining ownership of the financial assets and deals with each of the following:

① Where substantially all the risks and rewards of ownership of a financial asset are transferred, the financial asset is derecognized and the rights and obligations arising or retained in the transfer are recognized separately as assets or liabilities.

② A financial asset is recognized if it retains substantially all the risks and rewards of ownership.

③ Where substantially all the risks and rewards of ownership of a financial asset have not been transferred or retained (i.e, other than those in ① and ② of this article), they are dealt with in the following circumstances, depending on whether they retain control over the financial asset:

1) Where control over the financial asset is not retained, the financial asset is derecognized and the rights and obligations arising or retained in the transfer are recognized separately as assets or liabilities.

2) Where control over the financial asset is retained, the financial asset continues to be recognized to the extent that it continues to be involved in the transferred financial asset and the related liability is recognized accordingly. The extent to which the company continues to be involved in the transferred financial asset is the extent to which the company is exposed to risks or rewards from changes in the value of the transferred financial asset.

In determining whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted. The company classifies the transfer of financial assets into overall transfer and partial transfer of financial assets.

① Where the overall transfer of a financial asset satisfies the derecognition condition, the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the transferred financial asset at the date of derecognition.

2) The sum of the consideration received for the transfer of a financial asset and the amount of the corresponding derecognized portion of the cumulative change in fair value that would have been credited directly to other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with the change in other comprehensive income).

② Where a financial asset is partially transferred and the transferred portion as a whole satisfies the derecognition condition, the carrying amount of the financial asset as a whole before the transfer is apportioned between the derecognition portion and the continuing recognition portion (in which case, the retained service asset shall be regarded as a part of the continuing recognition of the financial asset) based on the relative fair value on the transfer date, and the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the derecognized portion at the date of derecognition.

2) The sum of the consideration received for the derecognition component and the amount of the corresponding derecognition component of the cumulative change in fair value originally included in other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with its change included in other comprehensive income).

Where the transfer of a financial asset does not meet the conditions for derecognition, the financial asset is continued to be recognized and the consideration received is recognized as a financial liability.

(5) Determination of fair value of financial assets and financial liabilities

A financial asset or financial liability that has an active market is determined at its fair value based on quoted prices in the active market, unless the financial asset has a shelf life that is specific to the asset itself. Financial assets that are restricted for sale against the asset itself are determined at quoted prices for related assets or liabilities in active markets, net of the amount of compensation required by market participants to assume the risk of not selling the financial asset in the open market for a specified period of time. Quoted prices in active markets include quoted prices that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, etc, and that represent actual and recurring market transactions on a fair trading basis.

Financial assets acquired or derived initially, or financial liabilities assumed, are determined on the basis of market transaction prices.

Financial assets or financial liabilities that do not have an active market are valued at fair value using valuation techniques. In making the valuation, the company uses valuation techniques that are appropriate in the circumstances and supported by sufficient available data and other information to select inputs that are consistent with the characteristics of the asset or liability that market participants consider in the transaction of the underlying asset or liability, and to the extent possible, gives preference to the relevant observable inputs. Unobservable inputs are used when the relevant observable inputs are not available or are not practicable to obtain.

(6) Impairment of financial instruments

The company performs impairment accounting and recognizes loss allowances for financial assets classified as measured at amortized cost, financial assets classified as measured at fair value through other comprehensive income and financial guarantee contracts.

Expected credit losses are the weighted average of the credit losses on financial instruments weighted by the risk of default. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received, discounted at the company's original effective interest rate, being the present value of all cash shortfalls. Among them, credit-impaired financial assets purchased or originated by the company shall be discounted at the credit-adjusted effective interest rate of the financial assets.

For receivables arising from transactions governed by revenue standards, the company applies the simplified measurement method to measure the loss allowance at an amount equal to lifetime ECLs.

For financial assets that have been purchased or originated for credit impairment, only the cumulative change in expected credit losses over the lifetime after initial recognition is recognized as a loss allowance at the balance sheet date. At each balance sheet date, the amount of the change in ECLs over the lifetime is credited to profit or loss as an impairment loss or gain. Favorable changes in ECLs are recognized as impairment gains even if the lifetime ECLs determined at the balance sheet date are less than the amount of ECLs reflected in the estimated cash flows at initial recognition.

For financial assets other than those that have undergone credit impairment using the simplified measurement method and purchases or origination described above, the company assesses at each balance sheet date whether the credit risk of the relevant financial instrument has increased significantly since initial recognition and measures its loss allowance, recognizes ECLs and changes therein separately as follows:

① If the credit risk of the financial instrument has not increased significantly since initial recognition and is in stage 1, the loss allowance is measured at an amount equal to the expected credit loss of the financial instrument over the next 12 months and interest income is calculated based on the carrying amount and the effective interest rate.

② If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in stage 2, the loss allowance is measured at an amount equal to the expected credit loss over the lifetime of the financial instrument, and interest income is calculated based on the carrying amount and the effective interest rate.

③ If the financial instrument has been credit-impaired since initial recognition, it is in stage 3, the company measures its loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument and calculates interest income at amortized cost and effective interest rates.

The amount by which the credit loss allowance for a financial instrument is increased or reversed is credited to profit or loss as an impairment loss or gain. Except for financial assets classified as at fair value through other comprehensive income, credit loss allowance is made against the carrying amount of the financial asset. For financial assets classified as at fair value through other comprehensive income, the company recognizes its credit loss allowance in other comprehensive income and does not reduce the carrying amount of the financial asset as shown in the balance sheet.

If the company has measured the loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument in the previous accounting period, but the financial instrument is no longer subject to a significant increase in credit risk since initial recognition, the company measures the loss allowance at an amount equal to the expected credit losses over the next 12 months at the balance sheet date of the current period, and the reversal amount of the loss allowance thus formed is included in the current profit or loss as an impairment gain.

① Significant increase in credit risk

The company uses available reasonable and supportable forward-looking information to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the balance sheet date with the risk of a default occurring on the date of initial recognition. For financial guarantee contracts, the date on which the company becomes a party to an irrevocable commitment is the date of initial recognition when the company applies the impairment provision for financial instruments.

In assessing whether there has been a significant increase in credit risk, the company considers the following factors:

1) Whether there has been an actual or expected significant change in the operating results of the debtor;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;

3) Whether there has been a significant change in the value of the collateral used as security for the debt or in the quality of the guarantees or credit enhancements provided by third parties that is expected to reduce the debtor's economic incentive to pay within the contractual time limit or affect the probability of default;

4) Whether there has been a significant change in the expected performance and repayment behavior of the debtor;

5) Changes in the company's credit management methods for financial instruments, etc.

At the balance sheet date, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the company determines that the financial instrument has only low credit risk. A financial instrument is considered to have low credit risk if it has a low risk of default, the borrower has a strong ability to meet its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment over a longer period of time, it may not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

② Financial assets with credit impairment

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

1) Significant financial difficulties of the issuer or the debtor;

2) Breach of contract by the debtor, such as default or overdue payment of interest or principal, etc.;

3) A concession given by a creditor to the debtor that the debtor would not otherwise make for economic or contractual reasons relating to the debtor's financial difficulties;

4) The debtor is likely to go bankrupt or undergo other financial restructuring;

5) The financial difficulty of the issuer or the debtor results in the disappearance of an active market for the financial asset;

6) A financial asset is purchased or originated at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

③ Determination of expected credit losses

The company assesses the ECLs for financial instruments individually and in combination, taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions in assessing the ECLs.

The company classifies financial instruments into different combinations based on common credit risk characteristics. Common credit risk characteristics adopted by the company include: type of financial instrument, credit risk rating, aging mix, overdue aging mix, contract settlement cycle, debtor's industry, etc. See the accounting policies for the relevant financial instruments for the individual assessment criteria and the combined credit risk characteristics of the relevant financial instruments.

The company determines the ECLs for the relevant financial instruments as follows:

1) For financial assets, credit losses are the present value of the difference between the contractual cash flows that the company is expected to receive and the cash flows that it expects to receive.

2) For lease receivables, credit losses are the present value of the difference between the contractual cash flows that the company is expected to receive and the cash flows that it expects to receive.

3) For financial guarantee contracts, credit losses are the present value of the difference between the expected payments to be made by the company to the contract holder for credit losses incurred by the contract holder, less the amount that the company expects to receive from the contract holder, the debtor or any other party.

4) For a financial asset that is credit-impaired at the balance sheet date but not purchased or originated from credit-impaired, credit loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

Factors reflected in the company's measurement approach to ECL on finance instruments include: an unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; the time value of money; reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

④ Write-down of financial assets

When the company no longer reasonably expects the contractual cash flows of a financial asset to be recovered in whole or in part, the carrying amount of the financial asset is written down directly. Such a write-down constitutes a derecognition of the relevant financial asset.

(7) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, if the following conditions are met at the same time, the net amount after offsetting is shown in the balance sheet:

① The company has a legal right to set off the recognized amounts and such legal right is currently enforceable;

② The company plans to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

11. Bills receivable

See Note V.10.(6) Impairment of financial instruments for details of the method of determining and accounting for ECL on bills receivable.

When it is not possible to assess sufficient evidence of ECLs at a reasonable cost at the individual instrument level, the company refers to historical credit loss experience, combines current conditions with its judgement of future economic conditions, and based on credit risk characteristics, divides the bills receivable into several combinations, and calculates ECL on a combination basis. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Bank acceptance	Bank acceptance has a high credit rating, a short duration, low risk of default, and a strong ability to fulfill its contractual cash flow obligations in the short term	ECL is not recognized with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions
Trade acceptance	Classification according to common credit risk characteristics	ECL is measured with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions

12. Accounts receivable

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on accounts receivable.

The company separately determines the credit loss of accounts receivable that have been credit-impaired after the initial recognition.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the Company refers to historical credit loss experience, combines current conditions with judgement of future economic conditions, divides the accounts receivable into combinations based on credit risk characteristics, and calculates ECL on a combination basis. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Aging portfolio	Classification according to common credit risk characteristics	ECL is calculated based on aging and ECL rates over the lifetime
Related party portfolio	Receivables arising between related parties within the scope of consolidated statements	ECL rate of the portfolio is 0% based on default risk exposure and ECL rates over the lifetime

13. Accounts receivable financing

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on accounts receivable financing.

14. Other receivables

Method of determining and accounting for ECL on other receivables

See Note V.10.(6) Impairment of financial instruments for details of the company's method of determining and accounting for ECL on other receivables.

The company separately recognises credit losses on other receivables for which credit impairment has occurred subsequent to initial recognition.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the company calculates ECL on a portfolio basis by dividing other receivables into portfolios based on credit risk characteristics, with reference to historical credit loss experience, combining current conditions with judgement of future economic conditions. The basis for determining the combination is as follows:

Name of portfolio	Basis for determination of portfolio	Method of provision
Aging portfolio	Classification according to common credit risk characteristics	ECL is calculated based on default risk exposure and ECL rates within the next 12 months or over the lifetime
Related party portfolio	Receivables arising between related parties within the scope of consolidated statements	ECL rate of the portfolio is 0% based on default risk exposure and ECL rates within the next 12 months or over the lifetime

15. Inventories

(1) Classification of inventories

Inventories refer to the completed products or merchandize, semi-finished products under production process, and materials and items consumed during production or provision of labor services which are held for sale by the company over the course of ordinary activities. These mainly include raw materials, turnover materials, commissioned processing materials, work in progress, finished products (inventory goods), delivered goods, etc.

(2) Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The prices of inventories are calculated using weighted average method when they are taken or delivered.

(3) Determination criteria for the net realizable value of inventories and provision for inventory impairment

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

(4) Inventory system

Perpetual inventory system is adopted.

(5) Amortization of low-value consumables and packaging

① Low-value consumables are amortized by one-time write-off;

② Packaging materials are amortized by one-time write-off;

③ Other supplementary materials are amortized by one-time write-off.

16. Contract assets

If the company has transferred the goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as a contract asset. The company's unconditional (i.e. depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting treatment method of the expected credit losses of the contract assets of the company, please refer to Impairment of financial instruments of Note V. 10.(6).

17. Contract Cost

(1) Contract performance cost

The company recognises as an asset the cost of performing a contract that it incurs to perform the contract that is outside the scope of accounting standards for enterprises other than revenue standards and that simultaneously meets the following conditions:

① The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar), costs that are clearly attributable to the customer, and other costs that are incurred solely as a result of the contract;

② The cost increases the resources that the enterprise will use to fulfill its performance obligations in the future;

③ The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortisation period at initial recognition exceeds a normal operating cycle.

(2) Contract acquisition cost

Incremental costs incurred by the company in obtaining a contract that are expected to be recovered are recognised as contract acquisition costs as an asset. Incremental costs are costs that the company would not have incurred without obtaining a contract, such as sales commissions. Where the amortisation period does not exceed one year, it is included in the current profit or loss when incurred.

(3) Amortization of contract costs

The above assets relating to contract costs are amortised at the point in time when the performance obligation is satisfied or in accordance with the progress of the performance obligation, on the same basis as the recognition of income from goods or services relating to the asset, and are included in the profit or loss of the current period.

(4) Impairment of contract costs

Where the carrying value of the above assets relating to contract costs is higher than the difference between the remaining consideration expected to be obtained by the Company from the transfer of the commodities related to the assets and the cost estimated to be incurred for the transfer of the related commodities, the excess shall be provided for impairment and recognised as an asset impairment loss.

After the provision for impairment is made, if the difference between the above two items is higher than the carrying amount of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

18. Other debt investments

See Note V.10.(6) Impairment of financial instruments for details of the method of determining and accounting for ECL on other debt investments.

19. Long-term equity investments

(1) Initial determination of investment costs

① For long-term equity investment formed by business combination, details of accounting policies are set out in Note V. 5. Accounting treatments of business combinations involving entities under common control and entities not under common control.

② Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined by the actual consideration paid. The initial investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during insurance or acquisition of equity instrument that may be directly attributable to equity trade can be deducted from the equity.

The initial investment costs of long-term equity investment obtained in an exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a non-monetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

(2) Subsequent measurement and profit or loss recognition

① Cost method

The company adopts the cost method to record the long-term equity investment which is available for the investee to implement control, using consideration cost as the initial investment cost, and the subsequent additions and disposals would be adjusted to long-term equity investment cost.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the company recognizes cash dividends or profits declared by the investee as current investment gains.

② Equity method

The company adopts the equity method for accounting of long-term equity investment in joint ventures and associates; where part of the equity investment of the investing party is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value, the changes in which are included in the profit and loss.

When the initial investment cost of the long-term equity investment exceeds the share of fair value in the net tangible assets in the investee, the initial investment cost of a long-term equity investment is not adjusted based on such difference. When the initial investment cost is lower than the share of fair value in the net tangible asset in the investee, such difference is recognized in profit or loss for the period.

After the company acquires a long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, recognize the investment income and other comprehensive income respectively and simultaneously adjust the carrying value of the long-term equity investment. The company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the carrying value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the company shall adjust the carrying value of the long-term equity investment and include such change into the owners' equity.

The company shall, based on the fair value of identifiable net assets of the investee when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the company and the associates, joint ventures be deducted with the part attributable to the company according to the proportion the company is entitled to, and the gains or losses on investment shall be recognized on such basis.

Recognition of loss in the investee by the company shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investments is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of the long-term equity net investment in the investee and reduce the carrying amount of long-term receivables. Finally, after the above treatment, if the company still bears additional obligations stipulated under the investment contract or agreement, the estimated obligations assumed are recognized as estimated liabilities and recognized in profit or loss for the period.

If the investee records a profit subsequently, after reducing the attributable loss that is not yet recognized, the treatment by the company shall be the reverse of the above order: reverse the carrying balance of estimated liabilities already recognized, restore the carrying amount that physically constitute the long-term interests and long-term equity investment in the investee, and recognize investment gain.

(3) Change of the accounting methods for long-term equity investments

① Change of measurement at fair value to accounting under equity method

Where the equity investment held by the company with no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can place significant impact or carry out common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined subject to the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the new investment cost are determined to be the initial investment cost accounted under equity method.

The carrying value of the long-term equity investment is adjusted by the difference between the fair value shares of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment and the initial investment cost under equity cost and is included in current non-operating income.

② Change of measurement at fair value or accounting under equity method to cost method

For the equity investment of the investee held by the company with no control, joint control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can be controlled due to addition of investment, the sum of the carrying value of the original equity investment and the cost of new investment is changed to be accounted under cost method and recognized as the initial investment cost when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted on the same basis for the disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the accumulated fair value changes that were originally included in other comprehensive income shall be included in current profit or loss under cost method.

③ Change of accounting under equity method to measurement at fair value

Where the company losses common control or significant impact over the investee due to disposal of some of the equity investment, the remaining equity after disposal shall be subject to accounting under Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the carrying value is included in current profit or loss.

Other comprehensive income that is recognized previously for the equity investment due to adoption of the equity method shall be subject to accounting on the same basis for disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

④ Change of cost method to equity method

Where the company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal can place common control or significant impact over investee, it should be changed to equity method in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method is adopted at the acquisition.

⑤ Change of cost method into measurement at fair value

Where the company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal cannot place common control or significant impact over investee, the accounting should be changed and become subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the control is lost and the carrying value is included in current profit and loss.

(4) Disposal of long-term equity investment

When disposal of long-term equity investment, the difference between its carrying value and the payment actually acquired shall be included in the current profit or loss. When disposal of long-term equity investment measured by employing the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto according to the corresponding proportion.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment:

① these transactions were entered into at the same time or after considering the effects of each other;

② only when regarding these transactions as a whole, can it achieve a complete business result;

③ the occurrence of one transaction depends on the occurrence of at least one other transaction;

④ a transaction is not economical when treated alone, but is economical when considered with other transactions.

When an entity loses control on its original subsidiary due to partial disposal of equity investment or otherwise, it does not belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

① In separate financial statements for equity disposed, the difference between the carrying value and the actual payment is included in current profit or loss. Where the remaining equity after disposal can implement common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity is adopted at the time of acquisition; where the remaining equity after disposal cannot implement common control or place significant impact over the investee, relevant provisions of Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments shall be adopted for accounting, and the difference between the fair value on the date when the control is lost and the carrying value is included in current profit or loss.

② In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of loss of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of loss of control. The difference between the sum of the price acquired for disposal of equity and the fair value of the remaining equity less shares of net assets constantly calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to good will. Other comprehensive income related to original equity investment in the subsidiaries is transferred to current investment income at the time of loss of control.

If transactions in relation to the disposal of equity investments in subsidiaries until control is lost belong to a package transaction, each transaction shall be treated as a transaction for the disposal of equity investments in subsidiaries and the loss of control and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

① In separate financial statements, the difference between each disposal price before the loss of control and the carrying value of the long-term equity investment corresponding to the equity disposed is recognized as other comprehensive income; and shall be transferred to current profit or loss at the time of loss of control.

② In consolidated financial statements, the difference between each disposal price before the loss of control and the share of net assets in the subsidiary corresponding to the disposal of investment is recognized as other comprehensive income, and shall be transferred to profit or loss for the period when control is lost.

(5) Criteria for determination of common control and significant impact

If the company collectively controls certain arrangement with the other participants as agreed, and the decisions on the activities that may have significant impact on the return of arrangement exit with consistent agreement from participants sharing the control power, then the company and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, it is judged according to relevant agreement that, when the company is entitled to rights over the net assets of such entity, the entity is a joint venture and adopts equity method for accounting treatment. If judged according to relevant agreement that, the company has no rights over the net assets of such entity, such entity is joint operation, and the company recognize the items in relation to the shares in the joint operation and adopts provisions of relevant accounting standards for accounting treatment.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an invested entity, but not to control or jointly control together with other parties over the formulation of these policies. The company determines the significant impact on investee in one or more situations as follows after a comprehensive consideration of all facts and situations: ① dispatching representatives in the board of directors or similar power organ of the investee; ② participating in the formulation of the financial and operation policies of the investee; ③ having significant deals with the investee; ④ dispatching management personnel to the investee; and ⑤ providing key technical data to investee.

20. *Fixed assets*

(1) Recognition conditions

Fixed assets refer to tangible assets held for the production of merchandize, provision of labor services, renting or operational management with useful life over one accounting year. Fixed assets are recognized when all of the following conditions are met:

① economic benefits related to such fixed assets are likely to flow into the enterprise;

② costs of such fixed assets can be reliably measured.

(2) Method of depreciation

Category	**Method of depreciation**	**Period of depreciation**	**Residual value ratio**	**Annual depreciation ratio**
Houses and buildings	Average year method	20–50	5	1.90–4.75
Machinery equipment	Average year method	5–10	5	9.50–19.00
Underground works assets	Units-of-production method			
Transportation equipment	Average year method	5	5	19
Office facilities and others	Average year method	3–5	5	19.00–31.67

The depreciation of fixed assets is provided within the estimated useful life based on the value carried less the expected net residue. For fixed assets with impairment provided, the depreciation can be determined based on the book value less the provision for impairment in future period and the remaining useful life. No depreciation is provided for still in use but fully depreciated assets.

Fixed assets that are expensed from the special reserve are written off against the special reserve at the cost of forming the fixed assets and accumulated depreciation of the same amount is recognized, and no depreciation is provided for the fixed assets in future periods.

The company determines the useful life and estimated residual value of fixed assets based on their nature and use condition. The useful life, estimated residual value and method of depreciation of fixed assets are re-assessed at the end of the period, corresponding adjustment is made when any difference from the originally estimated amount is found.

The depreciation method for underground works assets was changed from average year method to units-of-production method with effect from 1 January 2017, except for fixed assets that have been fully depreciated and are still in use, and land that is separately valued and accounted for as fixed assets in accordance with the regulations, etc. The depreciation method of other fixed assets is the average year method.

21. Constructions in progress

The company is required to comply with the disclosure requirements for the solid mineral resources industry under the Self-Regulatory Guidelines No. 3 – Industrial Information Disclosure for Listed Companies on the Shenzhen Stock Exchange.

(1) Initial determination of construction in progress

The self-constructed constructions in progress of the company are measured at actual cost, which consist of the necessary expenses required for bringing such constructions to the expected useable conditions including the cost of construction materials, labor costs, relevant taxes and fees paid, borrowing expenses to be capitalized and indirect costs to be apportioned.

(2) Criteria and timing for conversion of construction in progress into fixed assets

The total expenditure incurred before the construction in progress project is constructed to reach the intended usable condition shall be recorded as the carrying value of the fixed assets. For the construction in progress built which has reached the intended usable condition, but has not yet completed the final accounts, since the date of reaching expected use condition, according to the project budget, cost or actual project costs, it shall be converted into fixed assets at the estimated value, and fixed assets shall be depreciated in accordance with the depreciation policy of the company for fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

22. *Borrowing expenses*

(1) Principles of recognizing capitalization of borrowing expenses

The borrowing expenses of the company directly attributable to the construction or production of an asset meeting capitalization conditions are capitalized and recognized in relevant asset costs; other borrowing expenses are recognized as expenses based on the amount incurred and recognized in profit or loss for the period.

An asset that meets the capitalization conditions refers to fixed assets, real estate investments and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

Borrowing expenses are capitalized when all of the following conditions are met:

① the asset expense has occurred, which includes expenses in the form of cash paid, non-monetary asset transferred or interest-bearing obligations assumed for the construction or product of an asset that meets capitalization conditions;

② the borrowing expenses have occurred;

③ the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.

(2) Capitalization period of borrowing expenses

Capitalization period refers to the time starting from the borrowing expenses are capitalized to the time capitalization is stopped, except for the period which capitalization of borrowing expenses is suspended.

When the construction or production of an asset meeting capitalization conditions has reached expected useful or saleable conditions, the capitalization of borrowing expenses is stopped.

When a portion of the construction or production of an asset meeting capitalization conditions has completed and can be used individually, the capitalization of borrowing expenses of such portion of asset is stopped.

When portions of the construction or production of an asset have been completed but will only become useful or saleable after the entire asset is completed, the capitalization of borrowing expenses is stopped when the entire asset is completed.

(3) Suspension of capitalization period

Capitalization of borrowing expenses is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions. If such interruption is a necessary procedure for the construction or production of the asset that meets capitalization conditions, the borrowing expenses are continued to be capitalized. The borrowing expenses incurred during the interruption are recognized as profit or loss for the period, and capitalization of borrowing expenses continues when the construction or production activities of the asset resumes.

(4) Calculation of capitalized amount of borrowing expenses

Interest expenses of special borrowings (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses incurred for the construction or production of asset that meets capitalization conditions before the asset reaches expected useable or saleable condition are capitalized.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on normal weighted average interest rate.

When there is discount or premium in the loan, the discount or premium to be amortized in each accounting period is determined using effective interest method and the interest amount for each period is adjusted.

23. Right-of-use assets

At the commencement date of the lease, the company recognizes the right to use the leased assets during the lease term as a right-of-use asset, including:

1) the initial measurement amount of the lease liability;

2) the amount of lease payment paid on or before the beginning of the lease term, the amount of lease incentive already enjoyed shall be deducted if there is a lease incentive;

3) initial direct expenses incurred by the lessee;

4) the costs that the lessee is expected to incur in order to dismantle and remove the leased asset, restore the leased asset to the site or restore the leased asset to the state agreed upon in the lease terms.

The right-of-use assets are depreciated on a straight-line basis subsequently by the company. If the company is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the company depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the company depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The company uses the changed present value of lease payments to remeasure the lease liability and adjust the carrying amount of right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the company recognises any remaining amount of the remeasurement in profit or loss for the period.

24. Intangible assets

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the company which have no physical form, including patent rights, non-patent technologies, trademark rights, copyrights, land use rights, geological achievements (mining rights), exploration and development expenditures and others.

① Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the entry value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognized in profit or loss for the period.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination of entities under common control, the entry value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the entry value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

② Subsequent measurement of intangible assets

The company determines the useful life of intangible assets on acquisition, which are classified as intangible assets with limited useful life and indefinite useful life.

1) Intangible assets with a limited useful life

Intangible assets with a limited useful life are amortised using straight line method over the term during which they bring economic benefits to the company.

The company's geological achievements (mining rights) are amortised under the production method from the commencement of mining at the relevant mine.

The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	**Estimated useful life**	**Basis**
Land use right	7–50 years	Title certificate
Software	5–10 years	Benefit period

The useful life and amortisation method of intangible assets with limited life are re-assessed at the end of each period. If there are differences from the original estimates, corresponding adjustments are made.

2) Intangible assets with indefinite useful life

If the term of economic benefit the intangible asset can bring to the company cannot be estimated, it is deemed to be an intangible asset with indefinite life.

Intangible assets with indefinite useful life are not amortized during the holding period. The useful life of intangible assets with indefinite life is re-assessed at the end of each period. If it is re-assessed to remain indefinite at the end of the period, impairment tests shall be conducted during each accounting period.

25. Exploration and development expenses

Exploration and development expenses refer to expenses incurred in detailed investigation and exploration in geological exploration activities, with mining areas as accounting objects.

In the process of detailed investigation and exploration, if the company determines that no economically recoverable reserves are found in the activity after the completion of drilling and pitting, it shall be directly expensed; if it is determined that the activity has found proved economically recoverable reserves, the exploration and development expenses incurred shall be capitalized.

Where it is not certain that the exploration activity has discovered proved economically recoverable reserves, it shall be temporarily capitalised upon completion. Capitalised expenses on exploration continues to be temporarily capitalised and is otherwise included in profit or loss for the period if the discovery of proved economically recoverable reserves is uncertain at the end of the duration of the mineral rights and the following conditions are met: (1) sufficient reserves have been found in the exploration, but whether they belong to the proved economically recoverable reserves shall be determined; the exploration also requires further exploration activities, which are in progress or clearly planned and will be implemented; (2) the management judges that there are exploration prospects and that the mining right can be renewed normally.

26. Impairment of long-term assets

The long-term assets mentioned in this item mainly include non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a limited life, investment properties measured by cost model, and long-term equity investments in subsidiaries, joint ventures, and associates.

The company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

In the impairment test of goodwill, the carrying value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When taking an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related carrying value to recognise the corresponding impairment loss. Next, the company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the carrying value of the related asset group or portfolio of asset group (carrying value includes the share of goodwill) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the carrying value, the company will recognise the impairment loss of goodwill.

27. Long-term deferred expenses

Long-term deferred expenses refer to expenses that have already been spent by the company, but shall be amortised in the current period and the future periods and the benefit period is over 1 year. Long-term deferred expenses are amortised on a straight-line basis over benefit period.

28. Contract Liability

Contract Liability refers to the company's obligation to transfer goods to the customer for the consideration received or receivable.

29. Employee Remuneration

(1) Accounting treatment of short-term remuneration

Short-term remuneration refers to the employee compensation other than post-employment benefits and termination benefits, which are required to be fully paid within 12 months upon the end of the annual reporting period when the employees provide relevant services. During the accounting period when the employees provide services, the company recognizes the short-term remuneration payable as liabilities and includes them into relevant asset costs and expenses according to benefits from the services provided by employees.

(2) Accounting treatment of post-employment benefits

Post-employment benefit refers to all kinds of remunerations and benefits other than short-term remuneration and termination benefits that are provided by the company after the retirement of the employees or termination of labor relation with enterprises in exchange for services provided by employees.

The post-employment benefits of the company are categorized as defined contribution plans and defined benefit plans.

The defined contribution plans under the post-employment benefits are mainly for the participation in the social basis endowment insurance and unemployment insurance organized and carried out by local labor and social guarantee authorities. During the accounting period when the employees provide services for the Company, the payable amount of defined contribution plans is recognized as liabilities and included in current profit or loss or relevant costs of assets.

The defined benefit plans under the post-employment benefits are mainly well-defined standard additional benefits paid to the retirees, living expenses paid for the bereaved family members of the deceased employees, etc. For the obligations undertaken in the defined benefit plans, independent actuaries shall use the expected cumulative welfare unit method to conduct actuarial calculations on the balance sheet date, and attribute the welfare obligations arising from the defined benefit plans to the period during which employees provide services, and include them in profit or loss for the period or related asset costs. Of them, unless other accounting standards require or allow employee benefits costs to be included in assets costs, service costs of the defined benefit plans and net interest on net liabilities or net assets of the defined benefit plans are included in the current profit and loss during the period in which they occur; changes arising from the remeasurement of net liabilities or net assets in the defined benefit plans are included in other comprehensive income during the period in which they occur, which is not allowed to be reversed to profit or loss in subsequent accounting periods.

(3) Accounting treatment of termination benefits

Termination benefit refers to indemnity provided by the company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily. When the earlier of the company cannot unilaterally withdraws the employment relations or cut-down proposals and the date of confirmation of relevant cost and expenses on paying termination benefits, those liabilities arising from the confirmed terminations is charged to profit or loss for the period.

(4) Accounting treatment of other long-term employee benefits

Other long-term employee benefits refer to all the employee compensations other than short-term remuneration, post-employment benefits and termination benefits.

For other long-term employee benefits qualified for defined contribution plans, during the accounting period when the employees provide services for the company, the amount payable is recognized as liabilities and included in current profit and loss or relevant asset cost.

30. Lease liabilities

At the commencement date of the lease period, the company recognizes the present value of outstanding lease payments as a lease liability, excluding short-term leases and leases of low-value assets. The company adopts the interest rate implicit in the lease as the discount rate to calculate the present value of the lease payments. Where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate of the lessee shall be used as the discount rate. The company calculates the interest expense of the lease liability during each period of the lease term in accordance with the constant periodic rate of interest and recognizes it in profit or loss for the current period, except otherwise stipulated in the cost of related assets. The variable lease payment that is not included in the measurement of lease liabilities is recognized in profit or loss for the current period when it actually occurs, except that it is otherwise stipulated to be included in the cost of relevant assets.

After a lease term commences, when there is a change in the amount of in-substance fixed lease payments, a change in the amounts expected to be payable under a residual value guarantee, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, a change in assessment of an option to purchase the underlying asset, renew or terminate the lease, or change in the actual exercise of an option, the company remeasures the carrying amount of the lease liability by discounting the revised lease payments.

31. Estimated liabilities

(1) Criteria for recognition of estimated liabilities

The company recognises an estimated liability when the obligations associated with the contingency simultaneously meet the following conditions:

The obligation is a present obligation of the company;

Fulfilment of this obligation is likely to result in outflow of economic benefits from the company;

The amount of the obligation can be measured reliably.

(2) Measurement of estimated liabilities

The company's estimated liabilities are initially measured using the best estimate of the expenditure necessary to meet the relevant present obligations.

In determining the best estimate, the company considers factors such as risks, uncertainties and time value of money relating to contingencies. Where the effect on the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

The best estimates are dealt with as follows:

Where there is a continuous range (or interval) of expenditures required and the probabilities of various outcomes within that range are the same, the best estimate is determined based on the median of that range, which is the average of the upper and lower amounts.

Where there is no continuous range (or interval) of required expenditures, or there is a continuous range but the probability of occurrence of various results within the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; if the contingency involves more than one item, the best estimate is determined by calculating the various possible outcomes and the associated probabilities.

Where all or part of the expenses required by the company to settle the estimated liabilities are expected to be compensated by a third party, the amount of compensation is recognised separately as an asset when it is substantially certain that it will be received, and the amount of compensation recognised does not exceed the carrying amount of the estimated liabilities.

32. Revenue

The company is required to comply with the disclosure requirements for the solid mineral resources industry under the Self-Regulatory Guidelines No. 3 - Industrial Information Disclosure for Listed Companies on the Shenzhen Stock Exchange.

The company's revenue is mainly derived from the sale of commodities and metal trading.

(1) General principles for revenue recognition

The company recognises revenue at the transaction price allocated to a contractual performance obligation when the customer obtains control of the related goods or services.

A performance obligation is a contract whereby the company conveys a clearly identifiable good or service to a customer.

Obtaining control over the relevant commodity means being able to dominate the use of the commodity and obtain substantially all of the economic benefits therefrom.

The company assesses a contract at the commencement date of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a time period or at a point in time. A performance obligation that is performed within a certain period of time if one of the following conditions is met, and the company recognises revenue over a period of time based on the performance schedule: ① the customer obtains and consumes the economic benefits brought about by the company's performance while the company performs; ② the customer is able to control the goods under construction during the company's performance; ③ commodities produced in the course of the company's performance have an irreplaceable use and the company is entitled to payment for the performance completed to date accumulated throughout the contract period. Otherwise, the company recognises revenue at a point in time when the customer obtains control of the related goods or services.

For performance obligations performed within a certain period of time, the company uses the output method/ input method to determine the appropriate performance schedule based on the nature of the goods and services. The output method determines the performance progress based on the value of the goods transferred to the customer (the input method determines the performance progress based on the company's inputs to fulfill the performance obligations). When the performance schedule cannot be reasonably determined, if the company expects to be compensated for the costs already incurred, revenue is recognised based on the amount of costs already incurred until the performance schedule can be reasonably determined.

(2) Specific method of revenue recognition

In addition to metal trading, the company's sales of main commodities include: alloy gold, lead concentrate (containing silver) and zinc concentrate. The specific conditions for revenue recognition are that the commodities have been delivered and the control has been transferred, and at the same time, both the purchaser and the seller have confirmed that the weighing and test results are correct, and have no objection to the selling price of the commodities. Metal trading revenue is recognized when the company has contractually delivered bills of lading, weighing slips etc. or transferred warehouse receipts to customers, payment has been received or the right to receive payment has been acquired and it is probable that the related economic benefits will flow in.

33. Government subsidies

(1) Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation. According to the subsidy object stipulated in the documents of relevant government, government subsidies are divided into subsidies related to assets and subsidies related to revenue.

Government subsidies related to assets are obtained by the Company for the purposes of constructing or forming long-term assets in other ways. Government subsidies related to revenue refer to the government subsidies other than those related to assets.

(2) Recognition of government subsidies

Where evidence shows that the company complies with relevant conditions of policies for financial supports and are expected to receive funds at the end of the period, the amount receivable is recognized as the government subsidies. Otherwise, the government subsidy is recognized upon receipt.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be reliably obtained, a nominal amount (RMB1) is used. Government subsidies that are measured at nominal amount shall be recognized in profit or loss for the period directly.

(3) Accounting treatment

The company determines whether a class of government subsidy business should be accounted for using the gross method or the net method based on the substance of the economic business. Generally, the company selects only one approach for same or similar government-subsidized business and applies that approach consistently to that business.

Government subsidies related to assets should be written down against the carrying amount of the related assets or recognised as deferred income. Government subsidies relating to assets that are recognised as deferred income are credited to profit or loss in a reasonable and systematic manner over the useful lives of the assets constructed or purchased.

Government subsidies related to revenue aimed at compensating for relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income once received, and are recognized in the current profit or loss or offset against related costs in the periods when relevant expenses or losses are recognized. Government subsidies aimed at compensating for relevant expenses or losses the enterprise that are already incurred are directly included in the current profit or loss or offset against related costs once received.

Government subsidies related to daily activities of enterprises are included in other income or offset against related costs and expenses; government subsidies that are not related to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy related to the discount interest received from policy-related preferential loans offsets the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the recording value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

When it is required to return recognized government subsidy, the carrying amount of the relevant assets is written down on initial recognition, and the carrying amount of the assets is adjusted. If there is relevant balance of deferred income, it shall be written down to relevant book value of relevant deferred income, and the excess is included in current profit or loss; where there is no relevant deferred income, it shall be directly included in current profit or loss.

34. Deferred income tax assets / deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period, when it is expected to recover such assets or repay such liabilities.

(1) Criteria for recognition of deferred income tax assets

The company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized, and deductible losses and taxes can be carried forward to subsequent years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognized: ① the transaction is not a business combination; or ② neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognized in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

(2) Criteria for recognition of deferred income tax liabilities

The company recognizes deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

① temporary difference arising from the initial recognition of goodwill;

② transactions or events arising from no business combination, and neither the accounting profit or the taxable income (or deductible losses) is affected when the transaction or event occurs;

③ for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the difference can be controlled and the difference is probably not reversed in a foreseeable future.

(3) Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met

① The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

② Deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax administration department on the same taxable entity or different taxable entities, however, in the future period when each significant deferred income tax asset and deferred income tax liability are transferred back, the taxable entities involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and settle debts simultaneously.

35. Leasing

At inception of a contract, the company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset or group of identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the company assesses whether, throughout the period of use, the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

For a contract that contains multiple separate lease components, the company separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both of the following conditions are satisfied:

1) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and

2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

For a contract that contains lease components and non-lease components, the company, as a lessor or a lessee, accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

(1) As lessee

① The accounting treatment of the company as a lessee is shown in Note V.23 and Note V.30.

② Lease modifications

Lease modification is a change in the scope of a lease, or the consideration or term for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The company accounts for a lease modification as a separate lease if both of the following conditions are satisfied:

1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the company redetermines the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the company accounts for the remeasurement of the lease liability by:

1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term. The company recognizes the gain or loss relating to the partial or full termination of the lease in profit or loss for the current period; or

2) making a corresponding adjustment to the carrying amount of the right-of-use asset for all other lease modifications.

③ Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term, with contingent rentals included in profit or loss when actually incurred.

(2) As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor under an operating lease, rent income under an operating lease is recognized on a straight-line basis over the lease term, through profit or loss for the current period, with contingent rentals included in profit or loss when actually incurred.

36. Other important accounting policies and accounting estimates

(1) Hedge accounting

In order to reduce the impact of commodity price fluctuations in spot operations on the business, the company makes full use of hedging function of the financial derivatives market, and carries out daily accounting of the hedging business according to the provisions of the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting. According to the hedging relationship, the company divides hedging into fair value hedging and cash flow hedging.

A. The hedge accounting method is applied for hedging instruments that meet the following conditions at the same time

① The hedging relationship consists only of qualified hedging instruments and hedged items.

② At the beginning of hedging, the company officially designated the hedging instrument and the hedged item, and prepared written documents on the hedging relationship, the risk management strategy and objectives of the hedging.

③ The hedging relationship meets the requirements for hedging effectiveness.

If the hedging meets the following conditions at the same time, the hedging relationship is deemed to meet the requirements of hedging effectiveness:

1) There is an economic relationship between the hedged item and the hedging instrument. The economic relationship makes changes in the opposite direction in the value of the hedging instrument and the hedged item due to their exposure to the same hedged risk.

2) The effect of credit risk does not dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.

3) The hedge ratio of the hedging relationship is equal to the ratio of the quantity of hedged items actually hedged by the company to the actual quantity of hedging instruments used to hedge them, which however does not reflect an imbalance in the relative weights of hedging items and hedging instruments, which will lead to ineffective hedging and may produce accounting results that are inconsistent with the objectives of hedge accounting.

B. Fair value hedge accounting

① Gain or loss from hedging instruments is included in profit and loss for the period. If the hedging instrument is used to hedge a non-trading equity instrument investment (or its component) that is measured at fair value through other comprehensive income, the gain or loss arising from the hedging instrument is included in other comprehensive income.

② The gain or loss of the hedged item due to the hedged risk exposure is included in profit or loss for the period, and the carrying amount of the recognized hedged item that is not measured at fair value is adjusted at the same time. If the hedged item is a financial asset (or its component) measured at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is included in profit or loss for the period, and its carrying amount has been measured at fair value and no adjustment is required. If the hedged item is a non-trading equity instrument investment (or its component) that the company chooses to measure at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is included in other comprehensive income, and its carrying amount has been measured at fair value and no adjustment is required.

If the hedged item is an unrecognized firm commitment (or its component), the cumulative changes in fair value caused by the hedged risk exposure after the hedging relationship is designated is recognized as an asset or liability, and the related gain or loss is included in profit or loss for each respective period. When an asset is acquired or a liability is assumed for the performance of the firm commitment, the initially recognized amount of the asset or liability is adjusted to include the accumulated changes in the fair value of the hedged item that has been recognized.

③ If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment to the carrying amount of the hedged item shall be amortized according to the actual interest rate recalculated on the date when the amortization starts, and included in profit or loss for the period. The amortization can start from the adjustment date, but not later than the time point of termination of the adjustment to hedging gain and loss on the hedged item. If the hedged item is a financial asset (or its component) measured at fair value through other comprehensive income, the accumulated hedging gain or loss recognized shall be amortized in the same way and included in profit or loss for the period, but the carrying amount of the financial asset (or its component) will not be adjusted.

C. Cash flow hedge accounting

① The part of gain or loss generated by the hedging instrument that is effective in hedging is included in other comprehensive income as the cash flow hedging reserve.

The amount of cash flow hedging reserve shall be determined at the lower of absolute amounts of the following:

1) The cumulative gain or loss of the hedging instrument since the beginning of hedging;

2) The cumulative changes in the present value of estimated future cash flow of the hedged item since the beginning of hedging. The amount of cash flow hedge reserve included in other comprehensive income in each period is the change in cash flow hedging reserve for the period.

② The part of the gain or loss generated by the hedging instrument that is ineffective in hedging (that is, other gain or loss after deducting other comprehensive income) shall be included in profit or loss for the period.

③ The amount of cash flow hedging reserve shall be accounted for in accordance with the following requirements:

1) The hedged item is an expected transaction, and the expected transaction causes the company to subsequently recognize a non-financial asset or non-financial liability, or the expected transaction of a non-financial asset or a non-financial liability forms a firm commitment applicable to fair value hedge accounting, the cash flow hedging reserve amount originally recognized in other comprehensive income shall be transferred out and included in the initially recognized amount of the asset or liability.

2) For cash flow hedges that are not involved in the previous requirement, during the same period when the hedged expected cash flow affects profit and loss, the cash flow hedging reserve amount originally recognized in other comprehensive income is transferred out and included in profit and loss for the period.

3) If the cash flow hedging reserve amount recognized in other comprehensive income is a loss, and all or part of the loss is not expected to be covered in future accounting periods, in such case, the part that is not expected to be covered will be transferred out from other comprehensive income and included in profit and loss for the period.

D. Termination of hedge accounting

In case of any of the following circumstances, the use of hedge accounting shall be terminated:

① The hedging relationship no longer satisfies the risk management objectives due to changes in risk management objectives.

② The hedging instrument has expired, been sold, terminated or exercised.

③ The economic relationship between the hedged item and the hedging instrument no longer exists, or the effect of credit risk begins to dominate the value changes arising from the economic relationship between the hedged item and the hedging instrument.

④ The hedging relationship no longer satisfies other conditions for applying the hedging accounting method stipulated in this standard. When the rebalancing of the hedging relationship is applicable, the enterprise should first consider the rebalancing of hedging relationship, and then evaluate whether the hedging relationship meets the conditions for applying the hedge accounting method stipulated in this standard.

The termination of hedge accounting may affect the whole or part of the hedging relationship, and when only a part of it is affected, the remaining unaffected part is still applicable to hedge accounting.

E. Fair value options for credit risk exposure

When a credit derivative at fair value through profit or loss is used to manage the credit risk exposure of a financial instrument (or its component), when the financial instrument (or its component) is initially recognized, in the subsequent measurement or before it is recognized, it is designated as a financial instrument measured at fair value through profit or loss for the period, and a written record is made also, but should meet the following conditions simultaneously:

① The subject of credit risk exposure of the financial instrument (such as the borrower or holder of the loan commitment) is consistent with that involved in credit derivative instrument;

② The repayment level of the financial instrument is consistent with that of the instruments to be delivered according to the terms of credit derivative instrument.

(2) Safety production fee

The safety production fee set aside by the company in accordance with national regulations is included in the cost of related products or profit and loss for the period, and is also recorded in the "special reserve" item. When using the set aside safety production fee, if it is an expensed expenditure, it shall be directly offset against the special reserve. If it forms a fixed asset, the expenditures incurred are collected under the "construction in progress" item, and it is recognized as a fixed asset when the project is completed and reaches the intended usable state. At the same time, the cost of forming the fixed asset is offset against the special reserve, and the accumulated depreciation of the same amount is recognized. The fixed assets will not be depreciated in the subsequent periods.

The company's provision standard for special reserve is: RMB5/ton for open-pit mines, RMB10 and RMB15/ton for underground mines, and RMB1.0-5.0/ton for tailings safety production fees.

(3) Treasury shares

According to the relevant provisions of the Company Law, if the company's shares are repurchased, the amount actually paid should be regarded as treasury shares and registered for reference. If the shares repurchased are cancelled, the difference between the total face value of shares calculated as per the face value and number of the shares cancelled and the amount actually paid for repurchase should be used to write down the capital reserve. If the capital premium is insufficient for writing down, the retained earnings should be written down. If the repurchased shares used for equity incentives are equity-settled share-based payment, the amount determined based on actual exercise of options shall be written off against the cost of delivery of treasury shares and the accumulative amount of capital reserve (other capital reserves) in the vesting period, and the capital reserve (share premium) shall be adjusted according to the difference. If the repurchased shares used for employee stock ownership plan involves no share-based payment, the treasury shares will be directly offset when the price is received. If the enterprise holds treasury shares and then resells, all the considerations received will be recognized in equity to reduce the book value of treasury shares, and the capital reserve (share premium) shall be adjusted according to the difference. If the share premium is insufficient, the retained earnings should be written down.

The company is required to comply with the disclosure requirements for the solid mineral resources industry under the Self-Regulatory Guidelines No. 3 – Industrial Information Disclosure for Listed Companies on the Shenzhen Stock Exchange.

37. Changes in important accounting policies and accounting estimates

(1) Changes in accounting policies

Contents and reasons for changes in accounting policies	Approval procedure	Remark
The company implemented the provisions of "accounting treatment of external sales of products or by-products generated before fixed assets are ready for intended use or during research and development process" and the "judgment on loss-making contracts" under the Accounting Standards for Business Enterprises Interpretation No. 15 issued by the Ministry of Finance in 2021, with effect from 1 January 2022.	N/A	①
The Company implemented the provisions of "accounting treatment of the income tax effects of dividends related to financial instruments classified as equity instruments by the issuer" and "accounting treatment of the modification of cash-settled share-based payment to equity-settled share-based payment" under the Accounting Standards for Business Enterprises Interpretation No. 16 (Cai Kuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16") issued by the Ministry of Finance in 2022, with effect from 13 December 2022. In Interpretation No. 16, the provision of "accounting treatment of the exclusion from initial recognition of deferred income taxes associated with assets and liabilities arising from a single transaction" came into effect from 1 January 2023.	N/A	①

① Impact of the implementation of the Accounting Standards for Business Enterprises Interpretation No. 15 and 16 on the company

The changes in accounting policy are reasonable amendments made by the company in accordance with the provisions and requirements of Accounting Standards 15 and 16 issued by the Ministry of Finance. The changed accounting policy can reflect the financial position and operating results of the company in a more objective and fair manner, and follows the provisions of relevant laws and regulations and the actual situation of the company. There will be no material impact on the company's financial position, results of operations and cash flows, nor will there be any situation that will harm the interests of the company and its shareholders.

(2) Changes in accounting estimates

There were no changes in important accounting estimates during the reporting period

VI. TAXATION

1. Main Types of Taxes and Corresponding Rates

Tax type	Tax basis	Tax rate
VAT	Product sales revenue/ taxable service revenue	13%, 6%, 3%
Urban maintenance and construction tax	VAT	1%-7%
Corporate income tax	Taxable income	15%, 17%, 25%
Education surcharge	VAT	3%
Local education fee surcharge	VAT	2%, 1%
Resource tax	Sales revenue	5%, 4.5%, 4% for gold; 5%, 3%, 2.5% for silver; 6% for lead, zinc

Please make a disclosure if there are taxpayers with different corporate income tax rates

Name of taxpayer	Income tax rate
Yulong Mining, Qinghai Dachaidan	15%
Shenghong Singapore	17%
Other entities	25%

2. *Tax Incentives*

(1) Corporate income tax

According to the Notice on Tax Policy Issues Concerning the Deep Implementation of the Western Development Strategy jointly issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs (Cai Shui [2011] No. 58), the Announcement of the State Administration of Taxation on Corporate Income Tax Issues Concerning the Deep Implementation of the Western Development Strategy (No. 12 of 2012 of the State Administration of Taxation) issued by the State Administration of Taxation on 6 April 2012, the corporate income tax can be paid at a reduced tax rate of 15%. The company's subsidiary Yulong Mining and Qinghai Dachaidan were subject to the corporate income tax rate of 15% in 2022.

(2) VAT

According to the Notice on Gold Tax Policy Issues (Cai Shui [2002] No. 142) issued by the Ministry of Finance and the State Administration of Taxation, gold production and operation entities are exempt from VAT for sales of gold; member units of the Gold Exchange are exempted from VAT for selling standard gold through the Gold Exchange (holding the Gold Transaction Settlement Voucher issued by the Gold Exchange) without physical delivery; the VAT refund policy is implemented when physical delivery occurs, and urban maintenance and construction tax and education surcharges are exempted at the same time.

(3) Resource tax

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

According to the Decision of the Standing Committee of the People's Congress of Heilongjiang Province on the Implementation of Authorized Matters of the Resource Tax Law promulgated by the Standing Committee of the People's Congress of Heilongjiang Province, the resource tax shall be levied by taxpayers on the exploitation of co-associated ore and low-grade ore at a reduced rate of 50%, and the resource tax shall be exempted from the exploitation of tailings.

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

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary Funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	626,569.58	424,890.78
Bank deposits	1,206,130,067.92	604,795,496.29
Other monetary funds	667,226,621.18	850,480,111.94
Total	1,873,983,258.68	1,455,700,499.01
Including: Total amount deposited overseas	70,776,164.72	126,811,871.06
Total amount of funds restricted for use due to mortgage, pledge or freezing	**1,084,140,704.49**	**707,989,149.66**

The breakdown of restricted monetary funds of RMB1,084,140,704.49 is as follows:

Item	Closing balance	Opening balance
Environmental governance deposit	53,746,340.73	39,680,429.21
Letter of credit deposit	29,399,042.60	
Security deposit for futures	5,237,475.00	7,969,625.00
Security deposit for bank acceptance	995,755,846.16	660,336,595.45
ETC frozen funds	2,000.00	2,500.00
Total	**1,084,140,704.49**	**707,989,149.66**

2. Financial Assets Held for Trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	2,000,435,680.65	2,074,042,141.82
Of which: Wealth management products	2,000,435,680.65	2,074,042,141.82
Total	**2,000,435,680.65**	**2,074,042,141.82**

3. Derivative Financial Assets

Unit: RMB

Item	Closing balance	Opening balance
Hedging instrument	122,674,377.20	95,601,151.10
Derivative financial assets with no designated hedging relationship	177,560,297.23	16,750,611.00
Total	**300,234,674.43**	**112,351,762.10**

4. Accounts Receivable

(1) Disclosure of accounts receivable by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year	41,906,643.42	42,081,575.52
1–2 years		
2–3 years		
3–4 years		
4–5 years		
Over 5 years		
Subtotal	41,906,643.42	42,081,575.52
Less: Provision for bad debts	2,095,332.17	2,104,078.79
Total	**39,811,311.25**	**39,977,496.73**

(2) Disclosure by category of provision for bad debts

Unit: RMB

Category	Closing balance: Book balance Amount	Closing balance: Book balance Proportion (%)	Closing balance: Bad debt provision Amount	Closing balance: Bad debt provision Proportion (%)	Closing balance: Carrying amount	Opening balance: Book balance Amount	Opening balance: Book balance Proportion (%)	Opening balance: Bad debt provision Amount	Opening balance: Bad debt provision Proportion (%)	Opening balance: Carrying amount
Accounts receivable with provision for bad debts on an individual basis										
Accounts receivable with provision for bad debts on a group basis	41,906,643.42	100.00	2,095,332.17	5.00	39,811,311.25	42,081,575.52	100.00	2,104,078.79	5.00	39,977,496.73
Including: Grouped by aging	41,906,643.42	100.00	2,095,332.17	5.00	39,811,311.25	42,081,575.52	100.00	2,104,078.79	5.00	39,977,496.73
Total	**41,906,643.42**	**100.00**	**2,095,332.17**	**5.00**	**39,811,311.25**	**42,081,575.52**	**100.00**	**2,104,078.79**	**5.00**	**39,977,496.73**

(3) Accounts receivable with provision for ECL by combination

Unit: RMB

Name	Closing balance: Book balance	Closing balance: Bad debt provision	Closing balance: Proportion (%)
Within 1 year	41,906,643.42	2,095,332.17	5.00

If the bad debt provision for accounts receivable is made according to the general model of expected credit losses, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

☐ Applicable ✔ N/A

(4) Provision for, recovery or reversal of bad debts in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Amount of change in the current period: Provision	Recovery or reversal	Write off	Others	Closing balance
Accounts receivable with provision for ECL on an individual basis						
Accounts receivable with provision for ECL on a group basis	2,104,078.79	2,095,332.17	2,104,078.79			2,095,332.17
Including: Grouped by aging	2,104,078.79	2,095,332.17	2,104,078.79			2,095,332.17
Total	**2,104,078.79**	**2,095,332.17**	**2,104,078.79**			**2,095,332.17**

(5) Top five accounts receivable according to the closing balance collected by the debtor

Unit: RMB

Company name	Closing balance of accounts receivable	Proportion to the total closing balance of accounts receivable *(%)*	Closing balance of provision for bad debts
Henan Zhongyuan Gold Smelter Co., Ltd. (河南中原黃金冶煉廠有限責任公司)	35,757,440.24	85.33	1,787,872.01
Shandong Hengbang Smelting Co., Ltd. (山東恒邦冶煉股份有限公司)	5,900,305.82	14.08	295,015.29
Henan Jinli Gold and Lead Group Co., Ltd. (河南金利金鉛集團有限公司)	232,180.61	0.55	11,609.03
Shanjin Ruipeng (Tianjin) Trading Co., Ltd. (山金瑞鵬(天津)貿易有限公司)	16,716.75	0.04	835.84
Total	**41,906,643.42**	**100.00**	**2,095,332.17**

5. ***Advance Payment***

(1) *Breakdown of prepayments by aging*

Unit: RMB

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
Within 1 year	16,180,635.28	73.23	42,290,340.47	98.95
1 to 2 years	5,603,043.23	25.36	263,235.33	0.62
2 to 3 years	98,519.99	0.45	64,377.67	0.15
Over 3 years	212,158.36	0.96	122,431.70	0.28
Total	**22,094,356.86**		**42,740,385.17**	

(2) *Top five prepayments according to the closing balance collected by the debtor*

Company name	Closing balance	Proportion of total prepayments (%)	Time of prepayments	Reasons for no settlement
Wenzhou Tongye Construction Engineering Co., Ltd. (溫州通業建設工程有限公司)	5,523,004.24	25.00	2021	Cooperation project not completed
Jinchengxin Mining Management Co., Ltd. (金誠信礦業管理股份有限公司)	2,301,728.69	10.42	2022	Cooperation project not completed
Thyssenkrupp Industrial Solutions (China) Co., Ltd. (蒂森克虜伯工程技術(中國)有限公司)	1,500,000.00	6.79	2022	Purchase order not completed
State Grid Qinghai Provincial Electric Power Company Haixi Power Supply Company Customer Service Center (國網青海省電力公司海西供電公司客戶服務中心)	1,000,000.00	4.53	2022	Purchase order not completed
Chifeng Baoxing Bearing Materials Co., Ltd. (赤峰保興軸承物資有限公司)	807,273.90	3.65	2022	Purchase order not completed
Total	**11,132,006.83**	**50.39**		

6. *Other Receivables*

Unit: RMB

Item	Closing balance	Opening balance
Interest receivables		336,372.46
Other receivables	62,238,875.25	47,303,563.07
Total	**62,238,875.25**	**47,639,935.53**

(1) Interest receivables

1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable on forward locked remitting to statement date		336,372.46
Total		**336,372.46**

(2) Other receivables

1) Disclosure by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year	127,761,241.50	32,618,038.49
1–2 years	283,880.72	15,505,574.91
2–3 years	252,961.97	30,463.29
3–4 years	20,463.29	97,974.66
4–5 years	50,241.70	1,717,048.52
Over 5 years	1,289,535.53	212,029.14
Subtotal	129,658,324.71	50,181,129.01
Less: Provision for bad debts	67,419,449.46	2,877,565.94
Total	**62,238,875.25**	**47,303,563.07**

2) Classification of other receivables by the nature of payment

Unit: RMB

Nature of payment	Closing book balance	Opening book balance
Current account	84,664,872.89	44,296,754.78
Reserve fund	156,167.99	272,771.56
Deposit and security deposit	44,805,230.28	5,251,222.68
Others	32,053.55	360,379.99
Total	**129,658,324.71**	**50,181,129.01**

3) Disclosure by three stages of financial asset impairment

Unit: RMB

	Closing balance			Opening balance		
Item	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount
Stage I	66,149,915.89	3,911,040.64	62,238,875.25	50,181,129.01	2,877,565.94	47,303,563.07
Stage II						
Stage III	63,508,408.82	63,508,408.82	0.00			
Total	**129,658,324.71**	**67,419,449.46**	**62,238,875.25**	**50,181,129.01**	**2,877,565.94**	**47,303,563.07**

4) Disclosure by category of provision for bad debts

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Other receivables with provision for ECL on an individual basis	63,508,408.82	48.98	63,508,408.82	100.00	0.00					
Other receivables with provision for ECL on a group basis	66,149,915.89	51.02	3,911,040.64	5.91	62,238,875.25	50,181,129.01	100.00	2,877,565.94	5.73	47,303,563.07
Including: Grouped by aging	66,149,915.89	51.02	3,911,040.64	5.91	62,238,875.25	50,181,129.01	100.00	2,877,565.94	5.73	47,303,563.07
Total	**129,658,324.71**	**100.00**	**67,419,449.46**	**52.00**	**62,238,875.25**	**50,181,129.01**	**100.00**	**2,877,565.94**	**5.73**	**47,303,563.07**

5) Other receivables with provision for ECL on an individual basis

Unit: RMB

Company name	Closing balance			
	Book balance	Bad debts proportion	Proportion (%)	Reasons
Nanchu Warehouse Management Group Co., Ltd. Shanghai Branch (南儲倉儲管理集團有限公司上海分公司)	63,508,408.82	63,508,408.82	100.00	Expected unrecoverable

6) Other receivables with provision for ECL on a group basis

Unit: RMB

Aging	Closing balance		
	Book balance	Bad debt provision	Proportion (%)
Within 1 year (inclusive)	64,252,832.68	3,212,641.63	5.00
1–2 years	283,880.72	14,194.04	5.00
2–3 years	252,961.97	25,296.20	10.00
3–4 years	20,463.29	4,092.66	20.00
4–5 years	50,241.70	10,048.34	20.00
Over 5 years	1,289,535.53	644,767.77	50.00
Total	**66,149,915.89**	**3,911,040.64**	

7) Provision for bad debts of other receivables

Unit: RMB

Bad debt provision	**Stage I ECL over the next 12 months**	**Stage II Lifetime ECL (non-credit impaired**	**Stage III Lifetime ECL (credit impaired)**	**Total**
Opening balance	2,877,565.94			2,877,565.94
Opening balance in the current period	–	–	–	–
Provision made for the period	1,033,474.70		63,508,408.82	64,541,883.52
Reversed in the period				
Written off in the period				
Closing balance	**3,911,040.64**		**63,508,408.82**	**67,419,449.46**

8) Top five other receivables according to the closing balance collected by the debtor

Unit: RMB

Company name	**Nature of payment**	**Closing balance**	**Aging**	**Proportion to the total closing balance of other receivables** *(%)*	**Closing balance of provision for bad debts**
Nanchu Warehouse Management Group Co., Ltd. Shanghai Branch	Current account	63,508,408.82	Within 1 year	48.98	63,508,408.82
The First Geological Survey Institute of Qinghai Province (青海省第一地質勘查院)	Current account	10,651,682.05	Within 1 year	8.22	532,584.10
Dachaidan Administrative Committee State-owned Assets Investment Operation Co., Ltd. (大柴旦行政委員會國有資產投資運營有限公司)	Current account	10,504,782.03	Within 1 year	8.10	525,239.10
Zhejiang Nanhua Capital Management Co., Ltd. (浙江南華資本管理有限公司)	Security deposit	5,986,641.20	Within 1 year	4.62	299,332.06
Luzheng Capital Management Co., Ltd. (魯證資本管理有限公司)	Security deposit	5,335,768.50	Within 1 year	4.12	266,788.43
Total		**95,987,282.60**		**74.04**	**65,132,352.51**

7. *Inventory*

Does the company need to comply with the disclosure requirements of the real estate industry

No

(1) Classification of inventory

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for inventory decline	Carrying amount	Book balance	Provision for inventory decline	Carrying amount
Raw materials	183,551,307.59		183,551,307.59	159,811,562.85		159,811,562.85
Work in process	740,338,844.58		740,338,844.58	433,327,966.03		433,327,966.03
Inventory goods	435,122,238.04		435,122,238.04	435,191,469.33		435,191,469.33
Total	**1,359,012,390.21**		**1,359,012,390.21**	**1,028,330,998.21**		**1,028,330,998.21**

8. *Other Current Assets*

Unit: RMB

Item	**Closing balance**	**Opening balance**
VAT credit	15,087,106.93	34,558,798.54
Advanced income tax	2,830,332.00	2,239,746.51
Definite commitment to purchase goods	7,191,902.51	
Others	2,320.88	41,039.46
Total	**25,111,662.32**	**36,839,584.51**

9. *Investment in Other Equity Instruments*

Unit: RMB

Item	Closing balance	Opening balance
Qinghai Kunlun Gold Co., Ltd. (青海昆侖黃金有限公司)	12,000,000.00	12,000,000.00
Baishan Rongsheng Mining Co., Ltd. (白山市融盛礦業有限責任公司)	500,000.00	500,000.00
Chifeng Herizeng Mining Development Co., Ltd. (赤峰市和日增礦業開發有限公司)	1,803,885.24	1,803,885.24
Jiaxing Xiyao Equity Investment Partnership (嘉興希耀股權投資合夥企業)		30,000,000.00
Total	**14,303,885.24**	**44,303,885.24**

10. *Fixed Assets*

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	2,906,294,177.88	2,808,584,710.82
Total	**2,906,294,177.88**	**2,808,584,710.82**

(1) Fixed assets

Unit: RMB

Item	Houses and buildings	Machinery	Shaft engineering assets	Means of transport	Office equipment and others	Total
I. Original carrying amount:						
1. Opening balance	2,069,294,224.17	1,527,261,993.13	1,993,365,618.07	73,261,174.24	40,319,874.35	5,703,502,883.96
2. Increased amount in the current period	136,326,043.42	172,632,460.47	409,625,091.34	7,121,835.19	3,451,231.14	729,156,661.56
(1) Purchase	35,424,257.30	34,367,371.57		7,121,835.19	2,266,861.38	79,180,325.44
(2) Transfer of construction in progress	100,901,786.12	138,265,088.90	289,875,338.19		1,184,369.76	530,226,582.97
(3) Reclassification			119,749,753.15			119,749,753.15
3. Decreased amount in the current period	119,753,742.40	9,818,761.82		8,354,366.42	2,794,504.70	140,721,375.34
(1) Disposal or retirement	3,989.25	9,818,761.82		8,354,366.42	2,794,504.70	20,971,622.19
(2) Reclassification	119,749,753.15					119,749,753.15
4. Closing balance	2,085,866,525.19	1,690,075,691.78	2,402,990,709.41	72,028,643.01	40,976,600.79	6,291,938,170.18
II. Accumulated depreciation						
1. Opening balance	961,938,811.80	1,064,879,241.08	776,266,743.60	54,096,363.67	26,245,823.36	2,883,426,983.51
2. Increased amount in the current period	74,296,417.81	80,893,671.22	364,654,473.90	8,220,420.75	4,470,256.20	532,535,239.88
(1) Accrual	74,296,417.81	80,893,671.22	342,458,304.83	8,220,420.75	4,470,256.20	510,339,070.81
(2) Reclassification			22,196,169.07			22,196,169.07
3. Decreased amount in the current period	22,197,311.45	8,900,068.63		7,936,601.83	2,775,438.81	41,809,420.72
(1) Disposal or retirement	1,142.38	8,900,068.63		7,936,601.83	2,775,438.81	19,613,251.65
(2) Reclassification	22,196,169.07					22,196,169.07
4. Closing balance	1,014,037,918.16	1,136,872,843.67	1,140,921,217.50	54,380,182.59	27,940,640.75	3,374,152,802.67
III. Provision for impairment						
1. Opening balance	11,491,189.63					11,491,189.63
2. Increased amount in the current period						
(1) Accrual						
3. Decreased amount in the current period						
(1) Disposal or retirement						
4. Closing balance	11,491,189.63					11,491,189.63
IV. Carrying amount						
1. Closing carrying amount	1,060,337,417.40	553,202,848.11	1,262,069,491.91	17,648,460.42	13,035,960.04	2,906,294,177.88
2. Opening carrying amount	1,095,864,222.74	462,382,752.05	1,217,098,874.47	19,164,810.57	14,074,050.99	2,808,584,710.82

(2) Fixed assets without title certificate

Unit: RMB

Item	Carrying amount	Reasons for not completing the certificate of title
Yulong Mining houses and buildings	160,816,297.53	Title certificate is in the process of application
Heihe Yintai houses and buildings	27,601,545.73	Title certificate is in the process of application

11. Construction in Progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	247,342,850.20	424,659,399.66
Total	**247,342,850.20**	**424,659,399.66**

(1) Construction in progress

Unit: RMB

Project	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Jilin Banmiaozi shaft lane project	41,797,537.96		41,797,537.96	47,680,131.22		47,680,131.22
Jilin Banmiaozi tailings pond expansion project	17,988,748.29		17,988,748.29	9,387,042.08		9,387,042.08
Other projects of Jilin Banmiaozi				4,174,411.44		4,174,411.44
Qinghai Dachaidan Qinglongtan underground engineering prospecting project	30,625,627.16		30,625,627.16	41,596,642.28		41,596,642.28
Qinghai Dachaidan south shaft project	26,492,900.51		26,492,900.51			
Qinghai Dachaidan Xijinggou underground prospecting project	13,564,562.23		13,564,562.23	13,564,562.23		13,564,562.23
Qinghai Dachaidan Jinlonggou slope exploration engineering	98,782,837.41		98,782,837.41	52,858,428.63		52,858,428.63
Qinghai Dachaidan 323 South open pit stripping project				91,600,593.18		91,600,593.18
Qinghai Dachaidan Xijinggou open pit prospecting project	545,000.00		545,000.00			
Heihe Yintai plant selection, reconstruction and expansion project				1,707,473.00		1,707,473.00
Yulong Mining plant selection, reconstruction and expansion project				140,484,628.67		140,484,628.67
Yulong Mining Huaaobaote moutain mine section comprehensive mining project				1,707,718.66		1,707,718.66
Surface diamond drilling in Huasheng Gold Mine				1,332,550.70		1,332,550.70
Others	17,545,636.64		17,545,636.64	18,565,217.57		18,565,217.57
Total	**247,342,850.20**		**247,342,850.20**	**424,659,399.66**		**424,659,399.66**

(2) Changes in important construction-in-progress projects in the current period

Unit: RMB

Name of project	Budget	Opening balance	Amount of Increase in the current period	Amount transferred to fixed assets in the current period	Other decreased amount in the current period	Closing balance	Proportion of cumulative project investment to budget	Project progress	Accumulated amount of interest capitalized	Including: Capitalized amount of interest in the current period	Current interest capitalization rate	Sources of funds
Yulong Mining plant selection, reconstruction and expansion project	245,177,957.86	140,484,628.67	90,673,761.88	231,158,390.55		0.00	94.28%	100%	245,177,957.86	140,484,628.67	90,673,761.88	Self-owned funds
Heihe Yintai plant selection, reconstruction and expansion project expansion project	9,280,000.00	1,707,473.00	6,074,214.82	7,781,687.82		0.00	83.85%	100%	9,280,000.00	1,707,473.00	6,074,214.82	Self-owned funds
Jilin Banmiaozi shaft lane project	309,475,800.00	47,680,131.22	35,225,324.51	41,107,917.77		41,797,537.96	69.09%	69.83%				Self-owned funds
Jilin Banmiaozi tailings pond expansion project	159,439,000.00	9,387,042.08	18,843,793.06	10,242,086.85		17,988,748.29	74.54%	99.80%				Self-owned funds
Qinghai Dachaidan Qinglongtan underground engineering prospecting project	431,994,800.00	37,164,647.57	20,084,313.97	26,623,334.38		30,625,627.16	96.00%	96%	1,670,600.00			Borrowing, self-owned funds
Qinghai Dachaidan south shaft project	158,083,000.00	4,431,994.71	23,134,794.17	1,073,888.37		26,492,900.51	17.44%	17.44%				Self-owned funds
Qinghai Dachaidan Jinlonggou slope exploration engineering	251,000,000.00	52,858,428.63	46,000,590.76	76,181.98		98,782,837.41	70.00%	70.00%				Self-owned funds
Qinghai Dachaidan 323 South open pit stripping project	184,210,000.00	91,600,593.18		91,600,593.18		0.00	100.00%	100%				Self-owned funds
Qinghai Dachaidan Xijinggou open pit prospecting project	578,995,300.00		545,000.00			545,000.00	0.09%	0.09%				Self-owned funds
Total	**2,327,655,857.86**	**385,314,939.06**	**240,581,793.17**	**409,664,080.90**		**216,232,651.33**			**1,670,600.00**			

12. Right-of-use assets

Unit: RMB

Item	Houses and buildings	Land	Total
I. Original carrying amount:			
1. Opening balance	16,277,489.10	28,774,298.84	45,051,787.94
2. Increased amount in the current period	1,547,331.64	10,403,865.63	11,951,197.27
(1) Lease	1,547,331.64	10,403,865.63	11,951,197.27
3. Decreased amount in the current period			
4. Closing balance	17,824,820.74	39,178,164.47	57,002,985.21
II. Accumulated depreciation			
1. Opening balance	6,971,289.60	945,534.58	7,916,824.18
2. Increased amount in the current period	7,104,562.17	6,879,399.20	13,983,961.37
(1) Accrual	7,104,562.17	6,879,399.20	13,983,961.37
3. Decreased amount in the current period			
(1) Disposal			
4. Closing balance	14,075,851.77	7,824,933.78	21,900,785.55
III. Provision for impairment			
1. Opening balance			
2. Increased amount in the current period			
(1) Accrual			
3. Decreased amount in the current period			
(1) Disposal			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	3,748,968.97	31,353,230.69	35,102,199.66
2. Opening carrying amount	9,306,199.50	27,828,764.26	37,134,963.76

13. *Intangible Assets*

(1) *Intangible assets*

Unit: RMB

Item	Geological exploration costs	Geological achievements (Mining rights)	Land use rights	Software	Patented technology	Total
I. Original carrying amount						
1. Opening balance	904,625,277.33	8,082,726,238.09	511,120,150.98	16,913,945.70	30,000.00	9,515,415,612.10
2. Increased amount in the current period	104,607,696.05	104,091,630.87	50,309.32	6,394,188.54		215,143,824.78
(1) Purchase	104,607,696.05	104,091,630.87	50,309.32	6,394,188.54	215,143,824.78	
3. Decreased amount in the current period	93,485,540.02			814,853.38		94,300,393.40
(1) Disposal				814,853.38		814,853.38
(2) Transfer of prospecting rights to mining rights	93,485,540.02					93,485,540.02
4. Closing balance	915,747,433.36	8,186,817,868.96	511,170,460.30	22,493,280.86	30,000.00	9,636,259,043.48
II. Accumulated amortization						
1. Opening balance		2,296,579,857.30	77,658,811.32	13,730,913.96	6,250.00	2,387,975,832.58
2. Increased amount in the current period		648,410,876.00	12,653,333.75	976,073.37	3,000.00	662,043,283.12
(1) Accrual		648,410,876.00	12,653,333.75	976,073.37	3,000.00	662,043,283.12
3. Decreased amount in the current period				814,853.38		814,853.38
(1) Disposal				814,853.38		814,853.38
4. Closing balance		2,944,990,733.30	90,312,145.07	13,892,133.95	9,250.00	3,049,204,262.32
III. Provision for impairment						
1. Opening balance			15,384,784.78			15,384,784.78
2. Increased amount in the current period						
(1) Accrual						
3. Decrease d amount in the current period						
(1) Disposal						
4. Closing balance			15,384,784.78			15,384,784.78
IV. Carrying amount						
1. Closing carrying amount	915,747,433.36	5,241,827,135.66	405,473,530.45	8,601,146.91	20,750.00	6,571,669,996.38
2. Beginning carrying amount	904,625,277.33	5,786,146,380.79	418,076,554.88	3,183,031.74	23,750.00	7,112,054,994.74

(2) Land use rights without title certificates

Unit: RMB

Item	**Carrying amount**	**Reasons for not completing the certificate of title**
Jilin Banmiaozi tailings pond expansion project	37,820,148.90	Title certificate is in the process of application

14. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or matters for goodwill to arise	**Opening balance**	**Increase in the current period**		**Decrease in the current period**		**Closing balance**
		Arising from a business combination			**Disposal**	
Sino Gold Hong Kong	93,902,442.61					93,902,442.61
Jilin Banmiaozi	130,557,523.84					130,557,523.84
Qinghai Dachaidan	227,905,733.29					227,905,733.29
Total	**452,365,699.74**					**452,365,699.74**

(2) Provision for goodwill impairment

Unit: RMB

Information about the asset group or combination of asset groups to which the goodwill is attributable

The company's goodwill arose when the subsidiary Shanghai Shengwei merged with enterprises not under the common control. The goodwill obtained from the merger has been allocated to the asset group of Sino Gold Hong Kong, asset group combination of Jilin Banmiaozi, and asset group combination of Qinghai Dachaidan for impairment test. The management of the company accesses the possible impairment of goodwill every year. The impairment test of goodwill is performed by the company based on the future business plan of asset groups, historical data and other information to predict the future cash flow to test the recoverable amount of asset groups containing goodwill on the reporting date. After testing, as of 31 December 2022, the balance of provision for goodwill impairment was RMB0.00.

Asset group of Sino Gold Hong Kong: The goodwill of this asset group arose when Shanghai Shengwei purchased Sino Gold Hong Kong, Rock Hong Kong and Heihe Yintai, which is consistent with the asset group determined on the purchase date. On 31 December 2022, the carrying amount of the asset group to which goodwill is attributable is RMB1,541,192,400, and the recoverable amount is recognized at the present value of estimated future cash flow, and no indication of impairment was found in the asset group related to goodwill after testing.

Asset group combination of Jilin Banmiaozi: The goodwill of asset group combination arose from the acquisition of Jilin Banmiaozi by Shanghai Shengwei. Compared with the date of purchase, Xiaoshiren prospecting rights, Lengjiagou prospecting rights and Zhenzhumen prospecting rights in the original asset group combination have been cancelled, and the carrying amount of such prospecting rights is RMB39,000,000 (representing a relatively small proportion of the asset group combination on the original purchase date, about 2.3%), which has less impact on the asset group combination and goodwill testing. On 31 December 2022, the carrying amount of the asset group combination to which goodwill is attributable is RMB1,493,112,000, and the recoverable amount is recognized at the present value of estimated future cash flow and the fair value net the disposal expenses, and no indication of impairment was found in the asset group combination related to goodwill after testing.

Asset group combination of Qinghai Dachaidan: The goodwill of this asset group combination arose when Shanghai Shengwei purchased Qinghai Dachaidan, which is consistent with the asset group combination determined on the purchase date. On 31 December 2022, the carrying amount of the asset group combination to which goodwill is attributable is RMB1,512,149,300, and the recoverable amount is recognized at the present value of estimated future cash flow and the fair value net the disposal expenses, and no indication of impairment was found in the asset group combination related to goodwill after testing.

15. Long-term Deferred Expenses

Unit: RMB

Item	Opening balance	Amount of Increase in the current period	Amortization amount in the current period	Other reductions	Closing balance
Highway outside the mining area	16,448,335.19		974,052.14		15,474,283.05
Asset maintenance expenditure	5,455,678.76	1,701,185.13	2,581,156.86		4,575,707.03
Carbon pulp plant design fee	3,046,855.36		338,539.48		2,708,315.88
Electric facilities supporting fee	2,628,747.06		352,135.60		2,276,611.46
Others	2,092,451.46	363,055.95	832,922.39		1,622,585.02
Total	**29,672,067.83**	**2,064,241.08**	**5,078,806.47**		**26,657,502.44**

16. Deferred Income Tax Assets / Deferred Income Tax Liabilities

(1) Deferred income tax assets not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for assets impairment	92,409,774.24	21,518,123.13	31,857,619.18	6,191,908.64
Unrealized profit in intra-group transactions	29,475,023.00	7,368,755.75	30,765,720.40	7,691,430.10
Deductible losses	201,950,507.04	50,487,626.76	148,488,798.21	37,122,199.55
Depreciation and amortization	311,926,319.41	72,837,517.58	269,968,395.68	61,862,140.42
Expensed exploration expenditures	13,052,763.57	3,263,190.89	13,052,763.57	3,263,190.89
Estimated liabilities	18,114,369.68	2,814,986.91	17,066,746.00	2,608,297.03
Accrued expenses	913,624.00	228,406.00	6,323,487.40	1,580,871.85
Total	**667,842,380.94**	**158,518,607.02**	**517,523,530.44**	**120,320,038.48**

(2) Deferred income tax liabilities not offset

Unit: RMB

Item	Closing balance Taxable temporary difference	Closing balance Deferred income tax liabilities	Opening balance Taxable temporary difference	Opening balance Deferred income tax liabilities
Appreciation of the combined asset valuation of enterprises not under the same control	1,076,347,555.00	247,216,395.47	1,341,341,379.61	296,719,189.28
Capitalized exploration expenditure	53,121,735.31	7,968,260.30	75,762,914.80	11,364,437.22
Depreciation and amortization	54,984,316.13	13,746,079.03	53,505,572.00	13,376,393.01
Change in fair value	12,570,979.61	3,142,744.89	11,576,662.40	2,894,165.59
Hedging instruments included in other comprehensive income			511,009.16	127,752.29
Total	**1,197,024,586.05**	**272,073,479.69**	**1,482,697,537.97**	**324,481,937.39**

(3) Deferred income tax assets or liabilities stated on a net basis after offset

Unit: RMB

Item	Deferred income tax assets and liabilities offset at the end of the period	Closing balance of deferred income tax assets or liabilities after offset	Deferred income tax assets and liabilities offset at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets	19,930,541.50	138,588,065.52	22,014,871.93	98,305,166.55
Deferred income tax liabilities	19,930,541.50	252,142,938.19	22,014,871.93	302,467,065.46

17. *Other Non-Current Assets*

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Advance payment for engineering equipment	31,322,246.79		31,322,246.79	30,321,875.92		30,321,875.92
Advance payment of the transfer fee for prospecting rights	58,901,000.00		58,901,000.00	56,901,000.00		56,901,000.00
Advance payment of the security deposit for prospecting rights	1,329,800.00		1,329,800.00	1,329,800.00		1,329,800.00
Total	**91,553,046.79**		**91,553,046.79**	**88,552,675.92**		**88,552,675.92**

18. *Short-term Loans*

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loan	719,940,000.00	579,741,200.00
Credit loan	100,000,000.00	100,000,000.00
Gold lease	18,814,000.00	
Interest payable not due	905,319.93	2,291,329.88
Total	**839,659,319.93**	**682,032,529.88**

19. *Derivative Financial Liabilities*

Unit: RMB

Item	Closing balance	Opening balance
Foreign exchange forward contract	28,860,996.94	
Commodity options contract	4,357,533.73	
Total	**33,218,530.67**	

20. Bills Payable

Unit: RMB

Type	Closing balance	Opening balance
Bank acceptance	1,226,452,490.61	1,618,374,146.25
Domestic letter of credit	67,200,000.00	100,000,000.00
Total	**1,293,652,490.61**	**1,718,374,146.25**

21. Accounts Payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for engineering equipment	136,383,596.15	77,612,260.35
Material payables	43,163,794.75	46,777,935.53
Service charge payable	29,288,851.74	7,219,748.16
Exploration fee	19,579,578.34	29,157,825.39
Accounts payable		20,424.15
Others	7,506,336.82	2,094,907.10
Total	**235,922,157.80**	**162,883,100.68**

(1) Important accounts payable aged over one year

Company name	Closing balance	Reasons for non-payment or carryover
Chifeng Yiyuan Construction Engineering Co., Ltd. (赤峰益源建築工程有限公司)	8,284,609.33	The contract has not been fulfilled
Chifeng Zhongyicheng Labor Service Co., Ltd. (赤峰眾益誠勞務服務有限公司)	3,164,650.31	The contract has not been fulfilled
Kirk Electromechanical Equipment (Shanghai) Co., Ltd. (柯爾科機電設備（上海）有限公司)	1,140,000.00	The contract has not been fulfilled
Jinzhou Mining Machinery (Group) Co., Ltd. (錦州礦山機器（集團）有限公司)	1,044,247.79	The contract has not been fulfilled
The First Geological Survey Institute of Qinghai Province (青海省第一地質勘查院)	3,648,004.22	The contract has not been fulfilled
Qinghai Fulin Trading Co., Ltd. (青海福霖商貿有限公司)	2,097,000.00	The contract has not been fulfilled
Shandong Bofeng Fan Co., Ltd. (山東博風風機有限公司)	1,550,000.00	The contract has not been fulfilled
Total	**20,928,511.65**	

22. Advance payment

Unit: RMB

Item	Closing balance	Opening balance
Advances on sales	3,165,054.05	144,048.99
Total	**3,165,054.05**	**144,048.99**

23. Contract Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance receipt of merchandise sales	17,797,907.12	16,016,500.89
Total	**17,797,907.12**	**16,016,500.89**

24. *Employee Salaries Payable*

(1) Breakdown of employee salaries payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term remuneration	55,937,054.63	273,054,713.26	264,959,306.79	64,032,461.10
2. Post-employment benefits - defined contribution plan	382,092.82	26,701,355.78	26,671,598.49	411,850.11
3. Dismissal benefits		540,836.57	540,836.57	
Total	**56,319,147.45**	**300,296,905.61**	**292,171,741.85**	**64,444,311.21**

(2) Breakdown of short-term remuneration

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages, bonuses, allowances and subsidy	39,690,685.67	234,539,764.92	225,905,873.24	48,324,577.35
2. Employee benefits	0.00	10,217,408.94	10,217,408.94	0.00
3. Social insurance premiums	1,233,761.25	13,148,874.88	14,259,812.81	122,823.32
Of which: Medical insurance premiums	1,126,417.67	11,829,751.13	12,928,503.84	27,664.96
Work injury insurance premiums	89,478.24	1,236,812.56	1,235,889.84	90,400.96
Maternity insurance premiums	17,865.34	82,311.19	95,419.13	4,757.40
4. Housing provident fund	643,578.29	10,599,121.32	11,021,062.73	221,636.88
5. Trade union funds and employee education funds	14,369,029.42	4,549,543.20	3,555,149.07	15,363,423.55
Total	**55,937,054.63**	**273,054,713.26**	**264,959,306.79**	**64,032,461.10**

(3) Breakdown of defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	370,967.28	25,774,719.84	25,746,360.77	399,326.35
2. Unemployment insurance premium	11,125.54	926,635.94	925,237.72	12,523.76
Total	**382,092.82**	**26,701,355.78**	**26,671,598.49**	**411,850.11**

25. *Taxes Payable*

Unit: RMB

Item	Closing balance	Opening balance
VAT	4,799,692.72	12,893,090.28
Corporate income tax	112,724,176.51	138,693,536.45
Personal income tax	1,582,915.04	735,550.36
Urban maintenance and construction tax	241,205.55	737,924.59
Education surcharge	144,056.68	112,825.32
Local education surcharges	96,037.80	75,216.88
Resource tax	29,149,759.73	20,128,571.60
Stamp duty	1,733,471.51	1,020,489.54
Environmental protection tax	118,152.26	150,085.37
Other taxes	2,581,020.84	1,002,174.69
Total	**153,170,488.64**	**175,549,465.08**

26. *Other Payables*

Unit: RMB

Item	Closing balance	Opening balance
Other payables	275,141,052.63	215,556,106.87
Total	**275,141,052.63**	**215,556,106.87**

(1) Other Payables

Unit: RMB

Item	Closing balance	Opening balance
Current account	27,728,282.77	32,705,151.57
Security deposit and deposit	238,482,726.89	160,020,142.40
Payment for project	5,763,143.50	12,977,989.66
Withholding payment	709,203.38	831,893.14
Service charges		611,100.92
Accrued expenses		1,384,617.40
Others	2,457,696.09	7,025,211.78
Total	**275,141,052.63**	**215,556,106.87**

27. Non-current Liabilities Due within One Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables due within one year	52,381,376.00	52,381,376.00
Lease liabilities due within one year	4,066,310.55	7,167,685.47
Total	**56,447,686.55**	**59,549,061.47**

28. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Tax on items to be offset	2,313,727.92	2,082,145.12
Total	**2,313,727.92**	**2,082,145.12**

29. Long-term Loans

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans	109,000,000.00	
Interest payable not due	143,213.89	
Total	**109,143,213.89**	

30. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities	14,206,905.02	17,514,366.48
Less: Lease liabilities due within one year	4,066,310.55	7,167,685.47
Total	**10,140,594.47**	**10,346,681.01**

31. Long-term Payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	97,859,676.00	150,241,052.00
Total	**97,859,676.00**	**150,241,052.00**

(1) Breakdown of long-term payables by the nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Mining rights transfer fees	150,241,052.00	202,622,428.00
Less: Long-term payables due within one year	52,381,376.00	52,381,376.00
Total	**97,859,676.00**	**150,241,052.00**

32. *Estimated Liabilities*

Unit: RMB

Item	Closing balance	Opening balance	Causes
Disposal fees	42,824,545.30	42,538,554.00	Estimated costs incurred in restoring the ecological environment of mining areas
Total	**42,824,545.30**	**42,538,554.00**	

33. *Deferred Income*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Causes
Government subsidies	410,400.00		34,200.00	376,200.00	Financial allocation of tailings environment special funds for pollution control
Total	**410,400.00**		**34,200.00**	**376,200.00**	

Items involving government subsidies:

Unit: RMB

Liability item	Opening balance	Amount of new subsidy in the current period	Amount included in non-operating revenue in the current period	Amount included in other income in the current period	Amount of offsetting costs and expenses in the current period	Other changes	Closing balance	Related to assets / related to income
Government subsidies for tailings pond environmental protection	410,400.00			34,200.00			376,200.00	Related to assets

34. Share Capital

Unit: RMB

			Increase or decrease in this change (+, -)				
	Opening balance	Closing balance	Issuance of new shares	Bonus shares	Conversion of capital reserve into share capital	Others	Subtotal
Total number of shares	2,776,722,265.00						2,776,722,265.00

35. Capital Reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (share capital premium)	4,431,280,488.30			4,431,280,488.30
Total	**4,431,280,488.30**			**4,431,280,488.30**

36. Other Comprehensive Income

Unit: RMB

		Amount for the current period						
Item	Opening balance	Amount before income tax in the current period	Less: Transfer from other comprehensive income in the last period to profit or loss in the current period	Less: Transfer from other comprehensive income in the last period to retained earnings in the current period	Deduct: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
Other comprehensive income to be reclassified to profit or loss	-6,369,278.83	14,476,366.07	511,009.16		-127,752.29	13,613,407.95	479,701.25	7,244,129.12
Cash flow hedge reserve	370,211.57		511,009.16		-127,752.29	-370,211.57	-13,045.30	
Translation differences of foreign currency financial statements	–6,739,490.40	14,476,366.07				13,983,619.52	492,746.55	7,244,129.12
Total other comprehensive income	**–6,369,278.83**	**14,476,366.07**	**511,009.16**		**-127,752.29**	**13,613,407.95**	**479,701.25**	**7,244,129.12**

37. *Special Reserve*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production fees	2,558,340.56	34,211,119.00	31,755,508.11	5,013,951.45
Total	**2,558,340.56**	**34,211,119.00**	**31,755,508.11**	**5,013,951.45**

38. *Surplus Reserve*

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	503,405,545.11	48,425,855.12		551,831,400.23
Total	**503,405,545.11**	**48,425,855.12**		**551,831,400.23**

39. *Undistributed Profit*

Unit: RMB

Item	For the current period	For the last period
Undistributed profit at the end of the last period before adjustment	2,758,837,701.09	2,244,198,862.94
Adjusted undistributed profit at the beginning of the period	2,758,837,701.09	2,244,198,862.94
Add: Net profit attributable to owners of the parent company in the current period	1,124,456,118.62	1,273,338,698.63
Less: Appropriation of statutory surplus reserve	48,425,855.12	64,519,294.23
Dividends payable on ordinary shares	694,180,566.25	694,180,566.25
Undistributed profit at the end of the period	3,140,687,398.34	2,758,837,701.09

40. Operating Revenue and Operating Costs

Unit: RMB

	Amount for the current period		Amount for the last period	
Item	**Revenue**	**Costs**	**Revenue**	**Costs**
Main business	8,373,181,068.98	6,293,654,772.42	9,037,064,242.29	6,769,224,798.67
Other businesses	8,362,968.93	8,308,386.35	3,179,612.00	1,776,364.08
Total	**8,381,544,037.91**	**6,301,963,158.77**	**9,040,243,854.29**	**6,771,001,162.75**

Is the lower of the net profit before and after deducting non-recurring profit and loss after auditing negative

☐ Yes ✔ No

Income related information:

Unit: RMB

Contract classification	**Amount for the current period**	**Amount for the last period**
Market or customer type		
Of which: Non-ferrous metal mining and processing	3,751,018,340.57	3,787,132,977.43
Metal commodity trading	4,622,162,728.41	5,249,931,264.86
Others	8,362,968.93	3,179,612.00
Total	**8,381,544,037.91**	**9,040,243,854.29**

Explanation: Information related to performance obligations: The company has signed a legal and valid purchase and sale contract with customers in the sales of mineral products, which stipulates the target product, delivery method, delivery period, pricing method, weighing and testing standards, collection and payment settlement method and the liability for breach of contract, etc., and the performance obligations and rights are clear. There are clear market-based prices and calculation methods for the selling price of the company's products, and revenue is finally recognized after completion of product delivery, confirmation of test results and unit price and other performance obligations.

41. *Taxes and Surcharges*

Unit: RMB

Item	Amount for the current period	Amount for the last period
Urban maintenance and construction tax	4,449,821.70	4,956,487.82
Education surcharge	4,391,417.40	4,946,520.37
Resource tax	153,635,801.57	155,159,454.12
Property tax	3,520,253.69	3,101,688.39
Land holding tax	3,636,519.17	2,959,184.69
Vehicle usage tax	273,638.52	216,980.23
Stamp duty	5,772,211.25	4,705,190.26
Environmental protection tax	392,016.57	433,571.38
Others	1,864,909.61	2,155,468.32
Total	**177,936,589.48**	**178,634,545.58**

42. *Selling Expenses*

Unit: RMB

Item	Amount for the current period	Amount for the last period
Employee remuneration	1,549,099.04	1,410,955.96
Storage fee	1,117,192.71	5,442,955.54
Travel expenses	173,729.04	215,021.68
Lab fees	132,850.00	115,498.85
Depreciation	53,047.33	22,595.23
Others	52,993.45	368,439.41
Total	**3,078,911.57**	**7,575,466.67**

43. Management Costs

Unit: RMB

Item	Amount for the current period	Amount for the last period
Employee remuneration	159,189,298.61	144,328,192.26
Depreciation and amortization	36,276,946.44	31,506,485.42
Consulting and service fees	28,012,384.26	16,997,967.52
Business hospitality	11,923,695.11	8,944,129.36
Rental fees	7,832,649.95	7,526,718.61
Office expenses	2,567,747.52	2,133,029.60
Travel expenses	2,795,658.26	3,067,393.36
Tax	3,715,320.26	1,023,526.22
Maintenance fees	4,258,217.69	3,632,869.16
Utility bill	2,295,427.77	3,254,442.02
Downtime loss	23,011,564.82	1,194,520.24
Insurance fees	1,041,863.96	1,218,195.25
Vehicle and miscellaneous expenses	3,914,968.70	4,393,113.08
Greening costs	2,981,583.23	2,125,717.50
Heating costs	10,250,379.01	5,222,484.22
Feasibility study fees		3,638,000.00
Others	10,756,622.98	24,426,511.48
Total	**310,824,328.57**	**264,633,295.30**

44. Financial Expenses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Interest expense	60,358,985.39	70,823,851.02
Less: Interest income	16,331,096.68	7,564,849.45
Exchange gains and losses	-9,988,965.55	-692,005.56
Bank charges	2,890,889.73	2,717,180.31
Others	1,391,749.53	1,968,638.37
Total	**38,321,562.42**	**67,252,814.69**

45. Other Gains

Unit: RMB

Other sources of income	Amount for the current period	Amount for the last period
Government subsidies	5,918,522.17	4,842,666.91
Refund of withholding fees	4,505,082.44	619,914.88
Others		91,665.01
Total	**10,423,604.61**	**5,554,246.80**

46. Investment Income

Unit: RMB

Item	Amount for the current period	Amount for the last period
Investment income of wealth management products	36,724,401.18	60,942,723.35
Investment income from disposal of derivative financial assets	38,653,660.56	10,070,401.46
Interest income from acquisition of equity		7,021,969.51
Option income	29,448,879.38	14,412,012.62
Investment income from disposal of other equity instruments	2,832,213.17	
Others		-1,532,991.95
Total	**107,659,154.29**	**90,914,114.99**

47. Gains from Change in Fair Value

Unit: RMB

Source of gains from change in fair value	Amount for the current period	Amount for the last period
Financial assets held for trading	11,771,554.30	8,833,282.20
Derivative financial instruments	496,135.73	11,709,115.44
Total	**12,267,690.03**	**20,542,397.64**

48. Credit Impairment Losses

Unit: RMB

Item	Amount for the current period	Amount for the last period
Bad debt loss	-64,533,177.70	-1,538,036.32
Total	**-64,533,177.70**	**-1,538,036.32**

49. Gains from disposal of assets

Unit: RMB

Source of gains on disposal of assets	Amount for the current period	Amount for the last period
Gains or losses on disposal of fixed assets	569,620.39	-1,743,156.41
Total	**569,620.39**	**-1,743,156.41**

50. Non-operating revenue

Unit: RMB

Item	Amount for the current period	Amount for the last period	Amount included in the current non-recurring profit and loss
Forfeited income	342,482.78	795,485.92	342,482.78
Liquidated damages income	74,400.00	588,015.61	74,400.00
Gains on surplus	2,577.47	1,122.00	2,577.47
Others	62,543.02	2,177,324.67	62,543.02
Total	**482,003.27**	**3,561,948.20**	**482,003.27**

51. *Non-operating expenses*

Unit: RMB

Item	Amount for the current period	Amount for the last period	Amount included in the current non-recurring profit and loss
External donation	3,596,853.69	936,406.43	3,596,853.69
Loss on damage and retirement of non-current assets	1,553,713.43	18,032,295.28	1,553,713.43
Fines and late fees	152,359.70	1,966,554.94	152,359.70
Liquidated damages and compensation	418,634.32	1,013,807.40	418,634.32
Others	1,464,624.49	1,871,947.91	1,464,624.49
Total	**7,186,185.63**	**23,821,011.96**	**7,186,185.63**

52. *Income Tax Expense*

(1) Income tax expense table

Unit: RMB

Item	Amount for the current period	Amount for the last period
Current income tax expense	455,332,540.06	476,670,275.93
Deferred income tax expense	-90,479,273.95	-53,762,455.40
Total	**364,853,266.11**	**422,907,820.53**

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Amount for the current period
Total profit	1,609,102,196.36
Income tax expense calculated at statutory/applicable tax rate	402,275,549.09
Effect of different tax rates applicable to subsidiaries	-90,967,743.48
Effect of adjusting income taxes for the prior period	-519,044.22
Effect of non-deductible costs, expenses and losses	6,267,876.14
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	452,397.73
Effect of the restoration of fair value of consolidated subsidiaries	47,344,230.85
Income tax expense	364,853,266.11

53. Cash Flow Statement Items

(1) Other cash received related to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Receipt of current account	3,619,804.36	16,667,025.86
Security deposit received	13,393,549.00	10,567,370.24
Interest income	11,018,190.75	7,564,849.45
Government subsidies for daily business activities	5,884,322.17	4,808,466.91
Refund of individual tax fee	4,505,082.44	619,914.88
Others	1,517,014.96	1,854,262.82
Total	**39,937,963.68**	**42,081,890.16**

(2) Other cash paid related to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Payment of current account	4,837,072.85	6,545,329.33
Security deposit	14,014,426.66	6,524,470.72
Business hospitality	11,516,718.84	8,943,754.85
Consulting and service fees	14,687,882.04	18,508,017.29
Vehicle and miscellaneous expenses	3,914,968.69	
Rental fees		1,896,586.85
Travel expenses	2,953,533.01	3,269,727.83
Maintenance fees	2,930,186.40	4,556,047.04
Bank charges	2,890,889.73	2,717,180.31
Office expenses	2,381,567.53	3,044,321.22
Warehousing and shipping fees	1,603,670.82	7,120,931.27
Environmental greening and water and soil conservation costs	7,019,948.16	10,473,926.32
External donation	3,596,853.69	956,219.85
Insurance fees	1,356,426.32	830,227.88
Fines and late fees	152,359.70	1,964,307.36
Material consumption	2,992,038.47	653,433.05
Others	7,654,872.21	16,049,461.04
Total	**84,503,415.12**	**94,053,942.21**

(3) Other cash received related to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the last period
Withdrawal of futures trading margin	3,214,000.00	
Withdrawal of deposit for equity acquisition		600,000,000.00
Total	**3,214,000.00**	**600,000,000.00**

(4) Other cash paid related to investment activities

Unit: RMB

Item	**Amount for the current period**	**Amount for the last period**
Security deposit for futures pledge		4,810,225.00
Total		**4,810,225.00**

(5) Other cash received related to financing activities

Unit: RMB

Item	**Amount for the current period**	**Amount for the last period**
Funds received from warehouse receipts, cargo pledges or other credit financing	338,010,089.91	506,782,812.67
Receipt of bill financing	551,059,358.65	443,900,000.00
Total	**889,069,448.56**	**950,682,812.67**

(6) Other cash paid related to financing activities

Unit: RMB

Item	**Amount for the current period**	**Amount for the last period**
Repayment of warehouse receipts, cargo pledges or other credit financing and interest	297,947,914.39	486,878,024.86
Repayment of bill financing and interest	515,753,540.07	499,642,227.76
Liquidated damages for short-term loans		25,591,000.00
Purchase of minority interest		10,662,100.00
Rentals	10,575,526.68	21,284,607.38
Total	**824,276,981.14**	**1,044,057,960.00**

54. *Supplementary Information on the Cash Flow Statement*

(1) Supplementary information on the cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	1,244,248,930.25	1,421,709,251.71
Add: Provision for impairment of assets	64,533,177.70	1,538,036.32
Depreciation of fixed assets, depreciation of oil and gas assets and depreciation of productive biological assets		
Depreciation	510,339,070.81	299,419,568.86
Depreciation of right-of-use assets	13,983,961.37	7,916,824.18
Amortization of intangible assets	662,043,283.12	506,097,156.90
Amortization of long-term deferred expenses	5,078,806.47	4,289,413.75
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain represented by "-")	-569,620.39	1,743,156.41
Losses from retirement of fixed assets (gain represented by "-")	1,553,713.43	18,032,295.28
Losses from changes in fair value (gain represented by "-")	-12,267,690.03	-20,542,397.64
Financial expenses (gain represented by "-")	44,746,495.80	70,823,851.02
Investment loss (gain represented by "-")	-107,659,154.29	-90,914,114.99
Decrease in deferred income tax assets (increase represented by "-")	-37,798,874.46	-1,538,420.39
Increase in deferred income tax liabilities (decrease represented by "-")	-52,935,904.07	-52,224,035.01
Decrease in inventory (increase represented by "-")	-330,681,392.00	-1,348,965.06
Decrease in operating receivable items (increase represented by "-")	-64,553,336.36	-26,866,534.10
Increase in operating payable items (decrease represented by "-")	60,630,686.90	577,757,300.40
Others	-11,609,800.63	-673,202,743.12
Net cash flows from operating activities	1,989,082,353.62	2,042,689,644.52
2. Significant investment and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Finance leasing of fixed assets		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	789,842,554.19	747,711,349.35
Less: Opening balance of cash	747,711,349.35	445,104,601.52
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	42,131,204.84	302,606,747.83

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
1. Cash	789,842,554.19	747,711,349.35
Including: Cash on hand	626,569.58	424,890.78
Bank deposits readily available for payment	655,674,222.76	604,795,496.29
Other monetary funds readily available for payment	133,541,761.85	142,490,962.28
2. Cash equivalents		
Including: Bond investments due within 3 months		
3. Closing balance of cash and cash equivalents	789,842,554.19	747,711,349.35

55. Assets with Restricted Ownership or Use Rights

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Monetary funds	1,084,140,704.49	Environmental governance deposit of RMB53,746,340.73; letter of credit deposit of RMB29,399,042.60; futures deposit of RMB5,237,475.00; deposit for the bank acceptance of RMB995,755,846.16; ETC frozen funds of RMB2,000.00
Inventory	165,043,740.00	Pledge made by Yintai Shenghong and Yongheng Trading for financing purposes
Other non-current assets	1,329,800.00	The security deposit for prospecting rights is paid in advance, the balance of which is frozen and supervised by three parties through a tripartite supervision agreement signed by Yintai Shengxin, the 602nd Team of Jilin Provincial Nonferrous Metals Geological Exploration Bureau and its account opening bank.
Total	**1,250,514,244.49**	

56. Monetary Items in Foreign Currency

(1) Monetary items in foreign currency

Unit: RMB

Item	Closing foreign currency balance	Translation rate	Closing RMB balance after translation
Monetary funds			470,534,326.30
Of which: US dollar	67,546,069.51	6.9646	470,431,355.73
Singapore dollar	19,866.60	5.1831	102,970.57

(2) Explanation of overseas operating entities, including for important overseas operating entities, the principal place of business overseas, recording currency and basis of choice, and if the recording currency changes, the reasons shall also be disclosed.

✔ Applicable ☐ N/A

Name of overseas subsidiary	Registered place of business	Reporting currency	Basis for adopting functional currency for bookkeeping
Yintai Shenghong Singapore Co., Ltd.	Singapore	US dollar	Sales, purchases, financing and other operating activities are mainly denominated in US dollars

57. Hedging

Disclosure of hedging items and related hedging instruments by hedging type, qualitative and quantitative information on hedged risks:

Gold, silver, lead, zinc contained in the company's products and silver, tin, nickel, aluminum, copper, etc. in the metal trade are basic products of trading varieties in precious metals and non-ferrous metals commodity futures markets. In order to reduce the impact of commodity price fluctuations in spot operations on the business, the company makes full use of hedging function of the financial derivatives market, and effectively controls the company's operating risks according to the principle of synchronous futures and spots and complementary profit and loss between futures and spots.

All derivatives investments of the company including hedging have been submitted to the board of directors for review, and the Derivatives Investment Business Management System and the Hedging Business Management System have been formulated as the internal control and management system for derivatives investment business. These systems clearly stipulate the variety scale, source of funds, approval authority, decision-making procedures, authorization system, business process, risk management, information disclosure, etc. of the company's derivatives investment business, which can effectively ensure the smooth progress of derivatives investment business, and effective control over its risks. The company's existing self-owned capital size can support the required Security deposit and follow-up support funds for the company's derivatives investment business.

According to the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting, the daily accounting treatment of hedging business is carried out, and hedging is divided into fair value hedging and cash flow hedging.

Fair value hedging: The company is faced with large price fluctuations during metal trading activities, and manages the risk of commodity price changes through the futures contracts of futures exchanges for purchased commodity inventories or contracts for purchases and sales that have not yet been priced because it is worried that future inventory prices will fall and sales revenue will decline,. The company buys or sells a corresponding number of futures contracts in a certain proportion in the futures market, so as to stabilize the risk of price fluctuations for the company.

Cash flow hedging: For the mineral products that are expected to be sold, the company sells futures contracts for hedging because it is worried that the sales price will fall in the future and the cash income will decrease.

Unit: RMB

Item	**Closing balance**	**Opening balance**
Precious metal hedging	84,708,400.77	78,582,692.60
Other non-ferrous metal hedging	37,965,976.43	17,018,458.50
Total	**122,674,377.20**	**95,601,151.10**

58. *Government Subsidies*

(1) Basic information on government subsidies

Unit: RMB

Type	Amount	Presentation item	Amount included in profit and loss for the period
Multi-level capital market subsidies	603,000.00	Other income	603,000.00
Special funds for private economic development	1,000,000.00	Other income	1,000,000.00
Stabilizing job allowance	1,725,306.72	Other income	1,725,306.72
Rewards for enterprises above designated size	1,685,300.00	Other income	1,685,300.00
Special subsidies for scientific achievements	154,000.00	Other income	154,000.00
Incentives for specialized and new small and medium-sized enterprises from the Finance Bureau	120,000.00	Other income	120,000.00
Continuous production rewards during the Spring Festival by the Finance Bureau	30,000.00	Other income	30,000.00
Safety production rewards	3,000.00	Other income	3,000.00
Government subsidies for tailings pond environmental protection	34,200.00	Other income	34,200.00
VAT exemption for the resettlement of retired soldiers	489,750.00	Other income	489,750.00
Subsidies for vocational skills training	42,570.00	Other income	42,570.00
Free trade zone development support funds	28,395.45	Other income	28,395.45
Subsidies for additional posts for the unemployed	3,000.00	Other income	3,000.00
Total	**5,918,522.17**		**5,918,522.17**

(2) Return of government subsidies

☐ Applicable ✔ N/A

VIII. CHANGES IN THE SCOPE OF CONSOLIDATION

There was no change in the scope of consolidation during the period.

IX. EQUITY IN OTHER ENTITIES

1. Equity in Subsidiaries

(1) Composition of the enterprise group

Name of subsidiary	Major place of business	Place of registration	Business nature	Shareholding ratio Direct	Indirect	Method of obtaining
Yulong Mining	Inner Mongolia	Inner Mongolia Xilingol League	Mining of silver, lead, and zinc mines, sales of mineral products	76.67%		Business combination
Yintai Shenghong	Shanghai	Shanghai Free-Trade Zone	Supply chain management, etc.	96.60%		New establishment
Shenghong Singapore	Singapore	Singapore	supply chain management, etc.		96.60%	New establishment
Yongheng Trading	Ningbo	Jiangbei District, Ningbo City, Zhejiang Province	Trading services		96.60%	New establishment
Shanghai Shengwei	Shanghai	Shanghai	Controlling company	100.00%		Business combination
Jilin Banmiaozi	Baishan City, Jilin Province	Baishan City, Jilin Province	Prospecting, mining and smelting of gold mines, sales of mineral products		95.00%	Business combination
Yintai Shengxin	Baishan City, Jilin Province	Baishan City, Jilin Province	Geological prospecting		75.00%	New establishment
Sino Gold Hong Kong	Hong Kong	Hong Kong	Controlling company		100.00%	Business combination
Rock Hong Kong	Hong Kong	Hong Kong	Controlling company		100.00%	Business combination
Heihe Yintai	Xunke County, Heihe City, Heilongjiang Province	Xunke County, Heihe City, Heilongjiang Province	Prospecting, mining and smelting of gold mines, sales of mineral products		100.00%	Business combination
Qinghai Dachaidan	Haixi Prefecture, Qinghai Province	Haixi Prefecture, Qinghai Province	Prospecting, mining and smelting of gold mines, sales of mineral products		90.00%	Business combination
Huasheng Gold Mine	Mangshi, Dehong Prefecture, Yunnan	Mangshi, Dehong Prefecture, Yunnan	Prospecting, mining and smelting of gold mines, sales of mineral products	60.00%		Acquisition in cash

(2) Important non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority shareholding ratio	Profit and loss attributable to minority shareholders in the current period	Dividends declared for distribution to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Yulong Mining	23.33%	59,616,882.06	124,816,570.00	851,296,815.70
Jilin Banmiaozi	5.00%	9,029,828.94	15,000,000.00	61,266,735.30
Qinghai Dachaidan	10.00%	60,283,152.50	86,166,745.16	154,803,295.15
Yintai Shenghong	3.40%	707,921.74		12,399,496.69
Huasheng Gold Mine	40.00%	-9,549,691.52		679,130,329.47

(3) Major financial information of important non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Yulong Mine Industry	426,175,920.85	3,701,901,319.25	4,128,077,240.10	469,173,573.86	9,999,870.84	479,173,444.70	391,398,834.01	3,752,235,722.90	4,143,634,556.91	203,467,844.31	9,953,363.24	213,421,207.55
Jilin Banmiaozi	186,249,920.76	1,391,922,178.32	1,578,172,099.08	212,979,875.90	215,480,168.29	428,460,044.19	168,362,446.30	1,522,632,539.97	1,690,994,986.27	143,282,089.76	278,648,569.19	421,930,658.95
Qinghai Dachaidan	639,787,478.73	1,316,547,212.30	1,956,334,691.03	285,680,633.96	396,716,780.45	682,397,414.41	403,010,132.85	1,425,308,976.32	1,828,319,109.17	296,468,099.26	199,499,729.47	495,967,828.73
Yintai Shenghong	1,910,502,979.16	18,977,976.72	1,929,480,955.88	1,562,330,137.06	2,867,154.10	1,565,197,291.16	2,365,357,189.37	5,779,516.74	2,371,136,706.11	2,040,182,102.64	1,562,030.75	2,041,744,133.39
Huasheng Gold Mine	23,721,827.52	2,047,254,339.53	2,070,976,167.05	363,823,508.23	9,326,835.15	373,150,343.38	19,378,283.43	2,026,058,004.55	2,045,436,287.98	314,630,239.44	9,105,996.06	323,736,235.50

Unit: RMB

Name of subsidiary	Amount for the current period				Amount for the last period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Yulong Mining	967,059,673.99	255,608,571.17	255,608,571.17	524,870,286.09	1,042,599,941.58	344,495,541.46	344,495,541.46	538,020,123.82
Jilin Banmiaozi	681,861,866.52	180,647,727.57	180,647,727.57	273,880,454.18	831,644,408.53	261,337,080.53	261,337,080.53	479,932,499.78
Qinghai Dachaidan	817,011,963.44	356,452,731.27	356,452,731.27	460,300,582.88	800,485,728.94	332,355,032.35	332,355,032.35	478,927,865.37
Yintai Shenghong	8,244,583,512.43	20,797,982.80	34,891,092.00	-80,528,998.70	8,747,281,951.12	16,287,360.58	16,149,958.62	-72,306,228.78
Huasheng Gold Mine		-23,874,228.81	-23,874,228.81	-20,626,817.44		-6,633,280.85	-6,633,280.85	-11,637,815.88

Other explanations: The major financial information of the subsidiary is the amount after adjusting the individual financial statements based on the fair value of the company's identifiable assets and liabilities on the purchase date when the consolidated statements are prepared.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The company's main financial instruments include monetary funds, derivative financial assets, financial assets held for trading and borrowings, etc. The company also has various other financial assets and liabilities directly arising from operations, such as accounts receivable, bills payable and accounts payable.

The main risks caused by the company's financial instruments are credit risk, liquidity risk and market risk.

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company is mainly exposed to customer's credit risk arising from sales on credit. The company establishes a customer credit management system, and conducts a credit review of the counterparty in accordance with the relevant regulations and procedures of the company's contract management measures before the transaction. The company only conducts transactions with approved and reputable customers, and makes sure that the counterparty is capable of performing relevant contract. In accordance with the company's policies, if credit transactions are carried out with identified specific customers, the company will continuously monitor the balance of accounts receivable to ensure that the company is not exposed to major bad debt risks.

The company's other financial assets include monetary funds and receivables and other receivables. The credit risk of these financial assets comes from the default of counterparties, and the maximum risk exposure is equal to the carrying amount of these instruments. The company is not exposed to the credit risk due to the provision of financial guarantees.

As of 31 December 2022, the book balance and expected credit impairment losses of relevant assets are as follows:

Unit: RMB

Item	**Book balance**	**Provision for impairment**
Financial assets held for trading	2,000,435,680.65	
Derivative financial assets	300,234,674.43	
Accounts receivable	41,906,643.42	2,095,332.17
Other receivables	129,658,324.71	67,419,449.46
Other current assets	25,111,662.32	
Total	**2,497,346,985.53**	**69,514,781.63**

2. *Liquidity risk*

Liquidity risk is the risk that the Company will encounter shortage of funds in meeting obligations that are settled by delivering cash or other financial assets.

It is the Company's policy to ensure that it has sufficient cash to meet debt obligations as they fall due. Liquidity risk is centrally controlled by the Company's financial department. The finance department will ensure that the company has sufficient funds to repay its debts under all reasonable forecasts through monitoring of cash balance, as well as rolling forecast of cash flows for the next 12 months.

As of 31 December 2022, the Company's financial liabilities and off-balance-sheet guarantee items are presented at undiscounted contractual cash flow over the remaining maturity of contract as follows:

Unit: RMB

	Closing balance			
Item	**Within 1 year**	**1-3 years**	**Over 3 years**	**Total**
Short-term borrowing	839,659,319.93			839,659,319.93
Derivative financial liabilities	33,218,530.67			33,218,530.67
Bills payable	1,293,652,490.61			1,293,652,490.61
Accounts payable	223,904,970.11	9,629,890.65	2,387,297.04	235,922,157.80
Other payables	268,849,943.61	3,991,109.02	2,300,000.00	275,141,052.63
Non-current liabilities due within one year	56,447,686.55			56,447,686.55
Long term borrowing		109,143,213.89		109,143,213.89
Lease liabilities		1,092,223.82	9,048,370.65	10,140,594.47
Long-term payables		97,859,676.00		97,859,676.00
Total	**2,715,732,941.48**	**221,716,113.38**	**13,735,667.69**	**2,951,184,722.55**

3. *Market risk*

Market risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Exchange rate risk

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. At present, the amount of the company's foreign exchange assets is small, but the price risk will be affected by changes in the exchange rate.

As of 31 December 2022, the amount of foreign currency financial assets and foreign currency financial liabilities held by the company converted into RMB is presented as follows:

Unit: RMB

Item	Closing balance Dollar-denominated item	Singapore dollar -denominated item	Total
Foreign currency financial assets:			
Monetary funds	470,431,355.73	102,970.57	470,534,326.30

(2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. Since the company's borrowings are at fixed interest rates, there is no risk of changes in RMB benchmark interest rates. In addition, the company purchases fixed-income or low-risk wealth management products in banks, which does not pursue high returns and are all short-term wealth management products, with low interest rate risk. There is basically no interest rate risk in the reverse repurchase of treasury bonds and the investment in monetary funds.

(3) Other price risks

The company's other price risks mainly come from bulk metal trading prices. In order to stabilize the risk of price fluctuations, when conducting metal trading, the company generally purchases similar futures products in the futures market to avoid the risk of price fluctuations or hedges corresponding forward bulk metal purchase contracts. Since the financial derivatives market itself has certain systemic risks, it is necessary to make reasonable and effective predictions on price trends when conducting hedging operations. Once the price forecast deviates, it may affect the effect of hedging business.

XI. DISCLOSURE OF FAIR VALUE

1. Financial Instruments Measured at Fair Value

The company presented the carrying amount of financial instruments measured at fair value on 30 June 2022 according to three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels to which each important input used in fair value measurement belongs. The three levels are defined as follows:

Level 1: They are unadjusted quoted prices in active markets for identical assets or liabilities available at the date of measurement;

Level 2: They are direct or indirect observable inputs for the relevant asset or liability other than Level 1 inputs;

Level 2 input include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for the identical or similar assets or liabilities in inactive markets; 3) other observable inputs excluding quoted price, such as interest rates and yield curves, implied volatility and credit spreads, etc. observable at commonly quoted intervals; 4) inputs that are evidenced in market, etc.

Level 3: They are unobservable inputs for the relevant asset or liability.

2. Fair Value Measurement at the End of the Period

(1) Continuous fair value measurement

Unit: RMB

	Fair value at the end of the period			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading		2,000,435,680.65		2,000,435,680.65
Derivative financial assets	300,234,674.43			300,234,674.43
Investment in other equity instruments			14,303,885.24	14,303,885.24
Derivative financial liabilities	33,218,530.67			33,218,530.67
Total	**333,453,205.10**	**2,000,435,680.65**	**14,303,885.24**	**2,348,192,770.99**

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The Parent Company of the Enterprise

Name of the parent company	Place of registration	Business nature	Registered capital	Shareholding ratio of the parent company in the enterprise	Proportion of voting rights of the parent company in the enterprise
China Yintai Holdings Co., Ltd.	Unit 4701, 47th Floor, Building 3, Yard 2, Jianguomenwai Street, Chaoyang District, Beijing	Limited liability company	RMB1,000,000,000	14.44%	14.44%

Explanation of the parent company of the enterprise

(1) The parent company of the company is China Yintai Holdings Co., Ltd., the scope of whose main business is asset custody, reorganization and operation; investment, development and operation of agriculture, forestry, animal husbandry and fishery; investment, development and operation of high-tech industries; research and development and sales of sanitary products and labor insurance products; investment and operation of commercial department store retailing.

(2) Shen Guojun holds 100% equity of Beijing Guojun Investment Co., Ltd. (北京國俊投資有限公司), which in turn holds 92.5% equity of China Yintai. As of the balance sheet date, Shen Guojun directly holds 6.49 % equity of Yintai Gold, and China Yintai holds 14.44 % equity of Yintai Gold. In view of the above, Shen Guojun and China Yintai jointly hold 20.93 % equity of Yintai Gold.

The ultimate controlling party of the enterprise is Shen Guojun.

2. Subsidiaries of the enterprise

For the details of subsidiaries of the enterprise, please refer to Note IX. Equity in Other Entities.

3. *Other related party*

Name of other related party	Relationship between other related parties and the company
Beijing Yintai Real Estate Co., Ltd. Beijing Yintai Real Estate Co., Ltd. Property Management Branch Beijing Yintai Savills Property Management Co., Ltd. Beijing First Branch	Same ultimate controller

4. *Related transactions*

(1) Related party transactions of purchase and sale of goods, provision and acceptance of services

Purchase of goods and receipt of services

Unit: RMB

Related party	Related transaction content	Amount for the current period	Amount for the last period
Beijing Yintai Real Estate Co., Ltd., Beijing Yintai Real Estate Co., Ltd. Property Management Branch, Beijing Yintai Savills Property Management Co., Ltd. Beijing First Branch	Property services	621,408.97	591,301.85

(2) Related leases

The company as lessee:

Unit: RMB

		Lease fees paid		Interest expenses on lease liabilities assumed		Increase in right-of-use assets	
Name of lessor	Type of leased assets	Amount for the current	Amount for the last period	Amount for the current	Amount for the last period	Amount for the current	Amount for the last period
Beijing Yintai Real Estate Co., Ltd.	Office building	6,222,837.60	6,222,837.60	144,271.35	368,411.21	0.00	6,650,626.11

(3) Remuneration of key management personnel

Unit: RMB0'000

Item	Amount for the current period	Amount for the last period
Remuneration of key management personnel	1,834.24	1,767.29

5. Receivables and Payables of Related Parties

(1) Receivable items

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Beijing Yintai Real Estate Co., Ltd. Property Management Branch			54,026.73	
Prepayments	Beijing Yintai Real Estate Co., Ltd.	578,990.80			
Prepayments	Beijing Yintai Savills Property Management Co., Ltd. Beijing First Branch	22,200.00			
Other receivables	Beijing Yintai Real Estate Co., Ltd.	1,662,891.00	831,445.50	1,555,709.40	311,141.88
Other receivables	Beijing Yintai Real Estate Co., Ltd. Property Management Branch			107,181.60	21,436.32

(2) Payable items

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Non-current liabilities due within one year	Beijing Yintai Real Estate Co., Ltd.	492,251.55	5,782,240.66
Lease liabilities	Beijing Yintai Real Estate Co., Ltd.		492,251.54

XIII. COMMITMENTS AND CONTINGENCIES

1. Important Commitments

Important commitments existing on the balance sheet date

The company has no important commitments that need to be disclosed.

2. Contingencies

(1) To state that the company has no important contingencies that need to be disclosed

The company has no important contingencies that need to be disclosed.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit Distribution

According to the Resolution on Consideration of the Company's Profit Distribution Plan for 2022 deliberated at the 17th meeting of the eighth session of the board of directors of the company, the proposed profit distribution plan for 2022 of the company is: based on the existing share capital of 2,776,722,265 shares, a cash dividend of RMB2.8 (tax included) will be distributed to all shareholders for every 10 shares, for a total of RMB777,482,234.20. The resolution still needs to be submitted to the company's 2022 annual general meeting for consideration.

XV. OTHER IMPORTANT MATTERS

1. Other Important Transactions and Matters that Affect Investors' Decision-Making

On 5 December 2022, the trading of the company's shares was suspended due to the planning of the change of control by the actual controller of the company. On 9 December, Mr. Shen Guojun, the actual controller of the company and China Yintai Holdings Co., Ltd., the controlling shareholder, entered into the Share Transfer Agreement with Shandong Gold, under which China Yintai Holdings Co., Ltd. transferred its 401,060,950 shares of the company and Mr. Shen Guojun transferred his 180,120,118 shares of the company (581,181,068 shares in total, representing 20.93% of the total share capital of the company) to Shandong Gold. On 19 January 2023, Mr. Shen Guojun, the actual controller of the company and China Yintai Holdings Co., Ltd., the controlling shareholder, entered into the Supplemental Agreement to the Share Transfer Agreement with Shandong Gold. On 3 February 2023, the Company received notification from Shandong Gold that it had recently received the "Approval on the Acquisition of the Control over Yintai Gold Co., Ltd. by Shandong Gold Mining Co., Ltd. through Agreements" from the State-owned Assets Supervision and Administration Commission of Shandong Province, which consented to this transaction.

The implementation of this transaction is subject to review by the Hong Kong Stock Exchange, approval at the general meeting of Shandong Gold, review by the State Administration of Market Supervision on business operators concentration and relevant procedures to be performed in accordance with the regulations of the Shenzhen Stock Exchange on the transfer through agreements, and the relevant work is being further advanced. If the transfer is successfully completed, Shandong Gold will become the controlling shareholder of the company, and the actual controller of the company will change to the State-owned Assets Supervision and Administration Commission of the Shandong Provincial People's Government.

2. Guarantees Provided by the company for its Controlling Subsidiaries

Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Qinghai Dachaidan	180,000,000.00	18 November 2022	Three years after the expiration of the main contract debt performance period	No
Qinghai Dachaidan	109,000,000.00	20 June 2022	Three years after the expiration of the main contract debt performance period	No
Heihe Yintai	200,000,000.00	27 May 2022	Two years after the expiration of the precious metal lease term under the main contract	No
Heihe Yintai	130,000,000.00	11 November 2022	Two years after the expiration of the precious metal lease term under the main contract	No
Heihe Yintai	18,814,000.00	15 December 2022	Two years after the expiration of the precious metal lease term under the main contract	No
Yulong Mining	30,000,000.00	22 March 2022	Two years after the expiration of the precious metal lease term under the main contract	No
Yulong Mining	51,337,200.00	20 June 2022	Two years after the expiration of the precious metal lease term under the main contract	No
Yulong Mining	38,662,800.00	3 August 2022	Two years after the expiration of the precious metal lease term under the main contract	No
Yulong Mining	29,940,000.00	5 August 2022	Two years after the expiration of the precious metal lease term under the main contract	No
Yulong Mining	60,000,000.00	29 March 2022	Three years after the expiration of the precious metal lease term under the main contract	No

Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Yintai Shenghong	99,000,000.00	28 July 2022	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	65,000,000.00	15 November 2022	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	39,000,000.00	12 December 2022	Four years after the expiration of the main contract debt performance period	No
Yongheng Trading	65,000,000.00	13 July 2022	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	29,950,000.00	19 October 2022	Three years after the expiration of the main contract debt performance period	No
Yintai Shenghong	40,000,000.00	14 December 2022	Three years after the expiration of the main contract debt performance period	No
Total	**1,185,704,000.00**			

XVI. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Other Receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	856,238.25	540,093,918.94
Total	**856,238.25**	**540,093,918.94**

(1) Other receivables

1) Classification by the nature of payment

Unit: RMB

Nature of payment	Closing book balance	Opening book balance
Current account		538,739,111.14
Security deposit	1,693,391.00	1,693,391.00
Others	10,045.00	100.00
Total	**1,703,436.00**	**540,432,602.14**

2) Provision for bad debts

Unit: RMB

Bad debt provision	Stage I ECL over the next 12 months	Stage II Lifetime ECL (non-credit impaired	Stage III Lifetime ECL (credit impaired)	Total
Balance as at 1 January 2022	338,683.20			338,683.20
Balance as at 1 January 2022 during the current period				
Provision made for the period	508,514.55			508,514.55
Balance as at December 2022	847,197.75			847,197.75

Changes in book balance with significant changes in loss provision for the year

☐ Applicable ✔ N/A

Disclosure by aging

Unit: RMB

Aging	**Book balance**
Within 1 year (inclusive)	10,045.00
Over 5 years	1,693,391.00
Total	**1,703,436.00**

3) Provision made, collected or reversed for bad debts during the current period

Provision made for bad debts during the current period:

Unit: RMB

		Amount of change during the period				
Category	**Opening balance**	**Provision**	**Recovery or reversal**	**Write-off**	**Others**	**Closing balance**
Receivables with provision for ECL on a group basis	338,683.20	508,514.55				847,197.75
Total	**338,683.20**	**508,514.55**				**847,197.75**

4) Top five other receivables according to the closing balance collected by the debtor

Unit: RMB

Company name	Nature of payment	Closing balance	Aging	Proportion to the closing balance of other receivables (%)	Closing balance of provision for bad debts
Beijing Yintai Real Estate Co., Ltd. (北京銀泰置業有限公司)	Security deposit	1,662,891.00	Over 5 years	97.62%	831,445.50
Beijing Jiahe Xingye Kemao Co., Ltd. (北京嘉禾興業科貿有限責任公司)	Security deposit	30,000.00	Over 5 years	1.76%	15,000.00
SPD Bank Jianguo Road Sub-branch (浦發銀行建國路支行)	Refundable handling fee	10,045.00	Within 1 year	0.59%	502.25
Beijing Ziji Ziyi Trading Co., Ltd. (北京子吉子軼商貿有限公司)	Security deposit	500.00	Over 5 years	0.03%	250.00
Total		**1,703,436.00**		**100.00%**	**847,197.75**

2. ***Long-term equity investment***

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Carrying amount	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Carrying amount
Investment in subsidiaries	8,682,698,659.55		8,682,698,659.55	8,682,698,659.55		8,682,698,659.55
Total	**8,682,698,659.55**		**8,682,698,659.55**	**8,682,698,659.55**		**8,682,698,659.55**

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (carrying amount)	Changes in the current period: Additional investment	Reduce in investment	Provision for impairment	Others	Closing balance (carrying amount)	Closing balance of provision for impairment
Inner Mongolia Yulong Mining Industry Co., Ltd. (內蒙古玉龍礦業股份有限公司)	2,745,459,892.91					2,745,459,892.91	
Shanghai Shengwei Mining Investment Co., Ltd. (上海盛蔚礦業投資有限公司)	4,609,576,666.64					4,609,576,666.64	
Yintai Shenghong Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司)	290,662,100.00					290,662,100.00	
Mangshi Huasheng Gold Mine Development Co., Ltd. (芒市華盛金礦開發有限公司)	1,037,000,000.00					1,037,000,000.00	
Total	**8,682,698,659.55**					**8,682,698,659.55**	

3. *Investment Income*

Unit: RMB

Item	**Amount for the current period**	**Amount for the last period**
Income from long-term equity investments under cost method	520,183,430.00	663,014,100.00
Investment income from disposal of other equity investments	2,832,213.17	
Investment income of wealth management products	4,851,585.88	25,433,854.66
Interest income from acquisition of equity		7,021,969.51
Total	**527,867,229.05**	**695,469,924.17**

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit or Loss for the Period

✔ Applicable ☐ N/A

Unit: RMB

Item	Amount	Explanation
Gain and loss on disposal of non-current assets	-984,093.04	
Government grants included in current profit or loss (other than government grants which are closely related to the company's normal business operations and in line with national policies, granted based on a certain fixed amount or a fixed quantity on an ongoing basis)	5,918,522.17	
Profit and loss from entrusting others to invest in or manage assets	48,495,955.48	Income from wealth management
Gain or loss on changes in fair value from financial assets held for trading, financial liabilities held for trading, and investment income from disposal of financial assets held for trading, financial liabilities held for trading, and other available-for-sale financial assets, except for effective hedging transactions that are related to the company' s normal operation	77,515,981.45	
Other non-operating income and expenses other than the above	-645,386.49	
Less: Effect of income tax	32,614,020.82	
Effect of minority interest	2,314,297.28	
Total	**95,372,661.47**	–

Details of other profit or loss items that fall within the meaning of non-recurring profit and loss:

☐ Applicable ✔ N/A

There was no other profit or loss item of the company that fall within the meaning of non-recurring profit and loss.

Please explain the reasons for defining the non-recurring profit and loss items stated in the Explanatory Notice on Information Disclosure of Companies with Public Offering No. 1-Non-recurring Profit and Loss (《公開發行證券的公司信息披露解釋性公告第1號－非經常性損益》) by the company as the recurring profit and loss items.

☐ Applicable ✔ N/A

2. *Return on net assets and earnings per share*

Profit during the reporting period	Weighted average return on equity	Earnings per share: Basic earnings per share *(RMB / share)*	Earnings per share: Diluted earnings per share *(RMB / share)*
Net profit attributable to ordinary shareholders of the company	10.58%	0.4050	0.4050
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit and loss	9.72%	0.3706	0.3706

3. *Differences in accounting data under domestic and foreign accounting standards*

(1) Differences in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable ✔ N/A

(2) Differences in net profit and net assets in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable ✔ N/A

(3) Reason for differences of accounting data in financial reports prepared under overseas and Chinese accounting standards, if the difference adjustment has been carried out for the data audited by oversea audit institution, the name of oversea audit institution should be specified

2. DIFFERENCES IN ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND THE TARGET COMPANY

As described in the section entitled “Letter from the Board — Waiver from Strict Compliance with Rule 14.67(6)(a)(i) of the Hong Kong Listing Rules”, the Company has applied to the Hong Kong Stock Exchange for, and been granted, a waiver from the requirement to issue an accountants’ report on Yintai Gold Co., Ltd (“**Yintai Gold**”) and its subsidiaries (“**Target Group**”) in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of the English translation of the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2020, 2021 and 2022 prepared in accordance with China Accounting Standards for Business Enterprise (“**CAS**”) (the “**Target Group Historical Track Record Accounts**”) as set out in the section entitled “Financial Information of the Target Group”.

The Target Group Historical Track Record Accounts cover the consolidated statement of financial position of the Target Group as at 31 December 2020, 2021 and 2022 and the consolidated income statement, consolidated changes in equity, consolidated statement of cash flows, and the notes to the consolidated financial statements of the Target Group for each of the years ended 31 December 2020, 2021 and 2022 (the “**Reporting Periods**”).

The accounting policies adopted in the preparation of the Target Group Historical Track Record Accounts are substantially consistent with the accounting policies adopted by the Shandong Gold Mining Co., Ltd (the “**Company**”), which comply with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board, except for:

- the adoption for new leases accounting standard, as set out in Note i to the “Reconciliation”; and

- the reclassification of certain account captions, as set out in Note ii to the “Reconciliation”.

RECONCILIATION INFORMATION

I. Basis of Preparation

In addition to inclusion of the Target Group Historical Track Record Accounts in the circular, a reconciliation has been prepared by the directors of the Company by comparing the accounting policies adopted by Yintai Gold for the preparation of the Target Group Historical Track Record Accounts and the accounting policies adopted by the Target Group and the Company, and quantifying the relevant material financial effects of such differences as if it had been prepared in accordance with the accounting policies adopted by the Company which are in the compliance with IFRS (the “**Reconciliation Information**”). Your attention is drawn to the fact that as the Reconciliation Information has not been subject to an independent audit and accordingly, no opinion is expressed by an auditor or reporting accountants on whether it presents a true and fair view of the the Target Group’s consolidated financial position as at 31 December 2020, 2021, 2022, nor its consolidated results for the years then ended under the accounting policies adopted by the Company.

SHINEWING (HK) CPA Limited was engaged by the Company to conduct work on the Reconciliation Information in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The work conducted by SHINEWING (HK) CPA Limited consisted primarily of:

(a) comparing the "Unadjusted CAS Financial Information" of the Reconciliation Information with the audited consolidated financial statements of the Target Group under CAS for each of the years ended 31 December 2020, 2021 and 2022, as set out in Appendix II to this circular;

(b) assessing the appropriateness of the adjustments made in arriving at the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information, which included evaluating the differences between the accounting policies adopted by the Target Group and the Company for each of the years ended 31 December 2020, 2021 and 2022, as set out in Appendix II to this circular, and obtaining evidence supporting the adjustments made in arriving at the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies"; and

(c) checking the arithmetic accuracy of the calculation of the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information.

For the purposes of this engagement, SHINEWING (HK) CPA Limited is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Reconciliation Information, nor have SHINEWING (HK) CPA Limited, in the course of this engagement, performed an audit or review of the financial information used in compiling the Reconciliation Information. SHINEWING (HK) CPA Limited's engagement was intended solely for the use of the board of directors of the Company in connection with this circular and may not be suitable for any other purpose.

Based on the work performed, SHINEWING (HK) CPA Limited has concluded that:

(a) the "Unadjusted CAS Financial Information" of the Reconciliation Information is in agreement with the audited consolidated financial statements of the Target Group prepared under CAS for each of the years ended 31 December 2021, 2021 and 2022, as set out in Appendix II to this circular; and

(b) the adjustments made in arriving at the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information reflect, in all material respects, the differences between the accounting policies adopted by the Target Group and the Company for each of the years ended 31 December 2020, 2021 and 2022, as set out in Appendix II to this circular; and

(c) the calculation of the "Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies" of the Reconciliation Information is arithmetically accurate.

II. Reconciliation

Consolidated Balance Sheet as at 31 December 2022

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification (Note ii)	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	RMB'000	RMB'000
Current assets			
Cash and cash equivalents	1,873,983	(1,873,983)	–
Bank balance and cash	–	789,843	789,843
Restricted bank deposits	–	1,084,141	1,084,141
Financial assets held for trading	2,000,436	(2,000,436)	–
Derivative financial assets	300,235	(300,235)	–
Financial assets at fair value through profit or loss	–	2,300,670	2,300,670
Trade receivables	39,811	(39,811)	–
Prepayment	22,094	(22,094)	–
Other receivables	62,239	(62,239)	–
Prepayment, trade and other receivables	–	146,426	146,426
Inventories	1,359,012	–	1,359,012
Other current assets	25,112	(25,112)	–
Prepaid income tax	–	2,830	2,830
Total current assets	5,682,922	–	5,682,922
Non-current assets			
Investments in other equity instruments	14,304	(14,304)	–
Financial assets at fair value through other comprehensive income	–	14,304	14,304
Fixed assets	2,906,294	(2,906,294)	–
Construction in progress	247,343	(247,343)	–
Property, plant, and equipment	–	3,135,854	3,135,854
Right-of-use assets	35,102	405,474	440,576
Intangible assets	6,571,670	(387,691)	6,183,979
Goodwill	452,366	–	452,366
Long-term deferred expenses	26,658	(26,658)	–
Deferred income tax assets	138,588	–	138,588
Other non-current assets	91,553	26,658	118,211
Total non-current assets	10,483,878	–	10,483,878
Total asset	16,166,800	–	16,166,800

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification (Note ii)	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Short-term borrowings	839,659	(839,659)	–
Borrowings	–	839,659	839,659
Derivative financial liabilities	33,219	(33,219)	–
Financial liabilities at fair value through profit or loss	–	33,219	33,219
Notes payables	1,293,652	(1,293,652)	–
Trade payables	235,922	(235,922)	–
Deposit	3,165	(3,165)	–
Contract liabilities	17,798	(17,798)	–
Employee benefits payable	64,444	(64,444)	–
Tax payables	153,170	(153,170)	–
Other payables	275,143	(275,143)	–
Trade and other payables	–	1,932,885	1,932,885
Current income tax liabilities	–	112,724	112,724
Current portion of non-current liabilities	56,448	(56,448)	–
Other current liabilities	2,314	(2,314)	–
Lease liabilities	–	4,066	4,066
Current portion of other non-current liabilities	–	52,381	52,381
Total current liabilities	2,974,934	–	2,974,934
Non-current Liabilities			
Long-term borrowings	109,143	(109,143)	–
Borrowings	–	109,143	109,143
Lease liabilities	10,141	–	10,141
Long-term payables	97,860	(97,860)	–
Provisions	42,825	(42,825)	–
Provision for asset retirement obligations	–	42,825	42,825
Deferred income	376	(376)	–
Deferred revenue	–	376	376
Deferred income tax liabilities	252,143	–	252,143
Other non-current liabilities	–	97,860	97,860
Total non-current liabilities	512,488	–	512,488
Total liabilities	3,487,422	–	3,487,422

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
		(Note ii)	
	RMB'000	*RMB'000*	*RMB'000*
Equity			
Share capital	2,776,722	–	2,776,722
Capital reserve	4,431,280	(4,431,280)	–
Other comprehensive income	7,244	(7,244)	–
Special reserve	5,014	(5,014)	–
Surplus reserve	551,831	(551,831)	–
Retained profits	3,140,687	(3,140,687)	–
Reserves	–	8,136,056	8,136,056
Total equity attributable to owners of the company	10,912,778	–	10,912,778
Non-controlling interests	1,766,600	–	1,766,600
Total equity	12,679,378	–	12,679,378

Consolidated income statement as at 31 December 2022

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification (Note ii)	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Operating revenue	8,381,544	(8,381,544)	–
Revenue	–	8,381,544	8,381,544
Operating costs	(6,301,963)	6,301,963	–
Taxes and surcharges	(177,937)	177,937	–
Cost of sales	–	(6,483,642)	(6,483,642)
Selling expenses	(3,079)	–	(3,079)
Administrative expenses	(310,824)	310,824	–
General and administrative expenses	–	(365,908)	(365,908)
Finance expenses	(38,322)	38,322	–
Financial income	–	16,331	16,331
Financial costs	–	(60,359)	(60,359)
Other income	10,424	(10,424)	–
Other revenue	–	10,424	10,424
Investment income	107,659	(107,659)	–
Share of results of associates	–	–	–
Other gains and (losses), net	–	113,792	113,792
Gain on changes in fair value	12,268	(12,268)	–
Asset impairment losses	(64,533)	64,533	–
Gains on disposals of assets	570	(570)	–
Non-operating income	482	(482)	–
Non-operating expenses	(7,186)	7,186	–
Profit before tax	1,609,103	–	1,609,103
Income tax expense	(364,853)	–	(364,853)
Profit for the year	1,244,250	–	1,244,250
Profit for the year attributable to:			
Owners of the Company	1,124,457	–	1,124,457
Non-controlling interests	119,793	–	119,793
	1,244,250	–	1,244,250

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification (Note ii)	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	1,244,250	–	1,244,250
Other comprehensive income:			
Owners of the Company	13,613	–	13,613
Non-controlling interests	480	–	480
	14,093	–	14,093
Total comprehensive income for the year			
Owners of the Company	1,138,070	–	1,138,070
Non-controlling interests	120,273	–	120,273
	1,258,343	–	1,258,343
EARNINGS PER SHARE			
– Basic and diluted *(RMB)*	0.41	–	0.41

Consolidated Balance Sheet as at 31 December 2021

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification *(Note ii)*	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Cash and cash equivalents	1,455,700	(1,455,700)	–
Bank balance and cash	–	747,711	747,711
Restricted bank deposits	–	707,989	707,989
Financial assets held for trading	2,074,042	(2,074,042)	–
Derivative financial assets	112,352	(112,352)	–
Financial assets at fair value through profit or loss	–	2,186,394	2,186,394
Trade receivables	39,977	(39,977)	–
Prepayment	42,740	(42,740)	–
Other receivables	47,640	(47,640)	–
Prepayment, trade and other receivables	–	164,957	164,957
Inventories	1,028,331	–	1,028,331
Other current assets	36,840	(36,840)	–
Prepaid income tax	–	2,240	2,240
Total current assets	4,837,622	–	4,837,622
Non-current assets			
Investments in other equity instruments	44,304	(44,304)	–
Financial assets at fair value through other comprehensive income	–	44,304	44,304
Fixed assets	2,808,585	(2,808,585)	–
Construction in progress	424,659	(424,659)	–
Property, plant, and equipment	–	3,213,836	3,213,836
Right-of-use assets	37,135	418,077	455,212
Intangible assets	7,112,055	(398,669)	6,713,386
Goodwill	452,366	–	452,366
Long-term deferred expenses	29,672	(29,672)	–
Deferred income tax assets	98,305	–	98,305
Other non-current assets	88,553	29,672	118,225
Total non-current assets	11,095,634	–	11,095,634
Total asset	15,933,256	–	15,933,256

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
		(Note ii)	
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Short-term borrowings	682,033	(682,033)	–
Borrowings	–	682,033	682,033
Derivative financial liabilities	–	–	–
Financial liabilities at fair value through profit or loss	–	–	–
Notes payables	1,718,374	(1,718,374)	–
Trade payables	162,883	(162,883)	–
Deposit	144	(144)	–
Contract liabilities	16,017	(16,017)	–
Employee benefits payable	56,319	(56,319)	–
Tax payables	175,549	(175,549)	–
Other payables	215,556	(215,556)	–
Trade and other payables	–	2,208,230	2,208,230
Current income tax liabilities	–	138,694	138,694
Current portion of non-current liabilities	59,549	(59,549)	–
Other current liabilities	2,082	(2,082)	–
Lease liabilities	–	7,168	7,168
Current portion of other non-current liabilities	–	52,381	52,381
Total current liabilities	3,088,506	–	3,088,506
Non-current Liabilities			
Long-term borrowings	–	–	–
Borrowings	–	–	–
Lease liabilities	10,347	–	10,347
Long-term payables	150,241	(150,241)	–
Provisions	42,539	(42,539)	–
Provision for asset retirement obligations	–	42,539	42,539
Deferred income	410	(410)	–
Deferred revenue	–	410	410
Deferred income tax liabilities	302,467	–	302,467
Other non-current liabilities	–	150,241	150,241
Total non-current liabilities	506,004	–	506,004
Total liabilities	3,594,510	–	3,594,510

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
		(Note ii)	
	RMB'000	*RMB'000*	*RMB'000*
Equity			
Share capital	2,776,722	–	2,776,722
Capital reserve	4,431,280	(4,431,280)	–
Other comprehensive income	(6,369)	6,369	–
Special reserve	2,558	(2,558)	–
Surplus reserve	503,406	(503,406)	–
Retained profits	2,758,838	(2,758,838)	–
Reserves	–	7,689,713	7,689,713
Total equity attributable to owners of the company	10,466,435	–	10,466,435
Non-controlling interests	1,872,311	–	1,872,311
Total equity	12,338,746	–	12,338,746

Consolidated income statement as at 31 December 2021

	Unadjusted CAS Financial Information (Unaudited)	Adjustments Reclassification *(Note ii)*	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Operating revenue	9,040,244	(9,040,244)	–
Revenue	–	9,040,244	9,040,244
Operating costs	(6,771,001)	6,771,001	–
Taxes and surcharges	(178,635)	178,635	–
Cost of sales	–	(6,952,348)	(6,952,348)
Selling expenses	(7,575)	–	(7,575)
Administrative expenses	(264,633)	264,633	–
General and administrative expenses	–	(267,453)	(267,453)
Finance expenses	(67,253)	67,253	–
Financial income	–	7,565	7,565
Financial costs	–	(70,824)	(70,824)
Other income	5,554	(5,554)	–
Other revenue	–	5,554	5,554
Investment income	90,914	(90,914)	–
Share of results of associates	–	–	–
Other gains and (losses), net	–	89,454	89,454
Gain on changes in fair value	20,542	(20,542)	–
Asset impairment losses	(1,538)	1,538	–
Gains on disposals of assets	(1,743)	1,743	–
Non-operating income	3,562	(3,562)	–
Non-operating expenses	(23,821)	23,821	–
Profit before tax	1,844,617	–	1,844,617
Income tax expense	(422,907)	–	(422,907)
Profit for the year	1,421,710	–	1,421,710
Profit for the year attributable to:			
Owners of the Company	1,273,339	–	1,273,339
Non-controlling interests	148,371	–	148,371
	1,421,710	–	1,421,710

	Unadjusted CAS Financial Information (Unaudited)	Adjustments	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
		Reclassification	
		(Note ii)	
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	1,421,710	–	1,421,710
Other comprehensive income:			
Owners of the Company	31	–	31
Non-controlling interests	(5)	–	(5)
	26	–	26
Total comprehensive income for the year			
Owners of the Company	1,273,370	–	1,273,370
Non-controlling interests	148,366	–	148,366
	1,421,736	–	1,421,736
EARNINGS PER SHARE			
– Basic and diluted *(RMB)*	0.46	–	0.46

Consolidated Balance Sheet as at 31 December 2020

	Unadjusted CAS Financial Information (Unaudited)	Adjustments: GAAP difference	Adjustments: Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
		(Note i)	*(Note ii)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Cash and cash equivalents	482,679	–	(482,679)	–
Bank balance and cash	–	–	445,105	445,105
Restricted bank deposits	–	–	37,575	37,575
Financial assets held for trading	1,535,265	–	(1,535,265)	–
Derivative financial assets	99,866	–	(99,866)	–
Financial assets at fair value through profit or loss	–	–	1,635,131	1,635,131
Trade receivables	48,270	–	(48,270)	–
Prepayment	26,885	(519)	(26,366)	–
Other receivables	20,887	–	(20,887)	–
Prepayment, trade and other receivables	–	–	787,369	787,369
Inventories	1,026,982	–	–	1,026,982
Other current assets	693,122	–	(693,122)	–
Prepaid income tax	–	–	1,275	1,275
Total current assets	3,933,956	(519)	–	3,933,437
Non-current assets				
Investments in other equity instruments	55,804	–	(55,804)	–
Financial assets at fair value through other comprehensive income	–	–	55,804	55,804
Fixed assets	2,783,313	–	(2,783,313)	–
Construction in progress	200,416	–	(200,416)	–
Property, plant, and equipment	–	–	2,962,708	2,962,708
Right-of-use assets	–	15,538	400,458	415,996
Intangible assets	5,318,458	–	(379,437)	4,939,021
Goodwill	452,366	–	–	452,366
Long-term deferred expenses	26,510	–	(26,510)	–
Deferred income tax assets	80,301	–	–	80,301
Other non-current assets	55,633	–	26,510	82,143
Total non-current assets	8,972,801	15,538	–	8,988,339
Total asset	12,906,757	15,019	–	12,921,776

	Unadjusted CAS Financial Information (Unaudited)	Adjustments: GAAP difference	Adjustments: Reclassification	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
		(Note i)	*(Note ii)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Short-term borrowings	179,195	–	(179,195)	–
Borrowings	–	–	179,195	179,195
Notes payables	447,518	–	(447,518)	–
Trade payables	122,153	–	(122,153)	–
Deposit	9,919	–	(9,919)	–
Contract liabilities	11,139	–	(11,139)	–
Employee benefits payable	48,874	–	(48,874)	–
Tax payables	140,185	–	(140,185)	–
Other payables	203,430	–	(203,430)	–
Trade and other payables	–	–	860,908	860,908
Current income tax liabilities	–	–	123,758	123,758
Current portion of non-current liabilities	6,781	–	(6,781)	–
Other current liabilities	1,448	–	(1,448)	–
Lease liabilities	–	6,753	–	6,753
Current portion of other non-current liabilities	–	–	6,781	6,781
Total current liabilities	1,170,642	6,753	–	1,177,395
Non-current Liabilities				
Long-term borrowings	234,930	–	(234,930)	–
Borrowings	–	–	234,930	234,930
Lease liabilities	–	8,266	–	8,266
Long-term payables	20,344	–	(20,344)	–
Provisions	45,283	–	(45,283)	–
Provision for asset retirement obligations	–	–	45,283	45,283
Deferred income	445	–	(445)	–
Deferred revenue	–	–	445	445
Deferred income tax liabilities	354,563	–	–	354,563
Other non-current liabilities	14,248	–	20,344	34,592
Total non-current liabilities	669,813	8,266	–	678,079
Total liabilities	1,840,455	15,019	–	1,855,474

		Adjustments		
	Unadjusted CAS Financial Information (Unaudited)	GAAP difference *(Note i)*	Reclassification *(Note ii)*	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity				
Share capital	2,776,722	–	–	2,776,722
Capital reserve	4,431,280	–	(4,431,280)	–
Other comprehensive income	(6,400)	–	6,400	–
Special reserve	5,346	–	(5,346)	–
Surplus reserve	438,886	–	(438,886)	–
Retained profits	2,244,199	–	(2,244,199)	–
Reserves	–	–	7,113,311	7,113,311
Total equity attributable to owners of the company	9,890,033	–	–	9,890,033
Non-controlling interests	1,176,269	–	–	1,176,269
Total equity	11,066,302	–	–	11,066,302

Consolidated income statement as at 31 December 2020

		Adjustments		
		GAAP difference	Reclassification	
	Unadjusted CAS Financial Information (Unaudited)	*(Note i)*	*(Note ii)*	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating revenue	7,905,802	–	(7,905,802)	–
Revenue	–	–	7,905,802	7,905,802
Operating costs	(5,747,473)	–	5,747,473	–
Taxes and surcharges	(189,900)	–	189,900	–
Cost of sales	–	–	(5,939,008)	(5,939,008)
Selling expenses	(3,823)	–	–	(3,823)
Administrative expenses	(256,612)	–	256,612	–
General and administrative expenses	–	–	(258,674)	(258,674)
Finance expenses	(43,666)	–	43,666	–
Financial income	–	–	1,030	1,030
Financial costs	–	–	(42,194)	(42,194)
Other income	6,567	–	(6,567)	–
Other revenue	–	–	6,567	6,567
Investment income	88,920	–	(88,920)	–
Share of results of associates	–	–	–	–
Other gains and (losses), net	–	–	91,373	91,373
Gain on changes in fair value	(8,793)	–	8,793	–
Asset impairment losses	(1,195)	–	1,195	–
Gains on disposals of assets	(1,890)	–	1,890	–
Non-operating income	73,086	–	(73,086)	–
Non-operating expenses	(59,950)	–	59,950	–
Profit before tax	1,761,073	–	–	1,761,073
Income tax expense	(394,954)	–	–	(394,954)
Profit for the year	1,366,119	–	–	1,366,119
Profit for the year attributable to:				
Owners of the Company	1,242,448	–	–	1,242,448
Non-controlling interests	123,671	–	–	123,671
	1,366,119	–	–	1,366,119

	Unadjusted CAS Financial Information (Unaudited)	Adjustments: GAAP difference (Note i)	Adjustments: Reclassification (Note ii)	Adjusted IFRS Financial Information in accordance with the Company's Accounting Policies (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year	1,366,119	–	–	1,366,119
Other comprehensive income:				
Owners of the Company	18,988	–	–	18,988
Non-controlling interests	1,381	–	–	1,381
	20,369	–	–	20,369
Total comprehensive income for the year				
Owners of the Company	1,261,436	–	–	1,261,436
Non-controlling interests	125,052	–	–	125,052
	1,386,488	–	–	1,386,488
EARNINGS PER SHARE				
– Basic and diluted *(RMB)*	0.45	–	–	0.45

Notes to the Reconciliation:

i. The Target Group adopted CAS No. 21 — Leases ("**CAS 21**") which is align with IFRS 16 "Leases" ("**IFRS 16**") since 1 January 2021.While the Company adopted IFRS 16 since 1 January 2019. Accordingly, this adjustment presents the financial impacts on consolidated financial information of the Target Group for the adoption of IFRS 16 for the year ended 31 December 2020.

ii. The line items and amounts under CAS are extracted from the consolidated financial statements of the Target Group for each of the years ended 31 December 2020, 2021 and 2022 prepared in accordance with CAS. The line items and amounts under IFRS are prepared by the directors of the Company using the accounting policies applied in the consolidated financial statements of the Company in accordance with IFRS respectively for each of the years ended 31 December 2020, 2021 and 2022. To align with the presentation of the consolidated financial statements of the Target Group with that of the Company, reclassification adjustments are made according to the Company's accounting policies under IFRS by splitting or grouping certain account captions of the Target Group. These reclassifications do not have any impact on the net profit nor the net assets of the Target Group.

3. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET GROUP

The Company sets out the following supplemental financial information of the Target Group, which was not included in the Target Group's consolidated financial statements for each of the years ended 31 December 2020, 2021 and 2022.

1. Aging Analysis of Trade Payables

All the trade payables amounts are for goods and services provided to the Target Group prior to the end of the financial period which are unpaid. The ageing analysis of trade and notes payables is as follows:

	31 December 2022 *RMB'000*	**31 December 2021** *RMB'000*	**31 December 2020** *RMB'000*
Within 1 year	1,498,804	1,867,805	548,970
Between 1 and 2 years	23,703	3,847	5,866
Between 2 and 3 years	1,007	5,198	10,872
Over 3 years	6,060	4,407	3,963
Total	1,529,574	1,881,257	569,671

2. Concentration of Customers and Suppliers

(i) ***Concentration of Suppliers, Gross Purchases***

(% of total gross purchases)	**31 December 2022**	**31 December 2021**	**31 December 2020**
Largest supplier	13.96%	9.55%	9.61%
Five largest suppliers, combined	35.05%	27.05%	36.01%

(ii) ***Concentration of Customers, Gross Sales***

(% of total gross sales)	**31 December 2022**	**31 December 2021**	**31 December 2020**
Largest customers	21.78%	15.22%	12.22%
Five largest customers, combined	46.07%	53.91%	43.83%

None of the Target Group's directors had any interest in the five largest customers during the years ended 31 December 2020, 2021 and 2022.

3. Director's and Supervisors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of Information about Benefits of Directors), is as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Fees	300	300	300
Basic salaries, housing fund, other allowances and benefits in kind	6,368	7,024	9,386
Discretionary bonuses	7,155	6,680	6,386
Pension costs	300	296	197
	14,123	14,300	16,269

The remuneration of the Target Group's directors for the year ended 31 December 2022 is set out below:

Names of directors and supervisors	Director's fee *RMB'000*	Salaries, allowance and other benefits *RMB'000*	Discretionary bonus *RMB'000*	Retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
YANG Haifei	–	2,592	2,060	60	4,712
WANG Shui	–	18	1,572	–	1,590
OU Xingong	–	1,502	2,500	60	4,062
LIU Liming	–	1,121	600	60	1,781
YUAN Meirong	–	18	–	–	18
LU Sheng	–	18	–	–	18
Non-executive Directors:					
CUI Jin	100	–	–	–	100
WANG Yaping	100	–	–	–	100
ZHANG Da	100	–	–	–	100
Supervisors:					
HU Bin	–	553	140	60	753
LIU Weimin	–	546	283	60	889
ZHAO Shimei	–	–	–	–	–
	300	6,368	7,155	300	14,123

The remuneration of the Target Group's directors for the year ended 31 December 2021 is set out below:

Names of directors and supervisors	Director's fee	Salaries, allowance and other benefits	Discretionary bonus	Retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
YANG Haifei	–	2,540	2,044	54	4,638
WANG Shui	–	797	1,190	26	2,013
OU Xingong	–	1,477	2,500	54	4,031
LIU Liming	–	1,103	600	54	1,757
YUAN Meirong	–	41	–	–	41
LU Sheng	–	23	–	–	23
Non-executive Directors:					
CUI Jin	100	–	–	–	100
WANG Yaping	100	–	–	–	100
ZHANG Da	100	–	–	–	100
Supervisors:					
HU Bin	–	537	128	54	719
LIU Weimin	–	506	218	54	778
ZHAO Shimei	–	–	–	–	–
	300	7,024	6,680	296	14,300

The remuneration of the Target Group's directors for the year ended 31 December 2020 is set out below:

Names of directors and supervisors	Director's fee	Salaries, allowance and other benefits	Discretionary bonus	Retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
YANG Haifei	–	2,512	2,254	41	4,807
XIN Xiangdong	–	1,354	1,230	–	2,584
WANG Shui	–	1,566	1,230	23	2,819
OU Xingong	–	1,435	1,000	23	2,458
LIU Liming	–	1,194	400	41	1,635
YUAN Meirong	–	291	40	23	354
LU Sheng	–	33	–	–	33
Non-executive Directors:					
CUI Jin	100	–	–	–	100
WANG Yaping	100	–	–	–	100
ZHANG Da	17	–	–	–	17
DENG Yanchang	83	–	–	–	83
Supervisors:					
HU Bin	–	516	114	23	653
LIU Weimin	–	485	118	23	626
ZHAO Shimei	–	–	–	–	–
	300	9,386	6,386	197	16,269

Executive Directors:

1. On 6 November 2008, Mr. Yang Haifei was appointed as an executive director of the company in the fourth session of the Board of the company and was re-appointed at the fifth, sixth, seventh and eighth session of the Board of the company.

2. On 28 February 2013, Mr. Wang Shui was appointed as an executive director of the company in the fifth session of the Board of the company and was re-appointed at the sixth, seventh and eighth session of the Board of the company.

3. On 16 November 2020, Mr. Ou Xingong was appointed as an executive director of the company in the eighth session of the Board of the company.

4. On 6 November 2008, Mr. Liu Liming was appointed as an executive director of the company in the fourth session of the Board of the company and was re-appointed at the fifth, sixth, seventh and eighth session of the Board of the company.

5. On 7 November 2017, Mr. Yuan Meirong was appointed as an executive director of the company in the seventh session of the Board of the company and was re-appointed at the eighth session of the Board of the company.

6. On 15 May 2019, Mr. Lu Sheng as an executive director of the company in the seventh session of the Board of the company and was re-appointed at the eighth session of the Board of the company.

7. On 16 November 2020, Mr. Xin Xiangdong resigned as an executive director of the company.

Non-executive Directors:

8. On 19 September 2019, Mr. Cui Jin was appointed as a non-executive director of the seventh session of the board of directors of the company, and was re-appointed in the eighth session of the board of directors of the company.

9. On 17 May 2018, Mr. Wang Yaping was appointed as a non-executive director of the seventh session of the board of directors of the company, and was re-appointed in the eighth session of the board of directors of the company.

10. On 16 November 2020, Mr. Zhang Da was appointed as a non-executive director of the eighth session of the board of directors of the company.

11. On 16 November 2020, Mr. Deng Yanchang resigned as a non-executive director of the company.

Supervisors:

1. On 11 November 2011, Mr. Hu Bin was appointed as a supervisor of the fifth supervisory committee of the company, and was re-appointed in the sixth, seventh and eighth supervisory committee of the company.

2. On 7 November 2017, Mr. Liu Weimin was appointed as a supervisor of the seventh supervisory committee of the Company, and was re-appointed in the eighth supervisory committee of the Company.

3. On 7 November 2017, Ms. Zhao Shimei was appointed as a supervisor of the seventh supervisory committee of the Company, and was re-appointed in the eighth supervisory committee of the Company.

4. Five Highest Paid Individuals

Total compensation payable to the five highest paid employees at the Target Group is as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Basic salaries, housing fund, other allowances and benefits in kind	14,813	13,977	14,174
Pension costs	243	247	127
	15,056	14,224	14,301

5. Auditor Remuneration

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Auditors' remuneration			
Moore Stephens Da Hua Certified Public Accountants			
– Audit services	1,800	1,620	1,840
– Non-audit services	–	–	–
Other auditors	463	23	20
Total	2,263	1,643	1,860

The following is a discussion of the results of the Target Company and should be read in conjunction with the historical financial information for the three financial years ended 31 December 2022 as set out in Appendix II to this circular.

The Target Company is a company incorporated in the PRC with limited liability and its shares are listed on the Shenzhen Stock Exchange (stock code: 000975). The principal activities of the Target Company and its subsidiaries (the "**Target Group**") are the mining and processing of precious metals and non-ferrous metals and trading of metals.

FINANCIAL REVIEW

Operating revenue

For the three years ended 31 December 2020, 2021, 2022, the operating revenues generated by the Target Group amounted to RMB7,905.8 million, RMB9,040.2 million and RMB8,381.5 million respectively. The operating revenues of the Target Group in 2021 increased by 14.3% over 2020, mainly due to the increase in the price and quantity of gold sales. The Target Group's operating revenue in 2022 decreased by 7.3% compared to 2021 mainly due to the decrease in sales volume of gold and silver in 2022 compared to 2021, affected by certain factors beyond control in 2022.

Operating cost

For the three years ended 31 December 2020, 2021 and 2022, the operating costs of the Target Group were RMB5,747.5 million, RMB6,771.0 million and RMB6,302.0 million respectively. The operating cost of the Target Group in 2021 increased by 17.8% compared with 2020, mainly because of the increase in sales volume of gold in 2021, combined with the rising raw material prices. The operating cost of the Target Group in 2022 was 6.9% lower than that in 2021, mainly due to the decrease in sales volume of gold and silver in 2022, affected by certain factors beyond control in 2022.

Selling expenses

For the three years ended 31 December 2020, 2021 and 2022, the selling expenses of the Target Group were RMB3.8 million, RMB7.6 million and RMB3.1 million respectively. The selling expenses of the Target Group in 2021 increased by 98.2% compared with 2020, mainly due to the significant increase in warehousing fees under the impact of the pandemic in 2021. The selling expenses of the Target Group in 2022 decreased significantly by 59.4% compared with 2021, mainly due to a reduction in warehousing fees.

Administrative expenses

For the three years ended 31 December 2020, 2021 and 2022, the administrative expenses of the Target Group were RMB256.6 million, RMB264.6 million and RMB310.8 million respectively. The administrative expenses of the Target Group in 2021 were the same as those in 2020, while the administrative expenses in 2022 increased by 17.5% over 2021, mainly due to the significant increase in shutdown losses under the impact of the COVID-19 pandemic in 2022.

Financial expenses

For the three years ended 31 December 2020, 2021 and 2022, financial expenses of the Target Group were RMB43.7 million, RMB67.3 million and RMB38.3 million respectively. The financial expenses of the Target Group in 2021 increased significantly by 54.0% compared with 2020, mainly due to the increase in bank loans in 2021, and the corresponding increase in interest expenses on the loans. The financial expenses of the Target Group in 2022 decreased by 43.0% compared with 2021, mainly due to the partial repayment of the bank loans in 2022 and the corresponding decrease in interest expenses on the loans, combined with the increase in interest income and exchange gains.

Other revenue

For the three years ended 31 December 2020, 2021 and 2022, other revenue of the Target Group was RMB6.6 million, RMB5.6 million and RMB10.4 million respectively. The other revenue of the Target Group in 2021 decreased by 15.4% compared with 2020, mainly due to the decrease in government subsidies received in relation to ordinary activities in 2021. The other revenue of the Target Group in 2022 increased significantly by 87.7% compared with 2021, which was mainly due to the significant increase in the refunds of withholding and payment fees received in 2022.

Credit impairment losses

For the three years ended 31 December 2020, 2021 and 2022, the Target Group's credit impairment losses were RMB1.2 million, RMB1.5 million and RMB64.5 million, respectively. In 2022, the Target Group's credit impairment losses increased significantly, mainly due to the fact that the Target Group made a provision for large amount of impairment on current account due to litigation-related matters in 2022, with an amount of RMB63.5 million.

Total profit

For the three years ended 31 December 2020, 2021, 2022, the total profits generated by the Target Group amounted to RMB1,761.1 million, RMB1,844.6 million and RMB1,609.1 million respectively; net profits amounted to RMB1,366.1 million, RMB1,421.7 million and RMB1,244.2 million, respectively. The profits and net profits of the Target Group in 2021 increased compared with 2020, mainly due to the increase in the price and quantity of gold sales. The Target Group's profits and net profits in 2022 decreased compared to 2021 mainly due to the decrease in sales volume of gold and silver in 2022 compared to 2021, affected by certain factors beyond control in 2022, combined with the impact of rising raw material prices and production costs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, 2021 and 2022, the total current assets of the Target Group were RMB3,934.0 million, RMB4,837.6 million and RMB5,682.9 million respectively. The current assets of the Target Group mainly include monetary funds, financial assets held for trading, derivative financial assets, accounts receivable, notes receivable, other receivables, inventories and other current assets. As at 31 December 2020, 2021 and 2022, the monetary funds of the Target Group were RMB482.7 million, RMB1,455.7 million and RMB1,874.0 million respectively.

As at 31 December 2020, 2021 and 2022, the total current liabilities of the Target Group were RMB1,170.6 million, RMB3,088.5 million and RMB2,974.9 million respectively. The current liabilities of the Target Group mainly include short-term borrowings, notes payable, accounts payable, staff remuneration payables, taxes payable, other payables and other current liabilities, etc. As at 31 December 2020, 2021 and 2022, the short-term borrowings of the Target Group were RMB179.2 million, RMB682.0 million and RMB839.7 million respectively.

As at 31 December 2020, 2021 and 2022, the total assets of the Target Group were RMB12,906.8 million, RMB15,933.3 million and RMB16,166.8 million respectively; total liabilities were RMB1,840.5 million, RMB3,594.5 million and RMB3,487.4 million respectively; the total owners' equity was RMB11,066.3 million, RMB12,338.7 million and RMB12,679.4 million respectively. On 31 December 2020, 2021 and 2022, the Target Group's gearing ratio (i.e., total liabilities divided by total assets) was 14.3%, 22.6% and 21.6%, respectively.

CASH FLOWS

The following table sets out the cash flows of the Target Company for the periods indicated:

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows generated from operating	2,426,702	2,042,689	1,989,082
Net cash flows generated from investment activities	(1,533,670)	(805,088)	(1,360,446)
Net cash flows generated from financing activities	(734,019)	(934,120)	(594,621)
Changes in foreign exchange rates	(5,180)	(875)	8,116
Net increase in cash and cash equivalents	153,833	302,606	42,131
Balance of cash and cash equivalents at the beginning of the year	291,272	445,105	747,711
Balance of cash and cash equivalents at the end of the year	445,105	747,711	789,842

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

In September 2021, Yintai Gold acquired 60% equity interest in Mangshi Huasheng Gold Mine Development Co., Ltd. (芒市華盛金礦開發有限公司) ("**Huasheng Gold Mine**") held by Zhang Hui (張輝) with RMB1,037 million of its own capital and became its controlling shareholder, bringing Huasheng Gold Mine into the scope of Yintai Gold's merger. The main business of Huasheng Gold Mine is alloy gold mining, processing and smelting. Through the acquisition of control of Huasheng Gold Mine, Yintai Gold has expanded its asset scale, increased its gold resource reserves and improved its sustainable operation ability, which is in line with its strategic goal.

The Target Group is expected to have no major investment, acquisition or disposal plans in the next year.

CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022, the Target Group does not have any contingent liabilities which may have a material adverse effect on its financial position or operating results.

ASSET RESTRICTION AND PLEDGE

As at 31 December 2020, 2021 and 2022, the carrying amount of the Target Group's assets whose ownership or use rights was restricted was RMB604.1 million, RMB1,648.6 million and RMB1,250.5 million, respectively. Restricted assets mainly include inventories pledged for financing, security deposit for bank acceptance and other security deposits.

As at 31 December 2020, 2021 and 2022, the carrying amount of the pledged assets of the Target Group was RMB118.2 million, RMB129.3 million and RMB165.0 million, respectively. Pledged assets are inventories pledged for financing.

FOREIGN EXCHANGE RISK

Most of the Target Group's revenue, operating costs and expenses are denominated in Renminbi and are expected to continue in the future. Yintai Shenghong Singapore Co., Ltd. (銀泰盛鴻新加坡有限公司), a subsidiary of the Target Group, is registered and operates in Singapore, and its sales, procurement, financing, and other operating activities are mainly denominated in US dollars. The Target Group's financial assets in US dollars and Singapore dollar are relatively small in scale, but are subject to price risk due to changes in exchange rates.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, 2021 and 2022, the number of employees of the Target Group was 1,566, 1,571 and 1,670 respectively, and the total remuneration (including social security contributions) was RMB227 million, RMB284 million and RMB300 million respectively.

The employee remuneration plan of the Target Group complies with the PRC industry standards, including basic salary, bonus and other allowances. The Target Group also contributes to social security benefit schemes for employees in accordance with the PRC labor law and local government laws and regulations. Such social security contributions include pensions, medical insurance, unemployment insurance, work-related injury insurance, and housing provident funds. In addition, the Target Group also regularly provides training sessions for staff to enhance their skills.

For further details of the Target Group's financial information, please refer to the financial information of the Target Group Historical Track Record Accounts set out in Appendix II to this circular.

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the consolidated statement of assets and liabilities of the Enlarged Group as if the Transaction had been completed on 31 December 2022.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the use of accounting policies of the Enlarged Group consistent with that of the Group, as set out in the published annual report of the Group for the year ended 31 December 2022; (ii) the consolidated statement of financial position of the Group as at 31 December 2022, as set out in its published 2022 annual report for the year ended 31 December 2022; (iii) the consolidated balance sheet of the Target Company as at 31 December 2022; and (iv) the pro forma adjustments prepared to reflect the effects of the Transaction as explained in the notes set out below that are directly attributable to the Transaction and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed as at 31 December 2022 or at any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2022

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2022	Unaudited consolidated statement of assets and liabilities of the Target Group as at 31 December 2022	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS					
Non-current assets					
Property, plant and equipment	37,028,403	3,135,854	353,210	–	40,517,467
Investment properties	176,190	–	–	–	176,190
Right-of-use assets	852,397	440,576	83,506	–	1,376,479
Intangible assets	20,556,647	6,183,979	3,460,638	–	30,201,264
Goodwill	1,673,190	452,366	9,324,125	–	11,449,681
Investments in associates	1,988,901	–	–	–	1,988,901
Financial assets at fair value through other comprehensive income	7,900	14,304	7,609	–	29,813
Financial assets at fair value through profit or loss	5,160,074	–	–	–	5,160,074
Inventories	1,415,830	–	–	–	1,415,830
Deferred income tax assets	289,468	138,588	108,479	–	536,535
Other non-current assets	591,840	118,211	(26,657)	–	683,394
	69,740,840	10,483,878	13,310,910	–	93,535,628

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2022	Unaudited consolidated statement of assets and liabilities of the Target Group as at 31 December 2022	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current assets					
Inventories	4,092,280	1,359,012	1,424,355	–	6,875,647
Prepayment, trade and other receivables	4,683,615	146,426	–	–	4,830,041
Prepaid income tax	105,146	2,830	–	–	107,976
Financial assets at fair value through profit or loss	2,959,904	2,300,670	19	–	5,260,593
Restricted bank deposits	1,880,825	1,084,141	–	–	2,964,966
Bank balances and cash	7,753,482	789,843	–	(4,586)	8,538,739
	21,475,252	5,682,922	1,424,374	(4,586)	28,577,962
Total assets	91,216,092	16,166,800	14,735,284	(4,586)	122,113,590
LIABILITIES					
Non-current liabilities					
Borrowings	13,548,305	109,143	–	–	13,657,448
Lease liabilities	143,670	10,141	(3)	–	153,808
Deferred income tax liabilities	4,076,245	252,143	1,776,180	–	6,104,568
Deferred revenue	16,084	376	(282)	–	16,178
Provision for asset retirement obligations	733,117	42,825	–	–	775,942
Other non-current liabilities	1,206,566	97,860	–	–	1,304,426
	19,723,987	512,488	1,775,895	–	22,012,370

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2022	Unaudited consolidated statement of assets and liabilities of the Target Group as at 31 December 2022	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current liabilities					
Trade and other payables	13,144,075	1,932,885	12,760,086	–	27,837,046
Lease liabilities	64,506	4,066	–	–	68,572
Tax payables	303,418	112,724	–	–	416,142
Borrowings	9,780,631	839,659	–	–	10,620,290
Financial liabilities at fair value through profit or loss	11,265,745	33,219	–	–	11,298,964
Current portion of other non-current liabilities	131,562	52,381	–	–	183,943
	34,689,937	2,974,934	12,760,086	–	50,424,957
Total liabilities	54,413,924	3,487,422	14,535,981	–	72,437,327
Net assets	36,802,168	12,679,378	199,303	(4,586)	49,676,263

Notes:

1. The balances are extracted from the consolidated statement of financial position of the Group as at 31 December 2022 as set out in the Company's published annual report for the year ended 31 December 2022.

2. The balances are extracted from the unaudited consolidated balance sheet of the Target Group as at 31 December 2022, which is prepared by the Company in accordance with the Group's accounting policies under International Financial Reporting Standards ("**IFRS**"). Set out in Appendix II to this circular is a reconciliation between the Target Group's financial information for each of the years ended 31 December 2020, 2021, 2022 (the "**Reporting Periods**") as extracted from the Target Group's consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises ("**CAS**") for the Reporting Periods, and the adjusted financial information for the Reporting Periods had it instead been prepared in accordance with the accounting policies under IFRS adopted by the Company.

3. On 9 December 2022, the Company entered into the Shares Transfer Agreement with China Yintai Holdings Co., Ltd. and Mr. Shen Guojun (the "**Transferors**"), pursuant to which, the Company has agreed to acquire and Transferors has agreed to dispose of 581,181,068 shares in Yintai Gold, representing approximately 20.93% of the total issued share capital of Yintai Gold (the "**Transaction**"). Upon the completion of the Transaction, the Company will hold 581,181,068 shares in Yintai Gold, representing approximately 20.93% of the total issued share capital of Yintai Gold and become a shareholder of Yintai Gold. The ultimate controlling party of the Yintai Gold will changed to State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

   Considering the following factors, the directors of the Company are of the view that the Company will have control over Yintai Gold upon the completion of the Transaction, and Yintai Gold will become a subsidiary of the Company and be consolidated into the Company's consolidated financial statements:

   (i) Other than the Company, the remaining investors of Yintai Gold are made up of a large number of widely dispersed, unrelated third-party investors who do not have a mechanism to act collectively to veto the Company's decisions.

   (ii) The Company will have 20.93% direct equity interests in Yintai Gold, and by taking into account the similarity of industry and synergies of operation between the Group and the Target Group, the Company will have sufficient exposure to variable returns to have control over Yintai Gold.

   As the Company and Yintai Gold are not under common control of State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government and its subsidiaries both before and after the Transaction, the Transaction is not regarded as a business combination under common control. In accordance with the Company's accounting policies, the assets and liabilities of the Target Group are consolidated using the fair value of the assets and liabilities by the Target Group. The pro forma adjustment is using the differences of the fair value of the assets and liabilities and the disclosed financial statement.

   The pro forma adjustment represents the cash consideration of RMB12,760,000,000 to be settled for the Transaction and the goodwill of approximately RMB9,776,491,000 generated from the transaction.

4. The pro forma adjustment represents the estimated professional fees and other expenses to be incurred for the Transaction of approximately RMB4,586,000.

5. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2022.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

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

The Directors
Shandong Gold Mining Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shandong Gold Mining Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), and Yintai Gold Co., Ltd. and its subsidiaries (the "**Target Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net asset statement as at 31 December 2022 and related notes as set out on pages IV-1 to IV-5 of Appendix IV of the Company's Circular in connection with proposed acquisition of the Target Group (the "**Transaction**") issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in page IV-1 to IV-5.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed acquisition of the Target Group (the "**Transaction**") on the Group's financial position as 31 December 2022 as if the Transaction had taken place at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statement for the year ended 31 December 2022, on which an assurance report has been published.

Directors' Responsibility for the Unaudited pro forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management ("**HKSQM**") 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
15 June 2023

合資格人士報告
Competent Person's Report

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

寶萬礦產有限公司
BAW MINERAL PARTNERS LIMITED

31 May 2023

合資格人士報告
Competent Person's Report

Prepared for

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

by

寶萬礦產有限公司
BAW MINERAL PARTNERS LIMITED

31 May 2023

BAW Project Number: 060-WWL-CPR-2113

Complied by: Guangnan Li **Peer Review by:** Karfai Leung

Author: Baiqiu Wang, Shugang Zhao, Tao Xu, Wenhong Cao, Guangnan Li

Disclaimer

This report has been prepared solely in accordance with the specific requirements and instructions of the Client. The opinions expressed in this report have been based on the information supplied to BAW by the client or through the virtual data room by the owner of Project T. BAW has exercised all due care in reviewing the supplied information. While BAW has compared the key supplied data with the expected value, the accuracy, and effectiveness of the results and conclusions from the report are completely dependent on the quality of the supplied data. BAW does not take responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this report apply to the site conditions and features as they existed at the time of BAW investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this report, about which BAW had no prior knowledge nor had the opportunity to evaluate.

BAW hereby certifies that neither BAW nor its directors, shareholders, or staff have any present or prospective interests in the Client or its mining properties. BAW is to receive the professional fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this report.

Table of Contents

List of Figures

List of Tables

1 INTRODUCTION

1.1 Background and Scope of Work

BAW Mineral Partners Limited ("**BAW**") was commissioned by Shandong Gold Mining Co., Ltd ("**SD Gold**" or the "**Client**") in February 2023 to prepare the Competent Persons Report ("**CPR**") for five mining properties owned by China Yintai Holdings Co., Ltd. ("**Yintai**") (the "**Project**") located in the People's Republic of China ("**PRC**") pursuant to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition ("**JORC Code 2012**") and Chapter 18 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**").

The purpose of this CPR is to provide an independent technical assessment of the mining properties in relation to its various aspects, in particular, project geology, drilling, sampling, sample preparation, resource estimates, mine planning, past production, reserve estimates, capital costs, operating costs and economic analysis with reference to the requirements of the JORC Code 2012.

The scope of work of BAW's engagement is as follows:

- Assessment of all the available technical information as of December 31, 2022.
- Assessment of the completeness and reasonableness of the technical information made available to us by the Client.
- Assessment of the resource models and their database.
- Preparation of a resource estimate.
- Development of an updated long-term mine plan and production schedule based on the optimized mining strategy, processing strategy, sale strategy,
- Preparation of a reserve estimate.
- Assessment of the processing and recovery operations.
- Assessment of the tailing storage facilities.
- Site visit.
- Preparation of this CPR.

1.2 Reporting Standard

In this CPR, the standard adopted for the reporting of the Mineral Resources and Ore Reserves is that defined by the terms and definitions given in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia revised in 2012. The JORC Code is a mineral resource/ore reserve classification system that has been widely used and is internationally recognized. It has also been used in independent technical reports for mineral resources and ore reserve statements for the natural resource companies listed on the HKEX.

1.3 Team Members

The team members and their responsibilities are as below:

- Mr. Shugang Zhao – review of resource model and estimation.
- Dr. Baiqiu Wang – Review of regional geology and exploration review.
- Mr. Tao Xu – Review of mining and reserve estimation.
- Ms. Wenhong Cao – Review of processing, metallurgical and plant information.
- Mr. Guangnan Li – Overall project management and coordination, economic analysis.
- Dr. Weiliang Wang – Review of geology and internal review.
- Mr. Karfai Leung – Review of the CPR.

1.4 Site Inspection

BAW has assembled a team of Competent Persons, including, Mr. Shugang Zhao and Dr. Baiqiu Wang, to undertake a site visit to the Project in March 2023. During the site visit, BAW had discussions with the mine personnel on technical aspects relating to the Project.

1.5 Independence Statement

BAW certifies that neither BAW nor its directors, shareholders, or staff have any present or prospective interests in the Client or its mining properties. BAW is to receive the professional fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this report.

1.6 Indemnities

The Client has provided BAW with an indemnity under which BAW is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- Which results from BAW's reliance on material information provided by the Client;
- Which relates to any consequential extension workload through queries, questions or public hearings arising from this CPR.

1.7 Source of Information

Information used to support this CPR was derived from previous technical data and reports prepared previously for the properties, from the reports and documents listed in the Section of Reference of this CPR, and from the technical and financial information provided by the Client.

1.8 Terms of Reference, Units, Abbreviations, and Currency

Unless otherwise stated:

- All units of measurement in the Report are in the metric system.
- All costs, revenues, and values are expressed in terms of Renminbi (RMB).
- All metal prices are expressed in terms of Renminbi (RMB).

Table 1-1 Terms of Reference, Units, Abbreviations and Currency

AAS	Atomic Absorption Spectroscopy	**COG**	Cut-off grade
BAW	BAW Mineral Partners	**G&A**	General and Administration cost
CAPEX	Capital Cost	**HG**	High Grade
g/t	Gram per ton	**KTPA or ktpa**	thousand tonnes per annum
HQ3	Diamond drilling bit size	**LG**	Low grade
IDW3	Inverse Distance Weighted Cubed	**MT or mt**	Million Tonnes
RDDD	Diamond drill holes	**MTPA or mtpa**	Million tonnes per annum
km	Kilometre	**NQ**	Diamond drilling bit size
LOM	Life of Mine	**OPEX**	Operating Capex
m	Meter	**PQ3**	Diamond drilling bit size
MW	Megawatt	**PEA**	Preliminary Economic Assessment
NQ3	Diamond drilling bit size	**CP**	Competent Person
NPV	Net present value	**TPA or tpa**	tonnes per annum
PQ	Diamond drilling bit size	**ROM**	Raw Ore Material/Run of Mine
QA/QC	Quality Assurance/Quality Control	**tpd**	Tonne per day
RL	Reduced Level	**TSF**	Tailings Storage Facility
JORC	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves	**VALMIN**	Australasian Code for Public Reporting of technical assessments and Valuations of mineral assets

1.9 Effective Date

The effective date for the Mineral Resources and Ore Reserves was December 31, 2022. BAW is not aware of any material changes to the information of the mining properties between the effective date and the signature date of this CPR except that the tonnage of the Mineral Resources and Ore Reserves may have been depleted by regular mining activities if any.

2 BANMIAOZI PROJECT

2.1 Property Description and Location

2.1.1 Property Location

The Banmiaozi Gold Project ("**Banmiaozi Project**") is situated 6.3 km northwest of Baishan City in Jilin Province, China, and approximately 40 km northwest of the China-North Korea border (Figure 2-1). The administrative division falls under the jurisdiction of the Hunjiang District, Baishan City, Jilin Province. Changchun City, the provincial capital of Jilin Province, is located approximately 220 km northwest of the Banmiaozi Project.

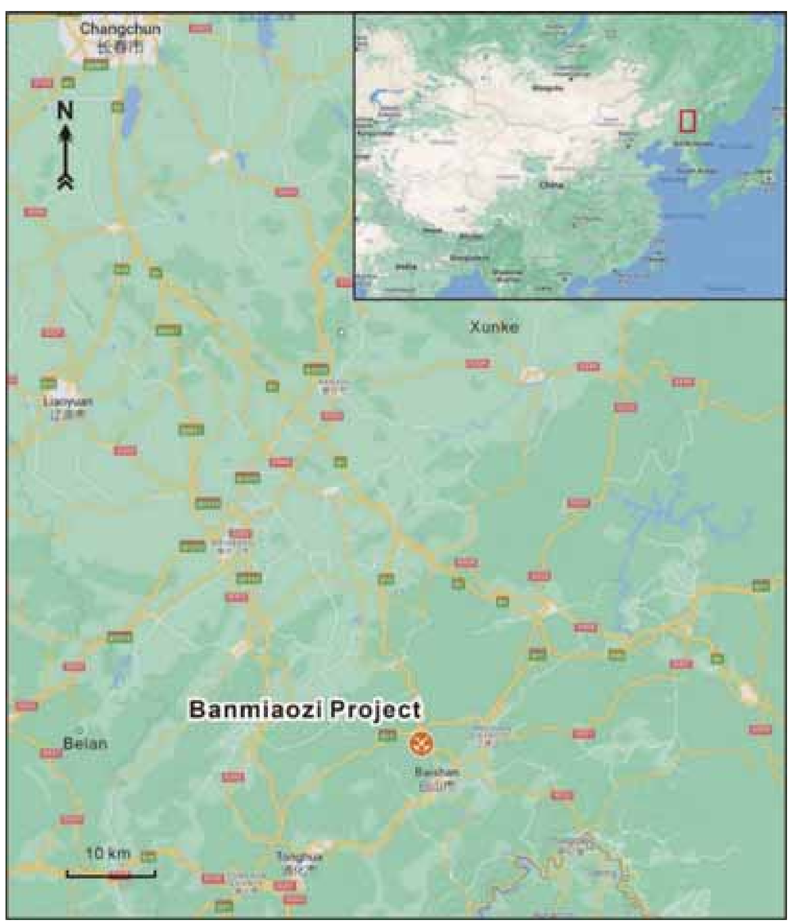


Figure 2-1 Location of the Banmiaozi Project

Source: Google Map

2.1.2 Ownership

The Banmiaozi Project, including all mineral resources and reserves, as well as all mining operations discussed in this CPR is owned by Jilin Banmiaozi Mining Ltd. ("**Jilin Banmiaozi**"), which is indirectly 95% owned by Yintai.

2.1.3 Tenure, Permit and License

Based on the information provided to BAW, details of the mining license and the adjacent exploration license are summarized in Table 2-1. The vertex coordinates of the licenses are provided in Table 2-2 and Table 2-3.

Table 2-1 Mining and Exploration Licenses, Banmiaozi Project

Property	License Number	Expiration Date	Area	Elevation	Permitted Ore Production
			(km^2)	*(m)*	*(kt)*
		Mining License			
Jinying Mining Area	C1000002011044110112056	13/12/2025	2.0514	750~-200	800
		Exploration License			
Banmiaozi Exploration Area (Preserved)	T22000020080540100000429	26/04/2024	0.0811	/	/

Table 2-2 Vertex Coordinates of the Mining License, Banmiaozi Project

Chinese Geodetic Coordinate System 2000 ("CGCS2000") Vertex Coordinates No.	Eastings/m	Northings/m
1	4650105.96	42530809.53
2	4651097.67	42531794.94
3	4650913.27	42531956.94
4	4651626.17	42532667.24
5	4651104.07	42533198.95
6	4651011.57	42533199.45
7	4649957.76	42532168.44
8	4649955.46	42531661.94
9	4649614.56	42531318.14

Table 2-3 Vertex Coordinates of the Exploration License, Banmiaozi Project

	Geographic Coordinate System	
Vertex Coordinates No.	**Longitude ° E**	**Latitude ° N**
1	126.2402423	41.5940225
2	126.2402426	41.5937227
3	126.2345959	41.5924788
4	126.2403159	41.5924728
5	126.2403159	41.5940223

Source: National Mineral Exploration and Mining Information Publicity System, China

Yintai has provided the necessary permits and licenses required for the current operation of the Banmiaozi Project, including the Mine Safety Production License, Tailings Safety Production License, Water Extraction Permit, Radiation Safety Production License, Blasting Operation License, and Pollution Discharge Permit. However, BAW did not independently verify the information related to the location, area, and status of these permits and licenses.

2.1.3.1 Banshigou Exploration License

In addition to the two licenses previously mentioned, Jilin Banmiaozi also manages another nearby exploration right, namely the Banshigou exploration license. This license is owned by Yintai Shengxin Mining Co., Ltd., a subsidiary indirectly controlled by Yintai with a 75% interest. The license spans an area of 7.15 square kilometers and remains valid until July 2025. The corner coordinates for this license can be found in Table 2-4.

Table 2-4 Corner Coordinates of the Banshigou Exploration License

	Geographic Coordinate System	
Corner Coordinates No.	**Longitude ° E**	**Latitude ° N**
1	126.2604	42.0131
2	126.2729	41.5942
3	126.2558	41.5942
4	126.2525	42.0032
5	126.2433	42.0032
6	126.2433	42.0056
7	126.2535	42.0132

2.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

2.2.1 Accessibility

The Banmiaozi Project is easily accessible via a 2 km paved road that connects to the Baishan-Changchun highway. The nearest railway station is situated 7 km away in Baishan City. The project area benefits from well-established railway and highway networks that provide connections to

Changchun, Tonghua, and other surrounding areas. The closest airport to the project site is in Tonghua City, 53 km away, offering daily domestic flights to major international airports in the region, such as Beijing.

2.2.2 Topography, Elevation, and Vegetation

The Banmiaozi Project is situated on the southwest foothills of the Changbai Mountains, south of the Longgang Mountains, and northwest of the Hunjiang Valley. The area's mountain ranges generally run in a northeast direction and are part of the middle and low mountainous regions. The terrain predominantly slopes from the southwest to the northeast, with the highest elevation at 830 m on the southwestern boundary and the lowest point near the 5th bend at an altitude of 545 m, resulting in a relative height difference of 285 m. The area features a complex landscape, with valleys mostly forming a "V" shape. The terrain is significantly dissected, and the slope of the mountain sides generally varies between 30° and 40°.

2.2.3 Climate

The Project area is situated in the North Temperate Zone and experiences a continental monsoon climate. Spring is characterized by dry and windy conditions, while summer is hot and rainy. Autumn is typically dry and arid, and winter brings cold and snowy weather. The highest temperature can reach 35 °C, and the lowest may plummet to -36.5 °C, with an average annual temperature of 3.8 °C. The average annual precipitation is approximately 860 mm, with the rainy season primarily occurring from June to August. The average annual evaporation is 1,100 mm. The area typically experiences freezing conditions in November, with thawing beginning in April of the following year. The maximum depth of frozen soil can reach 1.60 m.

2.2.4 Local Resources and Infrastructure

The mining area features favorable runoff conditions and lacks any large bodies of water, with only two tributaries of the Hun River – the Diaoshui River to the west and the Banshigou River to the east – flowing from northwest to southeast before joining the Hun River, which is part of the Yalu River system. In this Project, a portion of the mine inflow water is treated and reused in production, while the remaining water is discharged to the local river. The domestic water supply is sourced from the municipal tap water system of Baishan City.

The Banmiaozi Project's power supply is from the Jiangbei substation, which is located 4 km from the mining area. This substation connects to the Project via a 66 kV overhead transmission line. The mine is equipped with a step-down substation featuring an SZ10-6300/66 kVA transformer with a 66/10.5 transformation ratio. The 66 kV equipment is installed outdoors, while the 10 kV distribution cabinet is indoors.

The Project area is predominantly agricultural, and mining is the leading industry. For instance, the Banshigou iron mine, the largest iron mine in Jilin Province, is located 3 km north of the Project area. This area benefits from well-developed infrastructure, ample water and electricity resources, as well as a substantial labor force.

2.3 History

2.3.1 Ownership

The initial exploration right of the Banmiaozi Project was granted to the Jilin Province Tonghua Geological and Mineral Exploration Development Institute ("**Tonghua Institute**") in 2000. In 2004, the exploration license was transferred to Jilin Banmiaozi, a joint venture formed by the Tonghua Institute and Sino Gold Mining Limited ("**Sino Gold**"). The initial exploration area spanned 62.16 km² but has been reduced several times in 2010, 2014, and 2018, resulting in the current exploration area covering 0.0811 km². In April 2008, Jilin Banmiaozi obtained a mining license from the Ministry of Land and Resources. The license was valid for 11 years and covered an area of 2.0514 km², permitting underground gold mining with an approved annual ore production of 660,000 tons. The mining license was later extended to December 2025, with an increased capacity of production to 800,000 tons per year. Sino Gold was wholly acquired by Eldorado Gold Corporation ("**Eldorado**") in 2009. In 2016, Yintai acquired Jilin Banmiaozi with its mineral rights of the Banmiaozi Project.

2.3.2 Exploration and Development

In 1998, the Tonghua Institute conducted a geological survey in the area. As a result, the Banmiaozi gold mineralization was discovered. Between 2001 and 2002, the Tonghua Institute continued the gold exploration work in the area, carrying out a 1:50,000 geochemical survey, which identified two anomalies of Au, As, Sb, and Hg. Drilling, trenching, and adit were conducted in these anomaly areas, leading to the recognition of two gold ore bodies.

From 2003 to 2007, the Tonghua Institute and Sino Gold jointly established Jilin Banmiaozi to continue field exploration. A total of 50,555 m of drilling, along with comprehensive exploration, led to the discovery of a large underground gold deposit, including No. I, II, III, and IV ore bodies. In March 2007, the "*Exploration Report of Jinying Gold Mine, Baishan City, Jilin Province*" ("**Exploration Report 2007**") was compiled.

In December 2015, Jilin Banmiaozi submitted a "*Resource/Reserve Verification Report of Jinying Gold Mine in Baishan City, Jilin Province*" ("**Verification Report 2015**"), reporting the discovery of five new ore bodies, including No. II-1, II-2, IV-1, V (within the mining license area), and VI.

During 2017-2018, exploration focused on extending the No. V ore body from the mining license area into the exploration license area, primarily using underground drilling. In addition to the extension of No. V, several new ore bodies were discovered, including V-1 to V-5 and V-1' to V-6'. In 2018, Jilin Banmiaozi compiled an updated "*Resource/Reserve Verification Report of Jinying Gold Mine in Baishan City, Jilin Province*" ("**Verification Report 2018**"). Since 2019, the Banmiaozi Project has focused on the production exploration program, including underground drilling and sampling, to support mining operations and expand mineral resources. In 2019, Jilin Banmiaozi reported additional exploration results and compiled the "General Exploration Report of Banmiaozi Gold Mine in Baishan City, Jilin Province".

Infrastructure construction for the Banmiaozi Project began in 2007, with a construction period of 1.5 years. In November 2008, trial production commenced, and mining operations began in December 2009.

2.3.3 Historical Resource and Reserve Estimates

Resource and reserve estimates were made in 2007, 2015 and 2019, in compliance with Chinese standards, and approved by the Ministry of Land and Resources. However, the resource and reserve estimates presented in Sections 2.10 and 2.11 are based on the JORC Code 2012.

2.3.4 Production

The Banmiaozi Project started its production in 2009 with a licensed annual capacity of 660,000 tons, which increased to 800,000 tons in 2019. The processing plant has a theoretical maximum capacity of 900,000 tons per year, while the actual capacity is 600,000 to 700,000 tons per year. The historical annual mining output is summarized in Table 2-5.

Table 2-5 Historical Annual Mining Summary of the Banmiaozi Project

Year	**Ore** *(t)*	**Au** *(t)*
2009	275,343	1.008
2010	592,494	2.472
2011	709,318	3.239
2012	793,269	3.090
2013	823,658	2.939
2014	658,500	2.636
2015	645,314	2.568
2016	654,945	2.187
2017	573,034	2.701
2018	568,076	2.442
2019	365,696	1.210
2020	607,693	2.327
2021	459,942	1.907
2022	376,192	1.832

Source: Annual Reserve Report of the Banmiaozi Project, 2009-2022

2.4 Geological Setting and Mineralization

2.4.1 Regional Geology

The Banmiaozi Project is located in the eastern North China Craton, adjacent to the Longgang Block, within the Liaoning-Jilin orogenic belt and the Laoling uplift zone (Figure 2-2). This orogenic belt is situated in the eastern part of the North China Craton and is in faulted contact with the Langlin and Longgang blocks to the southeast and northwest, respectively. The belt has undergone multiple tectonic-magmatic-metamorphic events, including rifting and orogenesis in the Palaeoproterozoic, the development of a superimposed Neoproterozoic-Palaeozoic basin, the collision between the Siberian Plate and the North China Craton during the late Palaeozoic-early Mesozoic, and subduction of the

Palaeo-Pacific Plate beneath the North China Craton during the Mesozoic. Within this complex evolution, numerous deposits rich in metallic and non-metallic minerals were formed in the Liaoning-Jilin orogenic belt.

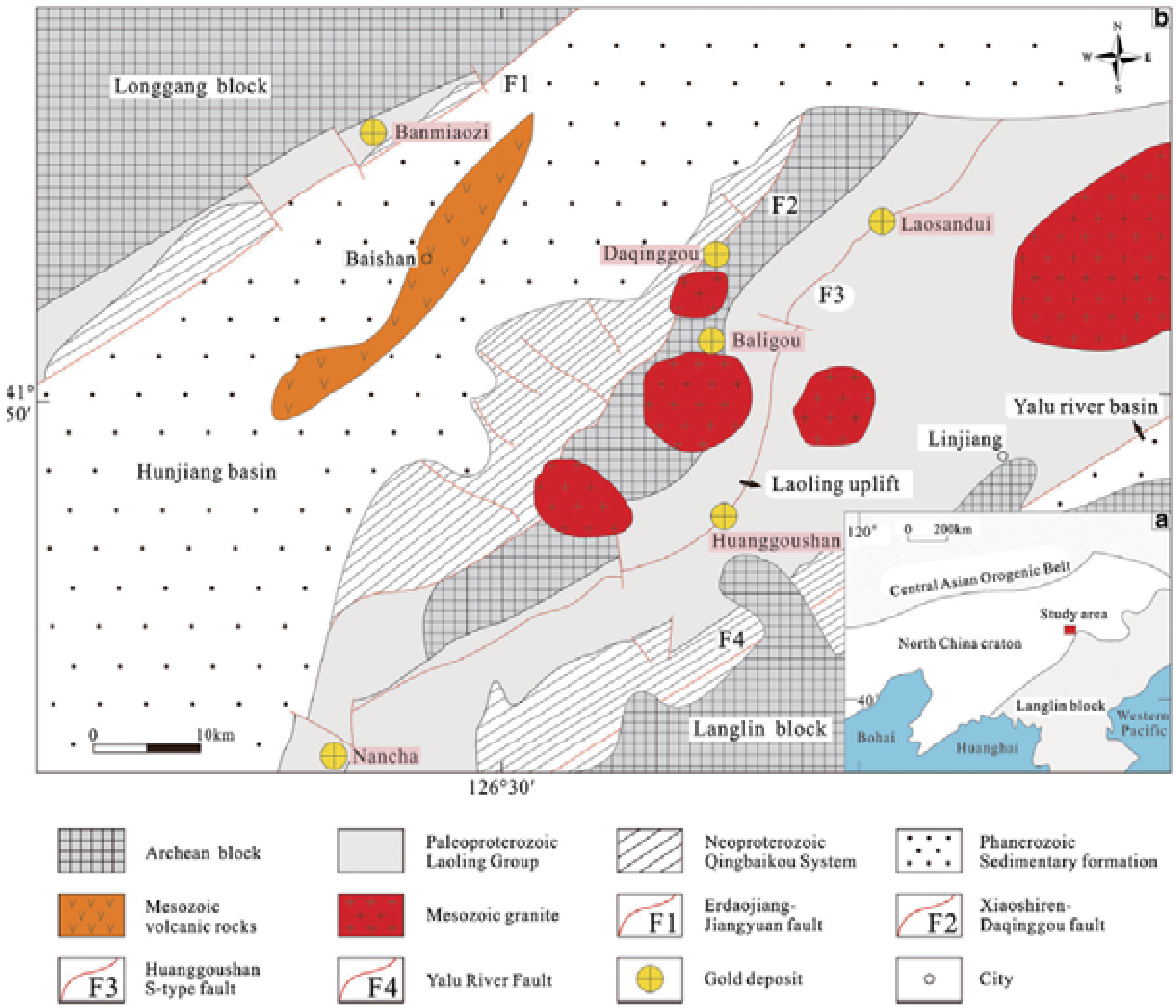


Figure 2-2 Regional Geological Map

Source: Li et al., 2020

The stratigraphy of the Banmiaozi Project and its peripheral area is dominated by Archaean, Proterozoic, and Phanerozoic strata. The Archaean strata, mainly consisting of the Yangjiadian Formation (Anshan Group), are located in the northwest of the Project area. These strata mainly occur as xenoliths within Mesoarchean rocks of the tonalite-trondhjemite-granodiorite ("**TTG**") series. The lithologies include amphibolite, biotite-plagioclase gneiss, mica schist, garnet-biotite granulite, siliceous garnet-biotite-plagioclase gneiss, and magnetite quartzite. These volcanic and sedimentary ferro-siliceous formations have been metamorphosed to amphibolite facies, with some granulite-facies assemblages also recognized locally.

The Paleoproterozoic Ji'an Group is mainly composed of a volcanic-sedimentary sequence characterized by marble-bearing polysilicon, high-Al and -Fe rocks. The Mesoproterozoic Laoling Group is the main exposed strata in the central and western parts of the Banmiaozi Project area, including the

Linjiagou and Zhenzhumen Formations. The lithologies are dominantly feldspar quartzite, quartzite, leptite, granulite, calcsilicate, carbonaceous slate, marble, and dolomitic marble.

The Neoproterozoic stratigraphy consists of the Sinian and Qingbaikou System, with the Diaoyutai and Nanfen formations of the Qingbaikou System widely exposed in the central and southeastern parts of the Project area. The outcrops mainly comprise medium-grained grey-white quartz sandstone, siltstone, and shale. The gold mineralization is found within a silicified tectonic breccia belt developed at the contact between the Diaoyutai Formation and the underlying Zhenzhumen Formation.

The Qiaotou Formation (medium-to-fine-grained quartz sandstone and siltstone), the Wanlong Formation (laminated limestone and micrite limestone), and the Badaojiang Formation (stromatolitic and algal limestones) of the Sinian System are distributed in the central-southern part of the mining area. The Cambrian strata are mainly distributed in the southeastern part of the Project area, consisting of sandstone, siltstone, shale, tuff, and limestone, unconformably underlain by the Upper Proterozoic strata.

The majority of regional magmatic rocks in the area are Archaean metamorphic plutonic rocks (TTG), making up over 80% of the Archaean outcrops. The TTG is comprised of tonalitic gneiss and trondhjemite and has been subject to weak magmatic activity since the Proterozoic, with granodiorite porphyry, granite porphyry, and diorite porphyry veins sporadically distributed. The regional fold-thrust system resulting from NW-trending compression includes NE-trending thrust faults and NW-trending compressional torsional faults, which developed under the same stress field as NW-trending nappes. The ore is hosted mainly in the silicified tectonic breccia belt superimposed on the NE-trending faults.

2.4.2 Ore Deposit Geology and Mineralization

The Banmiaozi gold deposit is hosted within an irregular stratiform-like silicified tectonic breccia belt that generally consists of at least two stages of breccia formation. The first stage formed along the unconformity before mineralization, and the second stage formed coevally with mineralization, and there is a superposition between the two.

The composition of the breccias is complex and includes haematite-quartz sandstone, silicified quartz sandstone, silicified dolomite marble, minor quartzite, shale, diorite porphyry, haematite, and baryte. The cement is mainly a mixture of powdered rocks and minerals, including silica, calcium-iron, and baryte. The metallogenic belt hosts several gold orebodies, which show stratiform-like or lenticular shapes (Figure 2-3). The hanging wall of the ore body shows distinct alterations as silicification and pyritization. Weak silicification is evident in the footwall marble, but the alteration zone is much narrower than in the hanging wall. The main mineralization occurs with the alteration of silicified-pyritized-baryte. The ore minerals are predominantly native gold with minor silver-bearing native gold and electrum, which occur in pyrite, quartz, chalcedony, baryte, dolomite, minor iron dolomite, sericite, and chlorite. Studies of fluid inclusions within baryte indicate that the initial ore-forming fluids were medium to low temperature, low density, and composed mainly of H_2O and CO_2. Mixing with metamorphic fluids during the ore-forming process was the main mechanism of mineralization.

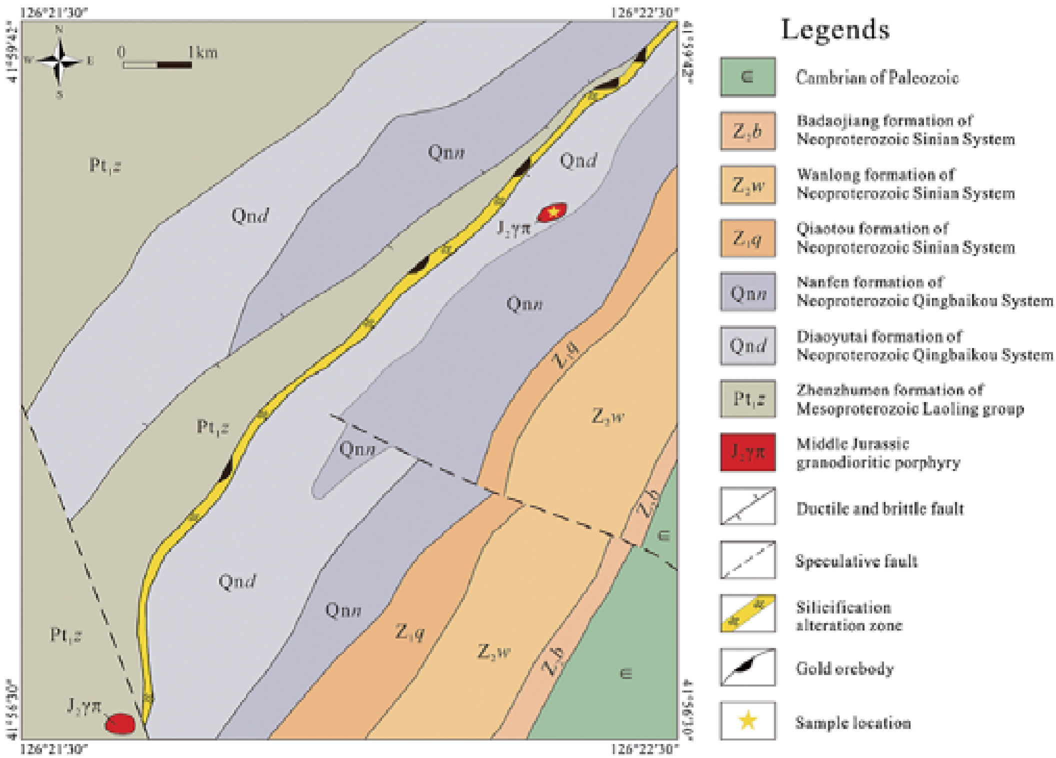


Figure 2-3 Geological Map of the Banmiaozi Gold Deposit

Source: Li et al., 2020

2.4.3 Mineralization

A total of 9 major ore bodies, numbered I, II, II-1, II-2, III, IV, IV-1, V, and VI have been recognized. Among them, I, II, III, and IV are the main ore bodies, and all 9 ore bodies have a stratiform-like shape and are distributed in a northeast direction of 40°-60°, with a total discontinuous extension of 1,970 m, trending southeast at an inclination angle of 48°-61° (Figure 2-4). Three ore bodies, I, II, and VI, are exposed on the surface, while the remaining 6 ore bodies, II-1, II-2, III, IV, IV-1, and V, are concealed. I, II, III, and IV are partially connected and dip to the northeast. II, II-1, II-2, V, and VI are independent ore bodies. Among them, I, II, III, and IV are the main ore bodies, while the other 5 are minor ore bodies.

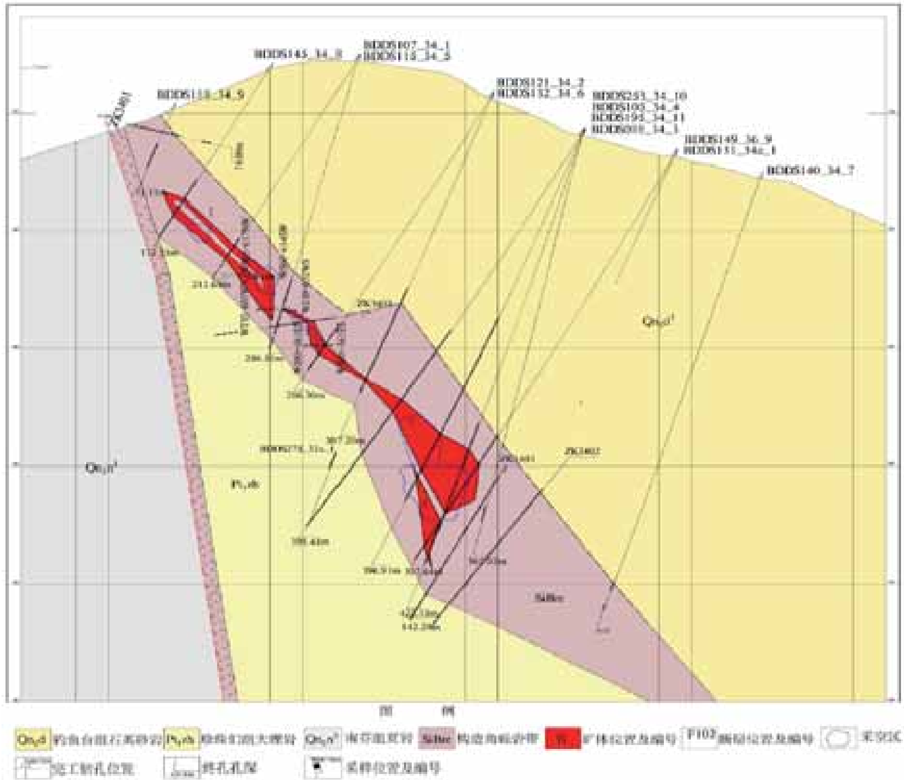


Figure 2-4 Cross-section of No. I Ore Body along Exploration Line No. 34

Source: Jilin Banmiaozi, 2018

2.5 Deposit Types

The Laoling uplift zone, situated within the Liaoning-Jilin orogenic belt, is a significant tectonic-magmatic belt associated with Au-polymetallic mineralization. This area has not only produced large gold deposits such as Banmiaozi and Huanggoushan but also more than 100 medium-small gold deposits, including Baligou, Nancha, Dasongshu, Taojingou, Wudaoyangcha, Xiaoshiren, Tianqiaogou, Taiyangcha, Nandapo, and Daqinggou. The Banmiaozi gold deposit was formed in a tectonic setting involving the subduction of the Palaeo-Pacific Plate beneath the North China Craton. Its characteristics, as described in the previous section, indicate that it can be classified as a collisional orogenic gold deposit.

2.6 Exploration

The exploration and development activities were carried out following the "*Specifications for Hard-Rock Gold Exploration*" (DZ/T0205-2002) and "*General Requirements for Solid Mineral Exploration*" (GB/T13908-2002; GB/T13908-2020). These regulations specify the type of work that must be undertaken in each evaluation or verification phase.

From 2003 to 2008, exploration work for the Banmiaozi Project focused on surface activities, including topographic and geological mapping, geophysical survey, trenching, and diamond drilling with minor underground channel sampling. Since the mine commenced production in 2009, a limited amount of surface exploration, such as diamond drilling, has been maintained. However, the primary focus of systematic exploration has shifted to underground activities, including extensive underground diamond and rotary drilling, tunnelling, and underground channel sampling. The exploration grid spacing is generally 40-80 × 40-80 m. Based on the exploration database provided to BAW, major sample workings as of the end of 2022 are summarized in Table 2-6.

Table 2-6 Summary of Major Sample Workings as of 31/12/2022

Type	**Collar**	**Depth** *(m)*	**Samples**
Surface Drill Hole	358	111,845.7	15,883
Underground Diamond Drill Hole	3,270	299,697.48	101,222
Underground Rotary Drill Hole	1,943	30,592.00	20,314
Surface Trench	44	1,329.93	695
Underground Channel	17,920	119,254.70	53,450
Total	23,535	562,719.90	191,564

Surface and underground surveys strictly followed the "*Specifications of Survey for Geological and Mineral Resources Exploration*" (GB/T18341-2001) and were carried out using a total station. incorporating the Beijing Coordinates System (1954) and Chinese Geodetic Coordinate System 2000 ("**CGCS2000**").

Trenching was conducted for exposing the surface alteration zones, ore-hosting structures, and ore bodies. However, due to the dense vegetation cover and thick weathered slope deposits (2-5 m) in the Project area, trenching was not used as the primary exploration method to improve efficiency and minimize environmental damage. Trenching was conducted vertically to the strike of the ore body, with a top width of 1.5 to 2.0 m, a depth of 1.2 to 1.8 m, and a bottom width of 1.0 to 1.3 m.

The production exploration and mining production adits were constructed either parallel or perpendicular to the ore bodies, with dimensions of 4.6 × 4.8 m and a slope of less than 3‰. The primary spacing is 20 × 30 m.

Channel sampling was used for sampling in underground adits and trenches. Channel placement was arranged to be as perpendicular to the ore body's strike as possible. Samples were determined according to ore type, wall rock, and mineralization distribution. The sampling interval was predominantly 1 m; however, a small portion of samples might slightly exceed or fall short of this interval. The channel dimensions are 10 × 3-5 cm. Samples were cut using a diamond saw along the pre-drawn sketch lines on the wall and taken using a steel chisel.

2.7 Drilling

Surface and underground drilling at the Banmiaozi Project were contracted to third-party operators. Rotary drilling has been extensively utilized since 2017, especially for intensely altered rock beds, with chip samples collected. Diamond drilling was conducted on the surface from 2004 to 2020 and underground since 2004.

Diamond drilling primarily used an NQ-sized core, with a minor HQ-sized core. All drill hole collars were surveyed using a total station. Downhole surveys were performed with an inclinometer or downhole camera every 50 m for surface drilling and 30 m for underground drilling, with additional measurements taken at the roof and floor of the intercepted ore body. Hole depth correction measurements were taken every 100 m, as well as when encountering the ore body and at the end of the hole. According to the drill hole database provided to BAW, core recovery was acceptable, with over 95% of sample intervals for surface drill holes having a core recovery of at least 90%, and 80% of sample intervals for underground drill holes having a core recovery of over 85%, considering the conditions of the structure and alteration. Upon completion of drilling, the hole was sealed with cement and marked with a permanent cement monument.

Upon retrieving the core from the core barrel, it was placed in plastic core boxes and transported from the drill site to the logging facility. At the logging site, lengths were marked in the core boxes, and wooden markers were inserted with downhole measurements. By arranging the core boxes in order of depth, the core loss was verified, and the correct depths were marked in the boxes. Drill cores were then logged for lithology, alteration, mineralogy, and geotechnical data.

Sample intervals were established at nominal 1 m lengths. However, based on core recovery, lithology, alteration, structure, and mineralization, actual sample intervals predominantly ranged from 0.3 to 1.5 m.

A saw splitter was used to cut the core in half along its long axis at the logging site. One half was bagged, sealed, and marked for further sample preparation, while the other half was preserved in the original core box for future inspection. Drill cores have been stored on shelves in a core storage shed, with some historical drill cores piled on the ground outside the storage shed. Recently acquired underground drill cores have been placed at a storage site within an underground adit.

2.7.1 Discussion

It is clear that the latest exploration work was carried out years ago before BAW's engagement for this CPR. As such, BAW was not able to observe the work during the course of drilling, density measurements, sampling procedures, sample preparation and geochemical analysis. However, BAW reviewed the protocol applied and considers the methods to be generally conformable with the Chinese national standards and industry practice. Assuming that no significant material biases have been introduced, BAW is of the opinion that the overall geological database and conformable with the industry practice and appropriate for subsequent use in Mineral Resources and Ore Reserves estimation in accordance with the requirement of the JORC Code 2012.

The existing drill core storage shed is over capacity, resulting in many core boxes being piled outside and within underground adits. Some core boxes have been damaged due to piling and exposure to weathering. BAW recommends that the storage shed should be expanded to improve the storage conditions for drill cores.

2.8 Sample Preparation, Analysis and Security

2.8.1 Density Determination

Based on the data provided to BAW, as of December 31, 2022, a total of 440 density measurements were completed by the Ministry of Land and Resources Changchun Mineral Resources Supervision and Inspection Center ("**Changchun Laboratory**") on drill core and channel samples using the conventional water displacement method with wax-coated samples, with an average of 2.7 g/cm^3.

2.8.2 Sample Preparation

Sample preparation was carried out by the Jilin Nonferrous Metal Geological Exploration Bureau 606 Brigade Laboratory ("**606 Brigade Laboratory**") and Jilin Province No. 1 Geological Survey and Testing Center ("**Jilin No. 1 Laboratory**"). Sample processing procedure: The original sample weight is generally 2-3.5 kg. Firstly, it is dried for 4-6 hours at a temperature controlled at around 80 °C. Then, it is crushed by a jaw crusher to 20-80 mesh and rifle split into the coarse duplicate and primary samples. The primary sample was pulverized by a rod mill to 200 mesh and rifle split into a fine duplicate and primary sample for further assay.

2.8.3 Sample Analysis

The sample analysis was carried out by the Xi'an Nonferrous Geology Research Testing Center ("**Xi'an Laboratory**") before 2007 and the Changchun Laboratory during 2008-2015. Jilin No. 1 Laboratory has been used as the primary assay laboratory since then, with a small portion of samples analyzed by Jilin Province No. 5 Geological Survey Laboratory ("**Jilin No. 5 Laboratory**") to compile the Verification Report 2018.

The gold content of the samples was determined using the method of activated carbon absorption-atomic absorption spectrometry ("**AAS**"). The analytical procedure involved aqua regia digestion, Au preconcentration with activated carbon cloth, heating the Au-absorbed cloth at 650-700 °C, hydrochloric and nitric acid digestion, and measurement using atomic absorption spectrometer.

Before 2018, ALS Laboratory in Australia ("**ALS**") and SGS Laboratory in Tianjin ("**SGS**") served as the umpire laboratory for external checks, employing the fire assay – AAS method for Au content determination. Recent external checks were conducted by Liaoning Provincial Geological and Mineral Research Institute Testing Center ("**Liaoning Laboratory**"). The assay work complied with Chinese standards "Geological and Mineral Laboratory Testing Quality Management Standards" (DZ/T 0130.1-1994; DZ/T 0130.1-2006).

Except for ALS and SGS, there is no information regarding internationally accepted accreditations for these laboratories. Xi'an Laboratory, Changchun Laboratory, Jilin No. 1 Laboratory, Jilin No. 5 Laboratory, and Liaoning Laboratory were reported in previous technical reports provided by Yintai to hold applicable provincial or national analytical certifications from relevant China authorities.

2.8.4 Quality Assurance and Quality Control

Jilin Banmiaozi performed the insertion of quality control samples, including standards and duplicates, at rates of 8.2% and 7.5%, respectively, according to the Exploration Report 2007. This demonstrates that 97.3% of the standard and 99% of the duplicate results yielded an acceptable level of assaying accuracy and precision. 1.5% of the total samples were sent to ALS for external examination, and 96.1% of them were deemed acceptable. Internal and external checks have also been conducted for the samples. According to the Verification Report 2015 and 2018, 9.44% of the total samples were analyzed for internal checks. The relative deviation of the sample and duplicate pairs was calculated to evaluate whether the results were acceptable. The internal check results showed that the acceptable rate for Au assay was 95.8%. 4.1% of the total samples were sent to SGS for external checks, with qualification rates for Au assay at 93.9%.

2.8.5 Sample Security

During the site visit, BAW reviewed the sample security protocol and found that the mine site personnel made reasonable efforts to ensure proper preservation, accurate logging, and secure transportation of samples. In BAW's opinion, the implemented security protocol effectively maintains the validity and integrity of the samples.

2.8.6 Discussion

BAW did not visit the laboratories responsible for analyzing samples for the Banmiaozi Project, except the Jinlin No. 1 Laboratory. BAW reviewed the protocols and procedures of the Jinlin No. 1 Laboratory and found them to be following industry standards.

Fire assay is the industry-standard method for the gold assay used in resource estimation. BAW considers that the activated carbon absorption method, as an Au preconcentration method, may result in an underestimation of the final Au measurements. A portion of the historical samples was externally cross-checked using fire assay by ALS and SGS, which is considered adequate. To eliminate uncertainties for the recent samples, BAW suggests randomly selecting sample duplicates for re-assaying using the fire assay method and conducting a comparison study.

In compliance with relevant Chinese regulations, exploration or mining projects are required to periodically conduct verification reporting, which encompasses a comprehensive assessment of all aspects of exploration, production, and resource/reserve estimates. It should be noted that the standards followed in these verification reports are not entirely consistent with the JORC Code 2012, as they adhere to Chinese standards. However, the verification reports do provide additional validation for the historical data. The verification reporting was completed for the Banmiaozi Project in 2015 and 2018. The QA/QC program for assay analysis in the Banmiaozi Project was implemented as part of this verification reporting process. BAW considers the program to be of adequate quality, consistently applied, and routinely monitored. The Jilin No. 1 Laboratory has regularly carried out internal checks and sent samples for external checks since 2017, but the relevant data are unavailable for BAW to review. BAW recommends that Yintai continues to independently incorporate an adequate number of quality control samples, including standards, blanks, and duplicates, in all sample batches before submission to the assay laboratory in the future. This will enhance the monitoring of assay accuracy and precision.

2.9 Data Verification

2.9.1 Database

BAW recognizes that the Banmiaozi Project is subject to periodic authority agency reviews and verification reporting in compliance with the Chinese standard of "S*pecification for Hard-Rock Gold Exploration*" (DZ/T 0205-2002). This specification rigorously outlines the detailed standards and requirements for various aspects such as exploration, drilling, sampling, assaying, QA/QC, mining, processing, etc.

BAW conducted the following verification procedures: interviewing on-site geologists and engineers; reviewing and validating the primary drilling and sampling database provided by Yintai; randomly selecting and cross-checking between logging data and original logging records, and between logging data and drill cores; assessing the existing geological interpretation and block model. After completing sufficient checks, BAW considers the drilling and sampling data, the interpreted geological framework, and the block model to be reasonable for use in Mineral Resource estimation.

2.9.2 Site Inspection

BAW experts conducted a site visit to the Banmiaozi Project in March 2023. The purpose of the visit was to inspect various aspects of the project, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel. No independent verification samples were collected during the site visit.

2.10 Mineral Resource Estimates

The most recent resource estimate of Banmiaozi Jinying gold mine provided for our review was carried out by the Geology and Mineral Exploration and Development Bureau of Jilin Province in December 2018. The resource estimation report "Resource & Reserve Estimation Report (2018) for Baishan Jinying Gold Mine" was dated December 31, 2018. Wireframing and Ordinary Krigin-grade interpolation were used to build a block model at that time. Annual internal grade estimate and mining depletion were updated to Block Model based on the production data during the period from 2019 to 2022. The resource estimate and technical report were reviewed by BAW.

2.10.1 Wireframes

Gold mineralization of the Jinying deposit is mainly hosted by the breccia zone which is affected by faults F102 and F100. All domains are determined based on geology, alteration and the interpreted controls on mineralization from production experience. A cut-off value at 1.0 g/t Au is used to define domains. A total of 6 mineralization domains are generated for the resource estimate. Jinying mineralization is 1,970 m long along NE 40~60°, dipping southeast 48~61°.

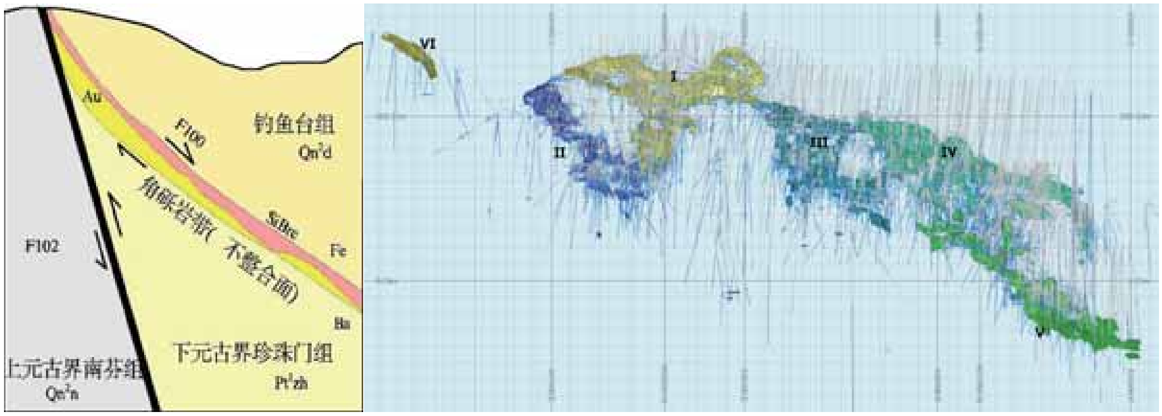


Figure 2-5 Domain modelling for Jinying gold mine

2.10.2 Compositing

No composites were provided to BAW for review. Drill hole assay intervals are composited within the geological domains at 1.0 m and short intervals at the end of the domain are incorporated into the preceding interval by BAW.

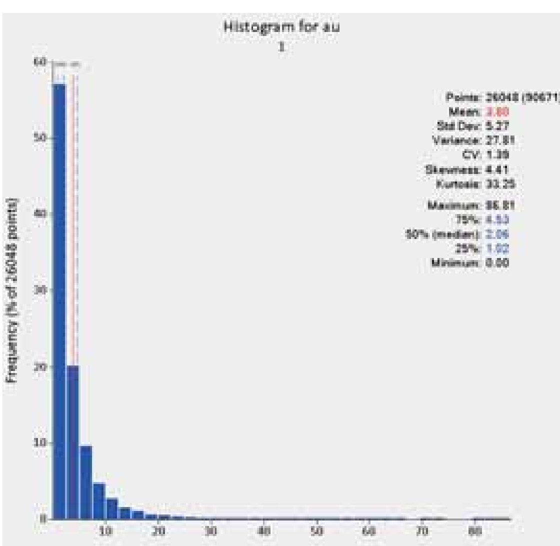
2.10.3 Capping

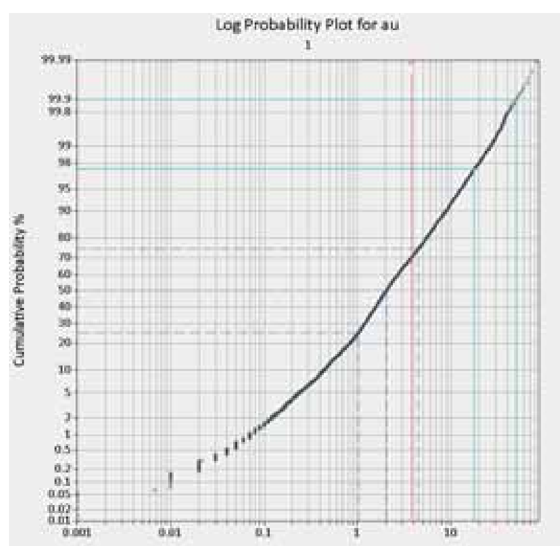
No capping description and capped composites of about 2022 internal models were provided to BAW. According to the 2018 report, 26,397 samples were analyzed of which 5,163 samples were constrained by 6 domains. Histogram and probability plot were used when capping. Outliers were replaced by the value at the 97.5% distribution frequency point within each domain. The impact of Au grade outlier is evaluated on a geological domain basis by BAW respectively. BAW believes that the capping value for the 2018 model is appropriate. Considering the significant change in the dataset, BAW believes that the capping value of the 2018 model is a bit lower.

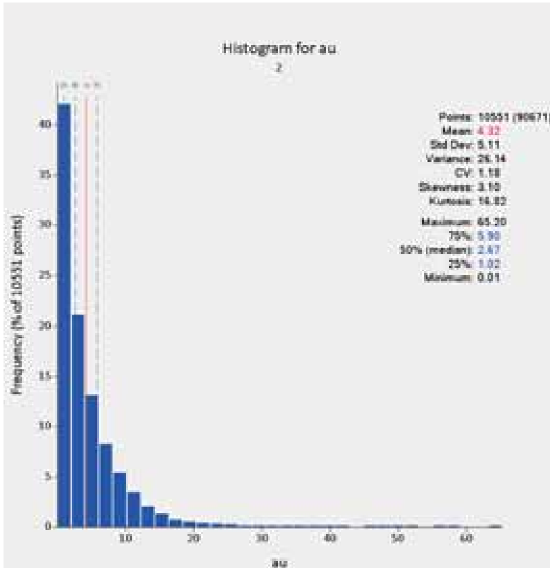
Table 2-7 Summary statistics of 1 m composites (Au) and topo cut grade threshold applied during estimation

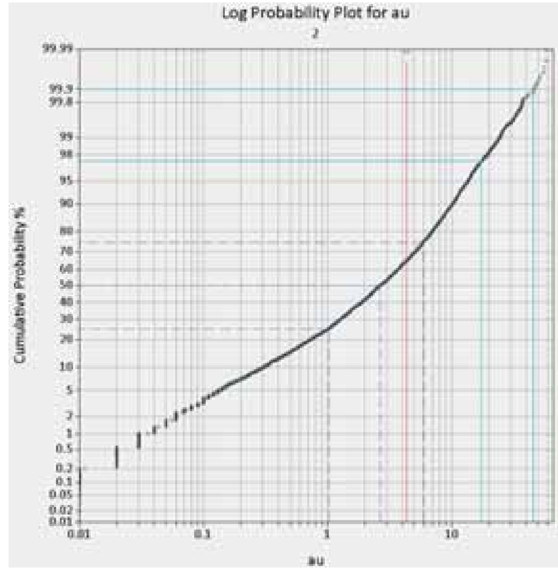
Model	**Domain**	**1**	**2**	**3**	**4**	**5**	**6**
2018 Yintai	No of samples	2,060	877	870	1,068	52	135
	Capping Value	21.40	19.47	18.24	27.87	44.77	11.35
	Min	0.01	0.01	0.020	0.01	0.810	0.060
	Max	83.80	65.2	47.63	78.5	52.13	22.60
	Mean	4.69	5.11	4.45	5.75	7.93	3.47
	SD	6.19	5.48	5.11	7.62	9.22	3.17
	CV	0.99	1.32	1.33	1.49	0.96	0.95

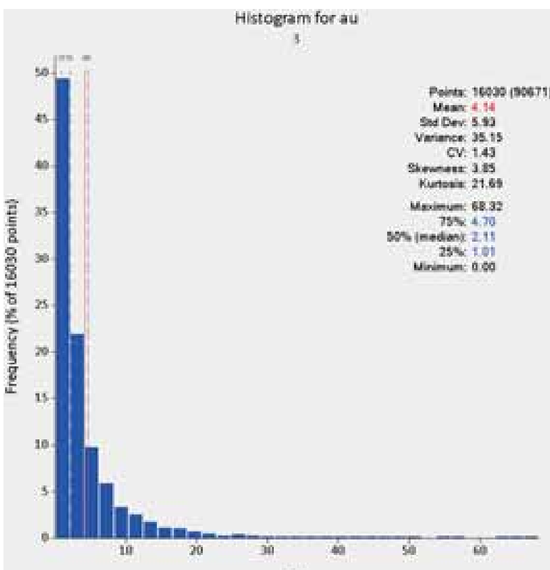
Model	Domain	1	2	3	4	5	6
2022 Model	No of samples	26,048	10,551	16,030	20,552	17,367	123
	Capping Value	50.5	45.7	50.4	67.3	60	12.6
	Min	0.01	0.01	0.01	0.01	0.01	0.01
	Max	86.81	65.2	68.32	164.99	124.32	22.6
	Mean	3.8	4.32	4.14	4.22	4.89	3.03
	SD	5.27	5.11	5.93	6.89	7.93	3.7
	CV	1.39	1.18	1.43	1.63	1.62	1.22
2018 Capped Model	No of samples	2,060	877	870	1,068	52	135
	Min	0.01	0.01	0.02	0.01	0.81	0.06
	Max	21.4	19.56	18.24	27.77	44.67	11.35
	Mean	4.41	4.91	4.27	5.45	7.79	3.38
	SD	4.59	4.45	4.32	6.19	8.58	2.76
	CV	0.95	1.29	1.30	1.45	0.94	0.93
2022 Capped Model	No of samples	26,048	10,551	16,030	20,552	17,367	123
	No. of Capped	19	12	12	20	35	4
	Min	0.01	0.01	0.01	0.01	0.01	0.01
	Max	50.5	45.7	50.4	67.3	60	12.6
	Mean	3.79	4.31	4.13	4.2	4.85	2.87
	SD	5.12	5.04	5.83	6.57	7.57	3.07
	CV	1.35	1.17	1.41	1.56	1.56	1.07

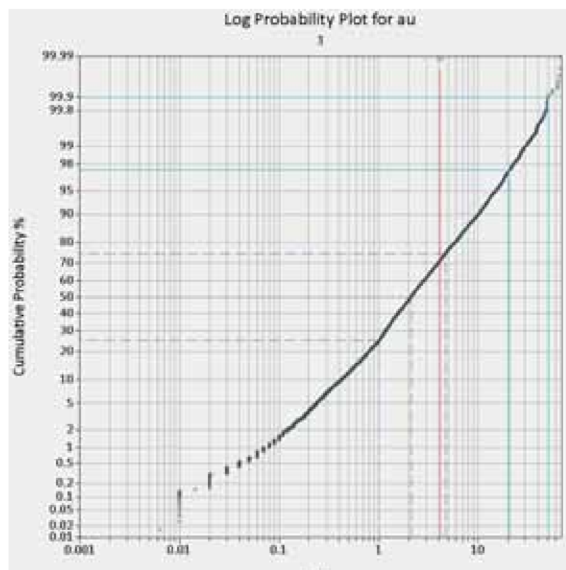


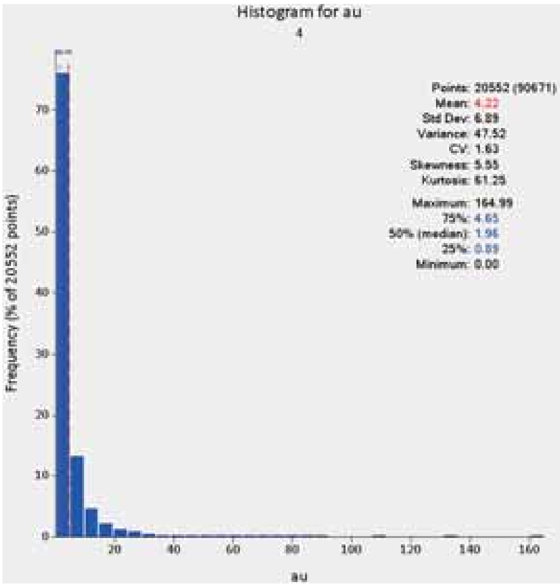


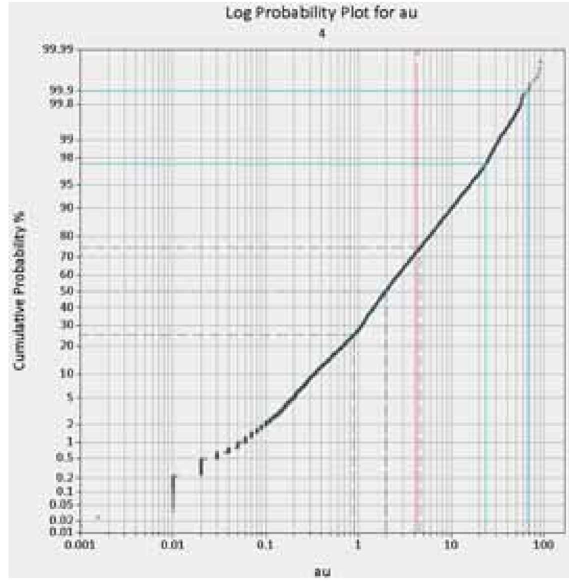

Histogram for au
2
Points: 10551 (90671)
Mean: 4.32
Std Dev: 5.11
Variance: 26.14
CV: 1.18
Skewness: 3.10
Kurtosis: 16.82
Maximum: 65.20
75%: 5.90
50% (median): 2.67
25%: 1.02
Minimum: 0.01
Frequency (% of 10551 points)
au

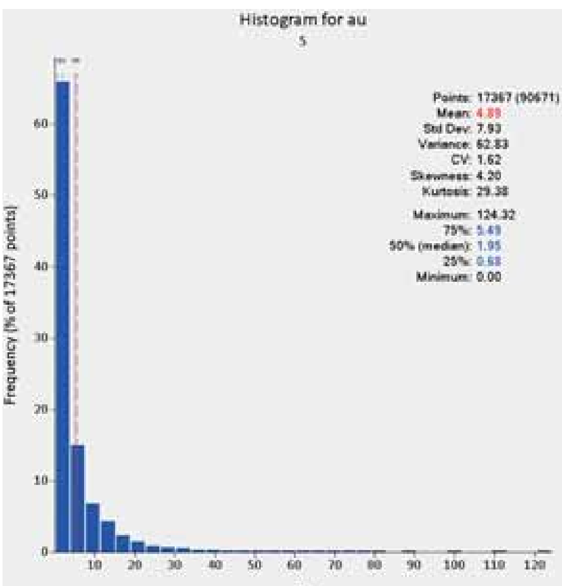

Log Probability Plot for au
2
Cumulative Probability %
au

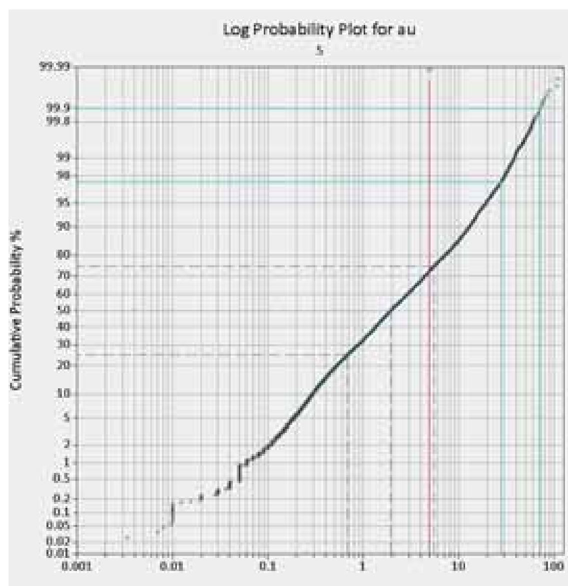

Histogram for au
3
Points: 16030 (90671)
Mean: 4.14
Std Dev: 5.93
Variance: 35.15
CV: 1.43
Skewness: 3.85
Kurtosis: 21.69
Maximum: 68.32
75%: 4.70
50% (median): 2.11
25%: 1.01
Minimum: 0.00
Frequency (% of 16030 points)
au


Log Probability Plot for au
3
Cumulative Probability %
au


Histogram for au
4
Points: 20552 (90671)
Mean: 4.22
Std Dev: 6.89
Variance: 47.52
CV: 1.63
Skewness: 5.55
Kurtosis: 61.25
Maximum: 164.99
75%: 4.65
50% (median): 1.96
25%: 0.89
Minimum: 0.00
Frequency (% of 20552 points)
au


Log Probability Plot for au
4
Cumulative Probability %
au


Histogram for au
5
Points: 17367 (90671)
Mean: 4.89
Std Dev: 7.93
Variance: 62.83
CV: 1.62
Skewness: 4.20
Kurtosis: 29.38
Maximum: 124.32
75%: 5.49
50% (median): 1.95
25%: 0.68
Minimum: 0.00
Frequency (% of 17367 points)
au


Log Probability Plot for au
5
Cumulative Probability %
au

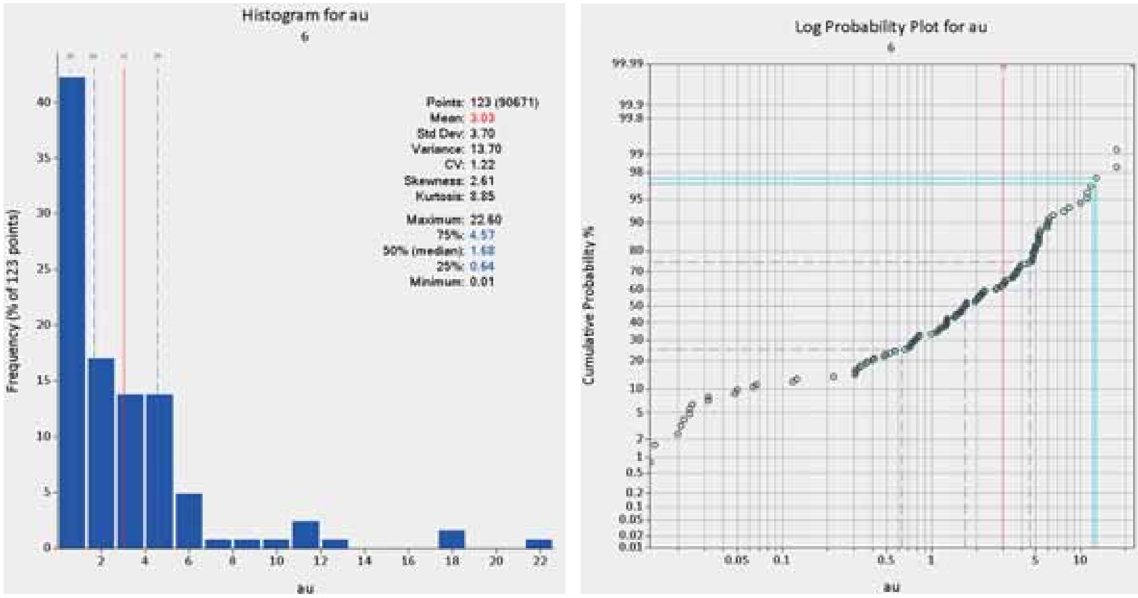
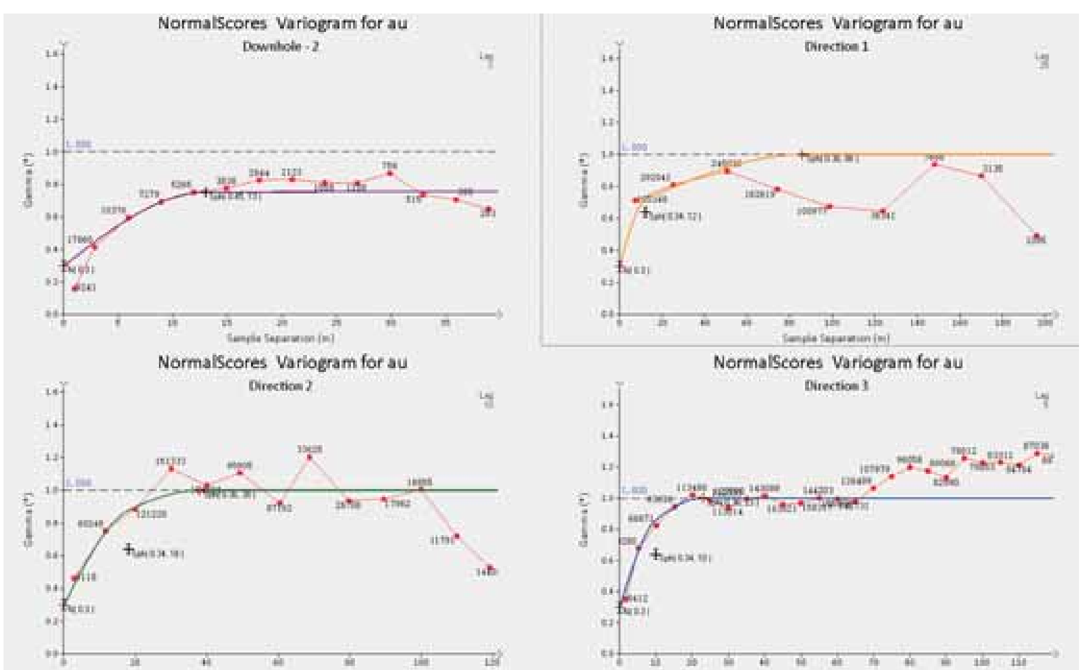


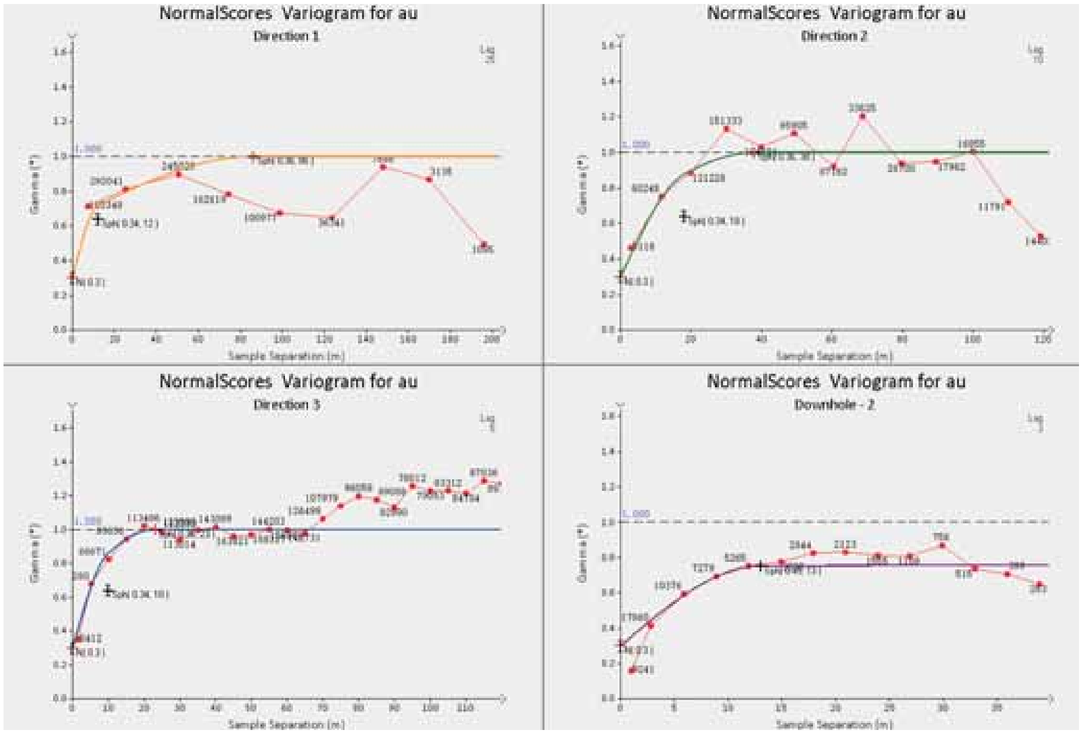
Figure 2-6 Histogram and Log-probability plot for Composites and Capped-composites

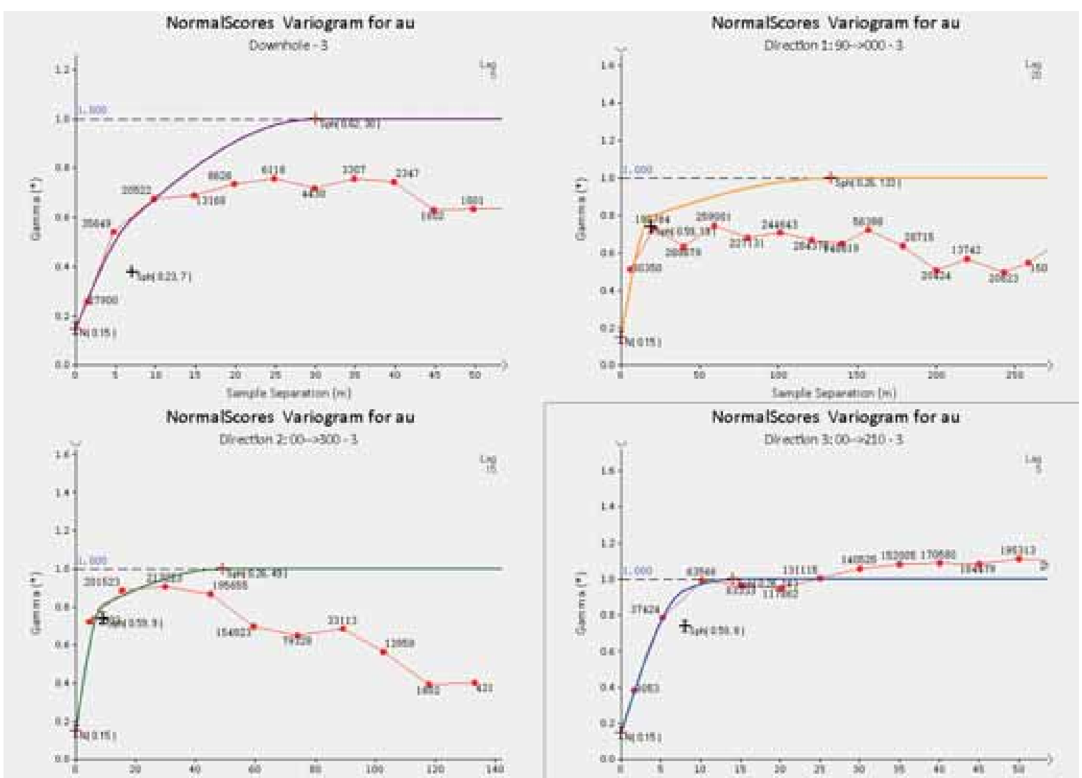
2.10.4 Variograms

No Varigraphy modelling was provided to BAW.

BAW has attempted to develop variograms for each Au domain using capped composites as below:




NormalScores Variogram for au
Direction 1
NormalScores Variogram for au
Direction 2
NormalScores Variogram for au
Direction 3
NormalScores Variogram for au
Downhole - 2
Sample Separation (m)


NormalScores Variogram for au
Downhole - 3
NormalScores Variogram for au
Direction 1:90-->000 - 3
NormalScores Variogram for au
Direction 2:00-->300 - 3
NormalScores Variogram for au
Direction 3:00-->210 - 3
Sample Separation (m)

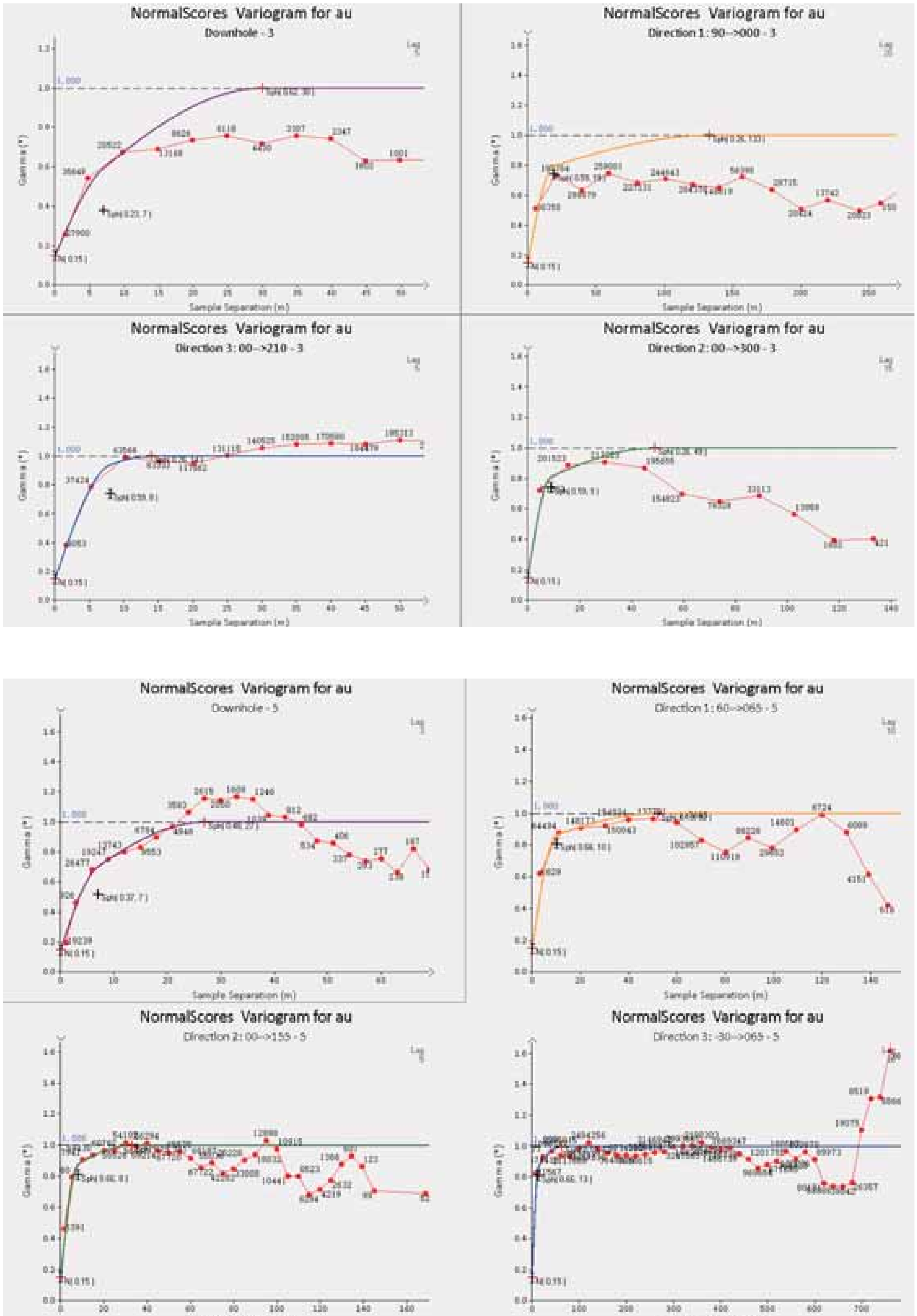


Figure 2-7 Varigraphy study for Jinying deposit

Table 2-8 Varigraphy study for Jinying deposit

	Zone	Nugget	Sill	Major	Semi	Minor
2018/2022 Yintai all	Domain 1	7	11.07	65	54	26
	Domain 2	6.5	13.54	51	50	25
	Domain 4	7.1	30.18	46	30	10
BAW	Domain 1	0.26	0.74	49	35	24
	Domain 2	0.3	0.7	86	38	24
	Domain 3	0.15	0.75	133	50	14
	Domain 4	0.32	0.68	57	37	27

In BAW's opinion, it is reasonable to classify Measured resources with 40 x 30 m drill spacing and Indicated resources with 80 x 60 m spacing, the same as the current technical report stated.

2.10.5 Bulk Density

A total of 330 special density tests were collected, of which 28 were from the 2005 exploration, 122 from the 2007 exploration, and 180 from the 2008 exploration. 321 of the bulk density samples were constrained by the domain, and the average value of 2.70 t/m^3 was used for the Jingying model.

2.10.6 Block Model

Block size is set at 5 m x 5 m x 2.5 m, with the sub-block at 2.5 m x 2.5 m x 1.25 m. A list of block model attributes is presented in the following Table. The volume block model was coded by 6 mineralized domains using the geological wireframes. Final block volumes were validated against the wireframe volumes. The dimensions and extent of the block model see as follows.

Table 2-9 Variogram parameters in Datamine^{TM} ZXY rotation

	Origin	MAX	Parent-Cell	Sub-cell	Rotation
Easting	531000	533265	5	2.5	0
Northing	4650000	4651350	5	2.5	0
RL	–250	780	2.5	1.25	0

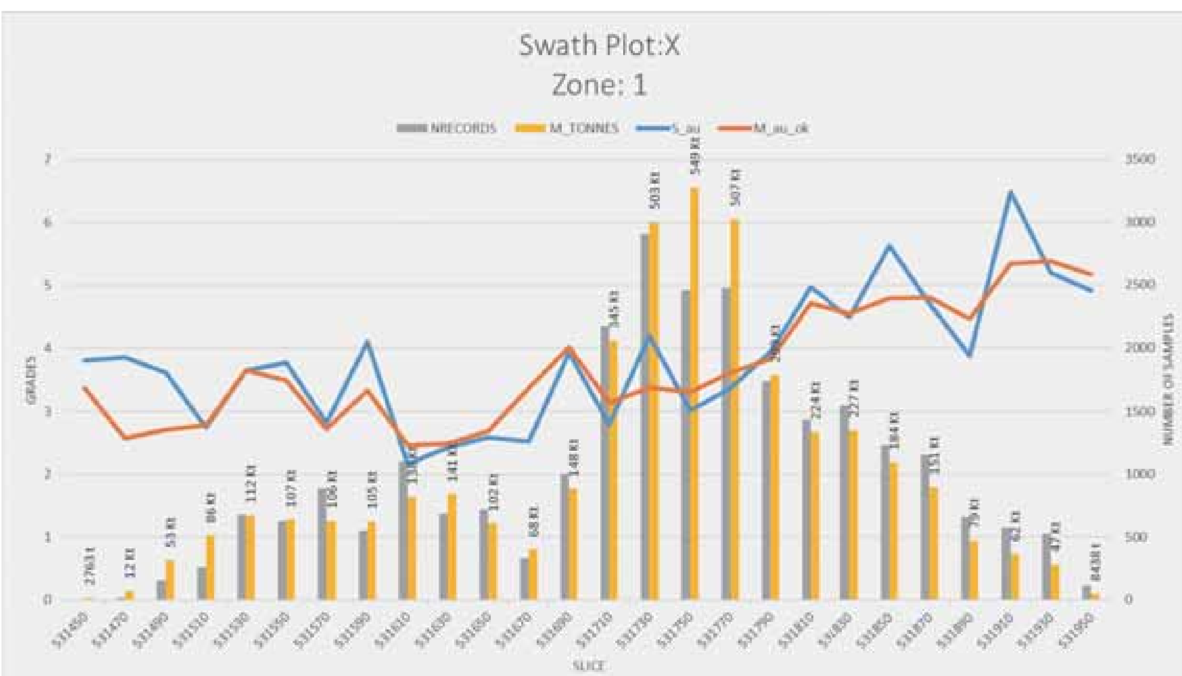
Ordinary Krigin was used by Yintai for grade interpolation. 50 m and 100 m were used for two different passes when performing OK. Gold (Au ppm) was interpolated to the empty block model using IDW3 (Inverse Distance Cube) and OK methods by BAW. On considering the performance of Variograms, BAW believes that IDW3 is more suitable for the Jinying deposit, and fewer passes could cause over-smoothing of grade and the approach could result in larger tonnage and lower grade. Blocks interpolated bypass 1 within 40 m drill hole spacing are classified as Measured, and with 40-80 m spacing in pass 2 are classified as Indicated. The rest are classified as Inferred.

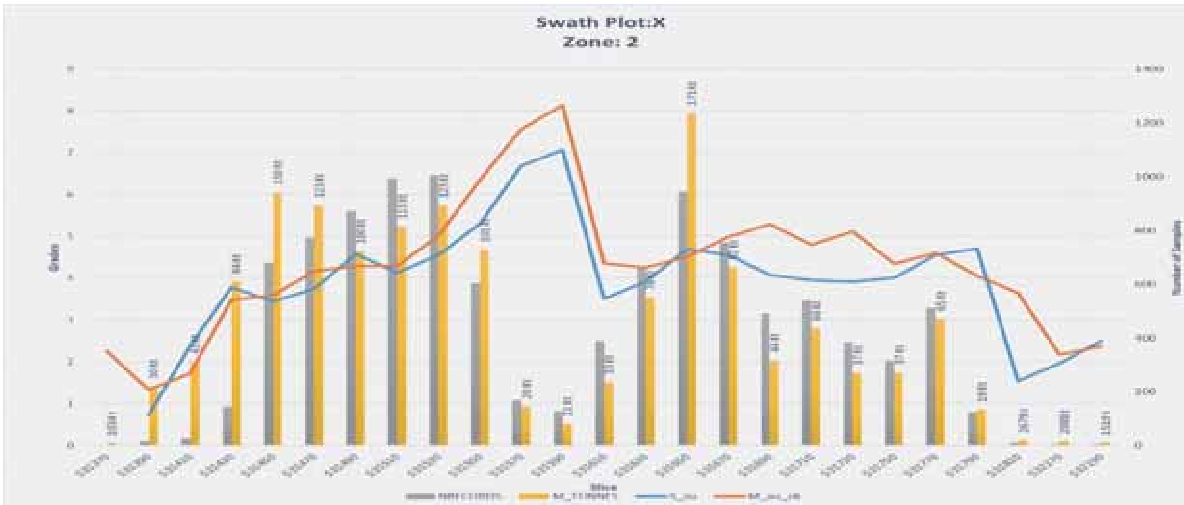
Table 2-10 Block model attributes

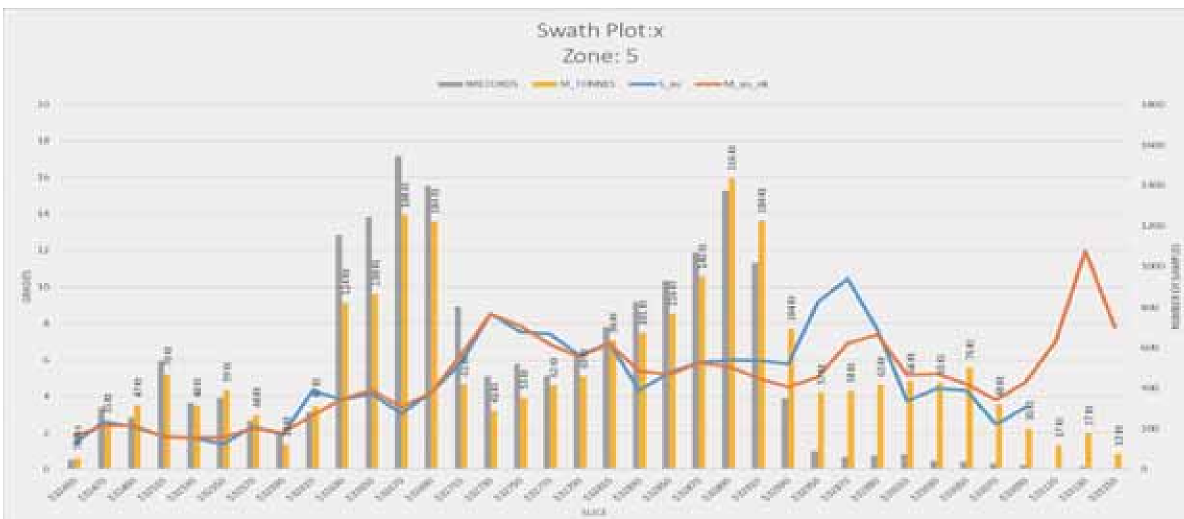
Attribute	Description
BLOCK	Production block name
IJK	IJK number for each parent block
ZONE	Mineralization block number
DENSITY	Estimated in situ dry bulk density
Au_idw	Estimated gold value in ppm (idw3 method)
Au_ok	Estimated gold value in ppm (Kriging method)
No of Samples	Number of samples for grade interpolation (idw3 method)
No of Holes	Number of Holes for grade interpolation (idw3 method)
SV	Search volume category
CAT	Resource classification
Mined	Historical mining Depletion

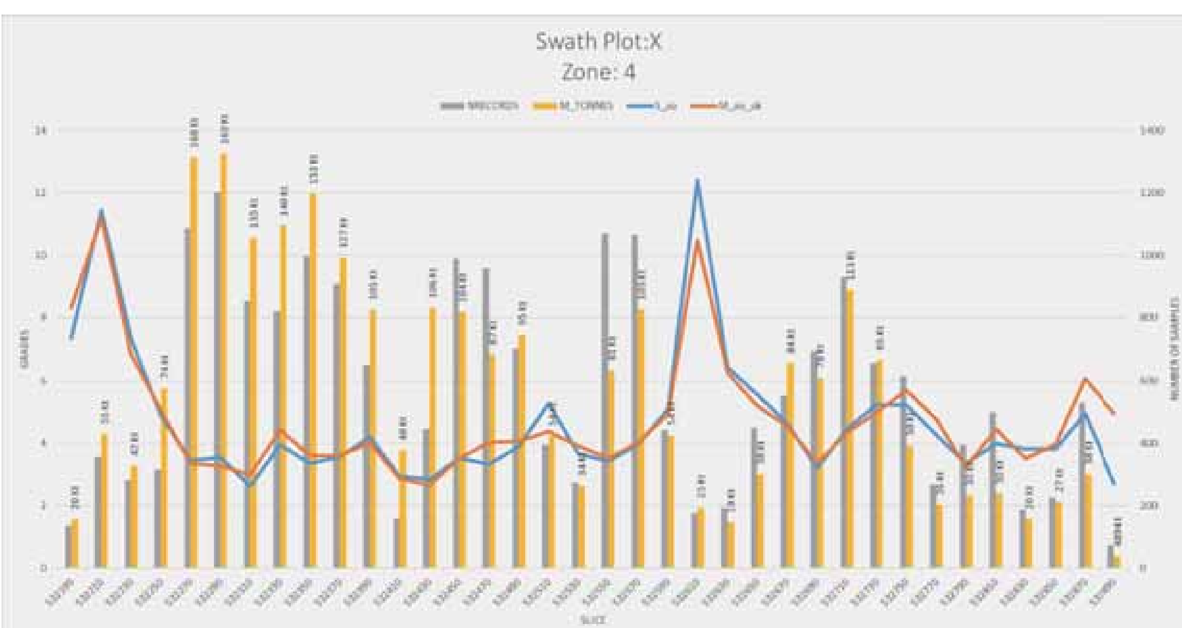
2.10.7 Model Verification

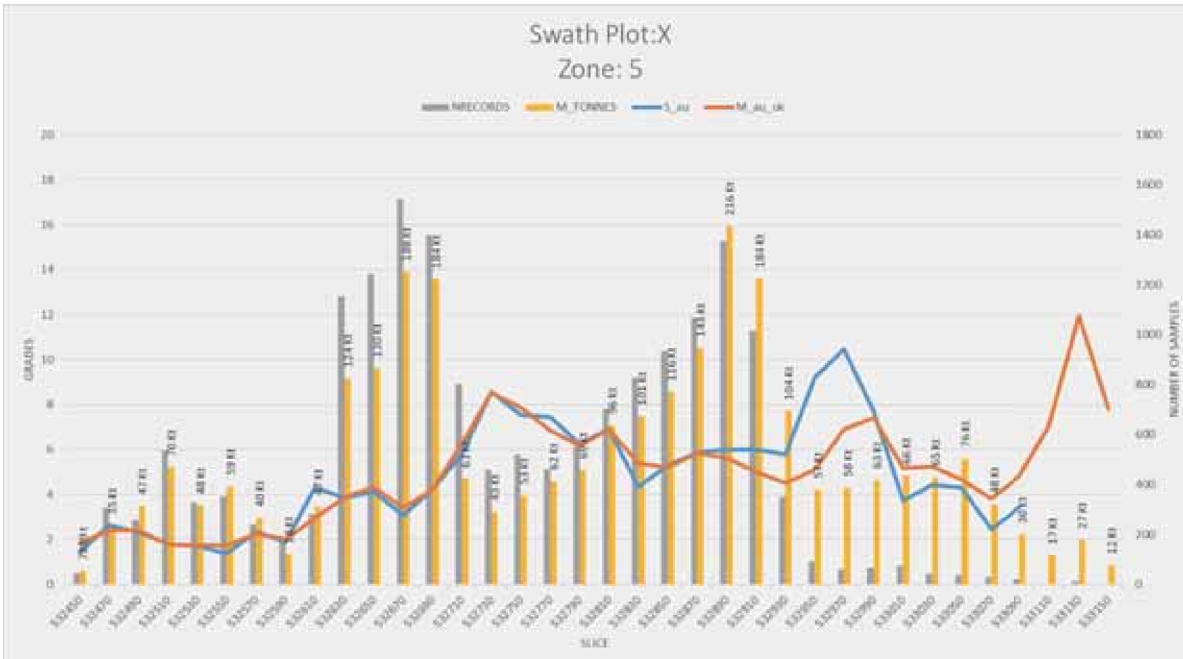
To verify the current model, BAW has not only visually checked the Au block grade and the composite grade used for the estimation by sections, but also independently conducted Jinying Au resource estimate using the capped composites with Inverse Distance Cube (IDW3) through Datamine software. The resource estimations by Jinying and BAW are consistent.

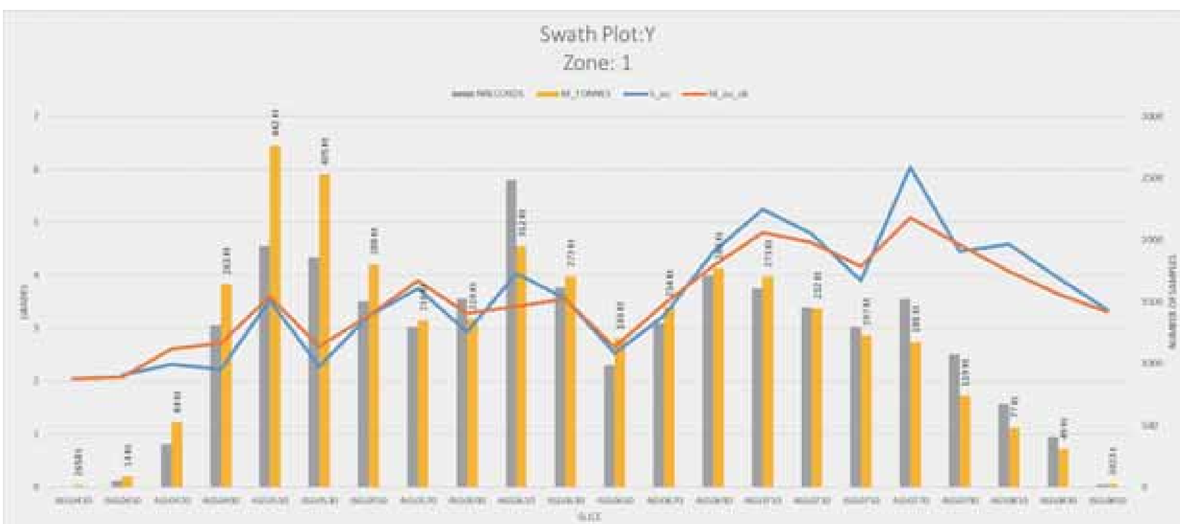


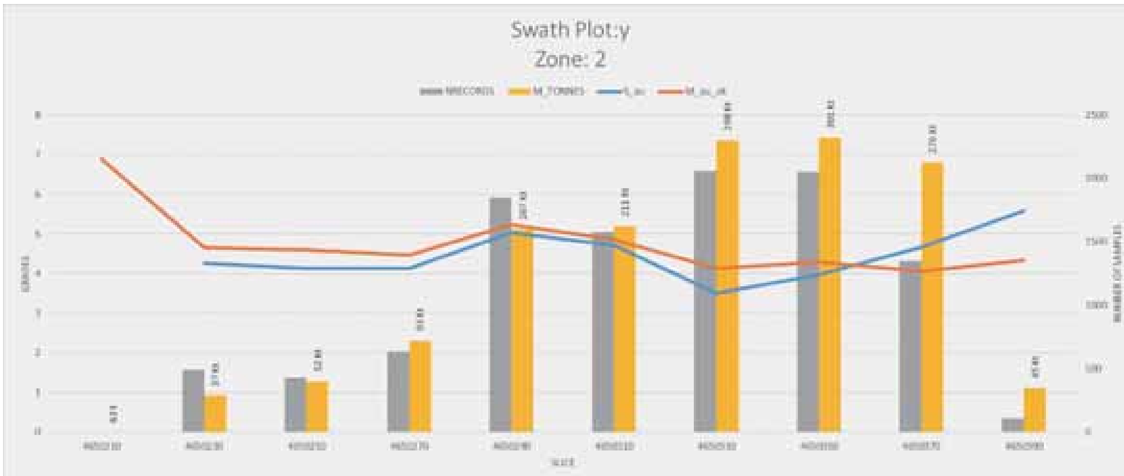

Swath Plot:X
Zone: 2

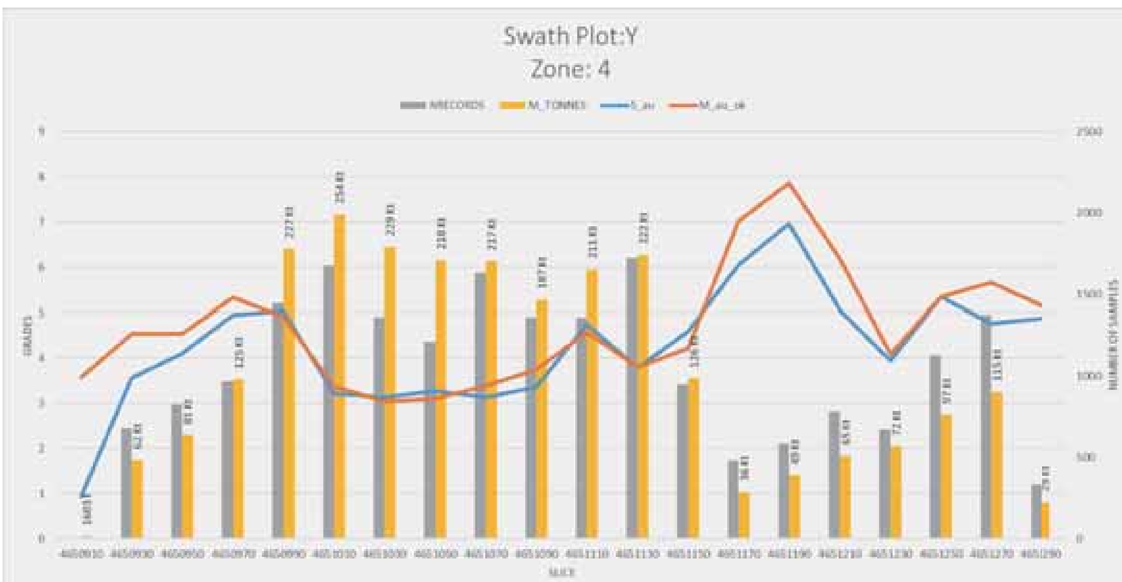

Swath Plot:x
Zone: 5

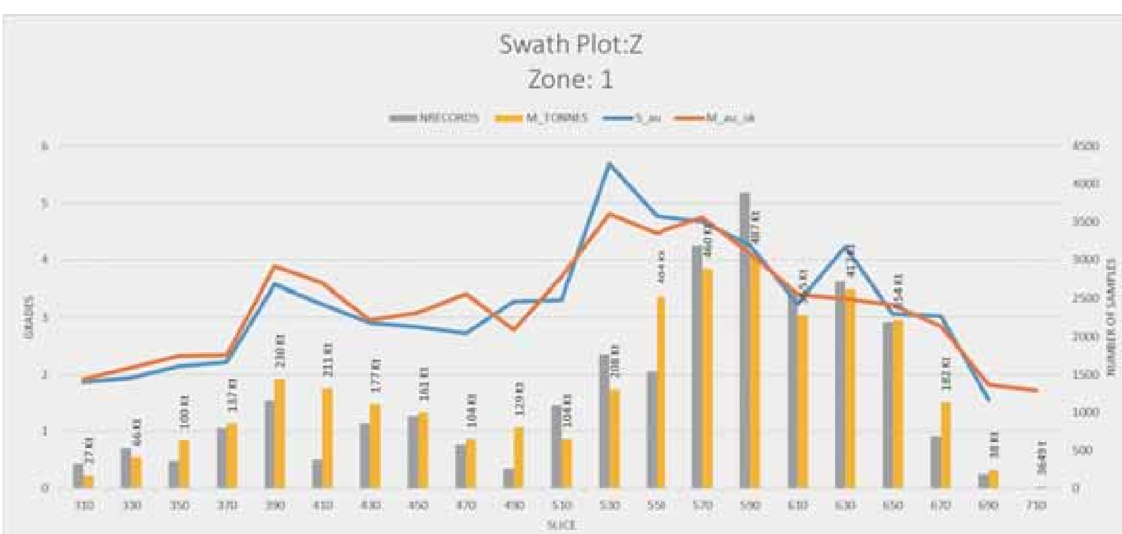

Swath Plot:X
Zone: 4

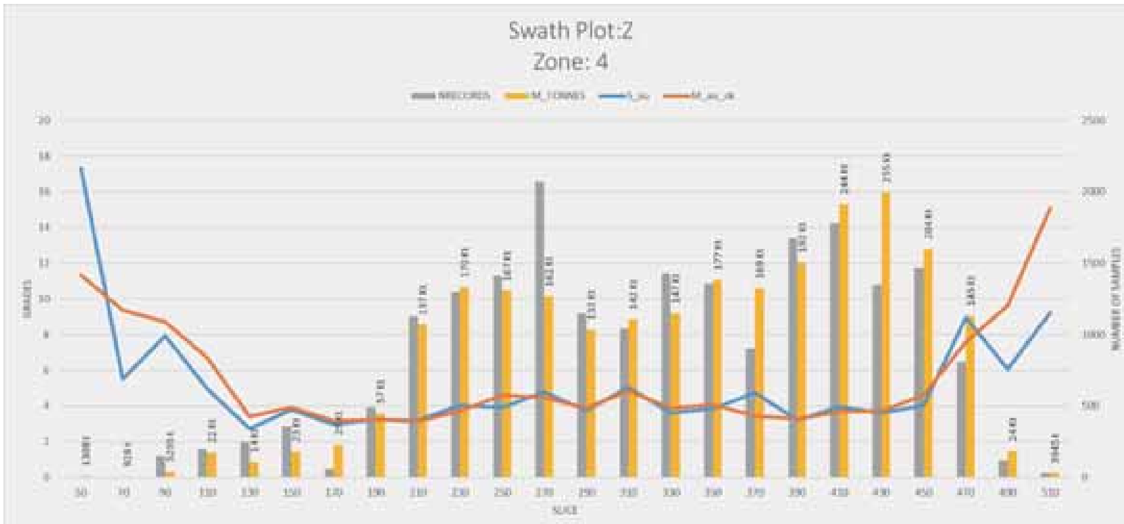

Swath Plot:X
Zone: 5
NRECORDS
M_TONNES
S_au
M_au_ok
GRADES
NUMBER OF SAMPLES
SLICE


Swath Plot:Y
Zone: 1


Swath Plot:y
Zone: 2
NRECORDS
M_TONNES
S_au
M_au_ok
GRADES
NUMBER OF SAMPLES
SLICE


Swath Plot:Y
Zone: 4
NRECORDS
M_TONNES
S_au
M_au_ok
GRADES
NUMBER OF SAMPLES
SLICE


Swath Plot:Z
Zone: 1
NRECORDS
M_TONNES
S_au
M_au_ok
GRADES
NUMBER OF SAMPLES
SLICE



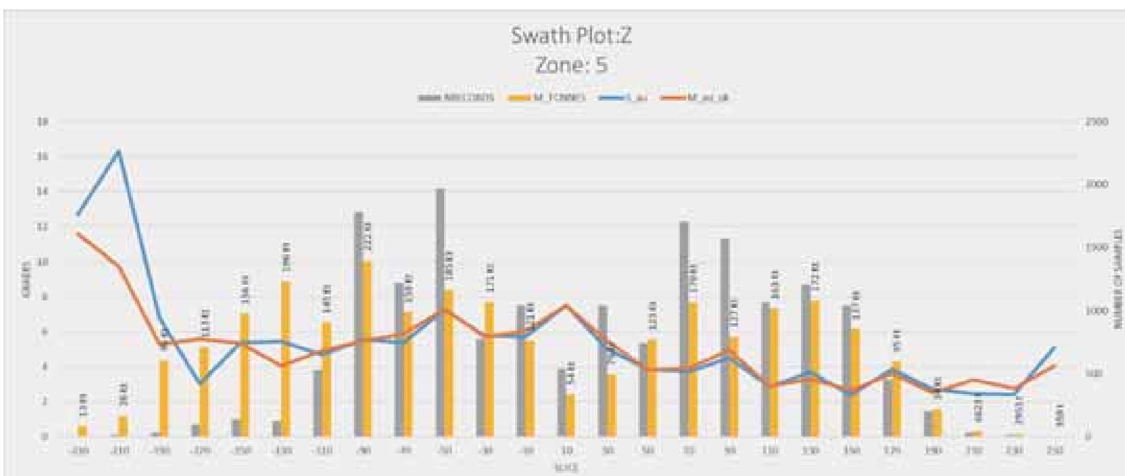


Figure 2-8 Swath plot for the Jinying deposit

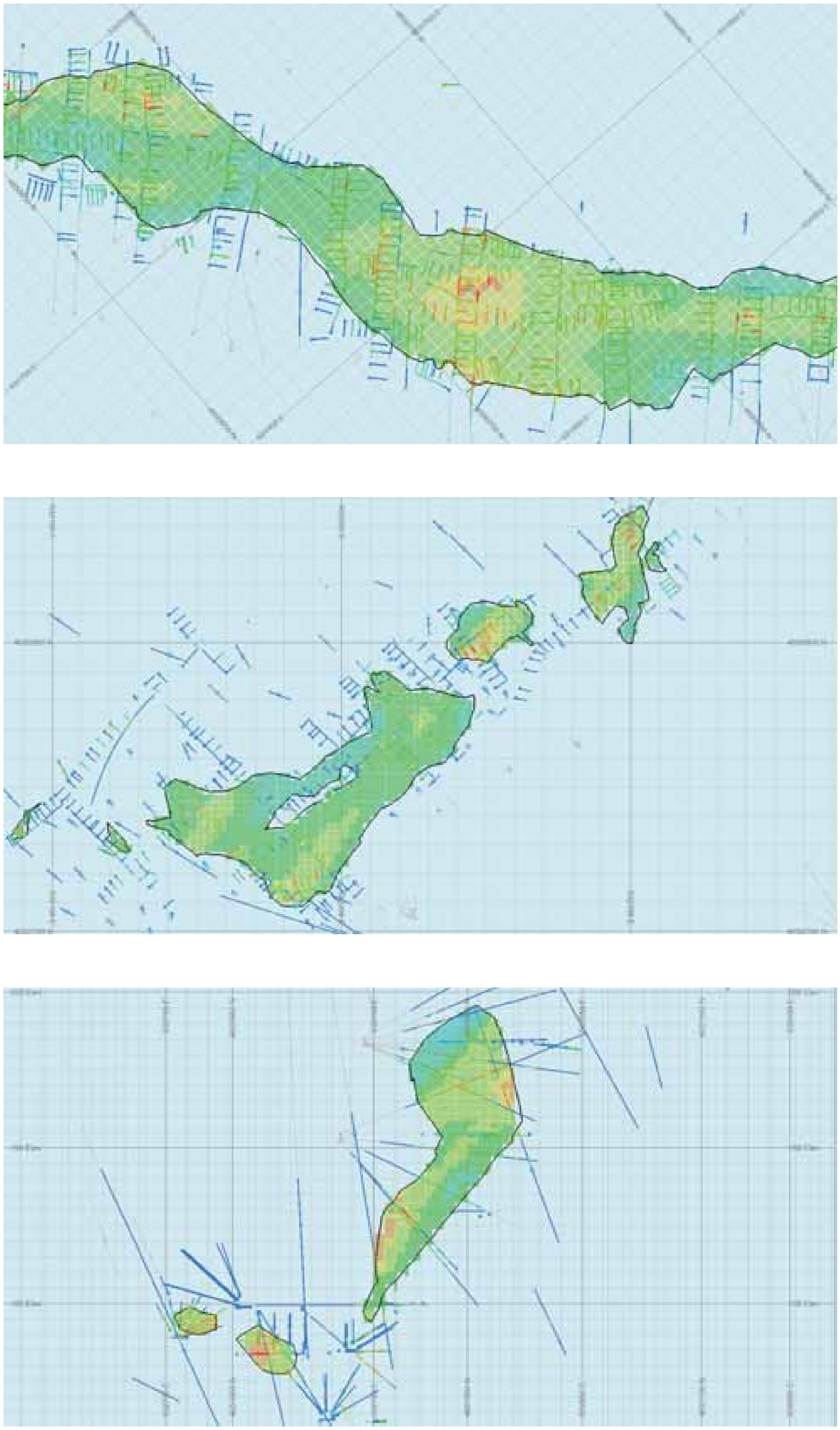


Figure 2-9 Section plot for the Jinying deposit

2.10.8 Resource Reporting

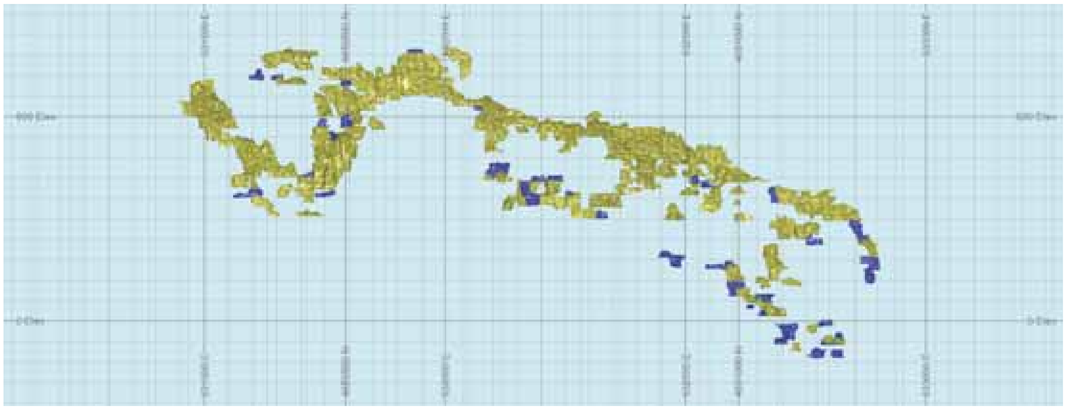


Figure 2-10 Mined out Stopes as of 2022/12/31

The current resource estimate prepared by Jinying is based on a 1.0 g/t Au cut-off grade, which was used for the Jinying mine site.

Table 2-11 Summary of Jinying Mineral Resources at a 1.0 g/t Au cut-off as of 2022/12/31

Cut-off	**CAT**	**TONNES** *(kt)*	**Au Grade** *(g/t)*	**Gold Metal** *(kg)*
1.0 g/t Au	Measured	4,584	4.03	18,480
	Indicated	482	3.62	1,746
	Total Measured + Indicated	5,067	3.99	20,226
	Inferred	1,675	3.72	6,233
	Total	6,742	3.92	26,459

Notes:

1. The Mineral Resource estimates are reported according to the JORC Code 2012.

2. The effective date for the Mineral Resource estimates is Dec 31, 2022.

3. Mineral Resource estimates account for mining depletion up to and including Dec 31, 2022.

4. A cut-off grade at 1.0 g/t Au was used for Jinying underground mining.

5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

2.10.9 Conclusions and Recommendations

BAW visually inspected the Jinying block model grade against the composites, carried out a capping study, investigated variograms, interpolated Au grade with the Inverse Distance Cube method using Datamine and compared the volumetric of each domain with Yintai model. BAW concluded that the global resource estimation prepared by BAW and by Yintai has no material deviation, and the resource model provided by Jinying is acceptable.

BAW is aware that the mineralization is presumably open at depth and therefore further exploration and infill drilling is recommended for upcoming resource estimation.

According to the Yintai announcement, exploration was conducted in the Banshigou area from 2020 to 2023, and copper and gold mineralization was discovered, but drilling data were not provided to BAW for review.

2.11 Mining

BAW mainly relied on Jilin Banmiaozi Mining, 2021 Jinying Gold Mine Resources/Reserves Annual Report, Chifeng Yuanyechangshun, 2018 Verification Report on Resources and Reserves of Jinying Gold Mine, Changchun Gold Design Institute, 2017 FS report, the information and data provided by the Banmiaozi and collected from site inspection by BAW. BAW understands that a portion of the data is pending further updates.

2.11.1 Mining Methods

This chapter summarizes the major operational mining method and the underground operation at Jinying Gold Mine of Jilin Banmiaozi Mining.

2.11.1.1 Mine Operation Status

Gold mines of Jilin Banmiaozi of Yintai Gold are located in Jilin; the province is rich in gold and non-ferrous metal resources.

The underground mine is accessed via declines, and decline transports the ore, waste rock, personnel and materials.

2.11.1.2 Mining Methods

The ore body makes it suitable for the use of underground mining. Underground access is using a combination of declines and shafts. Several mining methods have been used over the years.

2.11.1.2.1 Sublevel Open Stoping with Delayed Backfill

At present, most of the ore was extracted using the Jinying sublevel open stoping with delayed backfill method. The conceptual sublevel open stoping with delayed backfill method is shown in Figure 2-11.

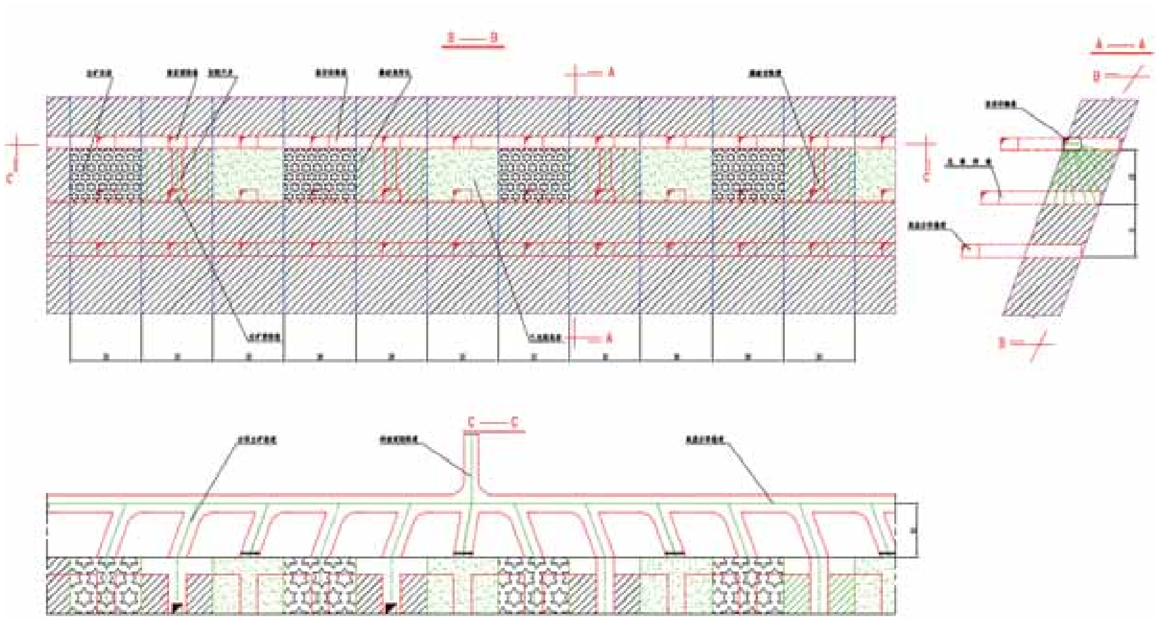


Figure 2-11 Conceptual Jinying sublevel open stoping with delayed backfill method at Jinying mine (Source: Banmiaozi)

The stoping mining method of Jinying mine is used for ore thickness between 10 m to 20 m, and the dip is between 52° and 65°. The mining followed by filling is suitable for ore rocks with moderate stability and above with a steep dip ore body.

The stopes are arranged to the longitudinal of the ore body, and each stope is mined respectively. The width of the stope is 20 m, and the length of the stope is the horizontal thickness of the ore body (standard 15 m). The stope height is 15 m or 30 m according to the thickness of the orebody and one access ramp is arranged in each stope with a spacing of 20 m.

Level spacing with a height of 15 m to 20 m and the level is connected by raises. Level roadways, which are located on orebody hanging walls are connected by ramps.

The ore is loaded by the CAT R1700G diesel loader to the CAT AD45B and VOLVO A35E trucks, and the ore is transported to the surface crusher or ore storage yard by a haul truck.

2.11.1.2.2 Other Mining Methods

Several mining methods other than Jinying sublevel open stoping with delayed backfill method, etc. have been used over the years.

2.11.2 Mineral Reserve Estimates

In this chapter, BAW reviewed and summarizes mining factors, economic factors, and the preliminary reserve estimation.

2.11.2.1 Factors

BAW makes conservative assumptions for Banmiaozi.

2.11.2.2 Reserve Estimation

The data discussed in the previous section of this chapter is used to create potential total reserve estimation. The potential reserve of a total of 4,013 kt with an average grade of 4.07 g/t at a 2.0 g/t cut-off summarizes in Table 2-12.

Table 2-12 Jinying Mine Mineral Reserve at a 2.0 g/t Au cut-off as of 2022/12/31

Cut-off	**CAT**	**TONNES** *(kt)*	**Au Grade** *(g/t)*	**Gold Metal** *(koz)*	**Note**
2.0 g/t Au	Proven	3,672	4.08	14,999	
	Probable	341	3.94	1,343	
	Total	4,013	4.07	16,342	

BAW Cautionary Note about Reserves Estimates:

- This is only a preliminary reserve estimate with a conceptual Mine plan. The mineral reserve estimate, with an effective date of December 31, 2022, was prepared by BAW. BAW understands that due to a lack of data or information, a portion of the data is pending further updates.

2.11.3 Production Schedule

Before preparing this preliminary schedule, BAW reviewed the information and data provided by Banmiaozi and collected it from the site inspection by BAW. If there are any discrepancies, the content in the original report shall prevail. BAW understands that a portion of the data is pending further updates.

Based on the information provided to BAW, details of the mining license and the adjacent exploration license are summarized in the previous section.

Based on the information provided to BAW, historic production is summarized in the previous section.

The information and data for this preliminary schedule are described below:

- From the Jinying production budget from Banmiaozi, the production of 703,000 t/a, 548,000 t/a, and 560,000 t/a are considered respectively for the Year 2023, the Year 2024 and Year 2025.
- Banmiaozi Jinying Mining currently owns an 800,000 t/a mining license.
- Assumed production of 800,000 t/a starting from 2026 after expansion.
- Assumed comprehensive gold recovery from Section of Processing: 87.63%.
- Gold production is based on economic targets.
- The production schedule will be adjusted based on further data.

A preliminary mine scheduling was developed (Table 2-13)

Table 2-13 The preliminary Jinying mine schedule

ZONE	**TONNES** *(t)*	**Au grade** *(g/t)*	**Year 1 2023**	**Year 2 2024**	**Year 3 2025**	**Year 4 2026**	**Year 5 2027**	**Year 6 2028**	**Year 7 2029**	**Total**
	4,013,000	4.07	700,000	550,000	560,000	660,000	660,000	660,000	223,000	
Total	4,013,000	4.07	700,000	550,000	560,000	660,000	660,000	660,000	223,000	
		Grade g/t	4.07	4.07	4.07	4.07	4.07	4.07	4.07	
		Rec. g/t	3.57	3.57	3.57	3.57	3.57	3.57	3.57	
		Rec. gold OZ	80,500	63,250	64,400	75,900	75,900	75,900	25,645	461,494

Cautionary note that this is only a preliminary mine schedule based on a conceptual plan and a preliminary reserve estimate. BAW understands that a portion of the data is pending further updates. The preliminary schedule will be adjusted based on further data. BAW recommends that a complete supporting study and detailed long-term plan should be done in compliance with the Mine schedule.

2.11.4 Mining Equipment

Diesel and electric hydraulic equipment will be employed throughout the mine. The primary haulage fleet will consist of haul trucks and LHDs for the mineralized material, waste handling, secondary tasks, and backfill. Development drilling will be conducted using jumbos and long-hole drilling will be conducted using equivalent drills.

Equipment requirements were developed from the first principles, based on the maximum annual duty hours for an individual piece of equipment, modified for mechanical availability and projected utilization. A list of the major equipment used in the mine is shown in Table 2-14.

Table 2-14 Mine Major Equipment Summary

Major Equipment	**Total**
Jumbo (Boomer282)	5
Mining Jumbo (SIMBA H1354)	2
Scraper (R1700G)	3
Truck (A35E, AD45B)	6

2.11.5 Mine Service

This chapter summarizes the mine service at Jinying Gold Mine of Jilin Banmiaozi Mining.

2.11.5.1 Mine Drainage and Water Supply

The shafts are used to dewater the underground mine. The Shaft shall have some pump stations and an associated collection of sumps. Pumps operating status depends on sump levels. The underground water is pumped to the surface 400 m^3 pond by water treatment, which is a water supply for production and firefighting. There is a 10 m^3 water tank near the pond, which provides rescue water for the underground.

2.11.5.2 Compressed Air

The compressor houses are located in portal areas, with one MH200 air compressor (30 m^3/min, 1.0 MPa) and one MH200VSD air compressor (30 m^3/min, 1.0 MPa) for the underground.

2.11.5.3 Power Supply

The Baishan 220 kV Substation serves as the power supply for the mine substation. The 6 km LGJ-120/25 overhead line is used to lead to the 66/10 kV mine substation with two SZ11-10000 66/10 kV transformers. Mine substation then supplies power via a distribution line to other low-voltage users.

Six diesel generators set, as an emergency power source for mines, are installed to connect to the 10 kV power grid.

2.11.5.4 Communications

At present, a communication system is installed and used for the underground. A total of two optical cables are set for the system. One connects underground through the decline, and the other one through the air shaft.

2.12 Processing

The information in this section is based on all the mineral processing-related documents provided by Yintai. If there are any discrepancies, the content in the original test report shall prevail.

2.12.1 Process Description

The existing mineral processing plant was operated since 2011, the average feeding gold grade is about 3.26 g/t and the overall recovery is 87.63% as per the data of Jan. to Oct. 2022 from the cost of Jinying Mine of Banmiaozi.

The existing mineral processing flowsheet is as below in Figure 2-12.

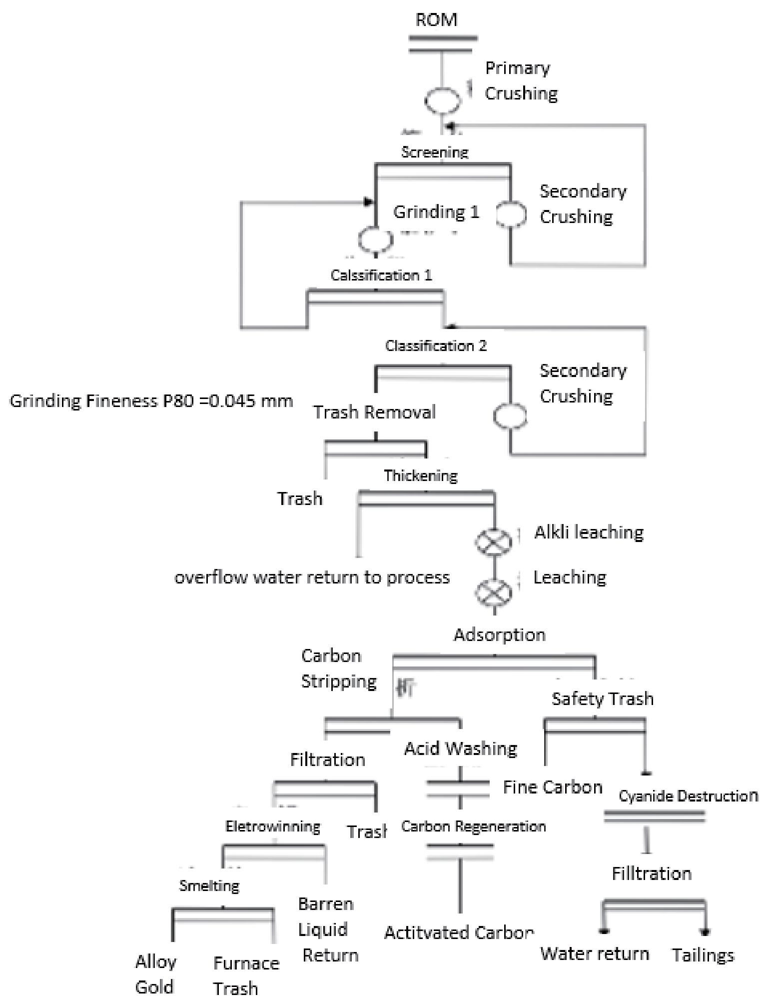


Figure 2-12 Banmiaozi Mine Process Flow Simplified Diagram

Main Mineral Processing Plant including below systems:

1) Two stages of crushing with one screening closed circuit.

2) Two stages of grinding and two stages of classifications of closed circuits.

3) Thickening and CIL system.

4) Carbon stripping, Electrowinning and carbon Regeneration System.

5) Smelting System.

6) Cyanide Destruction and Tailing Disposal.

1) Crushing and Screening

After the ore is blended in the ore yard, it is fed into the ROM bin by a forklift and then it is fed to C110 primary Jaw Crusher through 17GBZ160-7 Heavy-Duty Apron Feeder. The crushed products pass through 1# and 2# Belt Conveyors to 3# Belt Conveyor in the crushing plant, and then are fed to YA2460 Circular Vibrating Screen.

The downsize products of screening are fed into the intermediate buffer bin by 4# Belt Conveyor, and the ore is fed into a HP300 Cone Crusher by the Feeding Belt Conveyors at the bottom of the bin. The crushed products are discharged to 3# Belt Conveyor and are combined with the products of Jaw Crusher. The oversize products of screening are sent to Crushing Products Bin through 5# Belt Conveyor.

2) Grinding and Classification

The material in Crushing Products Bin is fed to the ball mill by the 6# Belt Conveyor through 4 sets of Belt Feeders, and the materials are transported to the MQY40×67 overflow type ball mill, by 6# Belt Conveyor. The ball mill discharges the slurry into the primary slurry pump tank, and then the primary slurry pumps the slurry into the primary classification- 1 set of ϕ375×4 hydro cyclone clusters. The underflow of the cyclone cluster flows to the feeding chute of the primary ball mill; the overflow of the cyclone flows to the secondary slurry pump tank. Then the secondary pump pumps the slurry into 1 set of ϕ258x8 cyclone cluster for pre-inspection and classification. The underflow of the secondary cyclone cluster flows to an overflow type ball mill- MQY40 x 67 forming a closed circuit; the overflow of the secondary cyclone cluster flows to a trash screen-DZSF-1536 for removing trashes from the previous processes, and the underflow of trash screen, P80 = - 45μm flows to a high-efficiency thickener- GX-18 for thickening the slurry to the concentrate around 45%.

3) Thickening and CIL System

The underflow of the thickener is pumped to 1# tank of the CIL system, which includes 10 units tanks of ϕ95000×10000 in sequence, by a 6/4D-AH (CR) slurry pump. When processing oxidizes ore, 1# tank is for alkali leaching; 2# to 4# are for leaching; 5# to 9# tanks are for leaching and adsorption. While processing sulfide ore, 1# to 4# are pre-leaching tanks and 5# to 9# are leaching and adsorption tanks; the 10# tank is a buffer tank. The tailing slurry from 9# flows to the safety screen- DZSF-1225 for screening. The overflow of the safety screen is processed separately, and the underflow of the safety screen is pumped to the cyanide destruction process.

New carbon is added to the adsorption tank- 9#, and transported to 8#, 7#, 6#, 5# through 5 sets of ϕ150 air lifters installed in adsorption tanks 5# to 9#. Air lifter of 5# tank lifts the loaded carbons to Loaded Carbon Separation Screen-DZSF-0916. The loaded carbons are transported to the carbon stripping and electrowinning process and the underflow of the Separation Screen flows back to 5# tank.

4) Carbon Stripping, Electrowinning and Carbon Regeneration System

The loaded carbons are transported to a storage tank and then fed to an acid-washing tank for washing with 30% hydrochloric acid. After acid washing, the loaded carbons are washed with water and then transported to the desorption column for desorption of Au (CN) 2- by spraying Nan and NaOH. Au (CN) 2- absorbed on loaded carbons are into the pregnant solution in the condition of required temperature, pressure and PH. Then after filtration and heating, the pregnant solution with Au (CN) 2- is fed to electrowinning cell. In the electrowinning cell, it has electrowinning reaction and Au (CN) 2- is deoxidized to the cathode or falls to the bottom of the electrowinning cell. When the amount of gold sludge in the electrolytic tank (the gold deposited on the cathode or the bottom of the tank is sludge, so it is called gold sludge) reaches a certain level, gold sludge is sent to the smelter for smelting and processing. The desorbed carbons are fed to the carbon regeneration system. The Carbon Regeneration System includes acid washing and rinsing, dewatering, heating, quenching, and screening, then the active carbons are reused in the CIL system.

5) Smelting

After the gold sludge is sent to the smelting room, firstly it is dried for the next process.

Add borax, soda ash, quartz and other ballasting agents to the dried gold sludge and smelt and purify it in an intermediate frequency alchemy furnace to produce alloy gold.

6) Cyanide Destruction and Tailings Disposal

A Cyanide Destruction

The underflow of the safety screen flows into two cyanide destruction mixing tanks for cyanide removal, adding cyanide removal agents copper sulfate and sodium metabisulfite to reduce the cyanide concentration in the slurry to below 1 ppm, to meet the safe discharge standard, then the slurry flows into the buffer tank, and then the slurry is pumped to the tailings filter press plant through three plunger pumps (two open and one standby).

B Tailings Disposal

After being filtered by four filter pressers, the filter cake with a moisture of about 20.5 % is conveyed to the tailings pond for dam building through the Belt Conveyors, and the filter pressers' liquid is thickened and then returned to the return pool of the water plant for reuse. The tailings dry stockpile site is located in the small creek valley of Zengjiagou, about 600 meters southwest of the processing plant.

2.12.2 Recovery

Table 2-15 provides a summary of processing plant throughput, gold grade and overall recovery since 2019.

Table 2-15 Processing Plant Throughput, Gold Grade and Overall Recovery since 2019

Parameters	Unit	01-10, 2022	2021	2020	2019
Total throughput	t	586,576	662,251	727,648	600,007
gold grade	g/t	3.26	3.28	3.34	2.80
overall recovery	%	87.63	86.97	87.18	88.96

As per the above data, the overall recovery is around 87% and the gold grade is about 3.26 g/t.

Overall recovery is lower than 90%, which is unnormal, and it may come from the ore type changes little by little along with the underground mining deep changing.

2.12.3 Test Work

Some test works have been done by the third party as well as the owners' team based on different ROM, performing different processing methods, which can give some guidance for improving the gold recovery.

1) Metallurgical Test, by Changchun Gold Research Institute, 2005.08 and 2005.12

This test is introduced in *Jinying Gold Mine Developing Plan*, which was drafted by Changchun Gold Design Institute, 2017.12. It did the test on verifying the effecting of gold state on gold recovery.

2) Metallurgical Test, by an Australian company, 2006.03

This test has been done with 5 kinds of represented ore types, illustrating that the element of pyrite and the state of gold affect the recovery of leaching.

A. Blended Samples Test Result:

The cyanidation leaching rate of the representative mixed ore samples in the Jinying gold deposit ranges from 79.09% to 81.82% on average, and the grade of cyanide residue is 0.90 to 0.80×10^{-6}; the test ore sample (4.40×10^{-6}) is consistent with the selected grade in the first mining stage of the mine production in the design, and it is considered that the beneficiation test results are representative of the mixed ore. The gold leaching rate can reach 81.82% when the grinding particle size is 0.045 mm, accounting for 95% and the leaching time is 48 hours. This experiment is a test under the condition that the oxide ore and the sulfide ore cannot be distinguished, and they are mixed and mixed, and it indirectly reflects the average overall recovery rate of the whole mine so far.

B. Pilot Test Result

The leaching rate of representative ore samples in the Jinying gold deposit is between 82.8% and 85.29% on average, and the cyanide tailings grade is 0.65 to 0.76×10^{-6}; (4.42×10^{-6}), it is considered that the beneficiation test results are representative for the mixed ore. The gold leaching rate can reach 84.2% when the grinding particle size is 0.045 mm at 95% and the leaching time is 48 hours. This experiment is a test on representative No. II ore body with low-sulfur type ore, and it indirectly reflects the average overall recovery rate of the whole mine in the past two years.

The conclusion of this metallurgical Test includes: this test has determined the mine processing and smelting process and various process parameters. The overall recovery rate of beneficiation and smelting of the mine was 83.20% within six years of operation. After continuous exploration and research in production, the comprehensive recovery rate of processing and smelting has reached an average of 86.38% in the past three years, which is consistent with the test results.

3) Refractory Ore Metallurgical Test and Research Report-2007

Northwest Non-Ferrous Geological Research issued this test report in December 2007.

In the test report, the samples were crushed, processed, tested and analyzed. The ore is blended according to the request of the entrusting party, and finally mixed into one primary ore sample of five drill holes, one "full oxide ore" combined ore sample, one "full sulfide ore" "Combined ore sample, one composite sample of 80% oxide ore and 20% sulfide ore, one composite sample of 70% oxide ore and 30% sulfide ore.

The metal minerals of the Banmiaozi Gold Mine in Jilin are mainly pyrite, marcasite and limonite, the precious metal minerals are natural gold, and the non-metallic minerals are mainly quartz. The ore-bearing rocks are quartz sandstone and quartz fine sandstone. The particle size of gold is less than 0.006 mm, which is microscopic and ultramicroscopic gold. The occurrence states of gold minerals are mainly intergranular gold and wrapped gold.

The beneficiation and smelting test carried out detailed tests on five ores according to the fixed test process and conditions provided by the entrusting party. The technical indicators of the processing and smelting test process are as follows:

A. 100% Sulfide Ore Flotation Process Test

Flotation Process Closed-Circuit Test shows in Table 2-16.

Table 2-16 Flotation Process Closed-Circuit Test Result

Product Name	**Yield** *(%)*	**Gold Grade** *(g/t)*	**Gold Recovery** *(%)*
Concentrate	26.10	21.40	83.53
Tailings	73.90	1.49	16.47
100% Sulfide Ore	100.00	6.69	100.00

B. 100% Sulfide Ore Flotation Process Concentrate – Leaching Test

The flotation concentrates leaching test result is in Table 2-17.

Table 2-17 Flotation Concentrate Leaching Test Result

Gold Concentrate Grade, g/t	**Flotation Recovery, %**	**Leaching tailing Grade, %**	**Gold leaching Recovery, %**	**Recovery, %**
21.40	83.53	9.66	54.86	45.82

C. 100% Sulfide Ore Flotation Process Tailing – Leaching Test

The flotation tailing leaching test result is in Table 2-18.

Table 2-18 Flotation Tailing Leaching Test Result

God Concentrate Grade, g/t	**Flotation Recovery, %**	**Leaching tailing Grade, %**	**Gold leaching Recovery, %**	**Recovery, %**
1.49	16.47	0.40	73.15	12.03

The recovery of 100% sulfide ore flotation and then leaching (B+C) is 57.85%.

D. Blended Ore Leaching Test

The blended ore leaching test result shows in Table 2-19.

Table 2-19 Blended Ore Leaching Test Result

Blended Ores	**ROM Grade**	**Leaching Tailing Grade**	**Gold Leaching Recovery**
	(g/t)	*(g/t)*	*(%)*
100% Sulfide Ore	6.57	2.98	54.64
100% Oxide Ore	10.40	0.84	91.92
70% Oxide Ore	8.70	1.32	84.83
80% Oxide Ore	9.68	1.30	86.57

E. 100% Sulfide Ore Recommended Test

As per the above processing test, the flotation+flotation tailing leaching has been performed, and flotation concentrates are as the gold concentrate, overall gold recovery is 95.56%. Recommended processing test results are shown in Table 2-120.

Table 2-20 Recommended Processing Test Result

Product	**Yield**	**Gold Grade**	**Flotation Recovery**	**Leaching Tailings Gold Grade**	**Gold Leaching**	**Recovery**	**Overall Recovery**
	(%)	*(g/t)*	*(%)*	*(g /t)*	*(%)*	*(%)*	*(%)*
Gold Concentrate	26.10	21.40	83.53			83.53	95.56
Flotation Tailing	73.90	1.49	16.47	0.40	73.15	12.03	

4) Other Test Reports During Production

Besides the metallurgical test report done in 2007, below is the test reports list from the owner, which has been done mainly by the owner's lab.

a) 2011 Oxide Ore and Sulfide Ore direct and indirect pre-leaching leaching test

b) 2011 Sulfide Ore CIL tailings test

c) 2011 Oxide Ore CIL tailings test

d) 2011 Slurry Heating Pretreatment Test

e) 2012 Grinding Fineness Test

f) 2012 6# Ore body Leaching Test

g) 2013 High, Medium, Low Sulfide Ore Leaching Test

h) 2013 Tailings Cake Test

i) 2013 NaOH Pre-leaching Leaching Test

In NaOH Pre-leaching Leaching Test, it compares the ore with and without NaOH pre-treatment and it also concluded that the net revenue of the ore with NaOH pre-leaching starting from grinding will be USD 20,026/day.

Based on the mining planning in 2023, 2024 and 2025, it can be known that the processing plant will still process mainly oxide ore with a small amount of sulfide ore. The overall gold recovery of 2022 is about 87.63%, which means the recovery still can be improved by some optimized test by the production team or by a third party based on the existing ore type.

2.13 Permitting, Environmental, Health and Social Impacts

2.13.1 Operational Licenses and Permits

BAW is aware that certain license such as business licenses, mining licenses, exploration licenses, safety production permits and water use permits are in place such the operation is in compliance with the regulatory and legal requirements of the PRC.

Table 2-21 Details of Mining License

Mining License Holder	Jilin Banmiaozi Mining Co., Ltd.
Name of Property	Jilin Banmiaozi
License Type	Mining
License ID	C1000002011044110112056
Area (km^2)	2.0514
Elevation (m)	From 750 m to -200 m
Permitted Production Capacity	800 ktpa
Type of Commodities	Gold
Mining Method	Underground
Valid Period	13 April 2021 to 13 December 2025

Table 2-22 Details of Exploration License

License Type	Exploration
License ID	T22000020080504010000429
Area (km^2)	0.0811
Valid Period	26 April 2022 – 26 April 2024

Table 2-23 Details of the Business License

Property	**Business License No**	**Issue Date**	**Permitted Activities**
Jilin Banmiaozi	912206017536172674	09 February 2022	Exploration, Mining, Processing and Sales

Table 2-24 Details of the Safety Production Permit

Property	**Safety Production Permit No**	**Issue Date**	**Expiry Date**
Jilin Banmiaozi	(2020) DXB5132	03 March 2022	06 December 2023

Table 2-25 Details of the Safety Production Permit (Tailing Storage Facilities)

Property	**Safety Production Permit No**	**Issue Date**	**Expiry Date**
Jilin Banmiaozi	(2022) WKBY0025	20 October 2022	19 October 2025

Table 2-26 Details of the Water Use Permits

Property	**Water Use Permit No**	**Issue Date**	**Expiry Date**	**Water Supply Source**	**Water Use Allocation (m^3)**
Jilin Banmiaozi	C220602G2022-0027	22 April 2022	21 April 2027	Groundwater	1.4879 Million

2.13.2 Environmental Management

In order to address the potential environmental impacts resulted from the mining operation, professional design research institutes were commissioned to carry out studies of Sustainable Development and Utilization Plan of Mineral Resources ("**SDP**") for its various operation. SDP is a combination of Mineral Resources Development and Utilization Plan, Land Reclamation Plan, and Geological Environment Protection and Restoration Plan to assess various aspects, such as, impacts on ecology, land subsidence, water and soil conservation, underground hydrogeology, surface drainage, dust and air quality, noise control, solid waste and emission, regulatory compliance and planning of environmental monitoring pursuant to the regulatory and legal requirements of the PRC in relation to nation-wide environmental, provincial environmental and administration. BAW understands that the SDPs were reviewed and approved by relevant government agencies pursuant to the regulatory and legal requirements of the PRC.

2.13.3 Occupational Health and Safety

Gold mining operation in the PRC is generally required to implement corporate safety policy and conducts its operations in accordance with the relevant national laws and regulations with respect to Occupational Health and Safety ("**OHS**") in construction, mining, production, blasting and explosives handling, waste rock dump design, mineral processing, environmental noise, emergency response, water and soil conservation, fire protection and fire extinguishment, sanitary provision, power provision, labour and supervision. BAW understands that the gold mine generally implement OHS procedures in line with the national standards, attaching importance to a safe working environment for employees which protect them from potential occupational hazards and health and safety risks.

2.14 Economic Analysis

BAW reviewed the forecasted operation data and analyzed the late mine operation data provided by Mine. BAW also prepared a production schedule for the Banmiaozi project based on the information provided. To assess the economic viability of Minable Resources under the production schedule, BAW has performed an economic analysis for the Minable Resources estimated throughout the LOM. Determination of economic viability involves the sum of discounted annual free cash flow projected from the start of the year till the end of the LOM. The economic analysis is based on the following assumptions:

1. The economic analysis presented here is on a 100%-equity basis that shows the basic economics of the project.

2. It does not incorporate financing items such as interest paid, and loan principal paid back.

3. The analysis also does not incorporate any losses carried forward for tax purposes and any refund of valued-added taxes previously or currently paid.

2.14.1 Valuation Methodology

- *Market Approach*

The market Approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

- *Income Approach*

The income Approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

- *Cost Approach*

The cost Approach measures the value of an asset by the cost to reproduce or replace it with another like a utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration and functional and economic obsolescence.

2.14.2 Adopted Valuation Approach

Among the abovementioned valuation methodologies, the selection of the valuation method for the Banmiaozi Project is based on, among other things, the quantity and quality of the information provided, the availability of the data, the availability of relevant market transactions, the uniqueness of the Project, the nature of business and industry involved of the Project, professional judgment and technical expertise of the management.

The selection of the valuation approach is determined primarily by the stage of development of the concerned mineral asset. The chart below (Figure 2-13) shows the application of valuation methodology for valuing mineral assets.

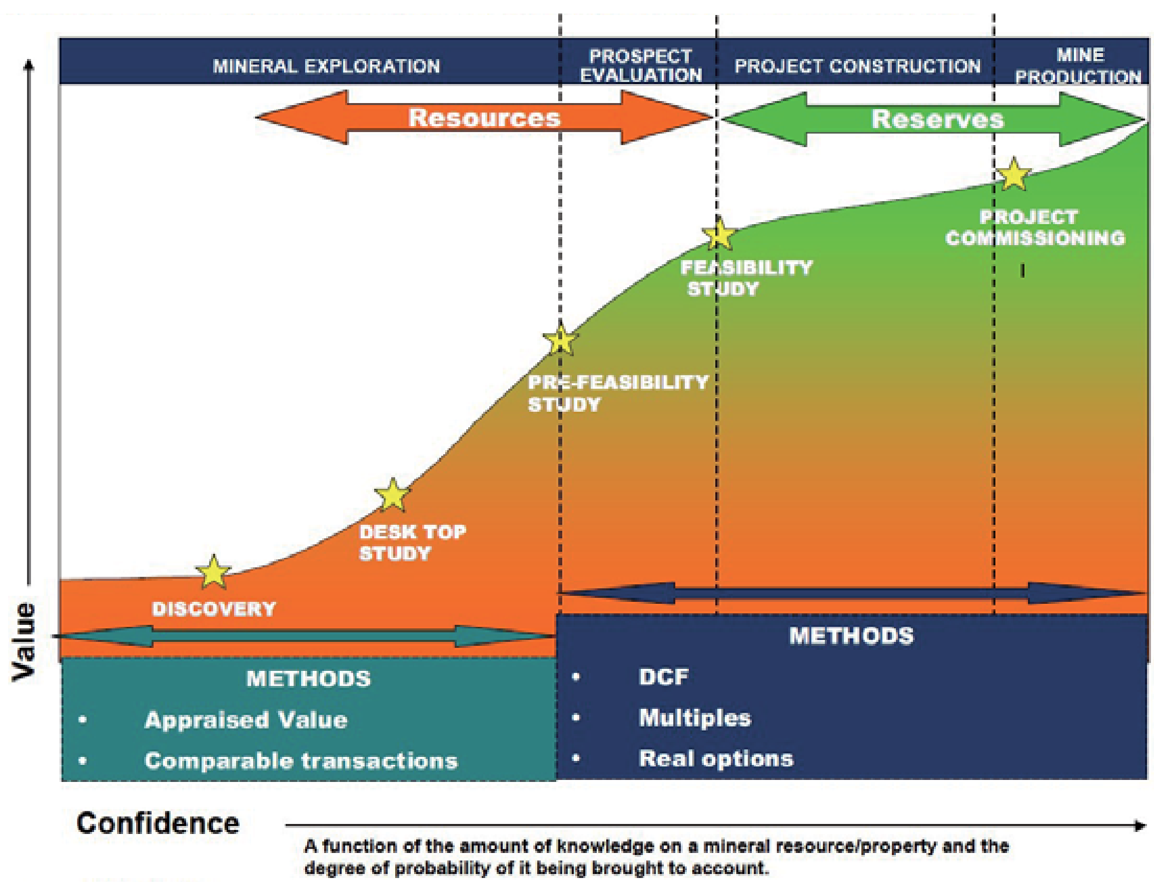


Figure 2-13 Application of different valuation Methodologies

2.14.2.1 Mineable Resource

Regarding the Mineable Resources of Banmiaozi Project, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. In addition, compared with the cost approach, the income approach can effectively and accurately reflect the future earnings of the Project. Among the income approaches, we adopted the approach of discounted cash flow projection. The adoption of such an approach for valuing the Mineable Resources is considered to be fair, reasonable and conformable with the industry practice.

2.14.2.2 Discounted Cashflow

In this method, the value depends on the present value of the economic benefits to be generated. The expected future cash flows available for payment of shareholders' loans and interest (which, in certain circumstances, is used to repay the registered capital plus interest and dividends) are converted to their present value equivalent using a rate of return appropriate for the business risk.

The expected debt-free cash flow for each year was determined as follows:

$$FCF = EBIT\ (1 - T) + Dep - InvCapex - InvNWC$$

FCF = *Expected Cash Flow*

EBIT = *Earnings before interest and tax*

T = *Tax rate*

Dep = *Non-cash items*

InvCapex = *Investment in capital expenditure*

InvNWC = *Investment in net working capital*

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present values of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

In which

PVCF = Present value of free cash flows

CF = Estimated cash flows

r = Discount rate

n = Number of the year of projections

2.14.3 Gold Production and Revenue

According to the production plan developed by BAW, the Banmiaozi project will produce 13,517,190 g of gold. The long-term gold price is estimated to be 443.30 RMB/g, and the total revenue of gold should be CNY5,992.13 million.

2.14.4 Operating Cost and Capital Expenditure

The cash cost of LOM is estimated at CNY2,800.82 Million, while the capital expenditures are CNY134.41 Million.

2.14.5 NPV and Sensitivity Analysis

Regarding the Minable Resources of Project Banmiaozi, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. Therefore, such an approach can effectively reflect the future revenue of the project. The NPV of the Banmiaozi Project is **CNY1,321.27** Million at a 9.09% discount rate. The sensitivity analysis shows that the NPV estimate is the most sensitive to commodity prices and discount rates.

Appendices

Appendix 1: JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	Commentary
Sampling Techniques	• Trenching and tunnelling were conducted. Representative channel samples were collected using a diamond saw and chisel, with channel dimensions of 10 × 3-5 cm and a typical interval of 1 m. • Diamond and rotary drilling were employed. Diamond drill cores were cut along the long axis using a saw splitter. Rock chip samples were collected from rotary drilling. Sample intervals were primarily set at 1 m lengths. • Mineralization was identified based on lithology and alteration.

Criteria	Commentary
Drilling Techniques	• Standard tube core drilling and rotary air blast rigs were utilized. Drill cores were primarily HQ-sized for surface drill holes and NQ-sized for underground drill holes. • Down-hole surveys were conducted using a digital inclinometer or downhole camera at intervals of 50 m for surface drilling and 30 m for underground drilling.
Drill Sample Recovery	• The logging geologist measured drill core recovery for each run and recorded the results in the primary database. Core recovery was determined by dividing the drilling footage by the core length. • Upon encountering low sample recovery during drilling, the logging geologist and driller worked together to promptly rectify the problem and optimize recovery. • No relationship between sample recovery and grade was found.
Logging	• Drill cores were qualitatively logged by geologists to capture details such as texture, grain size, lithology, alteration, structure, and recovery. • All drill hole cores were properly logged and photographed. Logging information was initially recorded on standardized logging sheets and subsequently digitized into the electronic database.
Sub-sampling techniques and sample preparation	• Half-core samples were obtained by splitting drill cores in half. • Channel and rock chip samples were collected in their entirety for sample preparation, without splitting. • All samples underwent drying, crushing, splitting, and pulverizing according to the proper procedures. The Chichette formula ($Q = k \times d^2$) was used to determine the minimum allowable sample weight, where: Q represents the sample weight (kg), k is the coefficient determined by the ore type (0.2 for this rock type), and d is the maximum sample grain diameter (mm). • No field duplicates were collected. • On-site geologists deemed the sample size appropriate for the gold grain size observed.

Criteria	Commentary
Quality of assay data and laboratory tests	• The use of activated carbon absorption with AAS may lead to an underestimation of the final gold determination. A portion of the results cross-checked by fire assay with AAS was deemed adequate. BAW recommends routinely cross-checking the primary results using the fire assay method. • Geophysical tools, spectrometers, and handheld XRF instruments were not utilized for assaying purposes. • Basic samples were analyzed by domestically certified Chinese laboratories, which implemented internal quality control procedures in line with relevant PRC standards. No systemic bias was reported.
Verification of sampling and assaying	• BAW geologists carried out a field inspection of significant intersections. • No twinned holes were drilled. • All geological logging and sampling information was initially recorded on logging sheets and later digitized into an electronic database. Both physical and electronic logging and sampling records were well-maintained. • During the site visit, BAW reviewed data entry procedures, and storage protocols, and verified the primary data. • No adjustment was made to the assay data.
Location of data points	• Drill holes, trenches, and adits were surveyed in compliance with relevant PRC standards by certified surveyors under the supervision of on-site geologists. • The Beijing Coordinate System (1954) and Chinese Geodetic Coordinate System 2000 were applied for this project. • Detailed topographic surveys were conducted by certified surveyors and deemed adequate for modelling and Mineral Resource estimation purposes.
Data spacing and distribution	• The exploration grid was set at 40-80 × 40-80 m. Samples were collected continuously throughout mineralization zones and their contact zones in wall rocks, with a typical length of 1 m.

Criteria	Commentary
Orientation of data in relation to geological structure	• Considering the deposit type, the drilling orientation and subsequent sampling are deemed unbiased for Mineral Resource estimation purposes. • The spacing of drill holes is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedures and for the classifications applied.
Sample security	• Jilin Banmiaozi managed the chain of custody for sample security. Samples were collected, packed, marked, and logged before being delivered to the laboratory for preparation and assaying. The drill cores were stored in a surface core shed and an underground tunnel, although some cores were placed outside the core shed.
Audits or reviews	• All aspects of sampling techniques strictly adhered to relevant PRC national standards and specifications. BAW reviewed and cross-checked the sampling data.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• BAW was provided with scanned copies of the original mining and exploration licenses, and the details are stated in Sections 2.1.2 and 2.1.3 of this report.
Exploration done by other parties	• Detailed information can be found in Section 2.3.2 of this report.
Geology	• Detailed information can be found in Sections 2.4 and 2.5 of this report.
Drill hole Information	• All drill hole information was entered into the database and utilized for Mineral Resource estimation. Due to the extensive amount of drill hole data, a detailed tabulation of this information is not presented.

Criteria	Commentary
Data aggregation methods	• All samples are composited within the geological domains at a 1.0 m length, and short intervals at the end of the domain are incorporated into the preceding interval. A cut-off value of 1.0 g/t Au is used to define the domains. • Outliers were replaced by the value at the 97.5% distribution frequency point of the sample group within each domain, meaning 83.80 g/t was used for high-grade capping for domain 1 and, 65.2 g/t for domain 2, 47.63 g/t for domain 3, 78.5 g/t for domain 4, 52.13 g/t for domain 5, 22.60 g/t for domain 6. • No metal-equivalent approaches were applied.
Relationship between mineralization widths and intercept lengths	• Gold mineralization of the Jinying deposit is mainly hosted by the breccia zone which is affected by faults F102 and F100. All domains are determined based on geology, alteration and the interpreted controls on mineralization from production experience.
Diagrams	• Not Applicable in this report.
Balanced reporting	• The reporting is fully representative of the data provided at this stage.
Other substantive exploration data	• BAW is not aware of any other material or substantive exploration data that has not been reported. • Adequate samples were measured for specific gravity, as detailed in Section 2.8.1.
Further work	• BAW was informed that Jilin Banmiaozi would conduct further underground drilling and sampling programs within the current mining and exploration licenses.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	Commentary
Database integrity	• The data provided by the Company in Access format was imported into a Surpac RM database after validation. • Data validation steps included: – Validation through constraints and libraries set in the database, e.g., overlapping/missing intervals, intervals exceeding maximum depth, valid geology codes, missing assays. – Validation through 3D visualization in 3D software to check for any obvious collar, down-hole survey, or assay import errors.
Site visits	• BAW Competent Person visited the Banmiaozi Project from March 23 to 25, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Geological interpretation	• The geological interpretation was based on lithology, assays, structure and geotechnical information. • The data used in the resource estimation was from the approved exploration reports or laboratory assay results. • A cut-off value at 1.0 g/t Au is used to define domains. A total of 6 mineralization domains are generated for the resource estimate.
Dimensions	• Not Applicable in this report.

Criteria	Commentary
Estimation and modelling techniques	• Variograms were developed by BAW for each Au domain using capped composites, and Search parameters were based on drill hole spacing, the orientation of mineralization and variogram modelling. • The Mineral Resource was estimated using Inverse Distance interpolation in Surpac using 3 different passes. • The parent cell size and estimation parameters were based on the drill hole spacing and the nature of the mineralization style at the project. • The geological interpretation was used to help build a mineralized wireframe model and the resource estimate was conducted within the model. • Validation of the Mineral Resource estimate has been conducted by: – Visual drill hole section data comparisons with the block model and – Swath plots of major elements in three orthogonal directions.
Moisture	• Tonnages are estimated on a dry basis.
Cut-off parameters	• The current resource estimate by Jinying is based on a 1.0 g/t Au cut-off, which was used for Jinying mining onsite.
Mining factors or assumptions	• The mining method assumed is Underground mining. • Mining factors such as mining dilution shown above were not incorporated into the Mineral Resource estimate.

Criteria	Commentary
Metallurgical factors or assumptions	• There are three metallurgical tests done by a third party with represented samples. Some tests have been done by the production team in 2012 which indicates the overall recovery could be better if there is a NaOH pretreatment. • The overall gold recovery is 87% as per the document from the owner. • Processing recovery rates presented above were incorporated into the Mineral Resource estimate.
Environmental factors or assumptions	• No assumptions have been made regarding possible waste or process residue disposal options or environmental surveys.
Bulk density	• The conventional water displacement method was utilized on a total of 440 samples from drill cores and channel samples, with an average of 2.7 g/cm^3.
Classification	• Mineral Resources have been classified in the Measured, Indicated and Inferred categories in accordance with the JORC Code 2012 guidelines. • A range of criteria was considered in determining the classification for the project, including: – geological confidence in the interpretations, – sample data density, – sample/assay confidence, – grade continuity of the mineralization, – estimation method. • Blocks interpolated bypass 1 based on at least composites from 3 holes within 40 m drill hole spacing are classified as Measured, and with 40-80 m spacing & Composites from 2 holes in pass 2 are classified as Indicated. The rest are classified as Inferred. • The Competent Persons endorse the final results and classification for the project.

Criteria	Commentary
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Relative accuracy and confidence have been assessed through validation of the model as outlined above. • The Mineral Resource estimate comprises material categorized as Measured, Indicated and Inferred Mineral Resource. The Mineral Resource categories reflect the assumed accuracy and confidence of a global.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• The block models prepared by Yintai were used as the basis of Ore Reserve estimate. • The Mineral Resources are reported inclusive of Ore Reserves.
Site visits	• BAW Competent Person visited the Banmiaozi Project from March 23 to 25, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Study status	• The feasibility study report (2017.05) conducted by Changchun Gold Design Institute was provided to BAW. • The feasibility study report was used as the basis of the Ore Reserve estimate.
Cut-off parameters	• The feasibility study report (2017.05) conducted by Changchun Gold Design Institute was provided to BAW. • The feasibility study report was used as the basis of the Ore Reserve estimate.
Mining factors or assumptions	• Not Applicable in this report.

Criteria	Commentary
Metallurgical factors or assumptions	• The processing flowsheet is a conventional crushing, grinding, CIL, Carbon stripping and Electrowinning, which is simple and mature, and suitable for low-sulfur ore.
	• There are three metallurgical tests done by a third party with represented samples and with well-tested technology. There are also some tests done by the owner's production team in 2012, which indicates the overall recovery could be better if there is a NaOH pretreatment. This test would be a good reference for improving gold overall recovery.
	• The key element that determines the gold recovery if using current processing is the content of sulfur, gold state-gold dissociation degree.
Environmental	• Environmental, safety and production permits were obtained.
Infrastructure	• The infrastructure meets the basic requirements of production and transportation.
Costs	• The Opex and Capex were provided by the Mine.
	• Refer to section 2.13.4.
Revenue factors	• Production Schedule is developed by BAW.
	• Refer to section 2.13.3.
Market assessment	• Not Applicable in this report.
Economic	• The input data to calculate NPV is described in Section 2.13 which mainly includes the production plan, sales revenue, production cost, administration cost, Capex and taxes.
	• Refer to section 2.13.5.
Social	• Not Applicable in this report.
Other	• None.

Criteria	Commentary
Classification	• The mineable Measured Resources, including diluting materials and allowances of losses, were classified as Proved Ore Reserves. • The mineable Indicated Resources, including diluting materials and allowances of losses, were classified as Probable Ore Reserves. • The results appropriately reflect the Competent Person's view of the deposit.
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Usually, the Ore Reserve estimate is reported based on some technical and economic assumptions which have been understood well to date. These assumptions would change as time goes on, so different Ore Reserve can be estimated/calculated.

3 DACHAIDAN PROJECT

3.1 Property Description and Location

3.1.1 Property Location

The Dachaidan Gold Project ("**Dachaidan Project**") is located approximately 75 kilometres northwest of the town of Dachaidan, under the jurisdiction of Dachaidan town in Haixi Mongolian and Tibetan Autonomous Prefecture, Qinghai Province (Figure 3-1). The Project area is about 200 km away from Dunhuang City to the north and Golmud City to the south, and about 660 kilometres northwest of Xining City, the capital of Qinghai Province.

Figure 3-1 Location of the Dachaidan Project

Source: Yintai

3.1.2 Ownership

Yintai, through its 90% owned subsidiary, Qinghai Dachaidan Mining Co., Ltd. ("**Dachaidan Mining**") holds the Dachaidan Project, which encompasses all mineral resources and reserves, as well as all mining operations reported in this Report.

3.1.3 Tenure, Permit and License

Dachaidan Mining currently owns two mining licenses and seven exploration licenses. Details of the licenses are summarized in Table 3-1 and Figure 3-2.

Table 3-1 Mining and Exploration Licenses, Dachaidan Project

Property	License Number	Expiration Date	Area *(km^2)*	Licensed Ore Production *(kt)*
		Mining License		
Tanjianshan Au Mining Area ("**Tanjianshan**")	C1000002011104120140032	17/06/2023	1.03	600
Qinglonggou Au Mining Area ("**Qinglonggou**")	C1000002010044120060797	16/05/2023	3.89	400
		Exploration License		
Qinglongshan Au Exploration Area ("**Qinglongshan**")	T6300002018014010054584	15/10/2025	12.73	/
Xijinggou Au Periphery Exploration Area ("**Xijinggou Periphery**")	T6300002021084010056482	15/10/2025	8.05	/
Xijinggou Au Exploration Area ("**Xijinggou**")	T6300002008044010000385	19/08/2023	1.20	/
Qingshan Au Exploration Area ("**Qingshan**")	T6300002008044010000384	23/06/2026	17.74	/
Qinglonggou Au Below 3000 m Exploration Area ("**Qinglonggou Below**")	T6300002022034050056745	16/03/2027	3.89	/
Jinlonggou Au Exploration Area ("**Jinlonggou**")	T6300002008044010000382	16/02/2024	2.90	/
Jinlonggou Au Periphery Exploration Area ("**Jinlonggou Periphery**")	T6300002022024010056718	19/06/2026	63.05	/

The licensed mining elevation ranges for the Tanjianshan and Qinglonggou areas are 3,000-3,556 meters and 3,300-3,710 meters, respectively. Qinglonggou Below was established in 2022, representing the exploration rights for depths below 3,000 meters elevation within the scope of the Qinglonggou mining license. In 2021, the current exploration licenses for Xijinggou and Jinlonggou were separated from the original license areas to prepare for future conversion to mining licenses. The remaining areas of the original licenses now constitute the Xijinggou Periphery and Jinlonggou Periphery areas. To avoid potential confusion, the original exploration license areas for Xijinggou and Jinlonggou before 2021 are referred to as "**Xijinggou Former**" and "**Jinlonggou Former**."

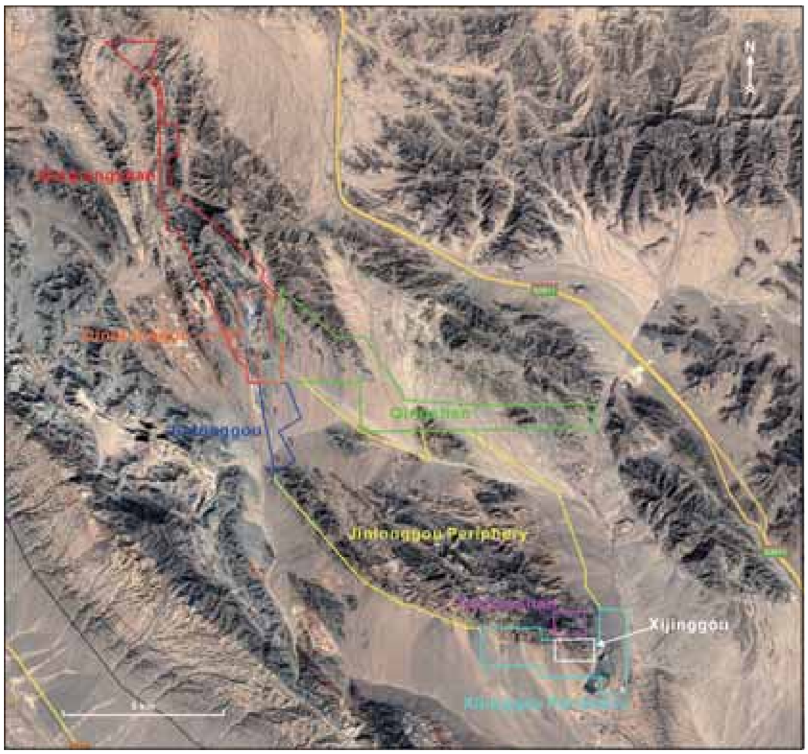


Figure 3-2 Mining and Exploration License Areas of the Dachaidan Project

Source: Google Earth

Yintai has provided the necessary permits and licenses required for the current operation of the Dachaidan Project, including the Mine Safety Production License, Tailings Safety Production License, Water Extraction Permit, Radiation Safety Production License, Blasting Operation License, and Pollution Discharge Permit. However, BAW did not independently verify the information related to the location, area, and status of these permits and licenses. Additionally, BAW does not know about any other permits required for carrying out the proposed work on the property, nor is it aware of whether such permits have been obtained.

3.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

3.2.1 Accessibility

The Dachaidan Project area is situated approximately 104 km southeast of Dachaidan town, encompassing 30 km of gravel roads. The area benefits from the Dunhuang-Golmud Highway running through its northern section, ensuring relatively accessible transportation. The Xitieshan station, which is part of the Ningxia-Golmud Railway, is the nearest railway station with a driving distance of around 190 km. Moreover, the Liuyuan station on the Lanzhou-Xinjiang Railway is approximately 300 km away.

The nearest domestic airports to the project are located in Dunhuang and Golmud, both at distances exceeding 300 km. Dunhuang Airport provides daily flight connections to Chinese major cities such as Beijing, Xi'an, Lanzhou, Urumqi, and Xining. Additionally, Golmud Airport offers weekly flights to Xining. From Xining, passengers can access regular daily flights to some Chinese major cities, such as Beijing, Shanghai, Guangzhou, Wuhan, Chengdu, Urumqi, and Xi'an.

3.2.2 Topography, Elevation, and Vegetation

The Dachaidan Project area is situated in the southeastern part of the Saishiteng Mountain Range, which is located on the northern margin of the Qaidam Basin. The surrounding areas of the project consist of large alluvial plain deserts that belong to the plateau mountainous area. The elevation in the area ranges from 3,150 to 3,560 meters, with most parts being between 3,300 to 3,500 meters. The maximum relative height difference is 600 meters, and the general relative height difference is 200 meters. The terrain in the Project area is rugged and steep, with developed gullies and bare bedrock exposed on the mountains.

The Project area is in a desert with sparse vegetation, mainly consisting of camel thorns. Only within a range of 300-400 meters on both sides of the Aolao River, there is relatively abundant natural oasis vegetation, such as red willows, reeds, grasses, and camel thorns. The Mahai Farm, over 20 kilometres to the southwest of the Project area, is a large-scale artificial oasis. There are wild animals such as argali sheep, hares, birds, and rodents in the area.

3.2.3 Climate

The Project area has a typical continental plateau climate characterized by dryness, coldness, long winters and short summers, frequent winds, long sunshine hours, and large daily temperature differences. According to recent years' meteorological data from the Dachaidan weather station, the annual average precipitation is 82.6 millimeters, while the annual evaporation reaches 2,219 mm. The rainy season is mainly concentrated in July and August. The highest monthly average temperature is between 20.6 and 23.0 ºC during July and August, while the lowest monthly average temperature is between -17.1 and -25.0 ºC, mostly occurring between December and February. The annual average temperature is around 0.8-2.3 ºC. The Project area is prone to sandstorms, with the maximum wind force reaching 8.9 during spring and 8 during autumn, with the most frequent winds coming from the west and northwest each month. November to next February is the freezing season. In some rainy seasons, there are short periods of heavy rain or torrential rain, which can lead to the collection of floodwaters in the Jinlonggou, major dry gullies, and river valleys.

3.2.4 Local Resources and Infrastructure

The area's water system is underdeveloped, characterized by dry gullies and brief floods during the summer rainy season, which quickly seeps into the ground and vanish. About 3 kilometres to the east of the Project area, the Aolao River originates in the valley between Tuergen Daban and Mahaidaban, flowing through the northeast of the mining area. Due to significant infiltration at the mountain's base, a dry riverbed forms, and only upon entering Mahaidaban to the south does the river begin to flow and accumulate. The river flows from north to south, providing a permanent water source with a flow rate of 23,587-38,275 cubic meters per day. After a 20-kilometre course, it enters the Mahai Basin, where it seeps into the ground in the north, accounting for 10% of the Mahai Basin's underground water supply resources. The Aolao River's water quality is weakly alkaline and of poor quality but remains potable and suitable for industrial and domestic purposes. The project's production water is sourced from a pumping station approximately 3 kilometres east of the existing mineral processing plant on the Aolao River's banks. The water is pumped and transported to a high-level tank within the plant after pressurization and then supplied directly to the production facilities. Drinking water for daily use is transported from external sources, while other domestic water is sourced from the Aola River.

The Project area is surrounded by abundant energy resources. The Changdi Coal Mine is located 5.5 kilometres southwest of the Project area, and larger coal mines such as Gaoquan Coal Mine and Yuka Coal Mine are situated 40 kilometres away. Coal for domestic and production use can be sourced locally, and nearby refineries in Lenghu, Golmud, and Huatugou can provide various industrial oil materials.

A 35/10 kV substation is established in the Project area based on the distribution of external power supply and internal electricity load. The power source is a single-circuit 35 kV overhead transmission line from Shuanglong Substation, approximately 23 km away.

The area's population is sparse, primarily concentrated in Dachaidan Town and Xitieshan Town, with neighboring county-level cities and towns focused in Golmud City and Lenghu Town. The local economy is predominantly on mineral exploration, mining, and processing, which develops the local chemical, transportation, and social services industries.

3.3 History

3.3.1 Ownership

In 1992, Dachaidan Gold Dragon Mining Development Co., Ltd ("**Dachaidan Dragon**"), a joint venture established by Qinghai Province No.1 Geological, Mineral Exploration Brigade ("**No.1 Brigade**") and the local government, obtained the mining rights for the Tanjianshan area.

In 1996, the initial exploration license for the Qinglonggou area was granted to the No.1 Brigade.

In 2000, Dachaidan Dragon and Sino Mining International Ltd. ("**Sino Mining**") formed a joint venture, Dachaidan Mining, which later took over the exploration rights for the Tanjianshan and Qinglonggou areas.

In 2002, Afcan Mining Corporation Ltd. acquired Sino Mining's interest in Dachaidan Mining and subsequently sold it to Eldorado Gold Corporation ("**Eldorado**") in 2005.

In 2002, the initial exploration license for the Qinglongshan area was issued to Dachaidan Mining.

In 2006, Dachaidan Mining was granted mining licenses for the Tanjianshan and Qinglonggou areas.

In 2008, Dachaidan Mining first acquired the exploration licenses for the Qingshan, Jinlonggou Former, and Xijinggou areas.

In 2016, Yintai acquired a 90% interest in Dachaidan Mining and the mineral rights it held for the Dachaidan Project from Eldorado.

In 2021, both Jinlonggou Former and Xijinggou Former areas were split into two exploration license areas, Jinlonggou and Jinlonggou Periphery, and Xijinggou and Xijinggou Periphery, respectively.

In 2022, the exploration license for the Qinglonggou Below area was granted to Dachaidan Mining.

3.3.2 Exploration and Development

Historically, the boundaries of the various mineral rights areas within the Dachaidan Project have experienced numerous alterations, including reductions and subdivisions, resulting in the present-day delineation of licensed areas. Consequently, the same name might represent entirely different mineral rights scopes in both past and present contexts, potentially leading to confusion when recounting the exploration history. In the following exploration history summary, BAW will adhere to the current mining rights areas and their respective names for clarity and consistency.

In 1989, the No.5 Geological Brigade of Qinghai Province discovered gold mineralization in the Tanjianshan area and conducted drilling verification. From 1988 to 1992, the No.5 Geological Brigade conducted systematic geological mapping in the area and discovered a series of gold mineralization areas. From 1993 to 1999, the No. 1 Brigade conducted prospecting work in Tanjianshan, Qinglonggou, Jinlonggou and Xijinggou areas, including geological mapping, geochemical survey, geophysical survey, trenching, tunnelling and drilling. Prospecting reports summarizing the preliminary results were submitted for the Tanjianshan and Jinlonggou areas.

From 2000 to 2005, Dachaidan Mining conducted systematic exploration programs to define the resource/reserve of the Tanjianshan area and the Qinglonggou area, including extensive mapping, trenching, diamond drilling and sampling. In 2004 and 2007, Dachaidan Mining compiled the "*Resource/Reserve Reassessment Report for the Jinlonggou Deposit at an Elevation of 3,378-3,408 m in Tanjianshan Gold Minefield, Dachaidan, Qinghai Province*" and "*Exploration Report of the Jinlonggou Gold Deposit, Dachaidan, Qinghai Province*" ("**Tanjianshan Report 2007**").

From 2008-2022, Dachaidan Mining has continued the comprehensive exploration programs within all the exploration and mining license areas, using mapping, trenching, reverse circulation ("**RC**") drilling, surface and underground diamond drilling, tunnelling, and channel sampling to expand resources/reserves and support mining operations. A series of exploration or verification reports have been completed for the Dachaidan Project. The most recent reports for each license are summarized as the following: "*Resource/Reserve Verification Report of the Qinglonggou Gold Deposit, Dachaidan, Qinghai Province*" ("**Qinglonggou Report 2020**"), "*General Prospecting Report of the Qinglonggou Deposit Below 3300 m, Dachaidan, Qinghai Province*" ("**Qinglonggou Below Report 2022**"), "*General Exploration Report of the Qinglongshan Gold Deposit Qinglonggou Section Exploration line 16600N-13800N, Dachaidan, Qinghai Province*" ("**Qinglongshan Report 2014**"), "*General Prospecting Report of the Qingshan Gold Deposit, Dachaidan, Qinghai Province*" ("**Qingshan Report 2020**"), "*General Exploration Report of the Jinlonggou Gold Deposit, Dachaidan, Qinghai Province*" ("**Jinlonggou Report 2019**"), and "*General Exploration Report of the Xijinggou Gold Deposit, Dachaidan, Qinghai Province*" ("**Xijinggou Report 2020**").

3.3.3 Historical Resource and Reserve Estimates

Multiple resource and reserve estimates have been made for the Dachaidan Project since 1996 These estimations were in compliance with Chinese standards and approved by the Ministry of Land and Resources. However, the resource and reserve estimates in Sections 3.10 and 3.11 are based on the JORC 2012 and will be different from previous estimates.

3.3.4 Production

In 1992, Dachaidan Dragon initiated small-scale gold production within the Tanjianshan area using heap leaching, achieving a gold recovery rate of approximately 48%. In 1995, underground mining of the sulfide ore began, employing flotation-roasting-cyanidation for gold extraction with an average recovery rate of 82%. The production data for the Tanjianshan area from 1992 to 2002 are summarized in Table 3-2.

Table 3-2 1992-2002 Production Summary of the Tanjianshan area

Year	**Ore** *(t)*	**Au** *(kg)*
1992	15,045	109.38
1993	23,920	205.71
1994	42,279	301.45
1995	55,751	343.43
1996	57,319	376.01
1997	39,393	259.60
1998	42,182	344.63
1999	54,884	351.26
2000	57,672	388.13
2001	56,378	406.49
2002	54,492	350.93
total	499,321	3,437.02

Source: Tanjianshan Exploration Report 2007

Production was suspended during 2003-2006 and resumed in 2007 after the construction of a new processing plant. From 2007 to 2010, the average annual gold production was approximately four tons. The gold production of the Tanjianshan area during Eldorado's ownership from 2011 to 2016 is summarized in Table 3-3.

Table 3-3 Annual Production of the Tanjianshan Area during 2011-2016

Year	Ore Milled *(t)*	Au *(t)*
2011	1,005,236	3.576
2012	1,056,847	3.440
2013	1,064,058	3.155
2014	1,045,440	3.347
2015	1,060,176	3.035
2016	869,964	1.532

Source: Eldorado Online Data Center, http://apps.indigotools.com/IR/IAC/?Ticker=EGO&Exchange=NYSE#

Production in the Tanjianshan area was suspended from 2017 to 2019 due to the development program for underground mining. In 2019, open-pit and underground mining operations commenced in the Qinglonggou area in 2019 and 2020, respectively. In 2019, 2020, 2021, and 2022, the Dachaidan Project utilized approximately 420, 807, 500, and 761 thousand tons of total registered reserves (Chinese standard), respectively, containing gold of 2.26, 2.36, 1.74, and 4.30 tons, according to Yintai's annual reports.

3.4 Geological Setting and Mineralization

3.4.1 Regional Geology

The Dachaidan Project area is situated along the northern margin of the Qaidam Block and the North Qaidam orogenic belt. The North Qaidam orogenic belt, situated at the northern edge of the Tibetan Plateau, is bordered by the Qaidam Basin to the south, the Tarim Basin to the west, and the Sino-Korean craton to the east (Figure 3-3).

The Qaidam Block to the south comprises a Mesozoic to Cenozoic intracontinental basin with strata deposited on a Precambrian crystalline basement. Some high-grade metamorphic rocks, such as marble, granulite, and felsic gneisses, crop out along the southern margin of the block and are intruded by late Paleozoic granitoid plutons. The North Qaidam orogenic belt, which includes eclogite- and garnet-peridotite-bearing terranes, extends for approximately 400 km along the northern Qaidam Mountains. The overall characteristics of the rock assemblages, ultra-high pressure (UHP) metamorphic evolution, and zircon ages suggest that the North Qaidam orogenic belt represents a continental subduction zone from the Early Paleozoic. The North Qaidam orogenic system comprises the earliest subduction zones of the Caledonian age in the northern Tibetan Plateau.

The Qilian Block is an imbricate thrust belt of Precambrian basement overlain by Paleozoic sedimentary sequences. The basement consists of granitic gneiss, marble, amphibolite, and minor granulite. Garnet-bearing (S-type) granite intrusions from the Qilian Block have Neoproterozoic protolith ages, similar to the ages of the granitic gneisses in the North Qaidam orogenic belt. Paleoproterozoic granitic gneisses have also been recognized in the Qilian Block.

To the east, the Qilian oceanic-type orogen, parallel to the North Qaidam orogenic belt, extends from the Altyn Tagh fault southeastward for approximately 1,000 km to the Qinling-Dabie orogen. This orogen forms a major geographic-tectonic boundary between North and South China. The North Qaidam orogenic belt and the North Qilian orogenic belt may indeed represent a tectonic evolution from oceanic subduction to continental collision, followed by continental underthrusting, ultimately leading to the final exhumation.

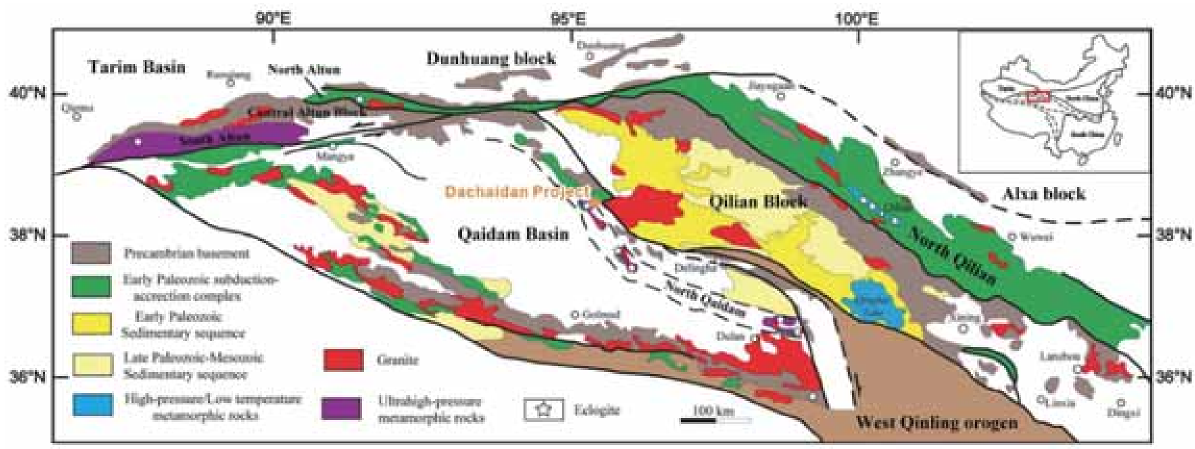


Figure 3-3 Regional Geological Map

Source: Google Map

3.4.2 Ore Deposit Geology

The stratigraphy of the Dachaidan Project area is composed of the Middle Proterozoic Wandonggou Group and the Ordovician-Silurian Tanjianshan Group. The Wandonggou Group is a regional greenschist facies metamorphic sequence with a thickness greater than 2,000 m, and the protolith is a sequence of carbonate, clastic and volcanic rocks. It is the main wall rock of the gold mineralization in Qinglonggou. To the east, west, and northwest of the Tanjianshan area are several kilometres wide Quaternary alluvial plains. To the southwest is a low mountain range composed of the Tanjianshan Group, which has been disrupted by a series of faults.

Multi-stage shearing and folding occurred simultaneously within the Project area, forming a complex structural pattern. Well-developed NW-trending faults in the Tanjianshan area are a part of the regional NW-trending large-scale fault zone, which is ~20 km long, extending from the Tanjianshan area northwestwards to the Qinlonggou area. The fault zone is 1 to 2 km in width, with NW strikes and steep dips. Regionally, the Tanjianshan and Wandonggou Group are mainly controlled by the NW-trending faults, as well as secondary N-S and E-W faults. N-S-trending folds are well developed within carbonaceous mylonite schist and control most of the orebodies in the Tanjianshan area.

The magmatic activity includes the intrusion of the gabbroic intrusion of the Caledonian period in the Wandonggou Group, and the late Yanshanian intrusion of mainly diorite porphyrite in the Wandonggou Group and the Tanjianshan Group. Intrusive rocks are developed in the area, with the main intrusion period being the Late Paleozoic, and the Early Paleozoic. The intrusions are mainly composed of intermediate-felsic rocks with minor mafic-ultramafic rocks.

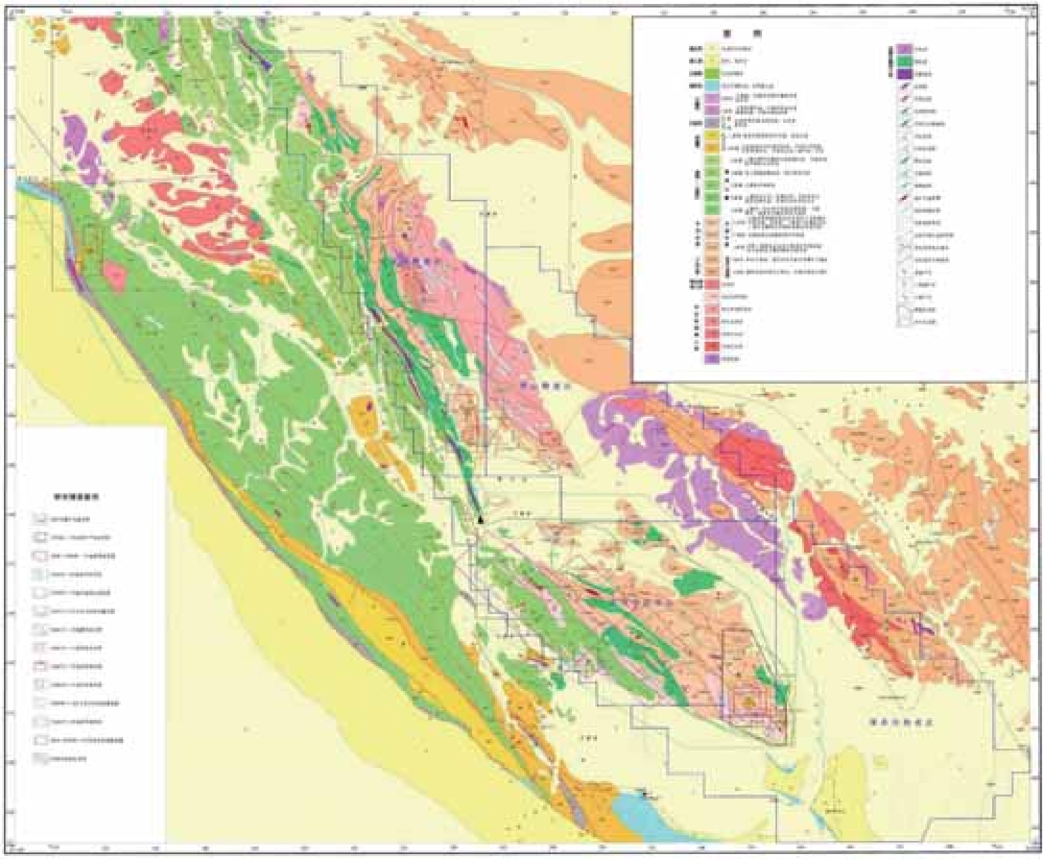


Figure 3-4 Geological map of the Dachaidan Project Area

Source: Yintai

3.4.3 Alteration and Mineralization

The occurrence of gold mineralization in the area is primarily controlled by the regional NW faulting structures and is mostly hosted in marble, dioritic-granitic porphyry, and carbonaceous phyllite of the Tanjianshan and Wandonggou Group. The ore bodies generally strike NW with steep dip angles. Mineralization primarily occurs in massive, veining, and disseminated forms, while smaller ore bodies exhibit disseminated forms. The ore minerals include pyrite, arsenopyrite, and hematite, with minor sphalerite, galena, and chalcopyrite. The main gangue minerals are quartz, sericite, plagioclase, and calcite. Gold mainly occurs as native gold, silver-bearing native gold, and electrum. The ores are classified as oxides and sulfides according to the oxidation state.

The main alteration types closely related to gold mineralization include pyritization, silicification, sericitization, hematitization, carbonatization (calcite, siderite), and limonitization. Silicification is a good indicator of gold mineralization and is well-developed in carbonaceous phyllite. Hematitization mainly occurs in the periphery of the mineralization zone. Siderite appears in the outermost zone of the alteration-mineralization, adjacent to the hematitization zone. It manifests as light-yellow veinlets in the fractures of carbonaceous phyllite.

3.5 Deposit Types

The gold mineralization within the Dachaidan Project area occurred in the Middle Paleozoic, generally coeval with the UHP metamorphism, which formed in the subduction/accretion zones due to the amalgamation of the Qaidam Block and Qilian Block.

The gold deposits possess the most features of orogenic gold deposits. Studies indicate that the deposit is associated with repeated ductile-brittle shear and is formed by low salinity and CO2-rich hydrothermal fluids. The abundant mafic-felsic intrusive rocks of the Hercynian period near the Project area provided a heat source for gold mineralization. The main mineralization temperature of the ore-forming stage is concentrated between 170 and 210^{o}C, with a mineralization pressure of 17.30 MPa, corresponding to a mineralization depth of 1.7 km. The mineralization environment was an extensional environment after the collisional orogeny. The Dachaidan Project is an example of most orogenic gold deposits in the western orogenic belts of China, which is controlled by a large-scale shear zone, and sited near the deep fault and tectonic boundary of the Early Paleozoic to Early Mesozoic polycyclic collisional orogenic belt. Gold ores in the deposit are the products of overprinting of two hydrothermal and mineralizing events in two orogenies.

3.6 Exploration

The exploration and development activities were carried out following the "*Specifications for Hard-Rock Gold Exploration*" (DZ/T0205-2002) and "*General Requirements for Solid Mineral Exploration*" (GB/T13908-2002; GB/T13908-2020). These regulations specify the type of work that must be undertaken in each evaluation or verification phase.

The exploration work at the Dachaidan Project began in the early 1990s. Around 2000, Dachaidan Mining started carrying out systematic sampling work in various mining areas through trenching, tunnelling, surface and underground drilling, to support resource/reserve estimation and mining production. In particular, after Yintai took over in 2017, the scale of exploration work was further expanded. Based on the exploration database provided to BAW, major sample workings as of the end of 2022 are summarized in Table 3-4.

Table 3-4 Summary of Major Sample Workings as of 31/12/2022

Type	**Collar**	**Depth** *(m)*	**Samples**
Trench	1,059	35,617.88	23,344
Diamond Drill Hole	2,959	521,446.44	439,744
RC Drill Hole	2,926	273,583.91	220,733
Underground Channel	2,698	59,484.06	22,661
Total	9,642	890,132.29	706,482

Trenching was mainly used to expose alteration and mineralization zones within 3 m from the surface. The trench's top width is generally 2-3 m, and the bottom width is 1-2 m with a depth of 1.5-2 m. The slope angle of the walls is 60-80 degrees. All trenching projects reached a depth of at least 0.3-0.5 m into fresh bedrock for geological logging and channel sampling.

Surface and underground surveys strictly followed the "*Specifications of Survey for Geological and Mineral Resources Exploration*" (GB/T18341-2001) and were carried out using a total station, incorporating the Beijing Coordinates System (1954) and the local independent coordinate system.

Channel sampling was employed for sampling in adits and trenches. Samples were determined based on the ore type, wall rock, and mineralization distribution. The sampling interval was nominal 1 m, mostly not exceeding 1.5 m. The channel dimensions were 10 × 5 cm, with the individual sample weight above 4 kg. Samples were taken along the ore bodies every 5-10 m. A diamond saw was used to cut samples along the pre-drawn sketch lines on the wall, and a steel chisel and jackhammer were employed for sample collection. Underground channel sampling was mainly conducted in the adits of Tanjianshan and Qinglonggou, with minor samples collected from the Xijinggou and Qingshan adits.

3.7 Drilling

Diamond drilling at the Dachaidan Project has been conducted since 1993. From 2007, RC drilling was also utilized. Underground drilling was mainly carried out in the Tanjianshan and Qinglonggou areas from 2000. The basic drill hole spacing was determined based on the distribution, shape, and dimensions of the ore bodies within the different license areas and the targeted confidence of resources, varying from 20 × 20 m to 80 × 80 m.

Reverse circulation (RC) drilling was predominantly employed in areas with thick unconsolidated sediment cover due to its benefits, including rapid drilling speed, environmentally friendly operations, and cost efficiency. The majority of RC drill holes were vertical, with depths ranging from 0 to 150 meters. Downhole surveys were conducted using an inclinometer at the end of each hole. Hole depth correction measurements were taken every 100 meters and at the hole's termination. Rock chip recovery rates were typically over 90%. Upon drilling completion, holes were sealed with cement and marked with a permanent cement monument 20 cm above ground level.

Diamond drilling primarily used HQ- and NQ-sized cores. Drill hole collars were surveyed using a total station. Downhole surveys were performed with an inclinometer or downhole camera every 30 m, with additional measurements taken at the start and end of the hole. Hole depth correction measurements were taken every 30 m for inclined holes and 100 m for vertical holes, as well as at the end of the hole. According to the drill hole database provided to BAW, 89% of sample intervals from historical drill holes have core recoveries of at least 90%, which is considered to be satisfactory given the conditions of the structure and mineralization. Upon completion of drilling, the hole was sealed with cement and marked with a permanent cement monument.

Upon retrieving the core from the core barrel, it was placed in plastic core boxes and transported from the drill site to the logging facility. At the logging site, lengths were marked in the core boxes, and laminated paper markers were inserted with downhole measurements. By arranging the core boxes in order of depth, the core loss was verified, and the correct depths were marked in the boxes. Drill cores were then logged for lithology, alteration, mineralogy, and geotechnical data.

After the geological logging was completed, core samples were collected under the supervision of a geologist with the assistance of a technician. The longitudinal cutting line was aligned as perpendicularly as possible to the structural direction of the core. The geologist determined the specific location of each sample, typically 1 m in length. Each sample weighed approximately 4 kg. Geological boundaries, such as different lithological and mineralized boundaries, and structural limits were taken into consideration when dividing each sample to avoid cross-layer sampling. A diamond saw splitter was utilized to longitudinally cut the core in half at the logging site. One-half of the core was bagged, sealed, and marked for subsequent sample preparation, while the other half was preserved in the original core box for future inspection. All core boxes are placed in an outdoor area and stacked separately according to different drill holes.

3.7.1 Discussion

Currently, the drill cores are stored outdoors, making them susceptible to damage and deterioration due to exposure to sunlight, rain and snow. BAW recommends establishing an indoor core storage facility to better preserve the drill cores.

BAW did not personally inspect the drilling and sampling operations on site. BAW understands that such operations were in compliance with relevant Chinese national standards. However, based on field observations and reviews of data, protocols and verification reports, BAW considers that the exploration, drilling and sampling procedures are generally reasonable. The drill cores examined by BAW were found to be in good condition.

In BAW's opinion, the documented protocols and primary data related to exploration and drilling generally conform to industry practices. As such, BAW assumes that no significant material biases have been introduced, and the collected data are essentially acceptable for mineral resource estimation.

3.8 Sample Preparation, Analysis and Security

3.8.1 Density Measurement

Density measurements were routinely performed on drill core samples representing various ore lithologies, using the Archimedes' method (water displacement). The length of core samples generally did not exceed 20 cm. External density measurements were carried out by the Qinghai Province Geological and Mineral Testing and Application Center ("**Qinghai Testing Center**").

3.8.2 Sample Preparation

Sample preparation was conducted by Dachaidan Mining at their on-site preparation facility. The standard procedure for sample preparation included: low-temperature drying at 105 ºC for 12 hours, weighing on a balance, coarse crushing using a jaw crusher to achieve a 3 mm particle size, homogenizing and splitting with a riffle splitter to produce a primary and a coarse duplicate sample, pulverizing to pass a 200 mesh sieve (90%) using a disc mill, homogenizing, and splitting with a riffle splitter to obtain a primary and two powder duplicate samples, discarding the remainder. The primary and duplicate samples were weighed up to 180 g on a balance and sealed in sample bags. The primary sample was sent for further assay, while the duplicates were stored for future inspection. To ensure sample integrity and prevent contamination, the jaw crusher and disc mill were cleaned with barren quartz samples after each sample was crushed and pulverized, and the equipment surfaces were cleaned using high-pressure air.

3.8.3 Sample Analyses

During 2003-2004, samples were sent to the SGS laboratory in Perth and the Genalysis laboratory in Perth for sample assay. From 2005 to 2006, the SGS laboratory in Tianjin ("**SGS Tianjin**") was responsible for Au analyses. Since 2007, Intertek Laboratory in Beijing ("**Intertek Beijing**") and ALS Laboratory in Guangzhou ("**ALS Guangzhou**") have also been utilized as major assay laboratories. In 2008, Dachaidan Mining established an internal laboratory at the mine site ("**Dachaidan Laboratory**") and began routinely carrying out assay work for the Dachaidan Project. Since 2008, SGS Tianjin, ALS Guangzhou, and Intertek Beijing have continued to be employed for sample assays to comply with the laboratory qualification requirements of Chinese domestic standards for formal verification reporting in different license areas of the Dachaidan Project. The analytical method used was fire assay with atomic absorption spectrometry to determine gold content, using a 50 g powder sample. The detection limit is 0.01 ppm, and the upper limit is 100 ppm gold.

Before 2007, the Standard and Reference Laboratory in Perth ("**STAR Laboratory**") was utilized as an umpire laboratory. Since 2008, external checks have been conducted by the Ministry of Land and Resources Xining Mineral Resources Supervision and Testing Center ("**Xining Testing Center**") and Qinghai Testing Center.

All laboratories in use, except the Dachaidan Laboratory, Xining Testing Center and Qinghai Testing Center, hold internationally recognized accreditations. In previous technical reports provided by Yintai, the Xining Testing Center and Qinghai Testing Center were reported to possess applicable provincial certifications issued by the relevant China authorities.

The sample preparation, assay and QA/QC procedures were strictly carried out following the Chinese standard "*Quality Management Specifications for Geological and Mineral Laboratory Testing*" (DZ0130.1-0130.13-94; DZ/T 0130-2006).

3.8.4 Quality Assurance and Quality Control

QA/QC has been an integral part of the entire project, incorporated into daily work. The reliability of sample preparation and analytical results were assessed by inserting blanks, standards, and duplicates, as well as conducting internal and external checks. Standards were sourced externally, while blanks were created using barren quartz veins near the Project area. Approximately 10% and 5% of the total samples assayed were subjected to internal and external checks, respectively. The relative deviation of the sample and duplicate pairs was calculated to evaluate the acceptability of internal and external check results. The QC performance of the Dachaidan Project was evaluated based on the QC data compiled in the historical exploration or verification reports mentioned in the "History" section.

Between 2003 and 2005, Dachaidan Mining conducted a verification program on the historical sampling data (since 1991) used in previous resource estimations. Twin samples for historical channel samples were systematically collected at the original positions, and field duplicates were re-sampled from the historical drill cores at the original intervals. The assay results of the duplicates were deemed comparable with the historical results and considered acceptable for resource estimations.

For the samples collected from the exploration program in the Tanjianshan area between 2003 and 2005, standards and blanks were inserted into the sample batch for assay at a rate of 3% for each type. Assays of blanks indicated that there was occasional minor contamination during the sample preparation process; however, it remained at an acceptable level. Most assays of standards yielded results within ±5% of the certified value, indicating an acceptable level of accuracy and precision in the assaying process. Internal and external checks were conducted on approximately 7.4% and 11.4% of the total samples, respectively. For samples with Au grades above 1.0 g/t, the acceptable rates for both internal and external checks exceeded 95%.

For the Qinglongshan and Qinglonggou areas during 2008-2012, internal and external checks were carried out on 13.1% and 7.8% of the total assays, with acceptable rates of 97.3% and 92.7%, respectively. From 2013 to 2020, 11.5% and 7.1% of internal and external checks were conducted, with acceptable rates of 98.3% and 95.4%, respectively.

For the Qingshan area during 2013-2020, according to the Qingshan Report 2020, internal and external checks were carried out on 12.2% and 8.8% of the total assays, with acceptable rates of 97.3% and 96.3%, respectively.

For the Jinlonggou area during 2008-2018, according to the Jinlonggou Report 2019, internal and external checks were conducted on 11.3% and 5.8% of the total assays, with acceptable rates of 98.0% and 93.6%, respectively.

For the Xijinggou area during 2008-2018, according to the Xijinggou Report 2020, internal and external checks were carried out on 9.5% and 4.9% of the total assays, with acceptable rates of 97.0% and 92.3%, respectively.

3.8.5 Sample Security

During the site visit, BAW reviewed the sample security protocol and found that the mine personnel made reasonable efforts to ensure proper preservation, accurate logging, and secure transportation of samples. In BAW's opinion, the implemented security protocol effectively maintains the validity and integrity of the samples.

3.8.6 Discussion

BAW did not visit all the laboratories responsible for analyzing samples from the Dachaidan Project, except the Dachaidan Laboratory at the mine site. BAW reviewed the protocols and procedures of the Dachaidan Laboratory and found them to be following industry standards.

As required by relevant Chinese regulations, exploration or mining projects need to periodically conduct verification reporting, which includes a comprehensive assessment of all aspects of exploration, production, and resource/reserve estimates. It should be noted that the standards used in these verification reports are not entirely consistent with the JORC Code 2012, as they adhere to Chinese domestic standards. However, the verification reports do provide additional validation for the historical data. The QA/QC program for assay analysis in the Dachaidan Project was implemented as part of this verification reporting process. The recent assay results of quality control samples in the database provided by Yintai are incomplete for BAW to conduct a comprehensive review. Based on the existing data provided, BAW concluded that the program was of adequate quality, consistently applied, and routinely monitored.

3.9 Data Verification

3.9.1 Database

BAW acknowledges that the Dachaidan Project is subject to periodic authority agency reviews and verification reporting in compliance with the Chinese standard of "*Specification for Hard-Rock Gold Exploration*" (DZ/T 0205-2002). This specification rigorously outlines the detailed standards and requirements for various aspects such as exploration, drilling, sampling, assaying, QA/QC, mining, processing, and more.

BAW conducted the following verification procedures: interviewing on-site geologists and engineers; reviewing and validating the primary drilling and sampling database provided by Yintai; randomly selecting and cross-checking between logging data and original logging records, and between logging data and drill cores; assessing the existing geological interpretation and block model. After completing sufficient checks, BAW considers the drilling and sampling data, the interpreted geological framework, and the block model to be reasonable for use in Mineral Resource estimation.

3.9.2 Site Inspection

BAW expert conducted a site visit to the Dachaidan Project from March 21 to 24, 2023. The purpose of the visit was to inspect various aspects of the project, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel. No independent verification samples were collected during the site visit.

3.10 Mineral Resource Estimates

The most recent resource estimate of Dachaidan gold mine provided for the review was carried out by Qinghai Dachaidan Mining Limited as of Dec 31, 2022. Internal block-grade modelling was done for the deposit by an onsite geologist. As an internal estimate, Wireframing, Block grade simulation, pit design and mining depletion data were provided and reviewed by BAW. Capping, assay compositing, varigraphy modelling and grade interpolation parameters were not provided. Visual check, statistical and IDW2 grade simulation was performed by BAW for reviewing.

3.10.1 Wireframes

Gold mineralization of the Dachaidan deposit is quite complex in three-dimensional space. Mineralization appears complex along strike and dip, and there was no significant guidance for hangingwall and footwall. In order to define the domain, since 2007, the Eldorado Gold onsite geologists used the Probability Assisted Kriging (PACK) method to distinguish samples above a given cut-off value from background mineralization. The PACK, by studying the histogram, probability plot, and variance characteristics of au samples, 0.5 g/t Au was used as a cut-off value. The probability of the Au grade exceeding the cut-off value was estimated for each block by using the ordinary Kriging method, and a probabilistic map on sections was used to test the consistence of lithologic interpretation between sample grades.

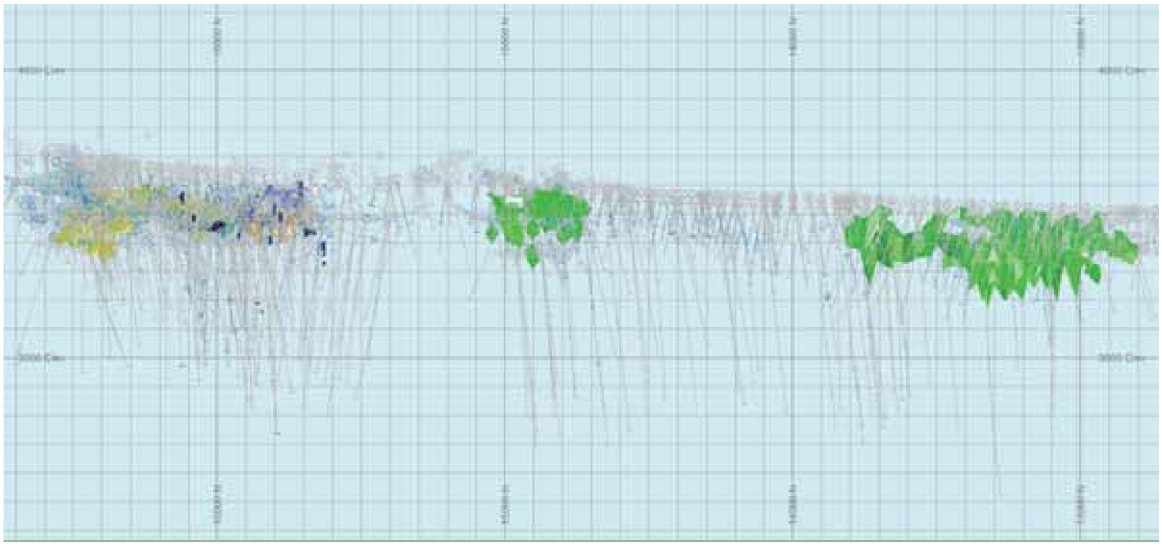


Figure 3-5 Dachaidan mineralized domains

No PACK models were provided to BAW. The model provided by Dachaidan was built based on a cut-off at 1.0 g/t Au, and all domains are determined based on geology, alteration, and the interpreted controls on mineralization from production experience. A total of 289 mineralization domains are generated for the resource estimate. BAW visually checked the wireframes by sections and no significant errors were found.

Table 3-5 Summary of Dachaidan mineralized domains

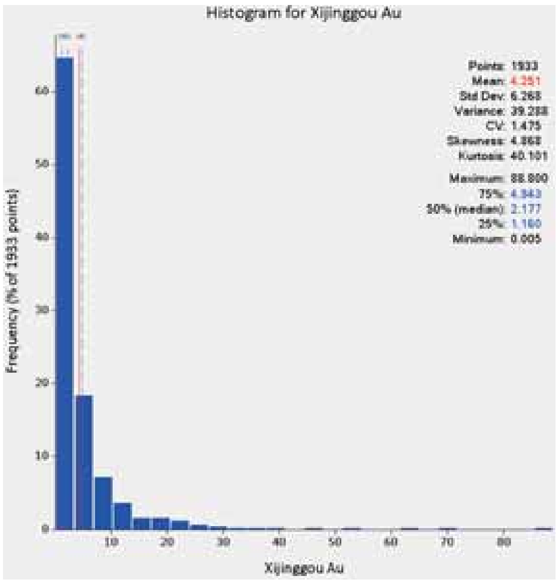
Zone	Domain	Volume
Jinlonggou Pit 3	72	1,628,011.11
Qinglonggou North M2	9	334,200.3
Qinglonggou 323	33	341,623.93
Qinglonggou North M3	65	418,665.8
Qinglonggou North Deep East	4	95,200.8
Qinglonggou North Deep West	1	490,393
Qinglonggou South	13	159,732.9
Qinglonggou East	12	808,221.7
Xijinggou	80	1,672,613.6
Total	289	5,948,663.14

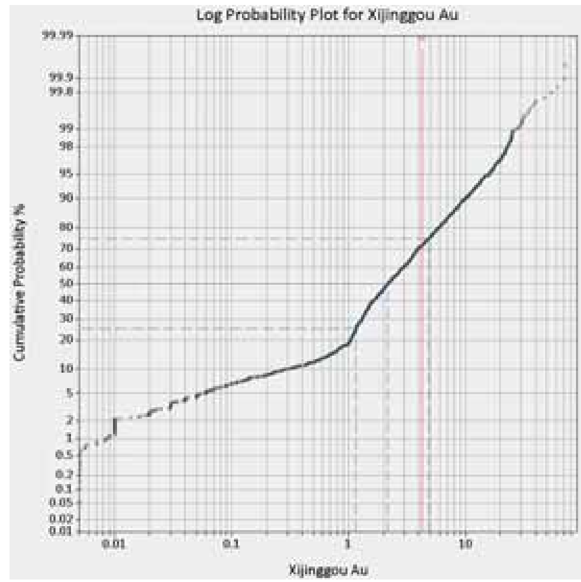
3.10.2 Compositing

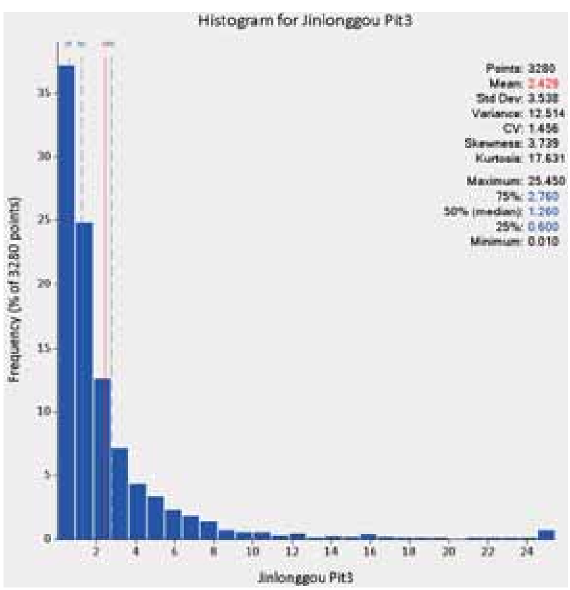
No composites were provided to BAW for review. Drill hole assay intervals are composited within the geological domains at 1.0 m and short intervals at the end of the domain are incorporated into the preceding interval by BAW.

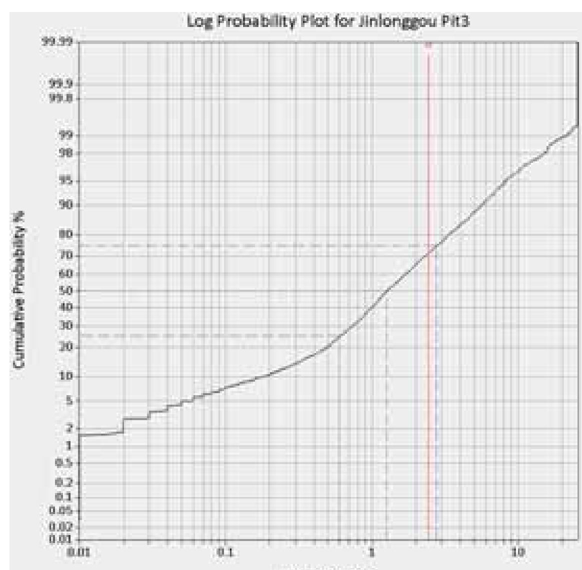
3.10.3 Capping

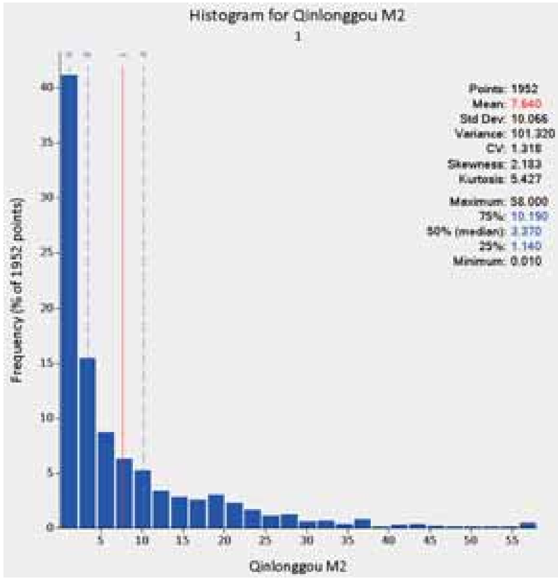
No capping description and Capped composites were provided to BAW. The impact of the Au grade outlier is evaluated on a geological domain basis by BAW.

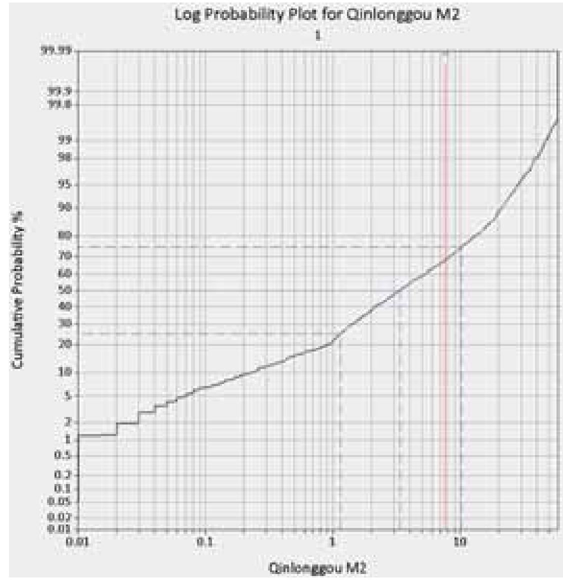


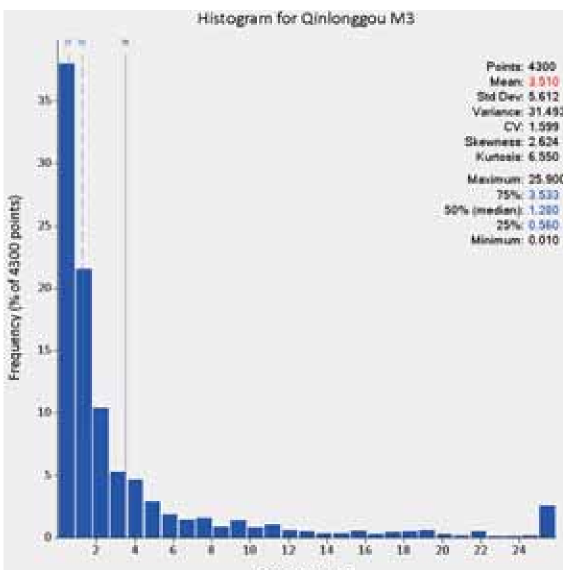


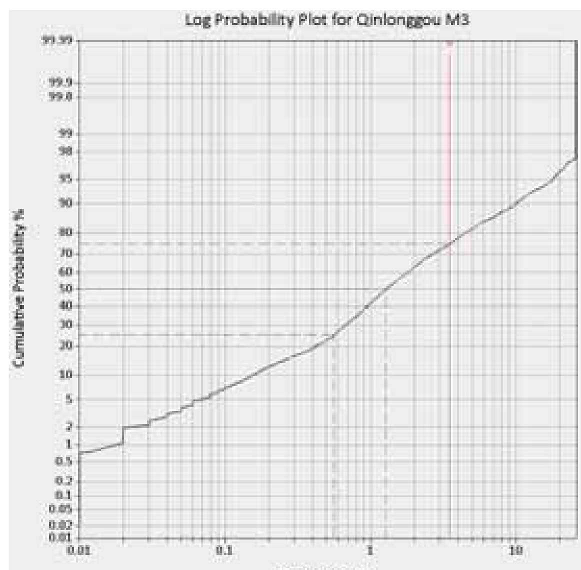





Histogram for Qinlonggou M2
1
Points: 1952
Mean: 7.640
Std Dev: 10.066
Variance: 101.320
CV: 1.318
Skewness: 2.183
Kurtosis: 5.427
Maximum: 58.000
75%: 10.190
50% (median): 3.370
25%: 1.140
Minimum: 0.010
Frequency (% of 1952 points)
Qinlonggou M2


Log Probability Plot for Qinlonggou M2
1
Cumulative Probability %
Qinlonggou M2


Histogram for Qinlonggou M3
Points: 4300
Mean: 3.510
Std Dev: 5.612
Variance: 31.49
CV: 1.599
Skewness: 2.624
Kurtosis: 6.550
Maximum: 25.90
75%: 3.533
50% (median): 1.280
25%: 0.560
Minimum: 0.010
Frequency (% of 4300 points)
Qinlonggou M3


Log Probability Plot for Qinlonggou M3
Cumulative Probability %
Qinlonggou M3

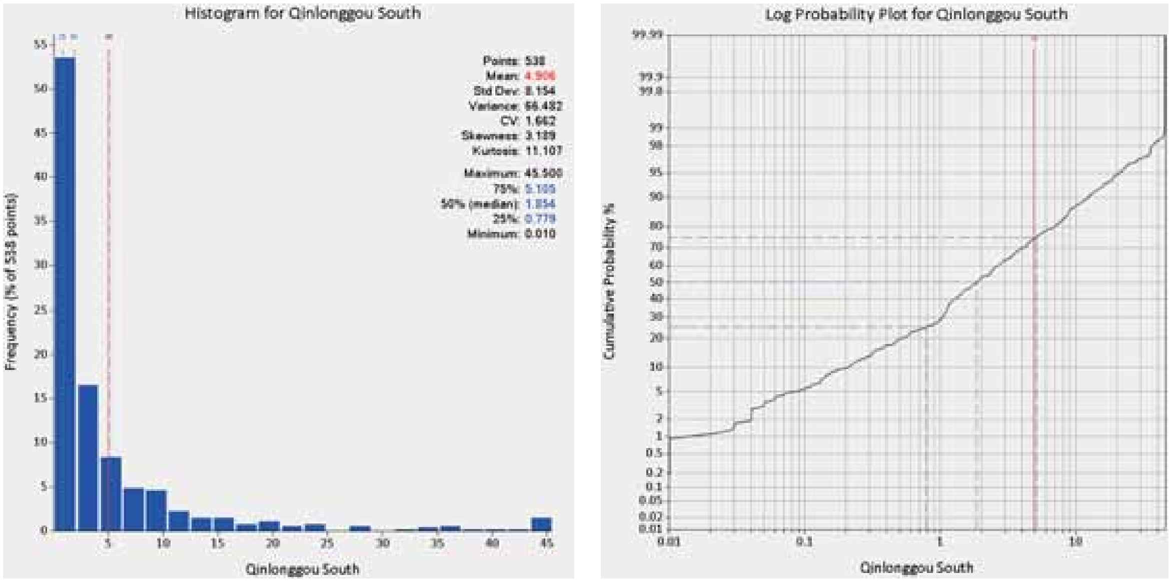


Figure 3-6 Histogram and Log-probability plot for Capped-composites

Table 3-6 Summary statistics of 1 m composites (Au) and topo cut grade threshold applied during estimation

Capped Composites	No. of Samples	Mean	SD	CV	Skewness	Kurtosis	Min	Max
Xijinggou	1,933	4.25	6.26	1.475	4.8	40.1	0.005	88.8
Jinlonggou Pit 3	3,280	2.43	3.53	1.464	3.74	17.6	0.01	25.45
Qinglonggou M2	1,952	7.64	10.06	1.31	2.18	5.42	0.01	58
Qinglonggou M3	4,300	3.51	5.6	1.59	2.64	6.55	0.01	25.9
Qinglonggou South	538	4.9	8.154	1.66	3.19	11.1	0.01	45.5

3.10.4 Variograms

No Varigraphy modelling was provided to BAW. BAW has attempted to develop variograms for each Au domain using capped composites and seems the variograms do perform not well. Omnidirectional variograms were generated to test the possible continuity range.

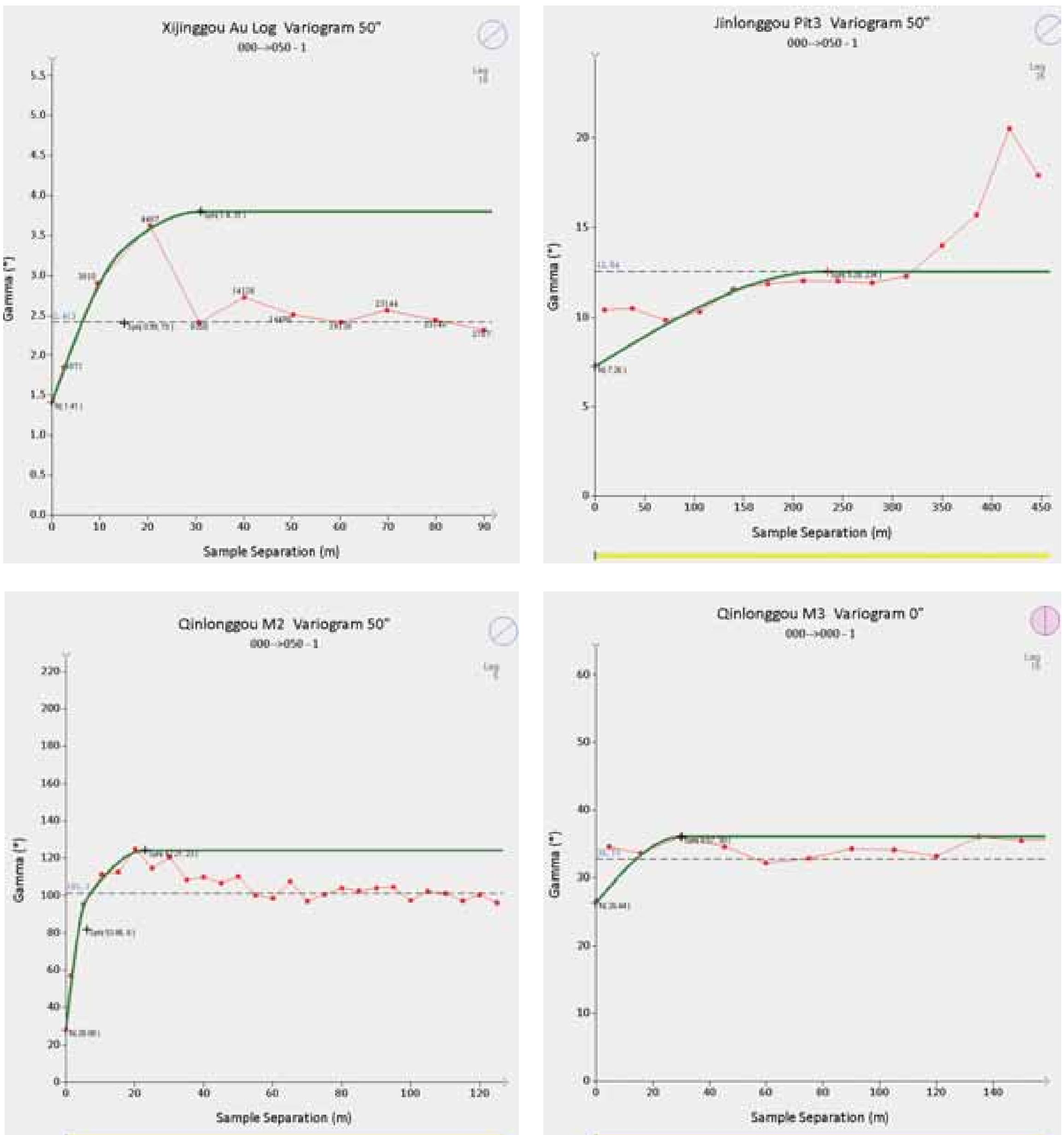


Figure 3-7 Varigraphy study for Dachaidan deposit

Table 3-7 Yintai Varigraphy study for Dachaidan deposit

Zone	Nugget	Range	Rotation ZXY	Major	Major /Semi	Major /Minor
Jinlonggou Pit 3	27.04	3.672	16.68/10/-82	1	1.97	4.33
Qinglonggou M2	112.2	5.3	186/0/-80	1	2.5	1.5
Qinglonggou 323	2.49	5.19	345/9/-70	1	1	2.1
Qinglonggou North M3	37.50	4.49	180/30/40	1	1.69	2

BAW noticed that all Dachaidan resources were classified as Inferred by the onsite geologist, which in BAW's opinion, it is reasonable to classify Measured resources with 20 x 20 m drill spacing and Indicated resources with 40 x 40 m spacing within the main domain at Qinglonggou site. And the IDW seems more appropriate for grade interpolation rather than OK.

Table 3-8 BAW Search radius and interpolation parameters for Au (ppm) and interpolation methods

Search Range	Range			Min Composites	Max Composites	Min Hole	Max. Comp per Hole	Capping Value	Capping Distance
1	20	20	10	7	20	3	3		5
2	40	40	20	4	12	2	3	13.9	5
3	80	80	40	1	6	1	3		5

3.10.5 Bulk Density

Average bulk density values were used for each domain separately. BAW believes that density should be interpolated within a constrained wireframe for each mineralized domain separately.

Table 3-9 Summary of bulk density for each domain

Model	Density
Jinlonggou Pit 3	2.78
Qinglonggou North M2	2.80
Qinglonggou 323	2.77
Qinglonggou North M3	2.80
Qinglonggou North Deep East	2.80
Qinglonggou North Deep West	2.80
Qinglonggou South	2.80
Qinglonggou East	2.85
Xijinggou	2.72

3.10.6 Block Model

Block size is set at 5 m x 5 m x 5 m. Volume percentages were coded into each block to evaluate local tonnes constrained by each domain. A list of block model attributes is presented in the following Table. The volume block model was coded by 285 mineralized domains using the geological and structural wireframes. Final block volumes were validated against the wireframe volumes. The dimensions and extent of the block model see as follows.

Table 3-10 Variogram parameters in Datamine™ ZXY rotation

Site	Coordinates	Min	Max	Parent Block	Rotation
Jinlonggou Pit 3	Y	12,700	14,000	5	0
	X	10,400	10,900	5	0
	Z	2,900	3,550	5	0
Xijinggou	Y	10,000	11,600	5	0
	X	16,000	18,000	5	0
	Z	2,900	3,800	5	0
Qinglonggou North M2	Y	15,860	16,580	5	0
	X	11,020	11,130	5	0
	Z	3,300	3,710	5	0
Qinglonggou North M3	Y	15,400	16,720	5	0
	X	10,580	11,320	5	0
	Z	3,100	3,700	5	0
Qinglonggou North Deep West	Y	15,600	16,300	5	0
	X	10,700	11,100	5	0
	Z	2,700	3,400	5	0
Qinglonggou South	Y	14,300	15,400	5	0
	X	10,200	10,900	5	0
	Z	3,000	3,600	5	0
Qinglonggou East	Y	4,242,580	4,243,580	5	0
	X	630,400	631,500	5	0
	Z	2,600	3,600	5	0

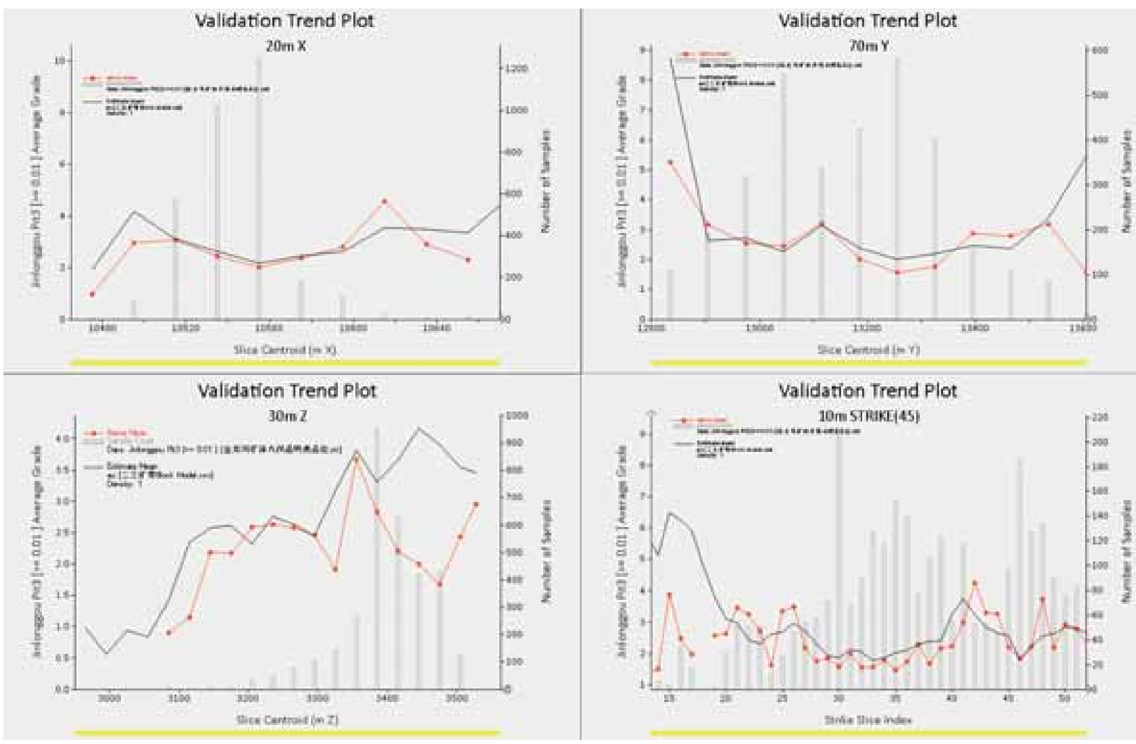
Gold (Au ppm) was interpolated to the empty block model using Ordinary Krigin by a site geologist in Dachaidan, and IDW3 (Inverse Distance Cube) methods were used by BAW as verification. BAW believes IDW3 was more suitable for Dachaidan and 3 pass grade interpolation was used, which pass 1 related to Measured resources, pass 2 to Indicated and Pass 3 to Inferred.

Table 3-11 Block model attributes

Attribute	Description
BLOCK	Production block name
IJK	IJK number for each parent block
ZONE	Mineralization block number
Vol	Volume percentage
DENSITY	Estimated in situ dry bulk density
Au_idw	Estimated gold value in ppm (idw3 method)

Attribute	Description
Au_ok	Estimated gold value in ppm (Kriging method)
No of Samples	Number of samples for grade interpolation (idw3 method)
No of Holes	Number of Holes for grade interpolation (idw3 method)
SV	Search volume category
CAT	Resource classification
Mined	Historical mining Depletion

3.10.7 Model Verification



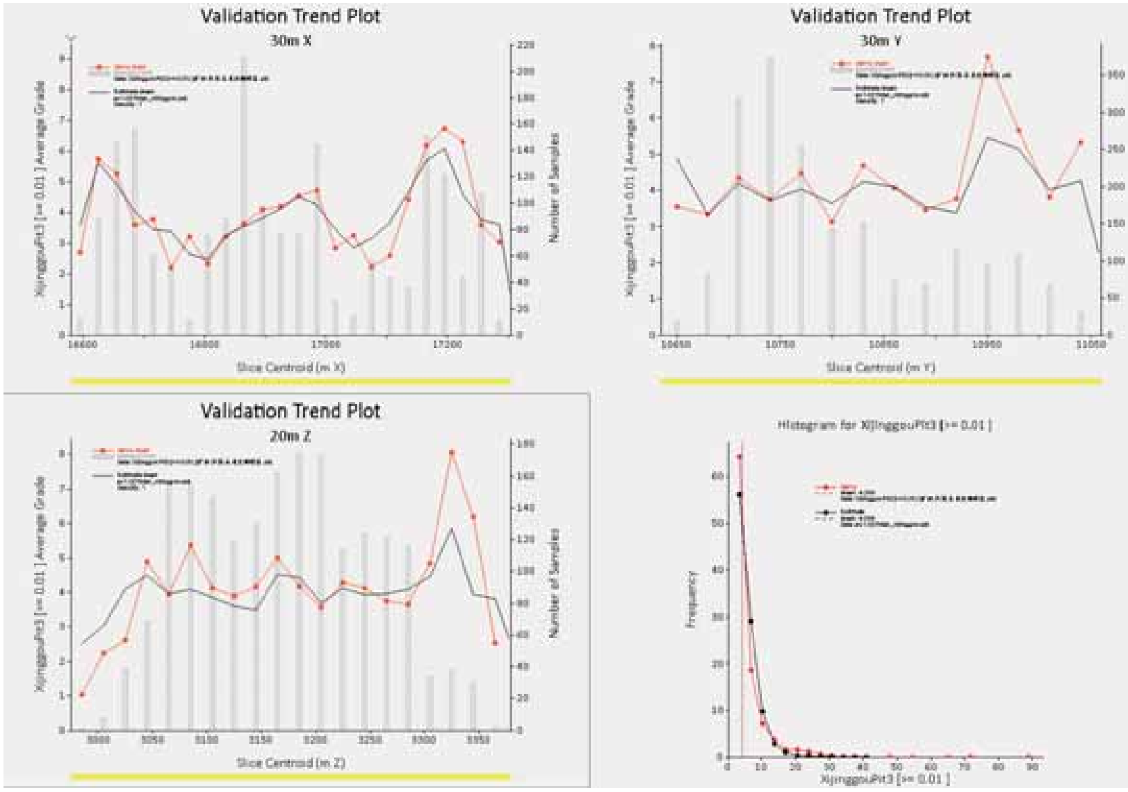


Figure 3-8 Swath plot for Dachaidan deposit

BAW has not only visually checked the Au block grade and the composite grade used for the estimation by sections, but also independently conducted Dachaidan Au resource estimate using the capped composites with Inverse Distance Cube (IDW3) through Datamine software. The resource estimations by Dachaidan and BAW are consistent.

3.10.8 Resource Reporting

The current resource estimate by Dachaidan is based on the 1.0 g/t Au cut-off, which was given by Dachaidan. The MRE presented in Table 3-12 has been depleted by all mining and development works, as of 31 December 2022.

Table 3-12 Summary of Dachaidan Mineral Resources at a 1.0 g/t Au as of 2022/12/31

Site	**CAT**	**TONNES** *(kt)*	**Au grade** *(g/t)*	**Gold Metal** *(kg)*	**Note**
Jinlonggou Pit 3	Measured	–	–	–	OP & PIT20221231
	Indicated	2,754	3.78	10,399	
	M+I	2,754	3.78	10,399	
	Inferred	1,190	3.04	3,615	
	Total	3,944	3.55	14,015	
Qinglonggou M2	Measured	–	–	–	OP PIT20221231 & Mined Stope
	Indicated	346	7.64	2,646	
	M+I	346	7.64	2,646	
	Inferred	186	6.23	1,159	
	Total	532	7.15	3,805	
Qinglonggou South	Measured	–	–	–	
	Indicated	–	–	–	
	M+I	–	–	–	
	Inferred	427	6.21	2,650	
	Total	427	6.21	2,650	
Qinglonggou M3	Measured	–	–	–	Mined Stope
	Indicated	613	3.81	2,335	
	M+I	613	3.81	2,335	
	Inferred	266	2.93	780	
	Total	879	3.55	3,115	
Qinglonggou North Deep East	Measured	–	–	–	
	Indicated	–	–	–	
	M+I	–	–	–	
	Inferred	383	5.13	1,964	
	Total	383	5.13	1,964	

Site	CAT	TONNES (kt)	Au grade (g/t)	Gold Metal (kg)	Note
Qinglonggou North Deep West	Measured	–	–	–	
	Indicated	–	–	–	
	M+I	–	–	–	
	Inferred	1,356	2.69	3,644	
	Total	1,356	2.69	3,644	
Xijinggou	Measured	–	–	–	
	Indicated	2,700	4.08	11,014	
	M+I	2,700	4.08	11,014	
	Inferred	1,506	4.24	6,380	
	Total	4,206	4.14	17,394	
Qinglonggou East	Measured	–	–	–	
	Indicated	1,738	8.11	14,095	
	M+I	1,738	8.11	14,095	
	Inferred	529	7.62	4,029	
	Total	2,267	7.99	18,124	
Stockpile	Measured	1,314	5.21	6,850	
	Indicated	–	–	–	
	M+I	1,314	5.21	6,850	
	Inferred	–	–	–	
	Total	1,314	5.21	6,850	
Total	Measured	1,314	5.21	6,850	
	Indicated	8,151	4.97	40,489	
	M+I	9,465	5.00	47,339	
	Inferred	5,843	4.15	24,221	
	Total	15,308	4.67	71,561	

Notes:

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.

2. The effective date for the Mineral Resource estimates is Dec 31, 2022.

3. Mineral Resource estimates account for mining depletion up to and including Dec 31, 2022.

4. A cut-off value at 1.0 g/t Au was used for Dachaidan open pit deposit.

5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

3.10.9 Conclusions and Recommendations

BAW visually inspected the Dachaidan block model grade against the composites, carried out a capping study, investigated variograms, interpolated Au grade with the Inverse Distance Cube method using Datamine and compared the volumetric of each domain with the onsite model. BAW concluded that the global resources between BAW and Dachaidan match well, and the internal resource estimate model provided by Dachaidan is acceptable.

Figure 3-9 Yintai 2022 Exploration

404 holes totaling 83,545.92 m Infill and explorational drilling were conducted by Dachaidan in the year 2022, and some areas are still under exploration, BAW noticed that there were explorational mineralized materials were not included in the resource estimate as the limited dataset provided, according to Yintai Gold 2022 Annual report and internal exploration report, there is still 8,530 kg gold metal underestimated this time, drilling data, models and the related report was not provided to BAW. Mineralization in the Dachaidan area is quite complex and promising, BAW believes that infill and explorational drilling is recommended to get more resources.

3.11 Mining

BAW mainly relied on Changchun Gold Design Institute, 2018 & 2020 Feasibility Study report; Qinglonggou Gold Mine, 2021 Mine Reserves Annual Report, the information and data provided by the Dachaidan and collected from site inspection by BAW. BAW understands that a portion of the data is pending further updates.

Qinghai Dachaidan Gold Mine of Yintai Gold is located in Haixi Prefecture, Qinghai.

From Qinglonggou Gold Mine 2021 Mine Reserve Annual Report of Qinghai Dachaidan Mining, February 2022, the mine shut down from 2013 to 2018; from 2019 to 2021, the Qinglonggou Gold Mine operated in the Qinglonggou section. This annual report includes Qinglonggou North, Qinglonggou South and 323 North and 323 South in Figure 3-10.

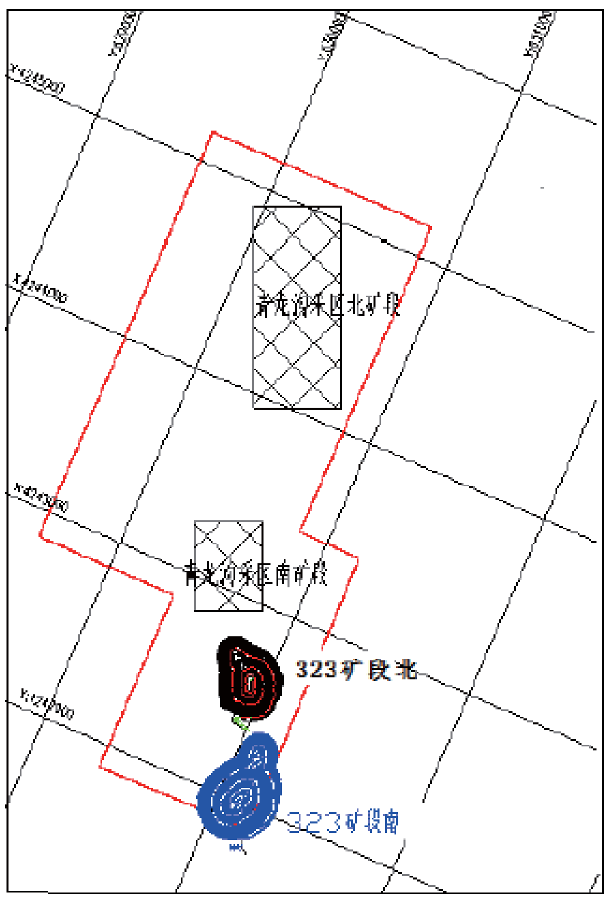


Figure 3-10 Map of Qinglonggou gold mine from Changchun Gold Design Institute, 2020 FS report (Source: Dachaidan)

Tanjianshan project includes Jinlonggou Mining Area. Qinglonggou Project includes Qinglonggou North Mining Area, Qinglonggou South Mining Area, 323 South Mining Area and 323 North Mining Area. Xijinggou Mining Area is under the feasibility study phase. The open pit mining at Qinglonggou 323 North was completed.

Production in the Tanjianshan area was suspended from 2017 to 2019 due to the development program for underground mining. In 2019, open-pit and underground mining operations commenced in the Qinglonggou area in 2019 and 2020, respectively.

3.11.1 Mining Methods

BAW reviewed Changchun Gold Design Institute, 2018 & 2020 Feasibility Study reports, the information and data provided by the Dachaidan and collected from site inspection by BAW.

3.11.1.1 Qinglonggou North

This chapter summarizes the major operational mining method and the underground operation at Qinglonggou North.

3.11.1.1.1 Mine Operation Status

Mining at Qinglonggou North uses the underground mining method.

3.11.1.1.2 Mining Methods

The ore body makes it suitable for the use of underground mining. The mine uses adit and main decline development to access different underground ore zones. Trackless transportation is adopted, and haul trucks are used for transportation.

Several mining methods such as Avoca mining, Cut and Fill mining, Shrinkage mining, etc. have been used over the years.

- Avoca: thickness greater than 4 m, the continuous filling and segmented open field method is used.
- Cut and Fill: thickness less than 0.8 m, cutting and filling method mining used.
- Shrinkage Stoping: thickness greater than 0.8 m and less than 4 m, and good ore rock stability. Shallow-hole retention and subsequent filling method adopted.

3.11.1.2 Qinglonggou South

This chapter summarizes the major operational mining method and the underground operation at Qinglonggou South.

3.11.1.2.1 Mine Operation Status

Mining at Qinglonggou South uses the underground mining method.

3.11.1.2.2 Mining Methods

The ore body makes it suitable for the use of underground mining.

Several mining methods such as Avoca mining, Cut and Fill mining, Shrinkage mining, etc. is similarly used with Qinglonggou North.

3.11.1.3 *Qinglonggou 323 South*

This chapter summarizes the major operational mining method and the surface operation at Qinglonggou 323 South.

3.11.1.3.1 Mine Operation Status

Mining at Qinglonggou Gold 323 South uses the open pit mining method.

3.11.1.3.2 Mining Methods

The ore body makes it suitable for the use of surface mining. The mine uses access road development. Hauling is performed by a fleet of haul trucks. The fleet is primarily used for mine production and stockpile handling; however, it is also involved in tasks such as clean-up and other support functions.

The final pit mining boundary is shown in Figure 3-11.

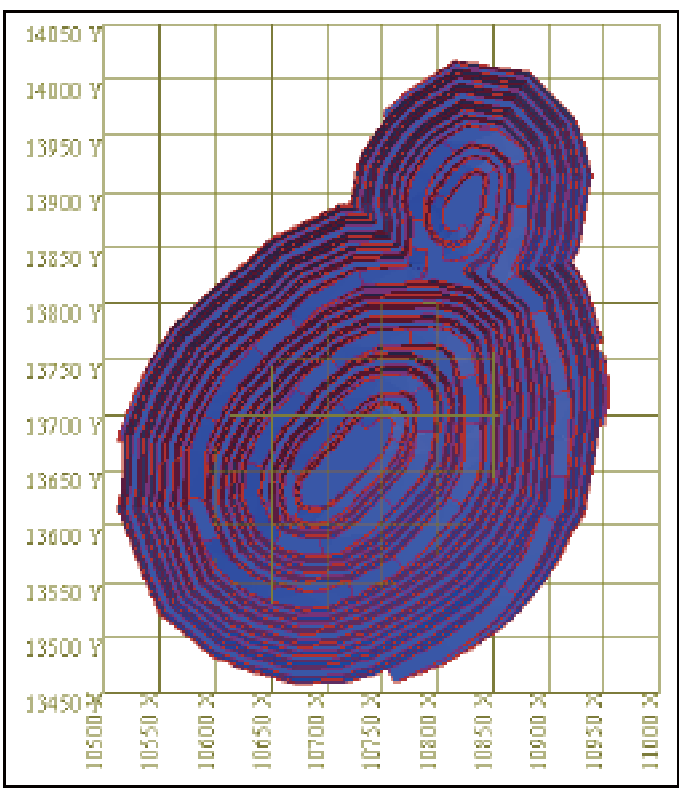


Figure 3-11 Final pit boundary at Qinglonggou 323 South Mine from Changchun Gold Design Institute, 2020 FS report (Source: Dachaidan)

The open pit mine is a truck and excavator mining operation, with a fleet of haul trucks combined with hydraulic excavators and front-end loaders (FELs) as primary loading units. The FELs, due to their mobility, are assigned to ore or waste as required and are utilized for stockpile re-handle.

3.11.1.4 Tanjianshan

This chapter summarizes the major operational mining method and the operation at Tanjianshan.

3.11.1.4.1 Mine Operation Status

Tanjianshan previously used the open pit method. Currently, Mining at Jinlonggou uses an underground method.

3.11.1.4.2 Mining Methods

BAW considers that the mining method and scope adopted are reasonable.

3.11.1.5 Xijinggou

This chapter summarizes the major operational mining method and the operation at Xijinggou. LERINM carried out a feasibility study and submitted the Feasibility Report for Mining Engineering of Xijinggou Gold Mine in February 2021.

3.11.1.5.1 Mine Operation Status

Mining at Xijinggou uses the open pit mining method.

3.11.1.5.2 Mining Methods

LERINM conducted an economic and technical comparison between open pit and underground mining operations in terms of capital investment, production cost, the quality of mined mineralized materials, and production safety, concluding that it is better to adopt open pit mining focusing on the mineralized body located at Xijinggou.

3.11.2 Mineral Reserve Estimates

In this chapter, BAW reviewed and summarizes mining factors, economic factors, and the preliminary reserve estimation.

3.11.2.1 Factors

BAW makes conservative assumptions for Dachaidan.

3.11.2.2 Reserve Estimation

The data discussed in the previous section of this chapter is used to create potential total reserve estimation. The potential Dachaidan reserve estimate summarizes in Table 3-13.

Table 3-13 Dachaidan Mineral Reserve Blocks at a 2.0 g/t Au cut-off as of 2022/12/31 by BAW

Site	CAT	TONNES (kt)	Au grade (g/t)	Gold Metal (kg)	Note
Jinlonggou Pit 3	Proved	–	–	–	OP
	Probable	1,975	4.16	8,212	& PIT20221231
	Total	1,975	4.16	8,212	
Qinglonggou M2	Proved	–	–	–	OP
	Probable	343	6.91	2,371	PIT20221231 & Mined Stope
	Total	343	6.91	2,371	
Qinglonggou South	Proved	–	–	–	
	Probable	–	–	–	
	Total	–	–	–	
Qinglonggou M3	Proved	–	–	–	Mined Stope
	Probable	472	4.01	1,894	
	Total	472	4.01	1,894	
Qinglonggou North Deep East	Proved	–	–	–	
	Probable	–	–	–	
	Total	–	–	–	
Qinglonggou North Deep West	Proved	–	–	–	
	Probable	–	–	–	
	Total	–	–	–	
Xijinggou	Proved	–	–	–	
	Probable	2,035	4.38	8,918	
	Total	2,035	4.38	8,918	

Site	CAT	TONNES (kt)	Au grade (g/t)	Gold Metal (kg)	Note
Qinglonggou East	Proved	–	–	–	
	Probable	1,684	7.49	12,609	
	Total	1,684	7.49	12,609	
Stockpile	Proved	1,314	5.21	6,850	
	Probable	–	–	–	
	Total	1,314	5.21	6,850	
TOTAL	Proved	1,314	5.21	6,850	
	Probable	6,509	5.22	34,005	
	Total	7,823	5.22	40,855	

BAW Cautionary Note about Reserves Estimates:

- This is only a preliminary reserve estimate with a conceptual mine plan. The mineral reserve estimate, with an effective date of December 31, 2022, was prepared by BAW. BAW understands that due to a lack of data or information, a portion of the data is pending further updates.

3.11.3 Production Schedule

Before preparing this preliminary schedule, BAW reviewed the information and data provided by the Dachaidan and collected from the site inspection by BAW. BAW understands that a portion of the data is pending further updates. If there are any discrepancies, the content in the original report shall prevail.

Based on the information provided to BAW, details of the mining license and the adjacent exploration license are summarized in the previous section.

Based on the information provided to BAW, historic production is summarized in the previous section.

The information and data for this preliminary schedule are described below:

- From the Year 2023-2025 production and development plan of Qinglonggou North, the production of 240,000 t/a is considered respectively for the Year 2023, Year 2024, and Year 2025.

- From the production and stripping plan of Qinglonggou 323 South, the production of 346,000 t for the Year 2023.

- From the Year 2023-2025 production and development plan of Jinlonggou Decline, the production of 65,000 t/a, 120,000 t/a, and 240,000 t/a are considered respectively for the Year 2023, Year 2024, and Year 2025.

- From the Year 2023-2025, the production and development plan of Qinglonggou South Shaft, the production of 3,000 t/a, 55,000 t/a, and 60,000 t/a are considered respectively for the Year 2023, Year 2024, and Year 2025.

- From the Year 2023-2025 production and striping plan of Xijinggou, the production of 5,700 t/a, 249,000 t/a, and 884,800 t/a are considered respectively for the Year 2024, Year 2025, Year 2026.

- From the section of processing, mill throughput: about 643,000 t (with water 0.66%).

- Dachaidan Mining currently owns two mining licenses: 600,000 t/a for Tanjianshan and 400,000 t/a for Qinglonggou.

- Assumed comprehensive gold recovery from Section of Processing: 89.90%.

- Gold production is based on economic targets.

- The production schedule will be adjusted based on further data.

A preliminary Dachaidan mine scheduling was developed by BAW (Table 3-14).

A preliminary mine scheduling was developed by BAW (Table 3-14).

Table 3-14 The preliminary Dachaidan mine schedule by BAW

ZONE	TONNES (t)	Grade (g/t)	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Remnant
Jinlonggou Pit 3	1,975,000	4.16	411,000	120,000	240,000		100,000	100,000	100,000	300,000	300,000	300,000	4,000		
Qinlonggou M2	343,000	6.91	240,000	103,000											
Qinlonggou M3	472,000	4.01		137,000	240,000		95,000								
Xijinggou	2,035,000	4.38		5,700	249,000	884,880	300,000	300,000	295,420						
Qinlonggou East	1,684,000	7.49	3,000	55,000	60,000		148,000	243,000	247,580	343,000	343,000	241,420			
Stockpiles	1,314,000	5.21		222,300								101,580	639,000	351,120	
Total	7,823,000		654,000	643,000	789,000	884,880	643,000	643,000	643,000	643,000	643,000	643,000	643,000	351,120	
		Grade g/t	5.18	5.22	4.44	4.38	5.01	5.52	5.54	5.94	5.94	5.58	5.20	5.21	
		Rec. g/t	4.66	4.69	3.99	3.94	4.50	4.96	4.98	5.34	5.34	5.01	4.68	4.68	
		Rec. Au OZ	98,285	97,264	101,480	112,349	93,324	102,907	103,320	110,647	110,647	103,933	96,987	53,028	1,184,171

Cautionary note that this is only a preliminary mine schedule based on a conceptual plan and a preliminary reserve estimate. BAW understands that a portion of the data is pending further updates. The preliminary schedule will be adjusted based on further data. BAW recommends that a complete supporting study and detailed long-term plan should be done in compliance with the Mine schedule.

3.11.4 Mining Equipment

3.11.4.1 Qinglonggou North Equipment

Diesel and electric hydraulic equipment will be employed throughout the mine. The primary haulage fleet will consist of haul trucks and LHDs for the mineralized material, waste handling, and secondary tasks. Development drilling will be conducted using jumbos and long-hole drilling will be conducted using equivalent drills. A list of the major equipment used is shown in Table 3-15.

Table 3-15 Mine Major Equipment Summary

Major Equipment	Total
Jumbo	2
Bolter	1
Longhole Drill	1
Raise boring	1
Cable Bolter	1
LHD	11
Truck	9

Equipment requirements were based on the maximum annual duty hours for an individual piece of equipment, modified for mechanical availability and projected utilization.

3.11.4.2 Qinglonggou South Equipment

The major equipment is similarly used in Qinglonggou North.

3.11.4.3 Qinglonggou 323 South Equipment

Diesel and electric hydraulic equipment will be employed throughout the mine. Equipment requirements were developed from the first principles, based on the maximum annual duty hours for an individual piece of equipment, modified for mechanical availability and projected utilization. A list of the major equipment used in the mine is shown in Table 3-16.

Table 3-16 Mine Major Equipment Summary (Source: Dachaidan)

	Major Equipment	Type	Q.	Note
1	Excavator	PC850-8E0	1	4.5 m^3
2	Excavator	500	1	4.5 m^3
3	Excavator	PC460LC-8	3	3.6 m^3
4	Excavator	360	1	2 m^3
5	Excavator (breaker)	PC220-8M0	1	
6	Haul truck	TL855B	13	25 m^3
7	Haul truck	875	2	30 m^3
8	Loader		5	

3.11.5 Mine Service

3.11.5.1 Qinglonggou North Mine Service

This chapter summarizes the mine service at Qinglonggou North.

3.11.5.1.1 Ventilation

The ventilation will involve all the existing raise and shaft connections to the surface. At present, the south shaft and north shaft are used for ventilation.

Ideally, a stope should be ventilated with natural ventilation flowing from the level below through the stope up the raise. The raise and man ways should be placed so that the airflow supplies most of the stope. Auxiliary ventilation can be introduced as required.

3.11.5.1.2 Mine Drainage and Water Supply

The adits and shafts are used to dewater the underground mine. The adit is gravity drainage. The Shaft shall have some pump stations and an associated collection of sumps. Pumps operating status depends on sump levels.

A centralized water supply is adopted, using a 300 m^3 water pond near the north air shaft. 12 m^3 water tank is equipped for underground water supply and rescue water.

The underground production water supply is described below:

- The water for production, firefighting, supply, and rescue is supplied by the surface drainage pumping station.
- The production, firefighting, supply, and rescue use one set of water supply systems.

3.11.5.1.3 Backfilling

The continuous filling sublevel stoping method is used for larger than 4 m ore body, and the stope void is filled with waste rock cementation.

A cement slurry preparation station is built near the portal of the north return air shaft, which is transported through the pipeline to the underground and mixed with the waste rock to fill the stope.

3.11.5.1.4 Power Supply

The overhead line (10 kV, LGJ-120 and 1.45 km) connected to Qinglonggou North from the 35/10 kV substation. The capacity can meet the demand of the Qinglonggou North Mine.

3.11.5.2 Qinglonggou South Mine Service

The Mine service at Qinglonggou South is similarly used with Qinglonggou North.

3.11.5.3 Qinglonggou 323 South Mine Service

This chapter summarizes the mine service at Qinglonggou 323 South.

3.11.5.3.1 Personnel

Sufficient human resources with certain job skills meet the requirement of the operation. According to the operation, Qinglonggou 323 South requires a total of 57 people (excluding outsourcing), including 12 open-pit mining management personnel and 45 auxiliary production and management personnel.

3.11.5.3.2 Power Supply

A mobile diesel generator set (100 kVA and 400 V) is proposed as the power supply for submersible pumps and lighting equipment.

3.11.5.3.3 Communication

Wireless walkie-talkies and mobile phones are mainly used for communication.

3.12 Processing

The information in this section is based on the reports below. If there are any discrepancies, the content in the original reports shall prevail.

1) *Qinglonggou Gold 323 Section (South) Basic Engineering* by Changchun Gold Design Institute, 2020.12.

2) *Qinglonggou Gold Modification Project Basic Engineering* by Changchun Gold Design Institute, 2020.

3) *Qinghai Province Dachaidan Town Jinlonggou Gold Metallurgical Test Report*, by Qinghai Geology Mine Test and Application Center, 2018.11.

4) *Qinghai Dachaidan Xijingou Gold Mining Project Feasibility Study*, by Lanzhou Non-ferrous Metallurgical Design and Research Institute Ltd., 2021.02.

5) Qinghai Dachaidan Mining Inc. *Processing Flow Sheet*, by the owner.

6) *Various Projects Summary*, by the owner.

7) *Processing Plants Annual Report – 2022*, by the owner.

8) Qinghai Dachaidan Mining Inc. *Processing Plant Introduction and Production Situation*, by the owner.

Dachaidan Tanjianshan projects include Jinlonggou Mining Area, and Qinglonggou Project, which includes Qinglonggou North Mining Area, Qinglonggou South Mining Area, 323 South Mining Area and 323 (North) Mining Area. Xijinggou Mining Area is under the feasibility study phase.

Qinghai Dachaidan Mining Co. Ltd. processing plants started in October 2006 but suspended operation in December 2016, and then restarted in April 2019. Currently, the processing plant is processing oxidized ores or low-sulfur ores now. The product is alloy gold and the byproduct is H_2SO_4 and the middle product – Flotation Concentrate now. (Roasting System has not run yet.)

The concentrator currently has two systems for processing two different types of ores.

1) The process of the No. 1 system: Crushing – SAG – Classification – Pre-leaching – Leaching and Adsorption (CIL) – carbon stripping and electrowinning – smelting – cyanide destruction – tailings flotation (2 Roughing + 1 Scavenging + 1 Cleaning)

2) The process of the No. 2 system: Crushing – SAG – Classification – Quick and Pre-Flotation – Flotation (2 Roughing – 1 Scavenging – 2 Cleaning) – Flotation Concentrate Oxidation Roasting – Flotation Tailings and Roasting Sand Cyanidation.

The two systems are relatively independent and cooperate. The process can be flexibly adjusted according to the type of ore.

When processing low-carbon, low-sulfur, easy-smelting ore. The ore is processed by the No. 1 system first and then cyanide tailings are processed by flotation of the No. 2 system after cyanidation destruction. The flotation concentrate is oxidized and roasted, and the calcined product returns to the No. 1 system for CIL, forming "CIL + Cyanide Tailing Flotation + Flotation Concentrate Oxide and Roasting + Calcination CIL" processing and smelting plant.

When fed with refractory gold ores containing high arsenic, high sulfur, and high carbon fine particles, the ore is processed by the No. 2 system for flotation, the flotation concentrate is oxidized and roasted, and the flotation tailings and calcined product enter CIL of No. 1 system. It forms "Flotation – Flotation Concentrate Oxidizing and Roasting + Flotation Tailings Roasting and Roasted Product CIL".

3.12.1 Process Description

Currently, ROM is mainly Oxide Ore or low-sulfur ore, the processing is Crushing + Grinding Circuit + CIL + CIL Tailings Cyanide Destruction + Tailings Flotation + Flotation Concentrate. Oxidizing and Roasting will run in the future.

A. The existing No. 1 System Processing Flowsheet is Figure 3-12

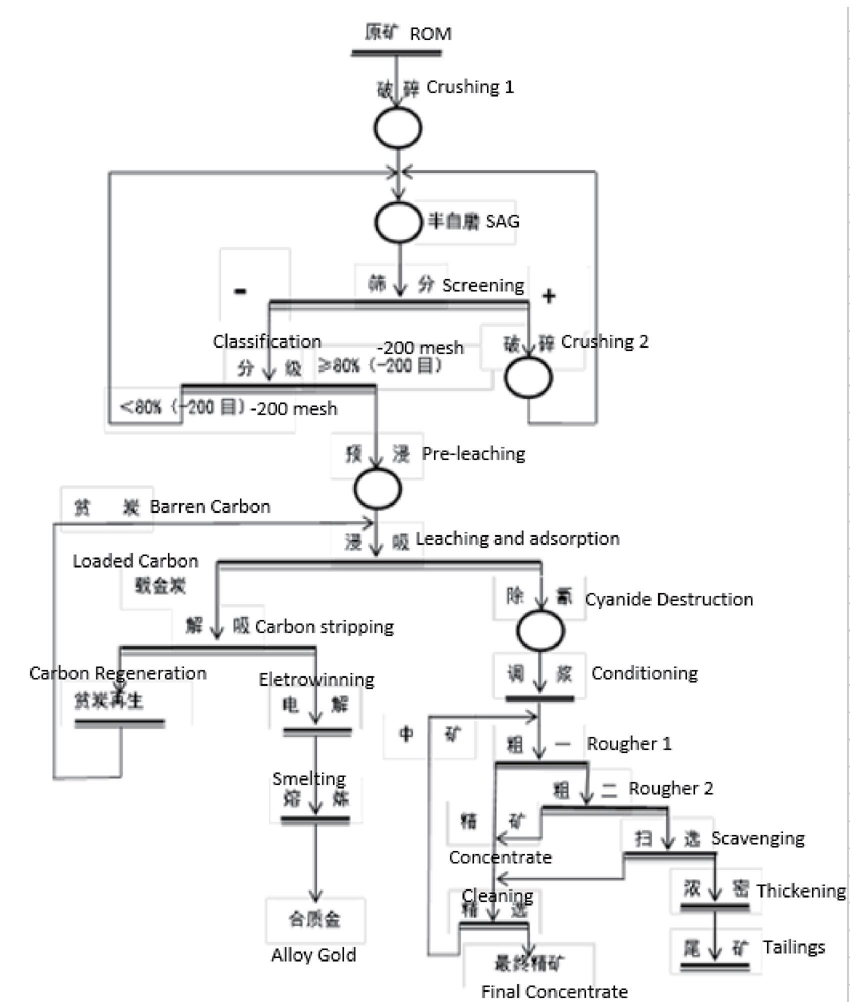


Figure 3-12 No. 1 System Processing Flowsheet Diagram

1) Crushing

ROM from the ROM bin is fed to the C100 jaw crusher through 1 set of 1,500×7,000 heavy-duty Apron Feeder for crushing. The product of primary crushing is transported to Storage Bin by 1# and 2# Belt Conveyors. The particle size of the crushed product is -120 mm.

2) Grinding Circuit

The grinding circuit has only one series for the No.1 and No. 2 system, including SAG + Classification 1 + Classification 2. The ore in Storage Bin is sent to the 3# Belt Conveyor by the Motor Vibration Feeder and then fed into the ϕ10,200×4,700×SAG by the 3# Belt conveyor for grinding. SAG mill discharges slurry to 1 set of 2,300×5,000 vibrating screens for screening. The pebbles on the screen are sent to a ϕ1,295 cone crusher for pebble crushing through 4#, 5#, and 6# Belt Conveyors and the crushed pebbles are transported to the 3# Belt conveyor by 7# Belt Conveyor and then back to SAG mill for regrinding. The vibrating screen underflow flows to the pump tank and then is pumped by the slurry pump to 1 set of hydro cyclone clusters – ϕ250×10 for classification. The overflow of the cyclone flows to the trash screen and the underflow flows to the SAG mill or flows to quick flotation which is based on the ore type of ROM. The oversize material of the trash screen is collected and the undersized material flows to the CIL system or Flotation system, named No.1 and No.2 system separately and opened as per different types of ores. Cyclone overflow is with -200 mesh at 80%.

3) CIL

The CIL system includes 8 sets of ϕ9,000×9,500 tanks for leaching in sequence. During the leaching process, lime and sodium cyanide are added and oxygen is filled. The carbons are lifted by a lifter from 9# to 2# tanks. The gold-loaded carbons are lifted by a lifter from the 2# tank to the safety screen; the overflow is transferred to of Carbon Stripping and Electrowinning system; the underflow goes back to 2#. Cyanide tailings flow out from 9# to the safety screen. The overflow with fine-loaded carbons of the safety screen is processed separately and the underflow of the safety screen flows to the Cyanide Destruction system.

4) Carbon Stripping and Electrowinning

Refer to the No.2 system process description.

5) Cyanide Tailings Destruction

The cyanide tailings flow into 4 stirring tanks of ϕ5,000×6,500 by gravity, and the cyanide is broken by the Inco method. By adding sodium metabisulfite, copper sulfate and filling oxygen to carry out cyanide removal chemical reaction, remove the cyanide in the cyanide tailings slurry and make the total cyanide in the slurry less than 5ppm.

The cyanide tailings slurry is detoxified by the Inco method (SO2-air method) and then goes to flotation, the final concentrate of flotation is stored in No. 2 TSF, and the final tailings of flotation are sent to No. 4 TSF. The water from the concentrate storage and tailing storage is returned to the production system for recycling to achieve zero discharge.

6) Cyanide Tailings Flotation

After cyanide destruction, the tailings are pumped into 2 sets of ϕ5,500×6,000 mixing tanks in the flotation system (The No. 2 system), where chemicals are added and stirred. The stirred slurry is fed into the flotation cells and undergoes two stages of roughing, one stage of cleaning and one stage of scavenger. The concentrate of the cleaning is the processing concentrate and is pumped to 2# storage ponds. The tailings of the flotation flow to the tailing thickener. The underflow of the thickener is sent to 4# TSF and the overflow is returned to reuse in the processing.

7) Tailings Disposal

The underflow of the thickener is sent to 4# TSF and the overflow is returned to reuse in the processing.

B. The existing No. 2 System Processing Flowsheet is in Figure 3-13.

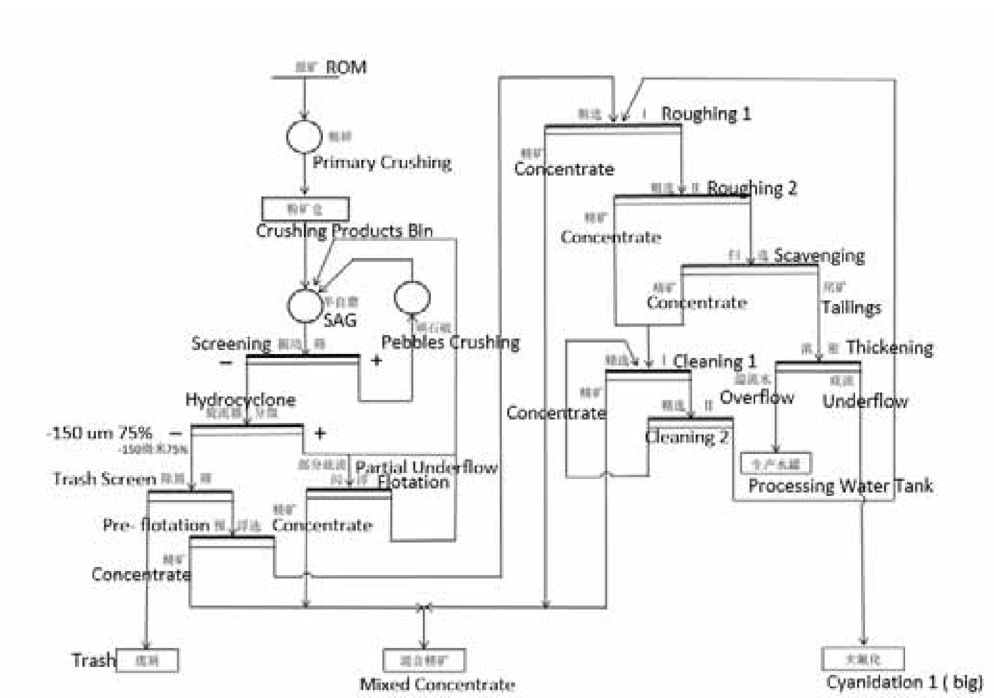


Figure 3-13 No. 2 System Processing Flowsheet Diagram

1) Crushing

There is only one series of crushing for the No.1 and No.2 system.

2) Grinding Circuit

No.1 and No.2 systems use the same series of grinding circuits.

3) Flotation

The underflow of the trash screen flows to the flotation system, which includes quick flotation, pre-flotation, 2 roughing, 1 scavenging and 1 cleaning. (This flotation also processes the CIL tailings when ROM is oxidized ore.)

4) Flotation Concentrate Dewatering + Roasting (not in operation)

The existing processing plant has installed the facilities with equipment for flotation concentrate dewatering and roasting, but they are not in operation now.

Below is a processing flowsheet of flotation concentrate dewatering and roasting, Figure 3-14.

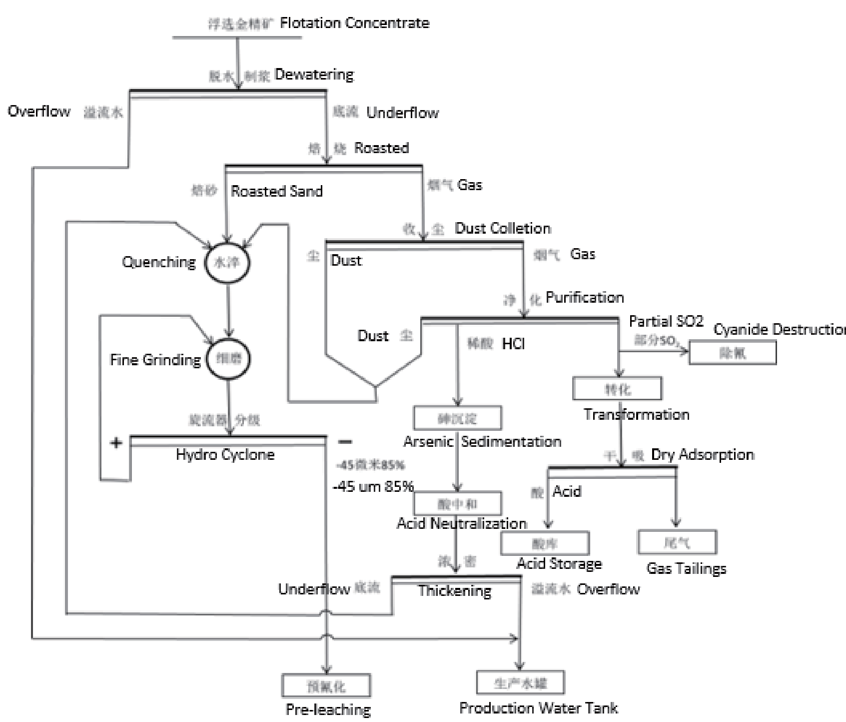


Figure 3-14 Flotation Concentrate Dewatering (not run yet) + Roasting Processing Flowsheet Diagram

5) Flotation Tailings and Roasted Sand Cyanidation, Carbon Stripping and Electrowinning

Below is a processing flowsheet of CIL 1, CIL 2 (small), CIL 3 (big), Carbon Stripping and Electrowinning, Figure 3-15.

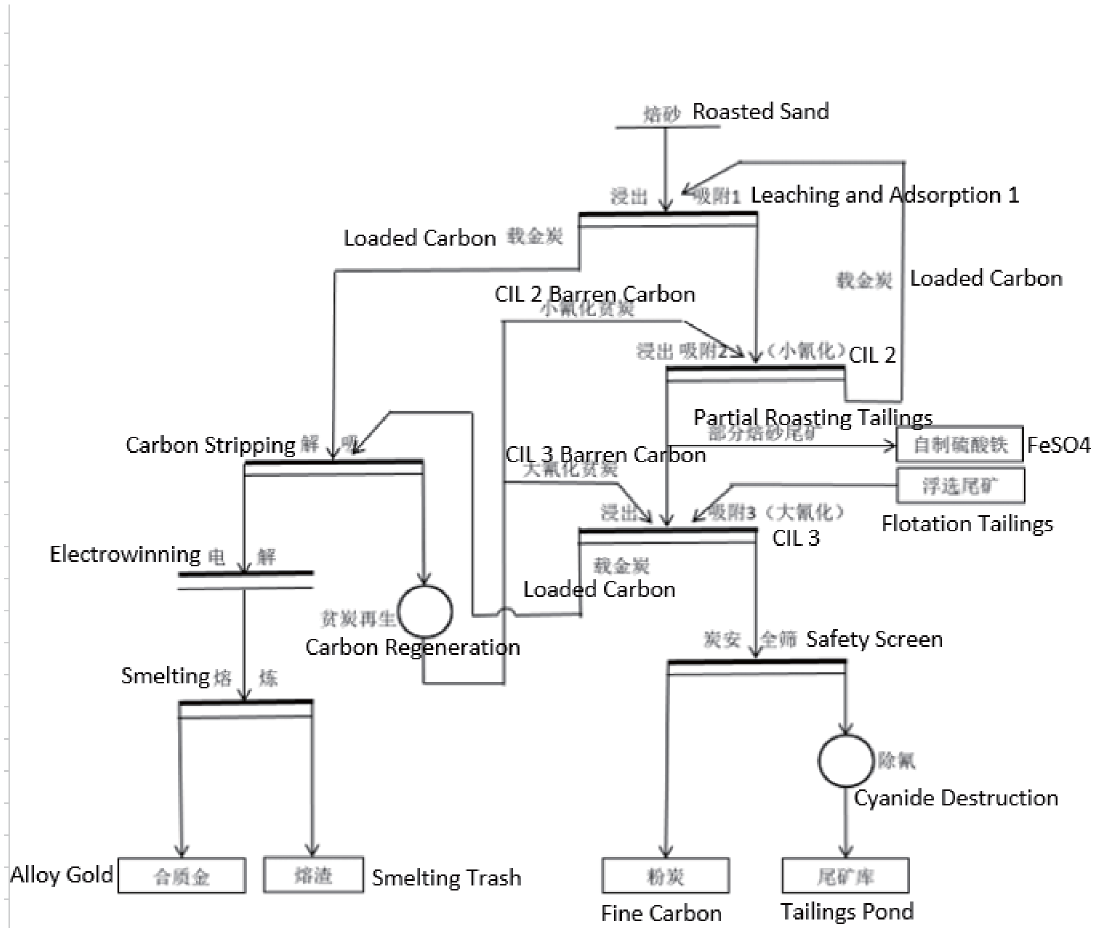


Figure 3-15 CIL 1, CIL 2, CIL 3, Carbon Stripping and Electrowinning Processing Flowsheet

Flotation tailings are processed by thickener; overflow goes to the water recycling system and underflow goes to the pre-cyanidation system including 3 sets of ϕ9,000×9,500 leaching tanks for pre-leaching.

The tailings of pre-leaching flows to 1A and 1B CIL 2 (small cyanidation process) including 8 sets of ϕ5,000×5,600. The tailings of 1A and 1B flow to CIL 3 (Big CIL) which includes 7 sets of ϕ9,000×9,500 leaching tanks. The tailings of CIL 3 flow to cyanide destruction and TSF.

The gold-loaded carbon of overflow of the safety screen is transported by hydraulic power to Carbon Stripping and Electrowinning system.

The gold-loaded carbon is desorbed by high-pressure cyanide-free, and the pregnant solution is electrolyzed to obtain gold sludge, which is sent to the alchemy room for smelting. The stripped carbon after desorption is acidized and neutralized and then goes to a reaeration kiln and then quenched for future usage.

6) Cyanide Tailings Destruction and Tailings Disposal

No.1 and No.2 are with the same cyanide tailings destruction and tailing disposal.

C. Flotation Concentrate Dewatering (not run yet) + Roasting

The existing processing plant has installed the facilities with equipment for flotation concentrate dewatering and roasting, but they are not in operation now.

Below is a processing flowsheet of flotation concentrate dewatering and roasting, Figure 3-16.

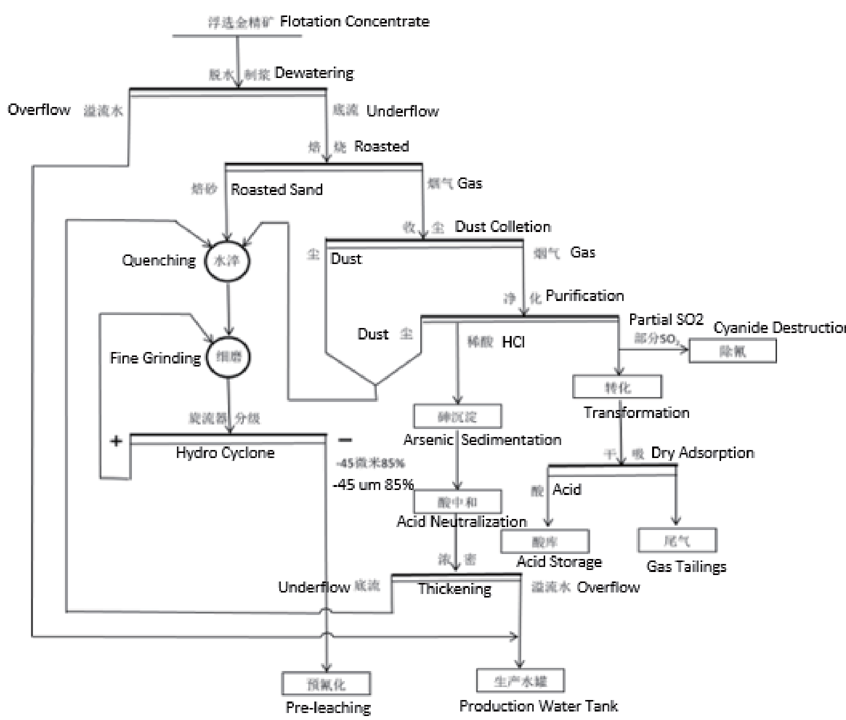


Figure 3-16 Flotation Concentrate Dewatering (not run yet) + Roasting Processing Flowsheet Diagram

D. Arsenic Precipitation, Acid Neutralization

Below is a processing flowsheet of Arsenic precipitation, and acid neutralization, Figure 3-17.

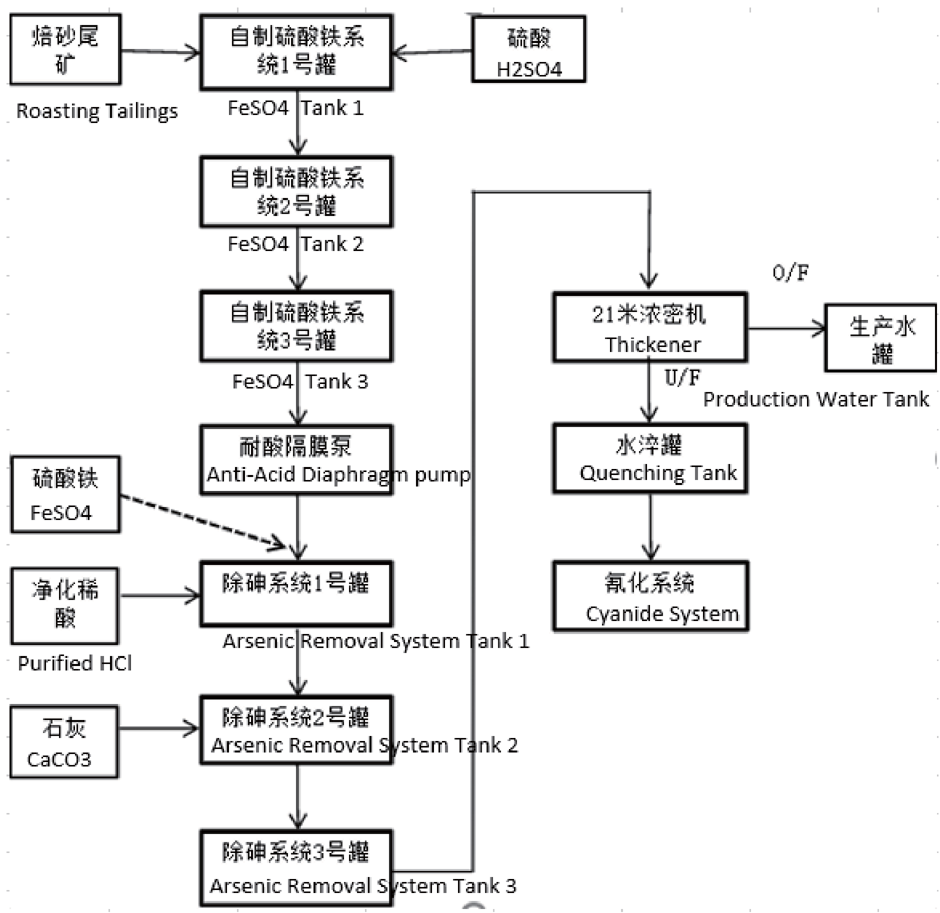


Figure 3-17 Arsenic Precipitation, Acid Neutralization Processing Flowsheet Diagram

The dilute arsenic acid produced in the purification process is dersenicized by the lime-iron salt method (adding polyferric sulfate and lime). After adding ferric sulfate to the arsenic-containing waste acid, adjust the pH to 2.5-4. Under this condition, ferric sulfate and arsenic trioxide will form iron arsenate precipitation. Continue to use lime to adjust the pH value to 8-9, and calcium hydroxide and ferric sulfate will generate hydrogen. Ferric oxide and ferric hydroxide are a kind of colloid, which can adsorb ferric arsenate and co-precipitate together. After the treatment, the arsenic concentration of the arsenic-containing waste liquid reaches the discharge standard (less than 5 ppm, national standard GB5085.3-2007), and the up-to-standard discharge enters the tailings pond or returns to the production water tank for recycling, to achieve harmless treatment.

The polyferric sulfate used for arsenic removal in production mainly uses on-site raw materials (calcined tailings and sulfuric acid) through chemical reactions to generate ferric sulfate instead of purchased polyferric sulfate for arsenic removal production.

To purify dilute acid containing arsenic, the lime iron salt method (adding polyferric sulfate and lime) is used to remove arsenic from dilute acid. The arsenic concentration of arsenic-containing waste liquid after treatment can meet the discharge standard (less than 5 ppm, national standard GB5085.3-2007), discharge up to the standard into the tailings pond or return to the production tank for recycling, to achieve harmless treatment.

3.12.2 Recovery

As per Production Metallurgical Report from Jan. 2022 to Oct. 2022 provided by the owner, CIL gold recovery is 84.76% and flotation gold recovery (based on ROM) is 5.14%, so the overall gold recovery of the existing processing plant is 89.90%.

ROM gold grade: 3.88 g/t

Mill throughput: about 643,292 t (with water 0.66%)

Grinding Fineness: -200 mesh at 82.70%.

3.12.3 Test Work

1. *Qinghai Province Dachaidan Town Jinlonggou Gold Metallurgical Test Repor*t, by, Qinghai Geology Mine Test and Application Center, 2018.11.

2. *Qinghai Dachaidan Mining Co., Ltd. Gold Metallurgical Test Report*, by the owner, 2021.05.

The main purpose of the metallurgical test report of Qinghai Province Dachaidan Town Jinlonggou Gold is to verify if Jinlonggou Gold Mine can be processed with the same processing method as Qinglonggou Gold Mine.

The conclusion of this test report:

a) Ore Process Mineralogy

The south of the Qinglonggou III ore belt – Jinlonggou Mine is hydrothermal gold ore, the rock types are dolomite marble and sericite phyllite, and the main metal minerals are native gold, pyrite, arsenopyrite, sphalerite, galena and trace Chalcopyrite, the main gangue minerals are dolomite, sericite and quartz. The main gold-bearing mineral is natural gold, containing 0.14% arsenic.

The Qinglonggou III ore belt is altered rock-type gold ore, and the rock types are carbon-bearing muscovite schist, marble, diorite, fine-grained diorite, and the main metal minerals are native gold, pyrite, arsenopyrite and a small amount of Chalcopyrite, the main gangue minerals are quartz, plagioclase, potassium feldspar, muscovite, carbonate, carbonaceous. The main gold-bearing mineral is natural gold, containing 0.060% arsenic.

b) From the perspective of process mineralogy, although the mineral compositions in the two ores are different, the main gold-bearing minerals are native gold, so both are suitable for gold recovery by flotation and cyanide leaching. The different gangue minerals in the two ores have little effect on the separation effect from the processing phenomenon.

c) Due to the special relationship between these two ore belts, it is advisable to mix the ores from the two ore belts during mining and processing in the future. Considering the uniformity of the process and the adaptability of the existing equipment of the processing plant to the process, the final recommended mineral processing process is as follows:

Raw ore grinding to -0.074 mm at 84% flotation – flotation tailings cyanidation process. The gold recovery rate of the whole process can reach 90%, the processing plant equipment has high adaptability, the difficulty of process transformation is low, and the pharmaceutical system remains unchanged.

Generally speaking, the Jinlonggou Sulfide Ore and the Qinglonggou III ore belt are easy to be processed and can be processed with the same processing.

3. *Qinghai Dachaidan Mining Co., Ltd. Gold Metallurgical Test Report,* by the owner, 2021.05.

The test samples of Jinlonggou by-product ore and Qinglongtan M3 ore were all sent by geology. Among them, Qinglongtan M3 ore sample is divided into four test samples: 2015jk1 (gold: 13.18 g/t, sulfur: 1.56%), 2015jk2 (gold: 2.03 g/t, sulfur: 0.00%), 2015jk3 (gold: 2.63 g/t, sulfur: 0.00%), 2015jk comprehensive sample (2015jk1:2015jk2:2015jk3=1:2:2, gold: 4.17 g/t, sulfur: 0.14%). The gold grade of Jinlonggou by-product mine is 2.56 g/t, and the sulfur grade is 2.80%.

Test results are as the following:

The average leaching rate of Jinlonggou by-product ore is 80.51%.

The average leaching rate of 2015jk1 test samples was 88.81%.

The average leaching rate of 2015jk2 test samples is 95.02%.

The average leaching rate of 2015jk3 test samples is 95.47%.

The average leaching rate of 2015jk comprehensive sample test samples was 93.49%.

Qinghai Dachaidan Mining Co., Ltd. Gold Metallurgical Test Report is done by the owner in May 2021. It doesn't have mineralogy analysis for the samples, and the current processing parameters are not provided by the owner, so we can't know if the current processing parameters can be improved or not. Along with the change of ore type of ROM, the processing can be adjusted since existing processing plants are designed for two types of ores.

3.13 Permitting, Environmental, Health and Social Impacts

3.13.1 Operational Licenses and Permits

BAW is aware that certain license such as business licenses, mining licenses, exploration licenses, safety production permits and water use permits are in place such the operation is in compliance with the regulatory and legal requirements of the PRC.

Table 3-17 Details of Mining License

Mining License Holder	Qinghai Dachaidan Mining Co., Ltd.
Name of Property	Tanjianshan Au Mining Area ("**Tanjianshan**")
License Type	Mining
License ID	C1000002011104120120032
Area (km^2)	1.03
Elevation (m)	From 750 m to -200 m
Permitted Production Capacity	600 ktpa
Type of Commodities	Gold
Mining Method	Open Pit Mine
Valid Period	17 June 2011 to 17 June 2023

Table 3-18 Details of Mining License

Mining License Holder	Qinghai Dachaidan Mining Co., Ltd.
Name of Property	Qinglonggou Au Mining Area ("**Qinglonggou**")
License Type	Mining
License ID	C1000002010044120060797
Area (km^2)	3.89
Elevation (m)	From 750 m to -200 m
Permitted Production Capacity	400 ktpa
Type of Commodities	Gold
Mining Method	Open Pit Mine
Valid Period	05 January 2023 to 05 September 2028

Table 3-19 Details of Exploration License

License Type	Exploration
License ID	T6300002018014010054584
Area (km^2)	12.73
Valid Period	22 March 2021 to 15 October 2025

Table 3-20 Details of Exploration License

License Type	Exploration
License ID	T6300002021084010056482
Area (km^2)	8.05
Valid Period	19 August 2021 to 15 October 2025

Table 3-21 Details of Exploration License

License Type	Exploration
License ID	T63000020080440100003 85
Area (km^2)	1.2
Valid Period	19 August 2021 – 18 August 2023

Table 3-22 Details of Exploration License

License Type	Exploration
License ID	T63000020080440100003 84
Area (km^2)	17.74
Valid Period	19 August 2021 – 23 June 2026

Table 3-23 Details of Exploration License

License Type	Exploration
License ID	T63000020220340500567 45
Area (km^2)	3.89
Valid Period	17 March 2022 – 16 March 2027

Table 3-24 Details of Exploration License

License Type	Exploration
License ID	T63000020080440100003 82
Area (km^2)	2.90
Valid Period	17 February 2022 – 16 February 2024

Table 3-25 Details of Exploration License

License Type	Exploration
License ID	T6300002022024010056718
Area (km^2)	63.05
Valid Period	17 February 2022 – 19 June 2026

3.13.2 Environmental Management

In order to address the potential environmental impacts resulted from the mining operation, professional design research institutes were commissioned to carry out studies of Sustainable Development and Utilization Plan of Mineral Resources ("**SDP**") for its various operation. SDP is a combination of Mineral Resources Development and Utilization Plan, Land Reclamation Plan, and Geological Environment Protection and Restoration Plan to assess various aspects, such as, impacts on ecology, land subsidence, water and soil conservation, underground hydrogeology, surface drainage, dust and air quality, noise control, solid waste and emission, regulatory compliance and planning of environmental monitoring pursuant to the regulatory and legal requirements of the PRC in relation to nation-wide environmental, provincial environmental and administration. BAW understands that the SDPs were reviewed and approved by relevant government agencies pursuant to the regulatory and legal requirements of the PRC.

3.13.3 Occupational Health and Safety

Gold mining operation in the PRC is generally required to implement corporate safety policy and conducts its operations in accordance with the relevant national laws and regulations with respect to Occupational Health and Safety ("**OHS**") in construction, mining, production, blasting and explosives handling, waste rock dump design, mineral processing, environmental noise, emergency response, water and soil conservation, fire protection and fire extinguishment, sanitary provision, power provision, labour and supervision. BAW understands that the gold mine generally implement OHS procedures in line with the national standards, attaching importance to a safe working environment for employees which protect them from potential occupational hazards and health and safety risks.

3.14 Economic Analysis

BAW reviewed the forecasted operation data and analyzed the late mine operation data provided by Mine. BAW also prepared a production schedule for the Dachaidan project based on the information provided. To assess the economic viability of Minable Resources under the production schedule, BAW has performed an economic analysis for the Minable Resources estimated throughout the LOM. Determination of economic viability involves the sum of discounted annual free cash flow projected from the start of the year till the end of the LOM. The economic analysis is based on the following assumptions:

1. The economic analysis presented here is on a 100%-equity basis that shows the basic economics of the project.

2. It does not incorporate financing items such as interest paid and loan principal paid back.

3. The analysis also does not incorporate any losses carried forward for tax purposes and any refund of valued-added taxes previously or currently paid.

3.14.1 Valuation Methodology

- **Market Approach**

The market Approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

- **Income Approach**

The income Approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

- **Cost Approach**

The cost Approach measures the value of an asset by the cost to reproduce or replace it with another like a utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration and functional and economic obsolescence.

3.14.2 Adopted Valuation Approach

Among the abovementioned valuation methodologies, the selection of the valuation method for the Dachaidan Project is based on, among other things, the quantity and quality of the information provided, the availability of the data, the availability of relevant market transactions, the uniqueness of the Project, the nature of business and industry involved of the Project, professional judgment and technical expertise of the management.

The selection of the valuation approach is determined primarily by the stage of development of the concerned mineral asset. The chart below (Figure 3-18) shows the application of valuation methodology for valuing mineral assets.

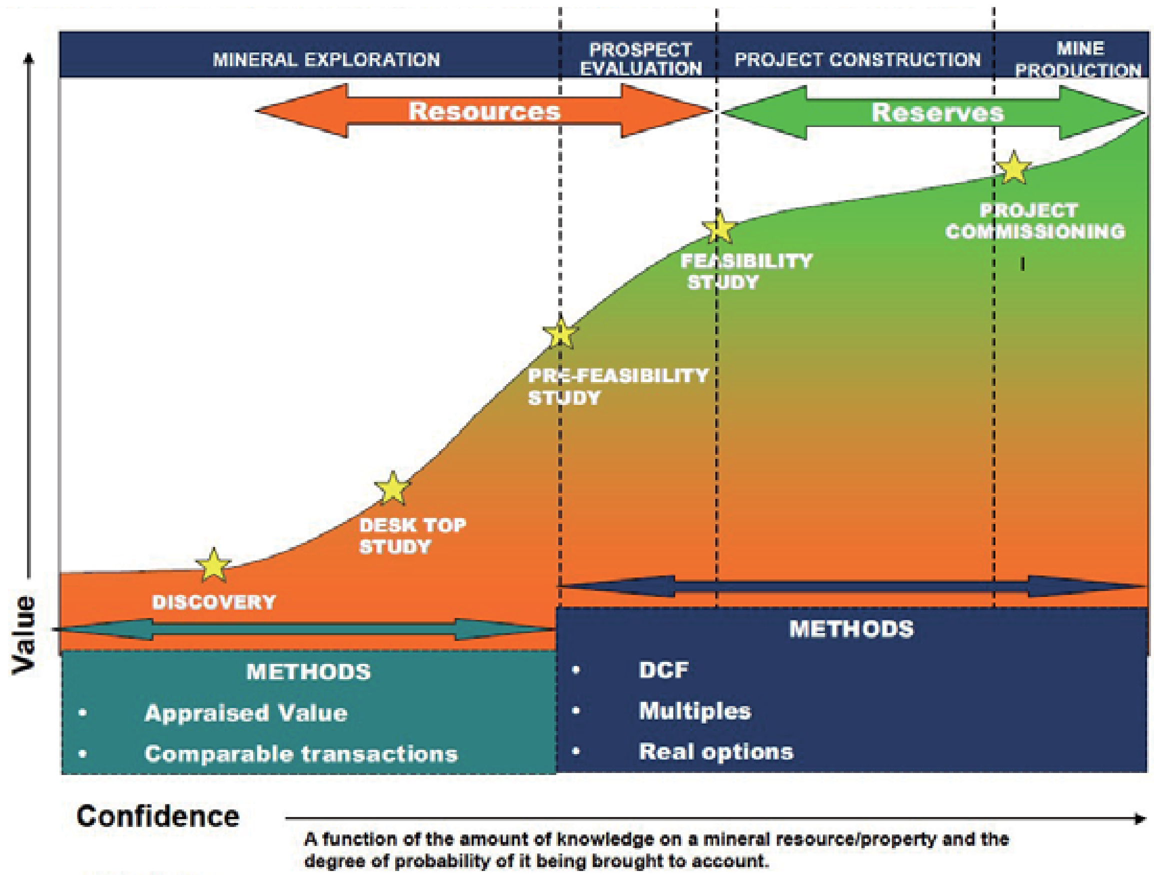


Figure 3-18 Application of different valuation Methodologies

3.14.2.1 Mineable Resource

Regarding the Mineable Resources of the Dachaidan Project, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. In addition, compared with the cost approach, the income approach can effectively and accurately reflect the future earnings of the Project. Among the income approaches, we adopted the approach of discounted cash flow projection. The adoption of such an approach for valuing the Mineable Resources is considered to be fair, reasonable and conformable with the industry practice.

3.14.2.2 Discounted Cashflow

In this method, the value depends on the present value of the economic benefits to be generated. The expected future cash flows available for payment of shareholders' loans and interest (which, in certain circumstances, is used to repay the registered capital plus interest and dividends) are converted to their present value equivalent using a rate of return appropriate for the business risk.

The expected debt-free cash flow for each year was determined as follows:

$$FCF = EBIT\ (1 - T) + Dep - InvCapex - InvNWC$$

FCF = *Expected Cash Flow*

EBIT = *Earnings before interest and tax*

T = *Tax rate*

Dep = *Non-cash items*

InvCapex = *Investment in capital expenditure*

InvNWC = *Investment in net working capital*

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present values of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \cdots + CF_n/(1+r)^n$$

In which

PVCF = Present value of free cash flows

CF = Estimated cash flows

r = Discount rate

n = Number of the year of projections

3.14.3 Gold Production and Revenue

According to the production plan developed by BAW, the Dachaidan project will produce 36,725,274 g of gold. The long-term gold price is estimated to be 443.30 RMB/g. The total revenue of gold should be CNY14,503.45 million.

3.14.4 Operating Cost and Capital Expenditure

The cash cost of LOM is estimated at CNY2,750.39 million, while the capital expenditures are CNY1,988.47 million.

3.14.5 NPV and Sensitivity Analysis

Regarding the Minable Resources of Project Dachaidan, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. Therefore, such an approach can effectively reflect the future revenue of the project. The NPV of the Dachaidan Project is **CNY4,176.65** million at a 9.79% discount rate. The sensitivity analysis shows that the NPV estimate is the most sensitive to commodity prices and discount rates.

Appendices

Appendix 1: JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	**Commentary**
Sampling techniques	• Trenching and tunnelling were conducted. Representative channel samples were collected using a diamond saw and chisel, with channel dimensions of 10 × 5 cm and a typical interval of 1 m. • Diamond and RC drilling were employed. Diamond drill cores were cut along the long axis using a saw splitter. Rock chip samples were collected from RC drilling. Sample intervals were primarily set at 1 m lengths. • Mineralization was identified based on lithology and alteration.
Drilling techniques	• Standard tube core drilling rigs were utilized, with drill cores primarily being HQ-sized and NQ-sized. • Down-hole surveys were conducted using a digital inclinometer or downhole camera at intervals of 30 m.
Drill sample recovery	• The logging geologist measured drill core recovery for each run and recorded the results in the primary database. Core recovery was determined by dividing the drilling footage by the core length. • Upon encountering low sample recovery during drilling, the logging geologist and driller worked together to promptly rectify the problem and optimize recovery. • No relationship between sample recovery and grade was found.

Criteria	Commentary
Logging	• Drill cores were qualitatively logged by geologists to capture details such as oxidation, lithology, alteration, structure, and recovery. • All drill hole cores were properly logged and photographed. Logging information was initially recorded on standardized logging sheets and subsequently digitized into the electronic database.
Sub-sampling techniques and sample preparation	• Half-core samples were obtained by splitting drill cores in half. • Channel and rock chip samples were collected in their entirety for sample preparation, without splitting. • All samples underwent drying, crushing, splitting, and pulverizing according to the proper procedures. The Chichette formula ($Q = k \times d^2$) was used to determine the minimum allowable sample weight, where: Q represents the sample weight (kg), k is the coefficient determined by the ore type (0.8 for this rock type), and d is the maximum sample grain diameter (mm). • No field duplicates were collected. • On-site geologists deemed the sample size appropriate for the gold grain size observed.
Quality of assay data and laboratory tests	• The use of fire assay with AAS for gold determination was considered appropriate. • Geophysical tools, spectrometers, and handheld XRF instruments were not utilized for assaying purposes. • Basic samples were analyzed by both the internal mine-site laboratory and domestically and internationally certified Chinese laboratories, which implemented internal quality control procedures in line with relevant PRC and international standards. No systemic bias was reported.

Criteria	Commentary
Verification of sampling and assaying	• BAW geologists carried out a field inspection of significant intersections. • No twinned holes were drilled. • All geological logging and sampling information was initially recorded on logging sheets and later digitized into an electronic database. Both physical and electronic logging and sampling records were well-maintained. • During the site visit, BAW reviewed data entry procedures, and storage protocols, and verified the primary data. • No adjustment was made to the assay data.
Location of data points	• Drill holes, trenches, and adits were surveyed in compliance with relevant PRC standards by certified surveyors under the supervision of on-site geologists. • The Beijing Coordinate System (1954) and the local independent coordinate system were applied for this project. • Detailed topographic surveys were conducted by certified surveyors and deemed adequate for modelling and Mineral Resource estimation purposes.
Data spacing and distribution	• The exploration grid was set at 20-80 × 20-80 m. Samples were collected continuously throughout mineralization zones and their contact zones in wall rocks, with a typical length of 1 m. • The spacing of drill holes is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedures and for the classifications applied.
Orientation of data in relation to geological structure	• Considering the deposit type, the drilling orientation and subsequent sampling are deemed unbiased for Mineral Resource estimation purposes.
Sample security	• Dachaidan Mining managed the chain of custody for sample security. Samples were collected, packed, marked, and logged before being delivered to the laboratory for preparation and assaying. The drill cores were stored at an outdoor location within the mine site.

Criteria	Commentary
Audits or reviews	• All aspects of sampling techniques strictly adhered to relevant PRC national standards and specifications. BAW reviewed and cross-checked the sampling data.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• BAW was provided with scanned copies of the original mining and exploration licenses, and the details are stated in Sections 3.1.2 and 3.1.3 of this report.
Exploration done by other parties	• Detailed information can be found in Section 3.3.2 of this report.
Geology	• Detailed information can be found in Sections 3.4 and 3.5 of this report.
Drill hole Information	• All drill hole information was entered into the database and utilized for Mineral Resource estimation. Due to the extensive amount of drill hole data, a detailed tabulation of this information is not presented.
Data aggregation methods	• All samples are composited within the geological domains at a 1.0 m length, and short intervals at the end of the domain are incorporated into the preceding interval. A cut-off value of 1.0 g/t Au is used to define the domains.
	• No capping descriptions were provided to BAW. BAW conducted Histogram and Log-probability plot to test the capped composites provided by Dachaidan. 88.8 g/t was used for a head cut for Jinggou and 25.45 g/t for Jinlonggou Pit 3, 58 g/t for Qinglonggou M2, 25.9 g/t for Qinglonggou M3 and 45.5 g/t for Qinglonggou South.
	• No metal-equivalent approaches were applied.

Criteria	Commentary
Relationship between mineralization widths and intercept lengths	• Gold mineralization of the Dachaidan deposit is quite complex in three-dimensional space. Mineralization appears complex along strike and dip, and there was no significant guidance for hangingwall and footwall. • A quit amount of drilling and sampling was done by the site geologist and, Model provided by Dachaidan was built based on a cut-off at 1.0 g/t Au, and all domains are determined based on geology, alteration and the interpreted controls on mineralization from production experience.
Diagrams	• Not Applicable in this report.
Balanced reporting	• The reporting is fully representative of the data provided at this stage.
Other substantive exploration data	• Adequate samples were measured for specific gravity, as detailed in Section 3.8.1.
Further work	• BAW was informed that Dachaidan Mining would conduct further exploration programs within the current mining and exploration licenses.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	Commentary
Database integrity	• The data provided by the Company in Access format was imported into a Surpac database after validation. • Data validation steps included: – Validation through constraints and libraries set in the database, e.g., overlapping/missing intervals, intervals exceeding maximum depth, valid geology codes, missing assays. – Validation through 3D visualization in 3D software to check for any obvious collar, down-hole survey, or assay import errors.

Criteria	Commentary
Site visits	• BAW Competent Person visited the Dachaidan Project from March 21 to 24, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Geological interpretation	• The model provided by Dachaidan was built based on a cut-off at 1.0 g/t Au, and all domains are determined based on geology, alteration, and the interpreted controls on mineralization from production experience.
Dimensions	• Not Applicable in this report.
Estimation and modelling techniques	• Gold (Au ppm) was interpolated to the empty block model using Ordinary Krigin by a site geologist in Dachaidan, and IDW3 (Inverse Distance Cube) methods were used by BAW as verification. • The parent cell size and estimation parameters were based on the drill hole spacing and the nature of the mineralization style at the project. • The geological interpretation was used to help build a mineralized wireframe model and the resource estimate was conducted within the model. • Validation of the Mineral Resource estimate has been conducted by: – Visual drillhole section data comparisons with the block model and – Swath plots of major elements in three orthogonal directions.
Moisture	• Tonnages are estimated on a dry basis.
Cut-off parameters	• The current resource estimate by Dachaidan is based on the 1.0 g/t Au cut-off, which was given by Dachaidan.
Mining factors or assumptions	• The mining method assumed is open pit mining and Underground mining. • Mining factors such as mining dilution shown above were not incorporated into the Mineral Resource estimate.

Criteria	Commentary
Metallurgical factors or assumptions	• Simple studies of ore properties and processing tests were conducted, and the files were provided by the Company. • The overall gold recovery is 89.90% as per the document from the owner. • Processing recovery rates presented above were incorporated into the Mineral Resource estimate.
Environmental factors or assumptions	• No assumptions have been made regarding possible waste or process residue disposal options or environmental surveys.
Bulk density	• The conventional water displacement method was utilized for the density determination of gold mineralization.
Classification	• Mineral Resources have been classified in the Measured, Indicated and Inferred categories in accordance with the JORC Code 2012 guidelines. • A range of criteria was considered in determining the classification for the project, including: – geological confidence in the interpretations, – sample data density, – sample/assay confidence, – grade continuity of the mineralization, – estimation method. • All blocks provided to BAW were lack classification while, in BAW's opinion, it is reasonable to classify Measured resources with 20 x 20 m drill spacing interpolated by at least 3 holes. and Indicated resources with 40 x 40 m spacing & 2 holes within the main domain at Qinglonggou site. And the IDW seems more appropriate for grade interpolation rather than OK. • The Competent Persons endorse the results and classification for the project.

Criteria	Commentary
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Relative accuracy and confidence have been assessed through validation of the model as outlined above. • The Mineral Resource estimate comprises material categorized as Measured, Indicated and Inferred Mineral Resource. The Mineral Resource categories reflect the assumed accuracy and confidence of a global.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	Commentary
The mineral Resource estimate for conversion to Ore Reserves	• The block models prepared by Yintai were used as the basis of the Ore Reserve estimate. • The Mineral Resources are reported inclusive of Ore Reserves.
Site visits	• BAW Competent Person visited the Dachaidan Project from March 21 to 24, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Study status	• The feasibility study report (2021.02) conducted by Lanzhou Engineering & Research Institute of Nonferrous Metallurgy was provided to BAW. • The feasibility study report (2020.11) conducted by Changchun Gold Design Institute was provided to BAW. • The feasibility study report (2018.01) conducted by Changchun Gold Design Institute was provided to BAW. • The feasibility study report (2006.04) conducted by BGRIMM was provided to BAW. • The feasibility study report was used as the basis of the Ore Reserve estimate.

Criteria	Commentary
Cut-off parameters	• The feasibility study report (2021.02) conducted by Lanzhou Engineering & Research Institute of Nonferrous Metallurgy was provided to BAW. • The feasibility study report (2020.11) conducted by Changchun Gold Design Institute was provided to BAW. • The feasibility study report (2018.01) conducted by Changchun Gold Design Institute was provided to BAW. • The feasibility study report (2006.04) conducted by BGRIMM was provided to BAW.
Mining factors or assumptions	• Not Applicable in this report.
Metallurgical factors or assumptions	• No processing test is recommended as the existing process includes two systems, which can be adjusted and process two different types of ores. • The harmful element to processing and smelting is arsenic, so the processing was designed to recover arsenic. • It doesn't have any documents about the smelting and alloy gold, so assuming that alloy gold meets the requirement of the terms and sales agreement.
Environmental	• Environmental, safety and production permits were obtained.
Infrastructure	• The infrastructure meets the basic requirements of production and transportation.
Costs	• The Opex and Capex were provided by the Mine. • Refer to section 3.13.4.
Revenue factors	• Production Schedule is developed by BAW. • Refer to section 3.13.3.
Market assessment	• Not Applicable in this report.

Criteria	Commentary
Economic	• The input data to calculate NPV is described in Section 3.13 which mainly includes the production plan, sales revenue, production cost, administration cost, Capex and taxes. • Refer to section 3.13.5.
Social	• Not Applicable in this report.
Other	• None.
Classification	• The mineable Measured Resources, including diluting materials and allowances of losses, were classified as Proved Ore Reserves. • The mineable Indicated Resources, including diluting materials and allowances of losses, were classified as Probable Ore Reserves. • The results appropriately reflect the Competent Person's view of the deposit.
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Usually, the Ore Reserve estimate is reported based on some technical and economic assumptions which have been understood well to date. These assumptions would change as time goes on, so different Ore Reserve can be estimated/calculated.

4 HEIHE PROJECT

4.1 Property Description and Location

4.1.1 Property Location

The Dong'an Gold Deposit (the "**Heihe Project**" or the "**Dong'an Project**") is located in the southeast region of Heilongjiang Province, China, approximately 45 km from Xunke County and 145 km from Heihe City. Harbin, the capital city of Heilongjiang Province, lies around 427 km to the southwest. The Project falls under the administrative jurisdiction of Xinxing Township in Xunke County and is situated approximately 15 km south of the China-Russia border.

Figure 4-1 Location of the Heihe Project

Source: Google Map

4.1.2 Ownership

Yintai, via its wholly owned subsidiary Heihe Yintai Mining Development Co., Ltd. ("**Heihe Mining**"), maintains a 100% ownership interest in the Heihe Project. This interest includes all mineral resources and reserves, as well as all mining operations detailed in this report. Heihe Mining was formerly known as Heihe Luoke Mining Development Co., Ltd. ("**Heihe Luoke**") before 2021.

4.1.3 Tenure, Permit and License

Heihe Mining holds a mining license that encompasses an area of 0.1386 square kilometres and an elevation range of 280 to -100 meters above sea level (Figure 4-2). The license number is C1000002016044210142237, with a validity period spanning from May 2016 to May 2033. The corner coordinates of the mining license are provided in Table 4-1.

Table 4-1 Corner Coordinates of the Mining License, Heihe Project

	Chinese Geodetic Coordinate System 2000 ("CGCS2000")	
Corner Coordinates No.	**Eastings/m**	**Northings/m**
1	5459993.21	43492077.07
2	5459992.92	43492279.22
3	5459745.49	43492481.01
4	5459189.41	43492480.26
5	5459189.58	43492318.51
6	5459714.82	43492319.25

Yintai has secured the necessary permits and licenses required for the ongoing operation of the Heihe Project, including the Mine Safety Production License, Tailings Safety Production License, Water Extraction Permit, Radiation Safety Production License, Blasting Operation License, and Pollution Discharge Permit. However, BAW did not independently verify the information concerning the location, area, and status of these permits and licenses. Furthermore, BAW is unaware of any additional permits required for executing the proposed work on the property, and whether such permits have been obtained or not.

Figure 4-2 Satellite Image of the Heihe Project area

Source: Ovital Map

4.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

4.2.1 Accessibility

The Heihe Project is easily accessible via an 8 km paved road that connects to the Xunke-Wuyiling highway. Xunke County is located 70 km away from the Heihe Project, while Yichun City, also in Heilongjiang Province, is situated 120 km away (Figure 3-1). The town of Sunwu, located 118 km away, is well-connected to Beian, Suihua, Harbin, and other areas via a railway and highway network. Similarly, Wuyiling is connected to Yichun, Suihua, Harbin, and other areas through a railway and highway network. The transportation network in the region is relatively convenient, and the Heilongjiang River, which flows through Xunke County, is navigable from May to October every year. The sailing distance from Xunke to the Heihe port is approximately 170 km. The nearest airport to the Project site is located in Heihe City, providing daily domestic flights to major international airports such as Harbin and Beijing.

4.2.2 Topography, Elevation, and Vegetation

The Heihe Project is situated in the northern part of the Lesser Khingan Range, a low mountainous region with the highest elevation of 304.90 m and the lowest erosion benchmark of 125.75 m above sea level in the Kuerbin River valley, yielding a relative height difference of 179.15 m. The area features well-developed surface vegetation and a few outcrops of bedrock.

4.2.3 Climate

The area experiences a temperate continental monsoon climate, characterized by long, cold winters, short, hot summers, windy springs, and rainy autumns. Based on meteorological data from the Xunke County meteorological station spanning from 1964 to April 2003, the annual average temperature is -0.1 °C. The highest temperature occurs in July at 22.3 °C, while the lowest temperature occurs in January at -26 °C. Precipitation primarily occurs from June to September, with an annual average of 429.9 mm, a maximum of 690.7 mm and a minimum of 383.8 mm. The annual average evaporation is 1,047.6 mm, with a maximum of 1,218.8 mm and a minimum of 862.2 mm. The average annual relative humidity stands at 68%. The maximum frozen depth exceeds 2.2 m, and the freezing period extends from October to next April. The area is predominantly subject to northwesterly winds with a maximum wind speed of 34 m/s.

4.2.4 Local Resources and Infrastructure

The area boasts well-developed water systems. The Kuerbin River, a tributary of the Heilongjiang River, flows from south to north 1.2 km north of the deposit's center, and the Wusonggang River flows from east to west into the Kurbin River 1.2 km south of the deposit's center (Figure 3-2). The Kuerbin River is 40-80 m wide and has an average annual flow of 13.9-80.7 m^3/s, with a maximum flow of 2,680 m^3/s. The flood season is primarily concentrated from April to August. The Wusonggang River is 1-5 m wide, with a maximum flow of 0.264 m^3/s and experiences dry conditions during the winter. The main water source of the Heihe Project comes from the Kuerbin River, with one large open well and one deep well constructed on the riverbank. The large open well is used for production purposes, while the deep well is used for living and office needs. Both wells are equipped with submersible pumps, which extract water through a pipeline to the water source pump station.

A 35 kV substation, known as Baoshan Substation, is located 28 km from the Project area. This substation supplies power to the Heihe Project through the "Baoqi Transmission Line." Within the Project area, a 35/10 kV main step-down substation is installed. The 35 kV overhead power line is connected to the Erlian Fire Inspection Station, which is 6.88 km away. Additionally, two sets of diesel generator units are installed at the step-down substation to serve as emergency power sources in the event of a 10 kV power supply failure.

Residents near the Project area are primarily located in agricultural farms and forests. The farms mainly focus on agricultural production, cultivating crops such as wheat, soybeans, corn, and sugar beets. The forests are predominantly engaged in forestry operations, growing and planting deciduous trees like larch. These forest areas also yield medicinal herbs, mushrooms, and fungi. Industrial production in the vicinity of the Project area includes power generation, liquor production, and grain processing.

4.3 History

4.3.1 Ownership

The Heihe Project's initial exploration rights were granted in 1998 to the Heilongjiang Province Nonferrous Metal Geological Exploration 707 Brigade (the "**707 Brigade**"). In 2007, the 707 Brigade and Sino Gold Mining Limited ("**Sino Gold**") established a joint venture, Heihe Luoke (the predecessor of Heihe Mining), which has held the exploration rights for the Dong'an mine ever since. Sino Gold was wholly acquired by Eldorado Gold Corporation ("**Eldorado**") in 2009. In 2016, Yintai acquired Heihe Luoke and the mineral rights it held for the Heihe Project from Eldorado.

In November 2015, Heihe Luoke submitted an application to the Ministry of Land and Resources for the transfer of exploration rights to mining rights for the exploration line No. 19-44 of ore body No. 5. After completing the required reserve registration and other formalities, the company obtained the mining license for the Heihe Project in May 2016. The mining license, valid for 17 years, covers an area of 0.1386 km^2 and permits both underground and open-pit mining of gold and silver.

4.3.2 Exploration and Development

In April 1998, the 707 Brigade discovered mineralized altered quartzite rolling stones in the northern part of the project area during a geological survey. That same year, through geological mapping and trenching work, four gold ore bodies (No. 1-4) were discovered. These ore bodies are located in Early Cretaceous felsic volcanic rocks and are preliminarily confirmed as epithermal gold deposits.

In 1999, the 707 Brigade further investigated the scale, occurrence, and grade of the four gold ore bodies (No. 1-4) using trenching. Through geological mapping, geochemical surveys, trenching, and other work, five additional gold ore bodies (No. 5-9), including the No. 5 orebody, were discovered that year.

In 2000, the 707 Brigade conducted a comprehensive survey of the Heihe Project area and its periphery, including a 1:50,000 sediment survey, 1:20,000 geological mapping, soil survey, geophysical survey, and trenching. The survey expanded the extent of the No. 5 ore body and discovered four new gold ore bodies (No. 10-13).

From 2001 to May 2003, the 707 Brigade completed drilling and two tunnels cutting through the No. 5 ore body. In 2003, the 707 Brigade compiled the "*Exploration Report of the Exploration Line 19-44, No. 5 ore body, Dong'an Gold Deposit, Xunke County, Heilongjiang Province*" ("**Exploration Report 2003**").

From 2007 to 2009, Heihe Luoke focused on widespread surface exploration and conducted systematic diamond drilling.

In 2017, based on previous exploration results, Heihe Luoke compiled the "*Mineral Resource and Reserve Verification Report of the No. 5 Ore Body, Exploration Line 19-44, Dong'an Gold Deposit, Xunke County, Heilongjiang Province*" ("**Verification Report 2017**"), which was approved by the Ministry of Land and Resources.

Since 2019, Heihe Mining has conducted systematic underground drilling, tunnelling, and channel sampling during underground mining operations.

4.3.3 Historical Resource and Reserve Estimates

BAW acknowledges that mineral resource and reserve estimates were previously conducted in 2003 and 2017, following the Chinese standards, and approved by the Ministry of Land and Resources. However, the resource and reserve estimates presented in Sections 4.10 and 4.11 adhere to JORC Code 2012 and are different from previous estimates.

BAW also notes that Eldorado conducted mineral resource and reserve estimations in compliance with JORC Code during its ownership of the Heihe Project from 2009 to 2016. However, the original data and details of these estimates are unavailable, making it impossible for BAW to verify and review this resource and reserve estimates.

4.3.4 Production

The Heihe Project commenced production in 2017 with a capacity of 450 tons per day. Open-pit mining was initially conducted at an elevation range of 279 to 213 meters, which was completed in June 2019. In 2020, the project underwent a technical upgrade, increasing the production capacity to 1,250 tons per day. Underground mining began in July 2020 at an elevation range of 213 to 65 meters, utilizing decline development and truck transportation. Currently, the project is in the underground mining phase. The mine's historical production is listed in Table 4-2.

Table 4-2 Historical Annual Mining Summary of the Heihe Project

Year	**Au Mining** *(t)*	**Ag Mining** *(t)*
2017	0.55	1.24
2018	3.3	15.36
2019	3.15	18.14
2020	2.26	11.97
2021	2.85	15.26
2022	2.91	17.72
Total	15.02	79.69

Source: Provided by Heihe Mining

4.4 Geological Setting and Mineralization

4.4.1 Regional Geology

The northern Lesser Xing'an Range, situated in the eastern segment of the Central Asian Orogenic Belt and north of the Songliao basin, is a typical tectonomagmatic and metallogenic regime (Figure 4-3). The region experienced episodic tectonomagmatic events, mainly attributed to the evolution of the Paleo-Asian Ocean during the Paleozoic and Mesozoic subduction of the Paleo-Pacific oceanic slab beneath the Eurasian continent. The Mashan Complex, a Neoproterozoic metamorphic rock sequence of felsic schists, silty slate, and granite gneiss, forms the ancient basement. It is overlain by Paleozoic neritic facies clastic rocks, such as limestone, dolomitic marble, and carbonaceous slate of the Heilongjiang Complex. Early Triassic subaerial pyroclastic rocks were deposited above both the Late Paleozoic submarine clastic-carbonate sequence and co-collisional granitic rocks, which indicate the tectonic transition from the closure to post-collision of the Paleo-Asian Ocean basin. Triassic to Jurassic granitic rocks (175-225 Ma) are widespread throughout the region, where the Paleo-Pacific plate descends beneath the Eurasian continent, accompanied by comagmatic skarn- and porphyry-style mineralization. These long-lived subduction processes led to episodic volcanic activities with ages of

190-173 Ma (compressional conditions) and 130-105 Ma (extensional conditions). The Dong'an epithermal gold deposits, as well as several adjacent epithermal gold deposits of Sandaowanzi, Gaosongshan, Tuanjiegou, and Zhangsangou, are hosted by andesitic-rhyolitic volcanic rocks, which are dominated by Early Cretaceous andesitic lava.

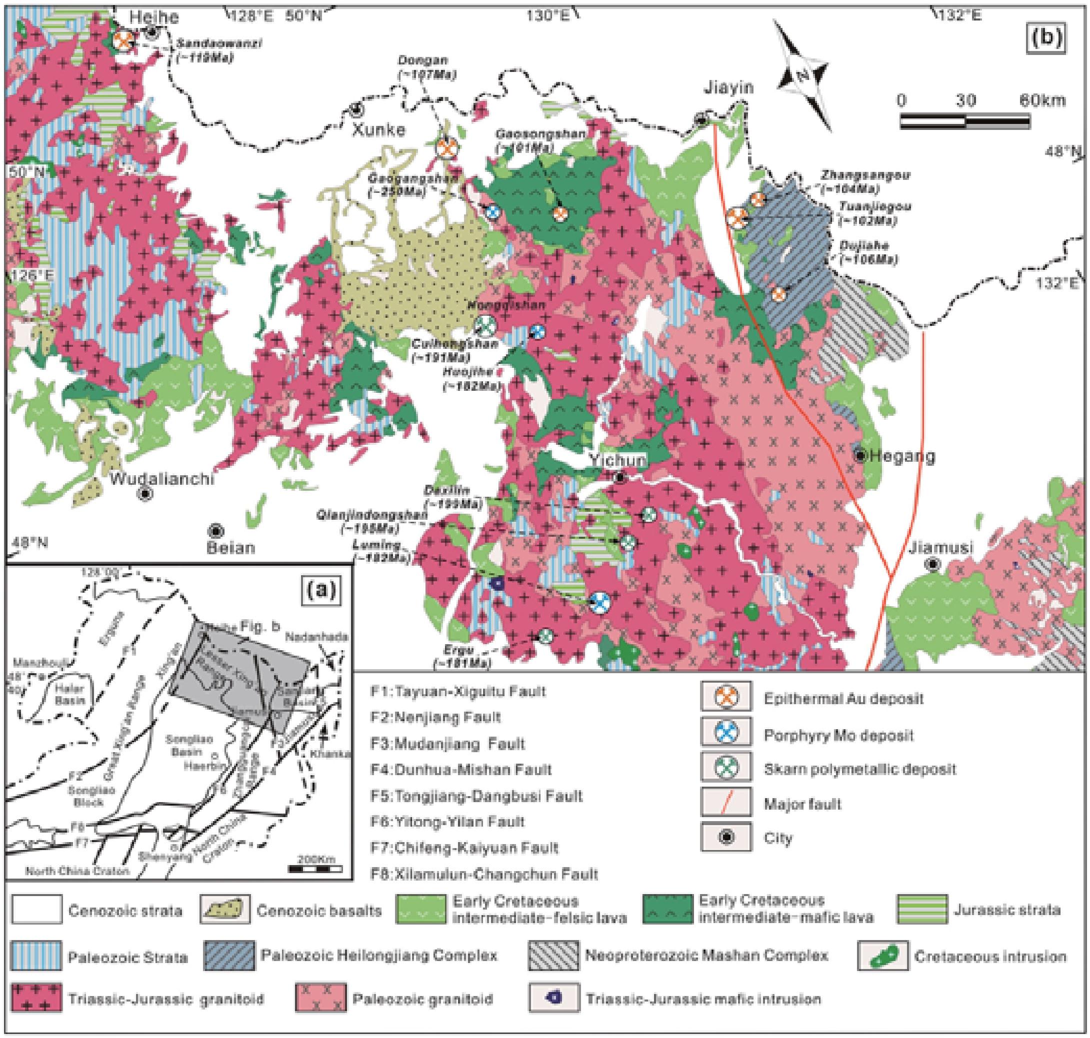


Figure 4-3 Regional Geological Map, Adjacent Area of the Heihe Project

Source: Liu et al., 2021

4.4.2 Ore Deposit Geology

The Dong'an gold deposit is situated in the Sunwu-Jiayin volcanic basin and is approximately 45 km southeast of Xunke County. Field mapping has documented multistage magmatic events at Dong'an (Figure 4-4). The Early Jurassic granitic complex covers a quarter of Dong'an and is intruded by Early Cretaceous granite porphyry stocks and dikes in some places. Above the granitic complex are the Early Cretaceous andesitic (Ningyuancun Formation) and rhyolitic pyroclastic rocks (Fuminhe Formation;), which are unconformably covered by the conglomerates of the Tertiary Sunwu Formation and the basalts of the Quaternary Daxiongshan Formation. The intrusive rocks and Early Cretaceous strata were cut by transtensional north-south faults that are parallel to the majority of ore veins.

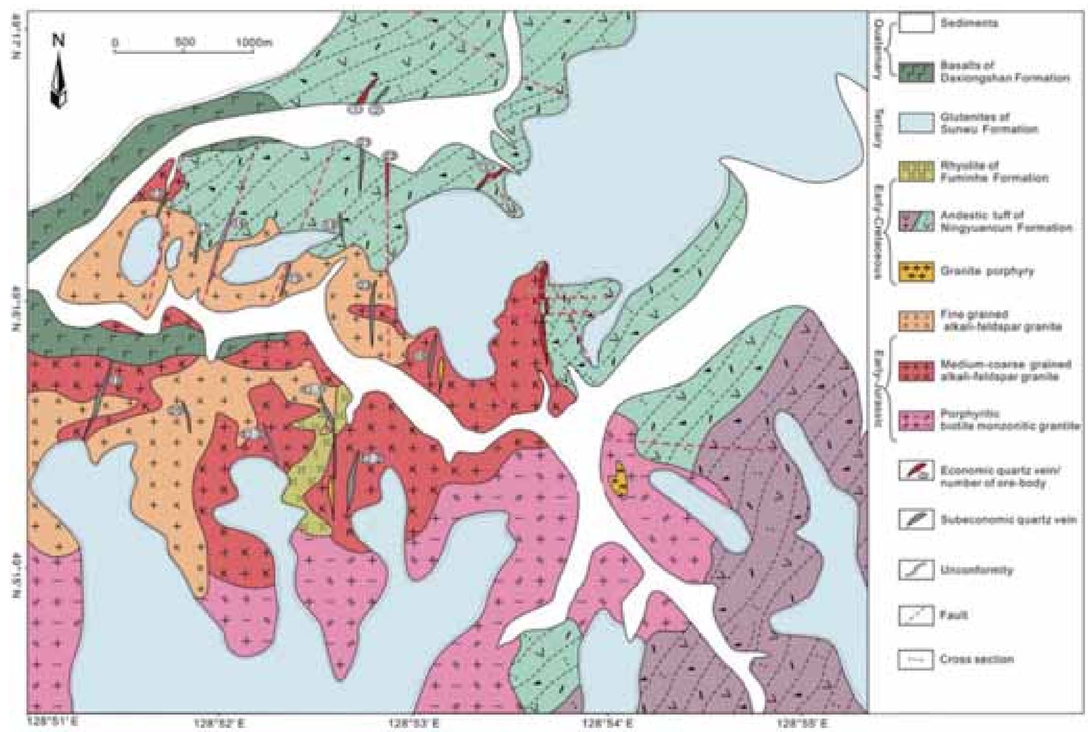


Figure 4-4 Geological Map of the Dong'an Gold Deposit

Source: Liu et al., 2021

4.4.3 Alteration and Mineralization

The Dong'an gold deposit contains more than twenty orebodies, which are controlled by steep, north-south-trending faults (Figure 4-5). The length of the representative ore bodies, including Nos. 1, 5, 10, 12, 13, and 19, ranges from 50 to 770 m, with thicknesses of 1.0 to 9.4 m and grades of 1.06 to 26.64 g/t Au. The No. 5 vein, which has been exploited, is characterized by an average thickness of 6.7 m and a maximum vertical depth of over 358 m.

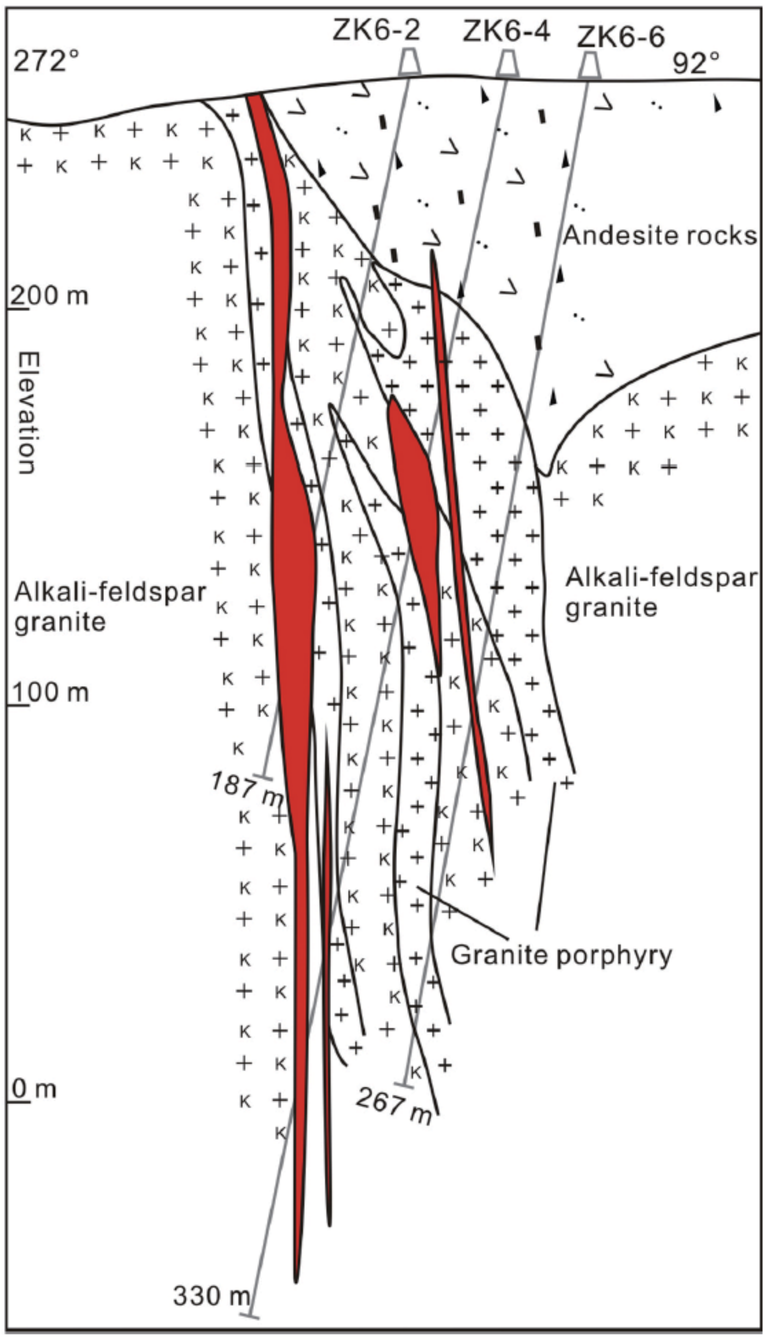


Figure 4-5 Representative Cross Section of the Dong'an Gold Deposit

Source: Liu et al., 2021

Five vein facies have been identified, including quartz + hematite veinlets, peripheral microcrystalline-quartz veins, quartz + pyrite + chlorite veins, quartz + fluorite veins, and lattice quartz-carbonate veins. The hydrothermal fluids responsible for the highest gold precipitation were associated with the quartz + pyrite + chlorite veins. The metallic minerals primarily consist of disseminated and vesicle-filling pyrite, along with minor chalcopyrite, sphalerite, galena, arsenopyrite, electrum, and native silver.

Hydrothermal alteration is well-preserved (Figure 4-6) and displays a zoning pattern that progresses inward toward the ore bodies, from a chlorite-carbonate assemblage (propylitic) to a smectite-sericite assemblage (intermediate argillic), and finally to a silica-adularia-sericite assemblage (phyllic). Weak propylitic alteration is widespread and overprints alkali-feldspar granite and andesite rocks. The altered rocks exhibit carbonate lines and chlorite replacing feldspar and mafic minerals, respectively. The intermediate argillic zone is characterized by abundant smectite and sericite, which replaced plagioclase minerals and groundmass/cements in the host rocks. Inward, the alteration assemblage is restricted to narrow zones around siliceous veins and breccias, comprising silica phases + sericite ± adularia.

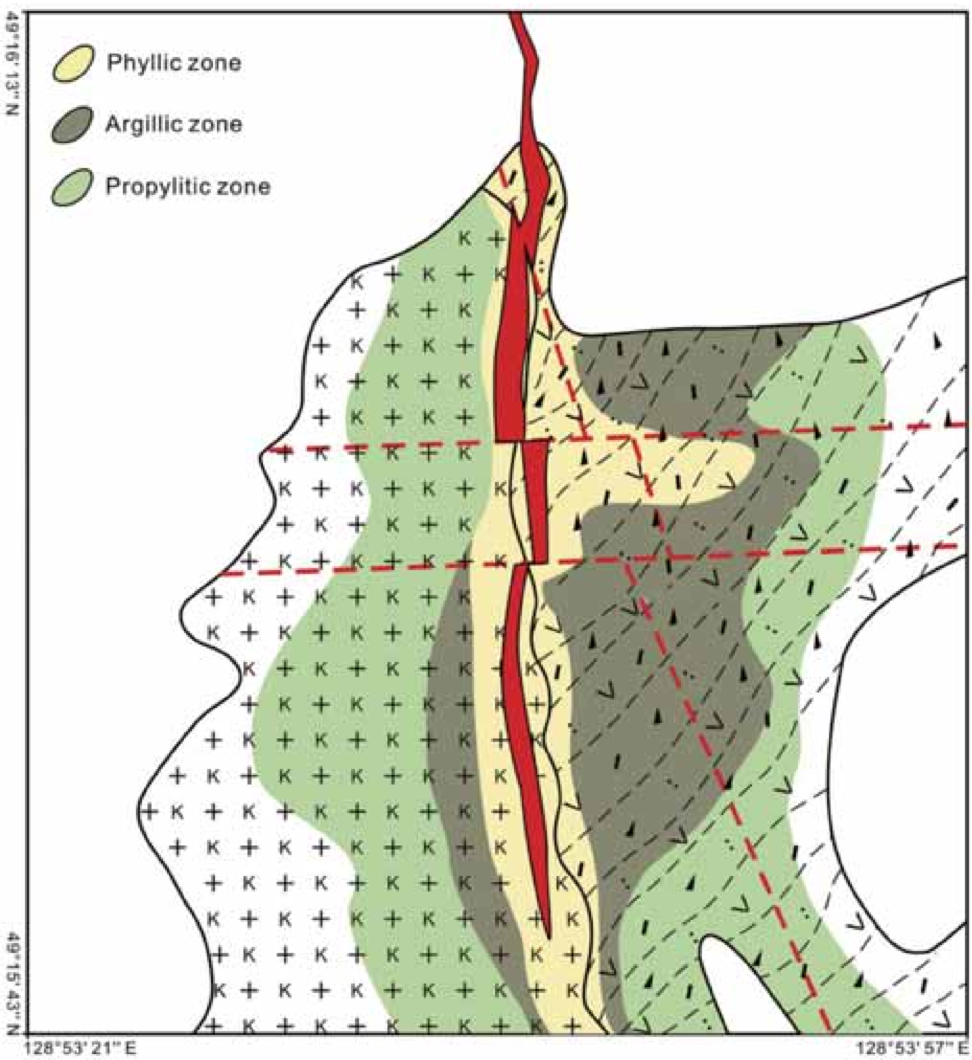


Figure 4-6 Geological Map Showing the Alteration Zoning

Source: Liu et al., 2021

4.5 Deposit Types

Epithermal deposits typically form at shallow depths (<1.5 km) under low temperature and pressure conditions and are associated with volcanic activity. High Sulphidation ("**HS**") and Low Sulphidation ("**LS**") subtypes are common, often occurring in island arc and continental margin regions. In Northeast China, Cretaceous volcanic eruptions and porphyritic stock emplacements, resulting from the rollback of the Paleo-Pacific Plate, triggered extensive hydrothermal copper and gold mineralization. The region contains LS and HS gold deposits as well as gold-rich porphyry copper deposits. All ore veins were formed during the final stages of volcanic events, with ore-bearing initial fluids likely originating from a cooling magma chamber at shallow depths. The magmatic-hydrothermal process favours porphyry mineralization and, potentially, distal LS mineralization.

The characteristics of Dong'an gold mineralization indicate LS epithermal mineralization. The related hydrothermal alteration in the wall rocks is zoned from proximal and distal to ore bodies, consisting of quartz + sericite ± adularia (phyllic), quartz + sericite + clay minerals (argillic), and outer chlorite + carbonate (propylitic). The low-sulfide gold-bearing quartz veins are hosted within Early Jurassic granite and Early Cretaceous andesite tuff, containing pyrite and trace amounts of chalcopyrite, galena, sphalerite, and electrum.

4.6 Exploration

From 2001 to 2009, exploration work for the Heihe Project focused on surface activities, including topographic and geological mapping, magnetic surveys, electrical resistivity, geochemical surveys, trenching, and diamond drilling. Heihe Mining carried out systematic production exploration work since Yintai's takeover in 2017, encompassing underground diamond drilling, tunnelling, and channel sampling.

Surface trenching was primarily used for delineating geological boundaries, geochemical anomalies, and mineralization zones. The trenches were generally oriented around 90°. The longest main trench measured 245.5 meters, with typical lengths ranging from 20 to 100 meters. The entrance width of trenches was usually around 2 meters, and the bottom width was typically about 0.8 meters. Trenching reached a maximum depth of 5 meters, while the standard depth ranged from 3 to 4 meters. Bedrock was typically exposed to depths of 0.3 to 0.5 meters. Original geological records of trenching were completed in the field and included a 1:100 scale sketch of the trench side and bottom, along with a text description.

A series of adits were developed at levels ranging from 225 to 25 meters, featuring general dimensions of 3.8-4.5 meters (width) × 3.6-4.5 meters (height) for mining operations. Extensive channel sampling and underground drilling have been conducted within these adit levels since 2019. Based on the exploration database provided to BAW, major sample workings as of the end of 2022 are summarized in Table 4-3.

Table 4-3 Summary of Major Sample Workings as of 31/12/2022

Type	Collar	Depth *(m)*	Samples
Surface Drill Hole	216	46,362.47	11,778
Underground Drill Hole	388	26,966.30	9,892
Surface Trench	107	6,369.72	497
Underground Channel	857	10,444.64	5,708
Total	1,568	90,143.13	27,875

Surface and underground surveys strictly followed the "*Specifications of Survey for Geological and Mineral Resources Exploration*" (GB/T18341-2001) and were carried out using the total station. incorporating the Xi'an Coordinates System (1980).

Channel sampling was used for sampling in underground adits and trenches. Samples were determined according to ore type, wall rock, and mineralization distribution. The sample intervals ranged from 0.5 to 1.5 m, with an average of 1.0 m, and channel dimensions of 10 × 5 cm. Samples were cut using a diamond saw along the pre-drawn sketch lines on the wall and taken using a steel chisel.

4.7 Drilling

All drilling programs were diamond drilling, primarily conducted during the periods of 2001-2003, 2007-2009, and 2019-present. Since 2019, drilling programs have focused on underground drilling to support mining operations and expand mineral resources. The drill hole spacing was designed to be 40-80 m along the strike and dip directions.

Surface and underground drilling were contracted to third-party operators and conducted using diamond core equipment, primarily with HQ size core for surface drilling and NQ size core for underground drilling. All drill hole collars were surveyed using a total station. Downhole surveys were conducted using an inclinometer or downhole camera every 50 m for surface drilling and 30 m for underground drilling, with additional measurements taken at the collar and end of the hole. According to the drill hole database provided to BAW, core recovery was satisfactory, with more than 95% of boreholes having a core recovery of at least 90%. After the completion of drilling, the hole is sealed with cement and marked with a permanent cement monument.

Upon retrieving the core from the core barrel, it was placed in plastic core boxes and transported from the drill site to the logging site. Lengths were marked in the core boxes, and wooden markers were inserted with downhole lengths. By laying out the core boxes in order of depth, the core loss was verified, and the correct depths were marked in the boxes. Drill cores were then logged for lithological, alteration, mineralogy, and geotechnical data.

Sample intervals were established at nominal 1.0 m lengths. However, based on core recovery, lithology, alteration, structure, and mineralization, actual sample intervals predominantly ranged from 0.5 to 1.5 m.

At the logging site, a saw splitter was used to cut the core in half along its long axis. One half was bagged, sealed, and marked for further sample preparation, while the other half was preserved in the original core box for future inspection. Historical drill cores have been stored on shelves in a dedicated core storage shed, while some recent underground drill cores have been temporarily placed outside the logging site for the time being.

4.7.1 Discussion

BAW did not personally inspect the drilling and sampling operations on site. BAW understands that such operations are carried out in compliance with relevant Chinese national standards. However, based on field observations and reviews of data, protocols and verification reports, BAW considers that the exploration, drilling, and sampling procedures within the Heihe Project are generally reasonable. The drill cores examined by BAW are typically in good condition, although some recent drill cores are stored outdoors. BAW recommends moving these cores to a core storage facility in the future and replacing the wooden markers with some more durable materials.

In BAW's opinion, the documented protocols and primary data regarding exploration and drilling generally adhere to industry practices. Therefore, BAW assumes that no significant material biases have been introduced, and the collected data are essentially acceptable for mineral resource estimation.

4.8 Sample Preparation, Analysis and Security

4.8.1 Density Determination

Based on the data provided to BAW, as of December 31, 2022, the Laboratory of 707 Brigade conducted a total of 440 density measurements on drill core samples using the conventional water displacement method with wax-coated samples. Additionally, three samples were externally analyzed for density at the Heilongjiang Nonferrous Metal Geological Testing Center, yielding an average error of -0.97%. Density measurements were also performed on two bulk samples collected from the 255 m and 185 m level adits, and these results were consistent with previous measurements obtained from core samples.

4.8.2 Sample Preparation

The sample preparation at the mine site laboratory followed these procedures: Samples were first dried at a low temperature of 105 °C. They were then crushed using a jaw crusher and sieved to 4.0 mm. After homogenization and riffle splitting, the samples were further crushed with a double-roll crusher to 2 mm. The samples were then processed with a disc mill and sieved to 1.0 mm, followed by another round of homogenization and riffle splitting. Finally, the samples were pulverized using a ring mill and sieved to a particle size of 0.074 mm.

4.8.3 Sample Analysis

Samples collected before 2003 were analyzed by the Laboratory of 707 Brigade using foam absorption-atomic absorption spectrometry ("**AAS**") for Au content. The analytical procedure involved aqua regia digestion, preconcentration with polyurethane foam, desorption with thiourea, and measurement using an atomic absorption spectrometer. Ag content was analyzed using the aqua regia digestion – AAS method. The Heilongjiang Province Nonferrous Metal Geological Test Center ("**HPNM**") served as the umpire laboratory for external checks, employing the same assaying procedure as the Laboratory of 707 Brigade.

Between 2008 and 2010, samples were analyzed by multiple laboratories, including ALS Laboratory in Guangzhou ("**ALS**"), SGS Laboratory in Tianjin ("**SGS**"), and Nonferrous Metal Northwest Geological Test Center ("**NMNG**"). These labs utilized fire assay coupled with AAS for Au and aqua regia digestion with AAS for Ag content determination.

Since 2017, when the Heihe Project entered the production stage, all samples have been analyzed by the internal mine site laboratory using fire assay with AAS for Au and aqua regia digestion with AAS for Ag.

Except for ALS and SGS, there is no information regarding internationally accepted accreditations for these laboratories. The laboratory of 707 Brigade, HPNM, and NMNG in previous technical reports hold applicable provincial or national analytical certifications issued by China authorities. The mine site laboratory does not have such certification.

4.8.4 Quality Assurance and Quality Control

Internal and external checks have been conducted for the samples. One in ten samples is made up of internal duplicates. According to the Verification Report 2017, 10.81% of the total samples were analyzed for internal check. The relative deviation of the sample and duplicate pairs was calculated to evaluate whether the results were acceptable. The internal check results showed that the acceptable rates for Au and Ag assay were 92.2% and 86.3%, respectively. External checks were conducted by the Heilongjiang Nonferrous Metal Geological Testing Center. 6.02% of the total samples were sent for external checks. The qualification rates for Au and Ag assay were 87.3% and 90.1%, respectively.

4.8.5 Sample Security

During the site visit, BAW reviewed the sample security protocol and found that the mine site personnel made reasonable efforts to ensure proper preservation, accurate logging, and secure transportation of samples. In BAW's opinion, the implemented security protocol effectively maintains the validity and integrity of the samples.

4.8.6 Discussion

BAW did not visit the laboratories historically responsible for analyzing samples from the Dong'an Project, except for the internal mine site laboratory. BAW reviewed the protocols and procedures of the mine site laboratory and found them to be in accordance with industry standards.

Fire assay is the industry-standard method for the gold assay used in resource estimation. In the early stages of the Heihe Project, the foam absorption method was employed for gold assay. BAW considers that using foam absorption as a preconcentration method for gold may result in an underestimation of gold measurements. To eliminate uncertainties in this regard, re-analyzing historical samples using the fire assay method is suggested. Since the number of samples analyzed using the foam absorption method is relatively small, BAW believes that the impact on the overall resource estimation is minimal.

In compliance with relevant Chinese regulations, exploration or mining projects are required to periodically conduct verification reporting, which includes a comprehensive assessment of all aspects of exploration, production, and resource/reserve estimates. It should be noted that the standards followed in these verification reports are not entirely consistent with the JORC Code 2012, as they adhere to Chinese domestic standards. However, the verification reports do provide additional validation for the historical data. The most recent verification report for the Heihe Project was completed in 2017. The QA/QC program for assay analysis in the Heihe Project was implemented as part of this verification reporting process. BAW considers the program to be of adequate quality, consistently applied, and routinely monitored. The mine site laboratory has regularly carried out internal checks and sent samples for external checks since 2017, but the relevant data is unavailable for BAW to review. BAW recommends that Yintai independently incorporate an adequate number of quality control samples, including standards, blanks, and duplicates, in all sample batches before submission to the assay laboratory in the future. This will increase the degree of accuracy and precision in the monitoring of the assay.

4.9 Data Verification

4.9.1 Database

BAW recognizes that the Heihe Project is subject to periodic authority agency reviews and verification reporting in compliance with the Chinese standard of "S*pecification for Hard-Rock Gold Exploration*" (DZ/T 0205-2002). This specification rigorously outlines the detailed standards and requirements in various aspects such as exploration, drilling, sampling, assaying, QA/QC, mining, processing, etc.

BAW conducted the following verification procedures: interviewing on-site geologists and engineers; reviewing and validating the primary drilling and sampling database provided by Yintai; randomly selecting and cross-checking between logging data and original logging records, between logging data and drill cores, and between assay data and original assay reports; assessing the existing geological interpretation and block model. After completing sufficient checks, BAW considers the drilling and sampling data, the interpreted geological framework, and the block model to be reasonable for use in Mineral Resource estimation.

4.9.2 Site Inspection

BAW experts conducted a site visit to the Heihe Project from March 19 to 21, 2023. The purpose of the visit was to inspect various aspects of the project, including mineralization, drilling operations, logging, sampling, the database, the mine site laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel. No independent verification samples were collected during the site visit.

4.10 Mineral Resource Estimates

The most recent resource estimate of the Heihe Dong'an gold mine provided for review was carried out by Rock Mining Development Co., Ltd in April 2017. The resource estimate technical report "Resource & Reserve Estimation Report (2017) for Dong'an Gold Mine" was dated Dec. 31, 2016. Inverse Distance Power was conducted based on varigraphy modelling using Geovia Surpac 6.6, and grade interpolation was used to build a block model at that time. Annual Internal grade estimate and mining depletion were updated to Wireframing and Block Model based on production data from 2017 to 2022. The latest resource estimate and technical report were reviewed by BAW.

4.10.1 Wireframes

Gold mineralization of the Dong'an deposit is mainly hosted by the quartzite zone which is affected by fault Striking South to North. 2 different domains were determined based on geology, alteration and the interpreted controls on mineralization from production experience. A cut-off value at 1.0 g/t Au is used to define domains. BAW noticed that the internal 2022 wireframe is more suitable for the Dong'an deposit for the significant change of the drill hole dataset.

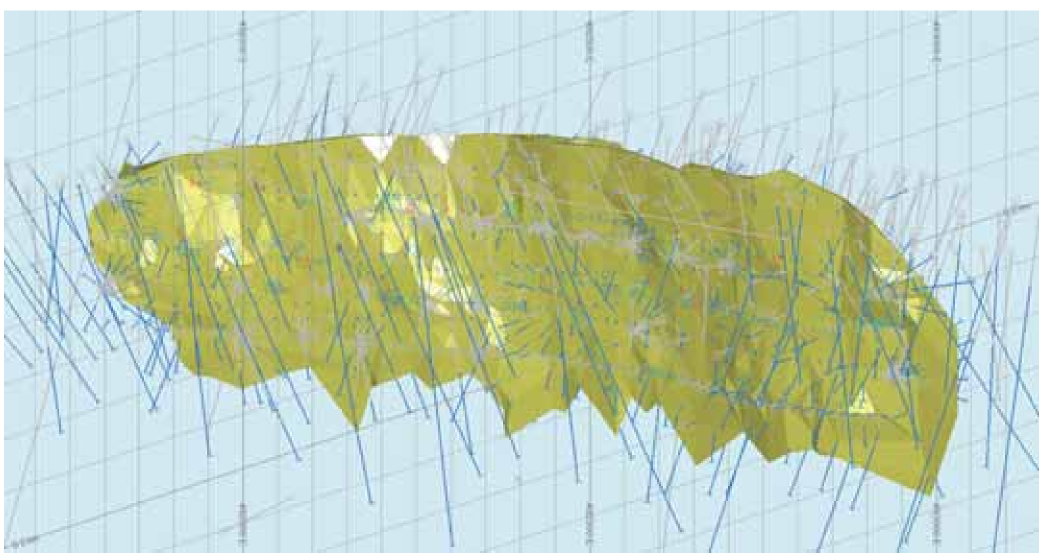


Figure 4-7 Domain modelling for Dong'an gold mine

4.10.2 Compositing

No composites were provided to BAW for reviewing. Drill hole assay intervals are composited within the geological domains at 1.0 m and short intervals at the end of the domain are incorporated into the preceding interval by BAW.

4.10.3 Capping

No capping description and capped composites regarding the 2022 internal model were provided to BAW. According to the 2017 report, 684 samples were analyzed and constrained by domain 5.

Table 4-4 Summary statistics of 1 m composites (Au) and topo cut grade threshold applied during estimation

Model	No of samples	Capping Value	Min	Max	Mean	SD	CV
2017 Dong'an-Au	684	49.78	0.01	1,015	11.19	42.97	3.84
2017 Dong'an-Ag	684	521.0	1	1,496.00	76.61	161.38	2.10
2022-Au-BAW	7,488	38.33	0.01	813.16	7.57	1.17	2.14
2022-AG-BAW	7,488	484.7	1	3,597	78.36	150.7	1.92

Histogram and probability plot were used when capping. Outliers were replaced by the value at the 97.5% distribution frequency value The impact of Au grade outlier is evaluated on a geological domain basis by BAW respectively. BAW believes that the capping value for the 2017 model is appropriate. Considering the significant change in the dataset, BAW believes that the capping value of the 2017 model is a bit lower.

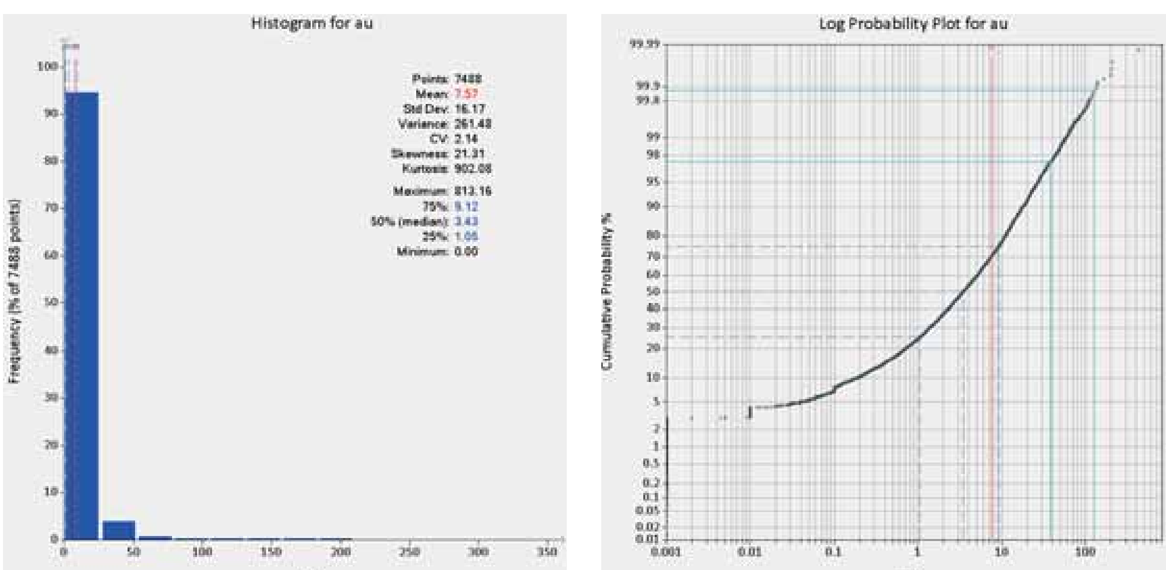


Figure 4-8 Histogram and Log-probability plot for Composites and Capped-composites

4.10.4 Variograms

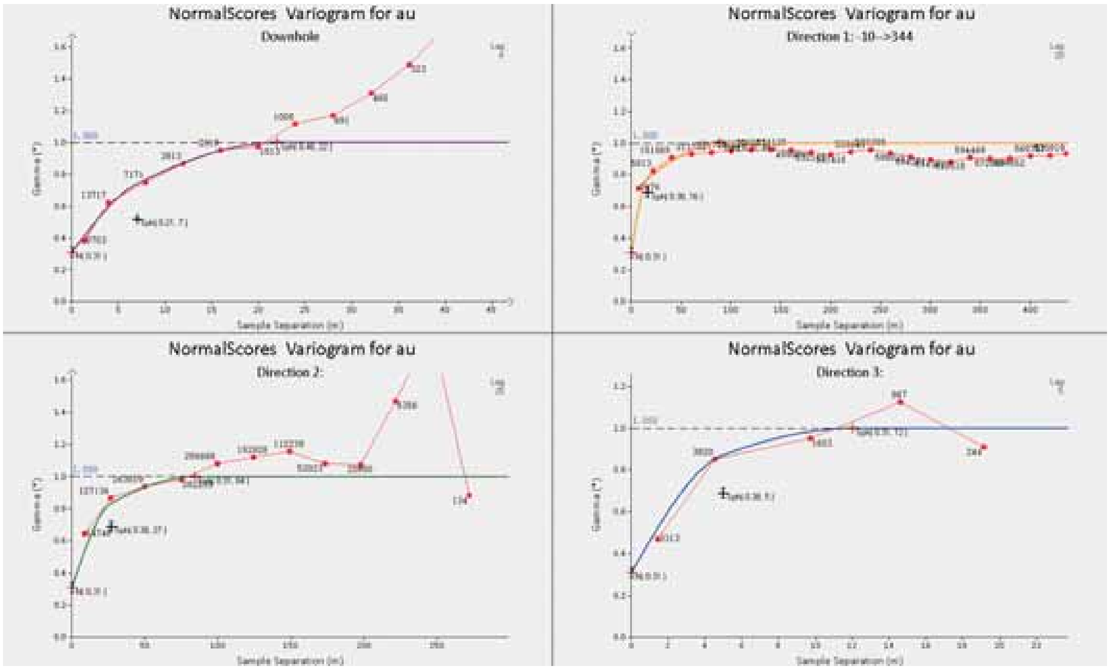


Figure 4-9 Varigraphy study for Dong'an deposit

No Varigraphy modelling was provided to BAW. BAW has attempted to develop variograms for each Au domain using capped composites as below:

Table 4-5 Varigraphy study for Dong'an deposit

	Zone	Nugget	Sill	Major	Semi	Minor
2018/2022 Yintai all	Au	67	33.51	120	80	10
BAW	Au	0.31	0.69	90	84	12

In BAW's opinion, it is reasonable to classify Measured resources with 40 x 25 m drill spacing and Indicated resources with 80 x 80 m spacing, the same as the current technical report stated.

4.10.5 Bulk Density

A total of 81 special density test were collected and, the average value of 2.60 t/m^3 were used for the Dong'an model.

4.10.6 Block Model

Block size is set at 3 m x 3 m x 2 m, with the sub-block at 1.5 m x 1.5 m x 1.0 m. A list of block model attributes is presented in the following Table. The volume block model was coded by 2 mineralized domains using the geological wireframes. Final block volumes were validated against the wireframe volumes. The dimensions and extent of the block model see as follows.

Table 4-6 Variogram parameters in Datamine™ ZXY rotation

	Origin	MAX	Parent-Cell	Sub-cell	Rotation
Easting	492109.202	492325.202	3	1.5	0
Northing	5459200.854	5460043.854	3	1.5	0
RL	–25	281	2	1	0

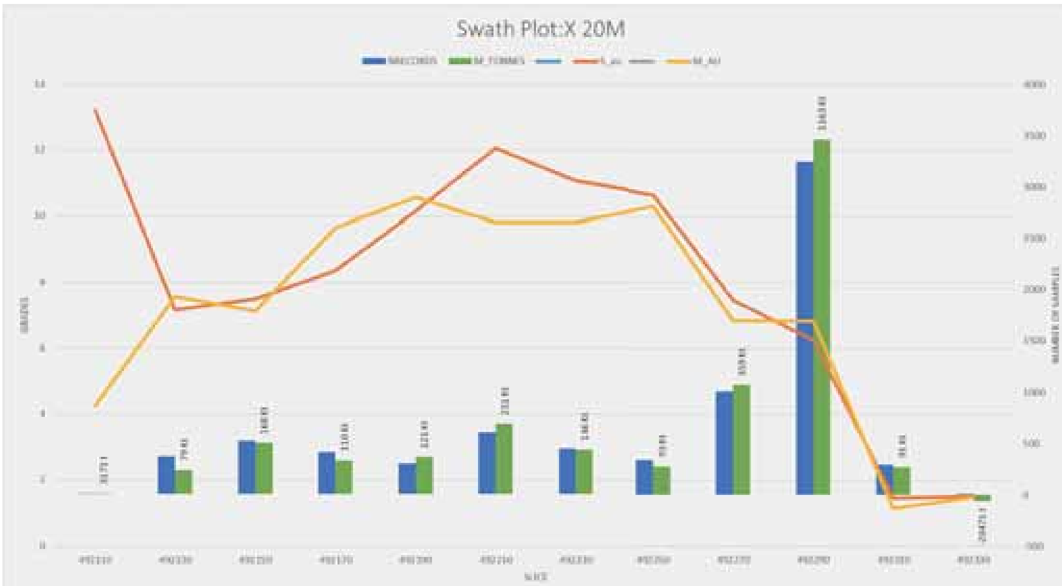
2 pass Inverse Distance Power was used by Yintai for grade interpolation. 60 m and 120 m were used for two different passes when performing IDW. Gold (Au ppm) was interpolated to the empty block model using IDW2 and OK methods by BAW. On considering the performance of Variograms, BAW believes that IDW2 is more suitable for the Dong'an deposit. Blocks interpolated by pass 1 within 40 m drill hole spacing are classified as Measured, and with 40-80 m spacing in pass 2 are classified as Indicated. The rest are classified as Inferred.

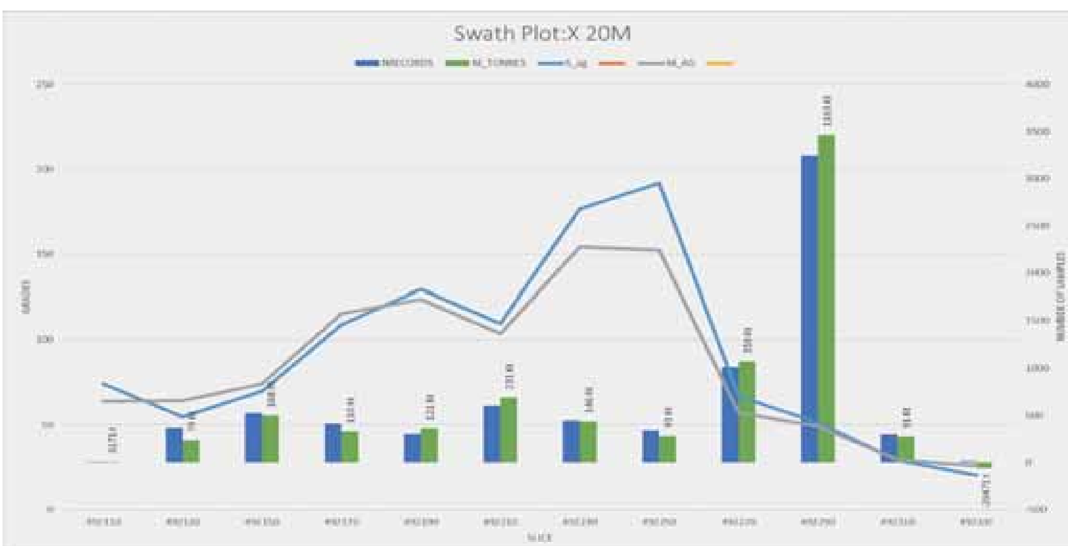
Table 4-7 Block model attributes

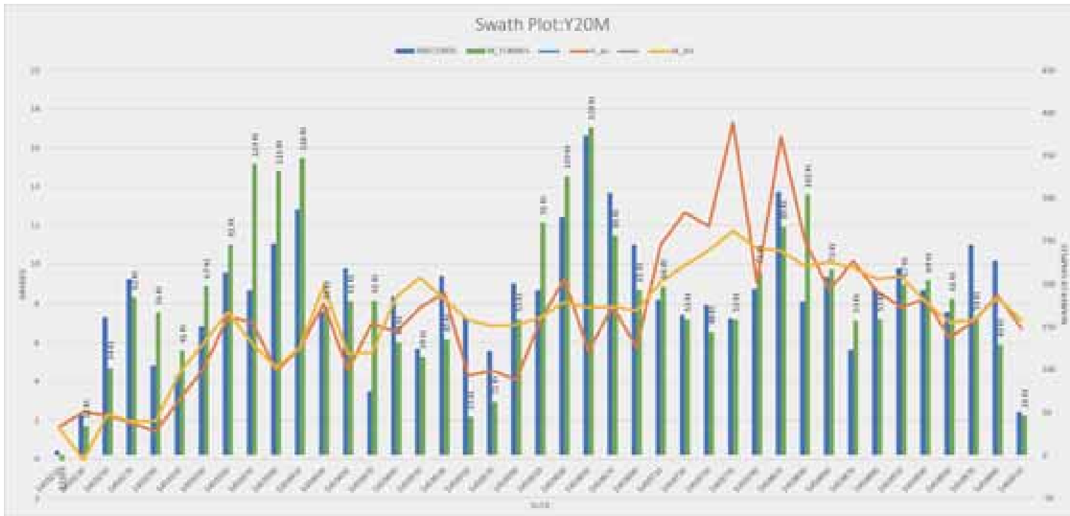
Attribute	Description
BLOCK	Production block name
IJK	IJK number for each parent block
ZONE	Mineralization block number
DENSITY	Estimated in situ dry bulk density
Au_idw	Estimated gold value in ppm (idw3 method)
Au_ok	Estimated gold value in ppm (Kriging method)
No of Samples	Number of samples for grade interpolation (idw3 method)
No of Holes	Number of Holes for grade interpolation (idw3 method)
SV	Search volume category
CAT	Resource classification
Mined	Historical mining Depletion

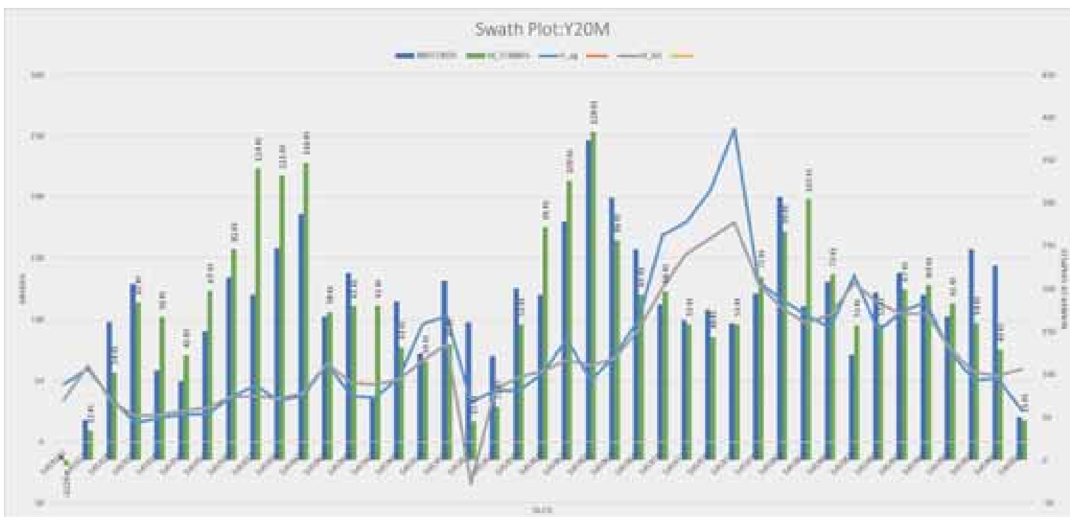
4.10.7 Model Verification

To verify the current model, BAW visually checked the Au block grade and the composite grade used for the estimation by sections. The resource estimations by Dong'an and BAW are consistent.









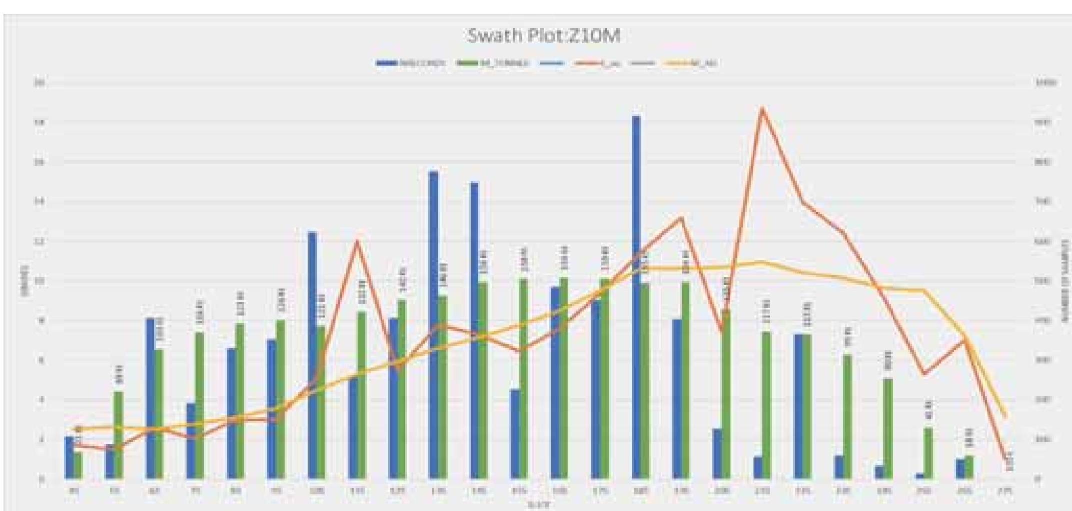


Figure 4-10 Swath plot Dong'an deposit

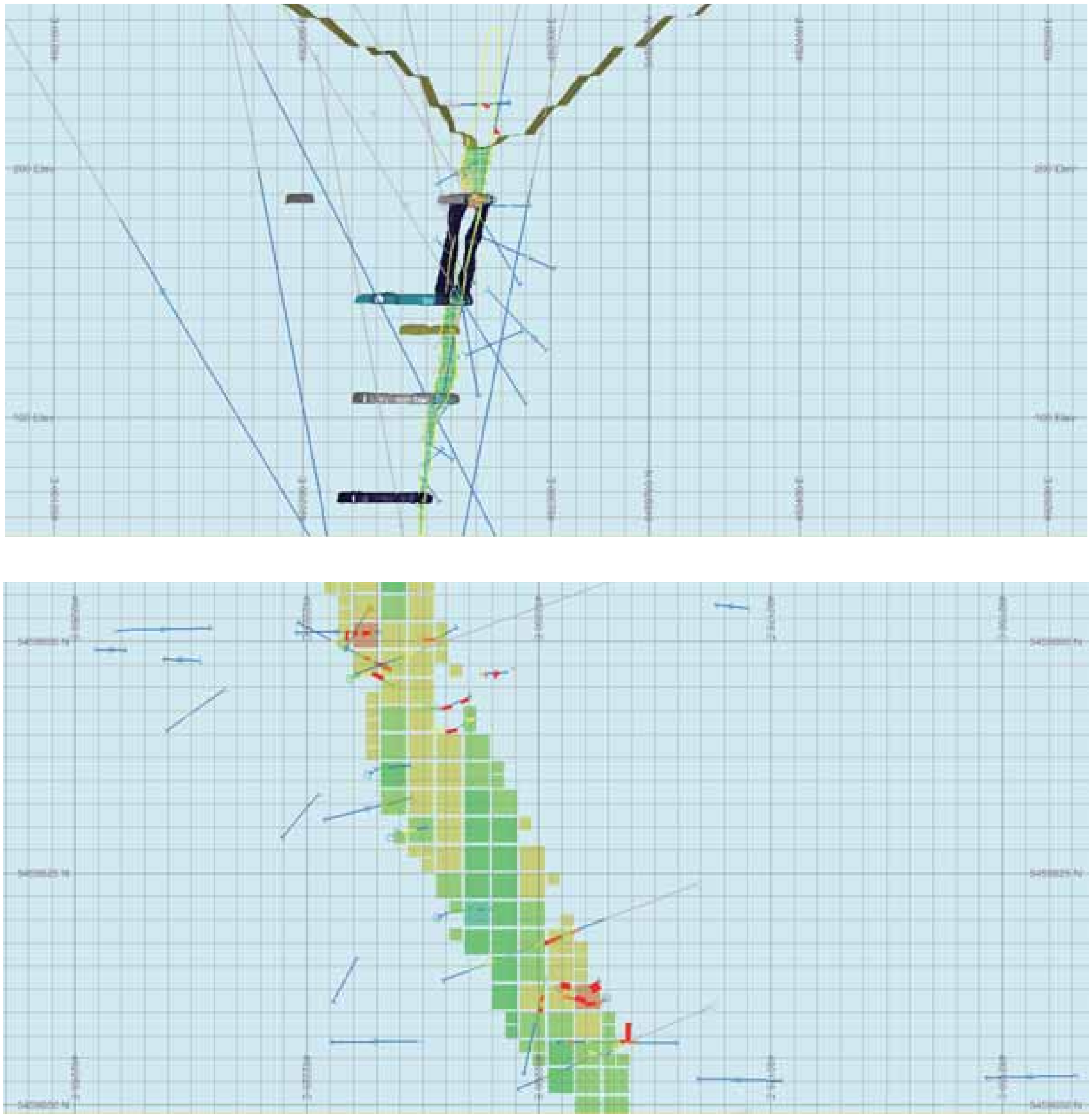


Figure 4-11 Section plot for Dong'an deposit

4.10.8 Resource Reporting

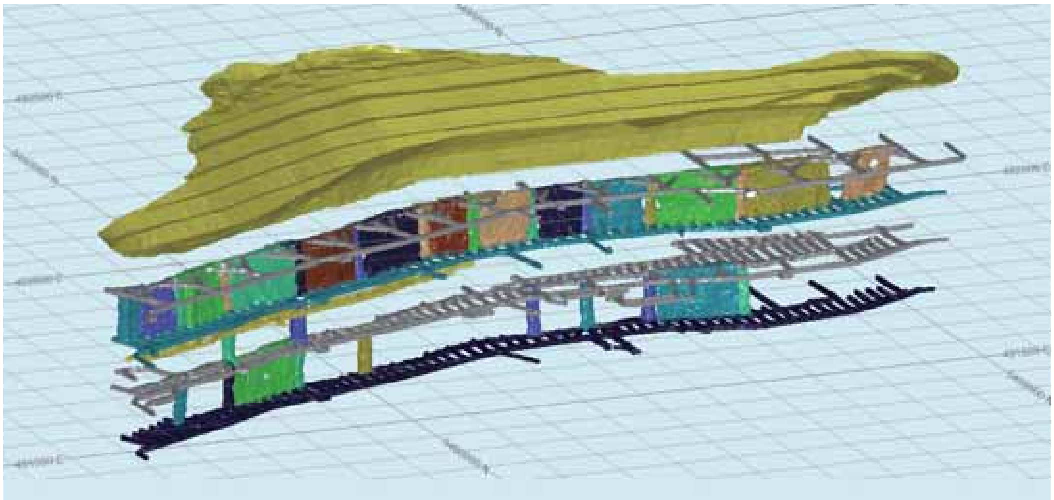


Figure 4-12 Mined out Stopes as of 2022/12/31

The current resource estimate by Dong'an is based on a 1.0 g/t Au cut-off, which was used for onsite mining.

Table 4-8 Summary of Dong'an Mineral Resources at a 1.0 g/t Au cut-off as of 2022/12/31

Cut-off	CAT	TONNES	Au grade	Gold Metal	Ag grade	Silver Metal
		(kt)	*(g/t)*	*(kg)*	*(g/t)*	*(kg)*
1.0 g/t Au	Measured	1,393	6.57	9,144	71.17	99,132
	Indicated	160	2.59	414	58.18	9,292
	M+I	1,553	6.16	9,558	69.84	108,424
	Inferred	80	2.40	191	65.82	5,235
	Total	1,632	5.97	9,749	69.64	113,659
Stockpile	Measured	214	3.27	700	76	16,320
	Indicated	–	–	–	–	–
	M+I	214	3.27	700	76	16,320
	Inferred	–	–	–	–	–
	Total	214	3.27	700	76	16,320
Total	Measured	1,607	6.13	9,844	71.84	115,452
	Indicated	160	2.59	414	58.08	9,292
	M+I	1,767	5.81	10,258	70.60	124,744
	Inferred	80	2.39	191	65.44	5,235
	Total	1,846	5.66	10,449	70.41	129,979

Notes:

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.
2. The effective date for the Mineral Resource estimates is Dec 31, 2022.
3. Mineral Resource estimates account for mining depletion up to and including Dec 31, 2022.
4. A cut-off value at 1.0 g/t Au was used for Dong'an underground mining.
5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

4.10.9 Conclusions and Recommendations

BAW visually inspected the Dong'an block model grade against the composites, carried out a capping study, investigated variograms, interpolated Au grade with the Inverse Distance power method using Datamine and compared the volumetric of each domain with the Yintai model. BAW concluded that the global resources between BAW and Yintai match well, and the internal resource estimate model provided by Dong'an is acceptable.

BAW noticed that mineralization is still open in deep and along strike, explorational and infill drilling is recommended to get more resources for this zone.

4.11 Mining

BAW mainly relied on Heilongjiang Metallurgical Design Institute, 2018 PFS report; Heihe Luoke Mining, 2017 Verification Report on Gold Deposit Resources and Reserves of Line 19-44 of No. 5 Ore body of Dong'an Gold Deposit, Xunke, Heilongjiang; Heihe Yintai Mining, 2022 Heihe Yintai Mining Dong'an Gold Mine 2021 Reserves Annual Report; BGRIMM, 2009 Feasibility Study report, the information and data provided by the Heihe and collected from site inspection by BAW. If there are any discrepancies, the content in the original reports shall prevail. BAW understands that a portion of the data is pending further updates.

4.11.1 Mining Methods

This chapter summarizes the major operational mining method and the underground operation at Dong'an Mine at Heilongjiang Heihe Yintai Mining.

4.11.1.1 Mine Operation Status

Gold mines of Heihe Yintai of Yintai Gold are located in Heilongjiang; the province is rich in gold and non-ferrous metal resources.

The Dong'an Gold Mine was open-pit mining in the early stage and the open-pit mining ended in June 2019. In July 2020, underground mining began. The underground mine is accessed via decline. The underground ore is directly loaded onto a 20t haul truck and transported to the surface through the decline.

4.11.1.2 Mining Methods

The ore body makes it suitable for the use of underground mining. Underground access is using a combination of declines and shafts. Several mining methods such as Dong'an sublevel open stoping with backfilling, etc. have been used over the years.

4.11.1.2.1 Longhole sublevel stoping

Recently, most of the ore was extracted using the sublevel stoping mining method shown in Figure 4-13. The long-hole sublevel stoping method was chosen for the deposit because it is better suited and increases the ore body extraction. Long-hole open stoping (LHOS) is a highly selective and highly productive mining method and can cater to varying ore thicknesses and dips. In longitudinal development, the ore drives are driven parallel to the ore body strike.

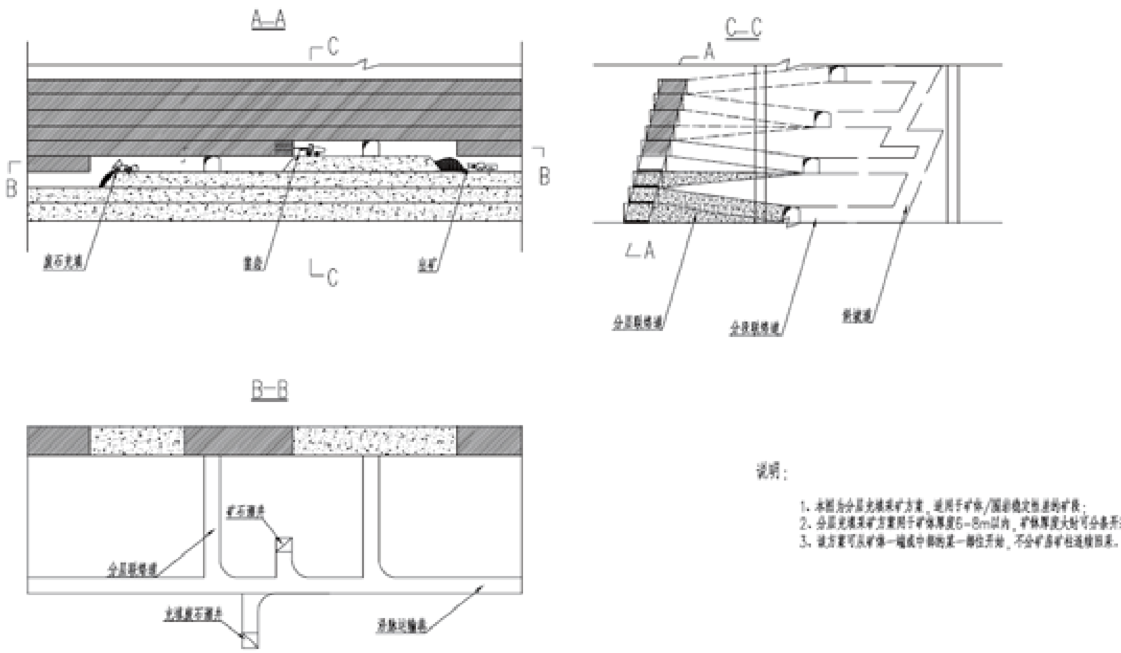


Figure 4-13 Conceptual Dong'an sublevel stoping method at Dong'an Mine (Source: Heihe)

The YQ120 and KQG-150 down-hole drilling rigs are used for deep-hole drilling. Jumbo is used for drilling face, which is mainly used for the blast holes. Raise boring is used for development, such as cable raises, ventilation raises, etc. The ore was loaded onto 20 t haul trucks by the 4 m^3 scrapers, then directly transported to the surface.

Currently, the No. 5 ore body is the main mining area, in which sublevel stoping with backfilling method is applied.

4.11.1.2.2 Other mining methods

The other mining methods are adopted according to the conditions of the ore body. When the surrounding rocks of the stope are unstable, and the top pillar is used, the Dong'an Upward Horizontal Layered Filling Method is adopted shown in Figure 4-14.

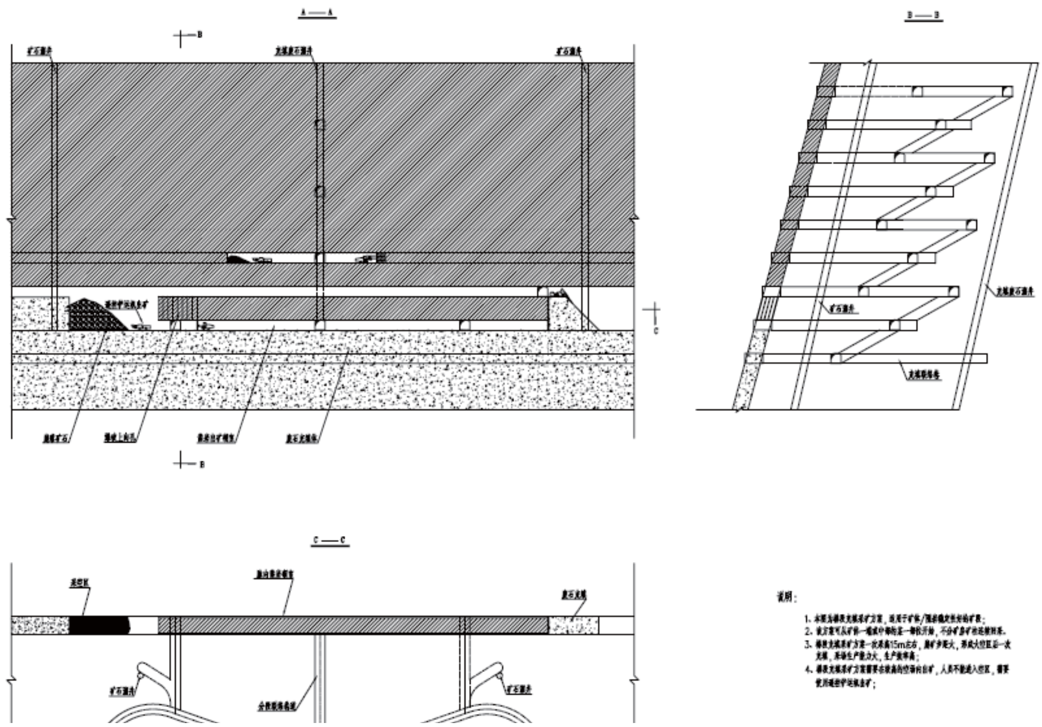


Figure 4-14 Conceptual Dong'an Upward Horizontal Layered Filling Method at Dong'an Mine (Source: Heihe)

The upward layered filling method is suitable for steeply dip ore bodies with moderately stable ore rocks, large longitudinal ore bodies, and an average thickness of less than 10-15 m.

The stopes are arranged along longitudinal, and the access ramp (every 50-100 m) is connected to the roadway.

4.11.2 Mineral Reserve Estimates

In this chapter, BAW reviewed and summarizes mining factors, economic factors, and the preliminary reserve estimation.

4.11.2.1 Factors

BAW makes conservative assumptions for Heihe.

4.11.2.2 Reserve Estimation

The date discussed in the previous section of this chapter is used to create potential total reserve estimation. The potential Heihe reserve estimate summarizes in Table 4-9.

Table 4-9 Dong'an Mineral Reserve at a 3.0 g/t Au cut-off as of 2022/12/31 by BAW

Cut-off	CAT	TONNES (kt)	Au Grade (g/t)	Gold Metal (kg)	Au Grade (g/t)	Ag Metal (kg)
3.0 g/t Au	Proven	1,141	7.15	8,160	72.00	82,177
	Probable	44	3.84	169	91.33	4,022
	Total	1,185	7.03	8,329	72.72	86,199
Stockpile	Proven	214	3.27	700	76	16,320
	Probable	–	–	–	–	–
	Total	214	3.27	700	76	16,320
Total	Proven	1,355	6.54	8,860	72.69	98,497
	Probable	44	3.84	169	91.33	4,022
	Total	1,399	6.45	9,029	73.28	102,519

BAW Cautionary Note about Reserves Estimates:

- This is only a preliminary reserve estimate with a conceptual mine plan. The mineral reserve estimate, with an effective date of December 31, 2022, was prepared by BAW. BAW understands that due to a lack of data or information, a portion of the data is pending further updates.

4.11.3 Production Schedule

Before preparing this preliminary schedule, BAW reviewed the information and data provided by the Heihe and collected from site inspection by BAW. If there are any discrepancies, the content in the original report shall prevail. BAW understands that a portion of the data is pending further updates.

Based on the information provided to BAW, details of the mining license and the adjacent exploration license are summarized in the previous section.

Based on the information provided to BAW, historic production is summarized in the previous section.

The information and data for this preliminary schedule are described below:

- From the Year 2023-2025, the production and development plan of Heihe Dong'an, the production of 421,000 t/a, 375,000 t/a and 160,000 t/a is considered respectively for the Year 2023, Year 2024 and Year 2025.

- Heihe Dong'an Mining currently owns a 375,000 t/a mining license.

- This project has been in operation since May 20th, 2021 and reached a capacity of 1,250 t/d in October 2021. The Existing Processing Flowsheet with 1,250 t/d Capacity from Section of Processing.

- Assumed comprehensive gold recovery from Section of Processing: Au 97.44%; Ag 73.14%.

- Gold production is based on economic targets.

- The schedule will be adjusted based on further data.

A preliminary Dong'an mine scheduling was developed by BAW (Table 4-10):

Table 4-10 The preliminary Dong'an mine schedule by BAW

ZONE	TONNES	Au Grade	Ag Grade	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Remnant
	(t)	*(g/t)*	*(g/t)*					
Dong'an	1,185,000	7.03	72.72	421,000	375,000	375,000	14,000	
Stockpiles	214,000	3.27	76.00				214,000	
Total	1,399,000			421,000	375,000	375,000	228,000	
		Grade g/t		7.03	7.03	7.03	3.50	
		Rec. g/t		6.85	6.85	6.85	3.41	
		Rec. Au OZ		92,987	82,827	82,827	25,078	283,720
			Grade g/t	72.72	72.72	72.72	75.80	
			Rec. g/t	53.19	53.19	53.19	55.44	
			Rec. Ag (g)	22,391,899	19,945,278	19,945,278	12,640,113	74,922,568

Cautionary note that this is only a preliminary mine schedule based on a conceptual plan and a preliminary reserve estimate. BAW understands that a portion of the data is pending further updates. The preliminary schedule will be adjusted based on further data. BAW recommends that a complete supporting study and detailed long-term plan should be done in compliance with the Mine schedule.

4.11.4 Mining Equipment

Diesel and electric hydraulic equipment will be employed throughout the mine. The primary haulage fleet will consist of haul trucks and LHDs for the mineralized material, waste handling, secondary tasks, and backfill. Development drilling will be conducted using jumbos and long-hole drilling will be conducted using equivalent drills.

The 20 t dump truck is used to haul underground ore to the surface; the 20 t dump truck is also used to transport waste rock from the shaft to the face for backfilling. A total of five 20 t dump trucks are currently in place.

Equipment requirements were based on the maximum annual duty hours for an individual piece of equipment, modified for mechanical availability and projected utilization. A list of the major equipment used in the mine is shown in Table 4-11.

Table 4-11 Mine Major Equipment Summary

Major Equipment	Total
Jumbo (DD2710 BHP 2751G)	1
LHD (FL06A & LH307)	2
Excavator (330D2L)	1
Scaling Cutter XMPYT-55/450(J)	1
Truck	5

Source: Heihe Yintai (2022.12)

4.11.5 Mine Service

This chapter summarizes the mine service at Heilongjiang Heihe Yintai Mining.

4.11.5.1 Ventilation

The ventilation will involve all the declines and shaft connections to the surface.

At present, the decline is used for air intake and the shaft is used for air return. The FKCDZ-8-No25/2×200 fan is installed in the shaft, which meets the underground ventilation requirements.

Ideally, a stope should be ventilated with natural ventilation flowing from the level below through the stope up the raise. The raise and manways should be placed so that the airflow supplies most of the stope. Auxiliary ventilation can be introduced as required. The 5.5 kW and 11 kW local fans are used for local ventilation.

4.11.5.2 Mine Drainage and Water Supply

The shafts are used to dewater the underground mine. The Shaft shall have some pump stations and an associated collection of sumps. Pumps operating status depends on sump levels. The underground water is pumped to the surface of 300 m^3 ponds, which is the water supply for production and firefighting.

The water source mainly comes from the wells near Kurbin River.

The underground production water supply is described below:

- A submersible pump is used in the well near the river to pump the water to New Pond., which is directly used for production.

- The underground water from sumps will be pumped out of the mine to clarify for discharge or potential re-use underground.

The domestic water supply is described below:

- The domestic water comes from the deep well, which is installed with a submersible pump.

- The water supplies to the domestic facilities after water purifier treatment. The processed water has been distributed to domestic users.

4.11.5.3 Compressed Air

The compressor houses are located in portal areas, with one MH200 air compressor (30 m^3/min, 1.0 MPa) and one MH200VSD air compressor (30 m^3/min, 1.0 MPa) for the underground.

4.11.5.4 Power Supply

The Baoshan 35 KV Substation, 28 km away from the mine, serves as the 35 KV power supply for the mine substation. The 35 KV overhead line is used to lead to the 35/10 kV mine substation about 800 m away from the portal area. Mine substation then distributes power via a 10 kV line to other low-voltage users.

One 1,000 kW and one 1,500 kW diesel generator set, as an emergency power source for mines, near the mine substation is installed to connect to the 10 kV power grid.

4.11.5.5 Communications

A digital program-controlled dispatching telephone exchange system in the production dispatching center is installed and used for the production and management of working faces, mechanical and electrical in the mine.

The underground communication system has a complete two-way communication function between the underground telephone stations and the surface dispatching center.

The mine communication room is connected to the signal tower, to ensure telephone communication and internet connection.

4.12 Processing

The information in this section is based on below reports and documents from the owner, if there are any discrepancies, the content in the original reports shall prevail.

1) *Heilongjiang Province Xunke Town Dong'an Gold Mine 5# Ore Body Metallurgical Test* by Jilin Province Metallurgical Research Institute, 2003.06.

2) *Heilongjiang Dong'an Gold Mine Small Scale Metallurgical Test* by Beijing General Research Institute of Mining & Metallurgy, 2009.02.

3) *Heihe Yintai Mining Development Co. Ltd. Dong'an Gold Mine – Crushing and Grinding, and Tailing Filter Pressing Modification Project Basic Engineering* by Heilongjiang Province Metallurgical Research and Planning Institute, 2019.02.

4) *Heihe Yintai Mining Development Co. Ltd. Dong'an Gold Mine Metallurgical Test* by Changchun Gold Research Ltd., 2019.03.

5) *Heilongjiang Province Xunke Town Dong'an Gold Mine 5# Ore Body 19 – 44 Resource Reserve Verification Report* by Heihe Luoke Mining Development Ltd., 2017.04.

6) *Processing Plant Introduction of Production,* by the owner.

7) *Production Report of 2022*, by the owner.

This project has been in operation since May 20th, 2021 and reached a capacity of 1,250 t/d in October 2021. In 2020, the expansion project of the concentrator was implemented on the previous 400 t/d processing plant. New crushing and grinding were constructed and the processing is primary crushing + SAG + Ball mill.

To increase production, and ensure grinding fineness and product recovery rate, the particle size of the originally designed crushed ore product is adjusted from 150 mm to 90 mm-120 mm during production. In addition, to improve the production efficiency of the carbon strip and electrowinning process and reduce production costs, the carbon strip and electrowinning process has been modified in December 2021, and the original normal temperature and pressure have been changed to a high temperature and high-pressure (cyanide-free) carbon stripping and electrowinning process. The Existing Processing Flowsheet with 1,250 t/d Capacity is as Figure 4-15.

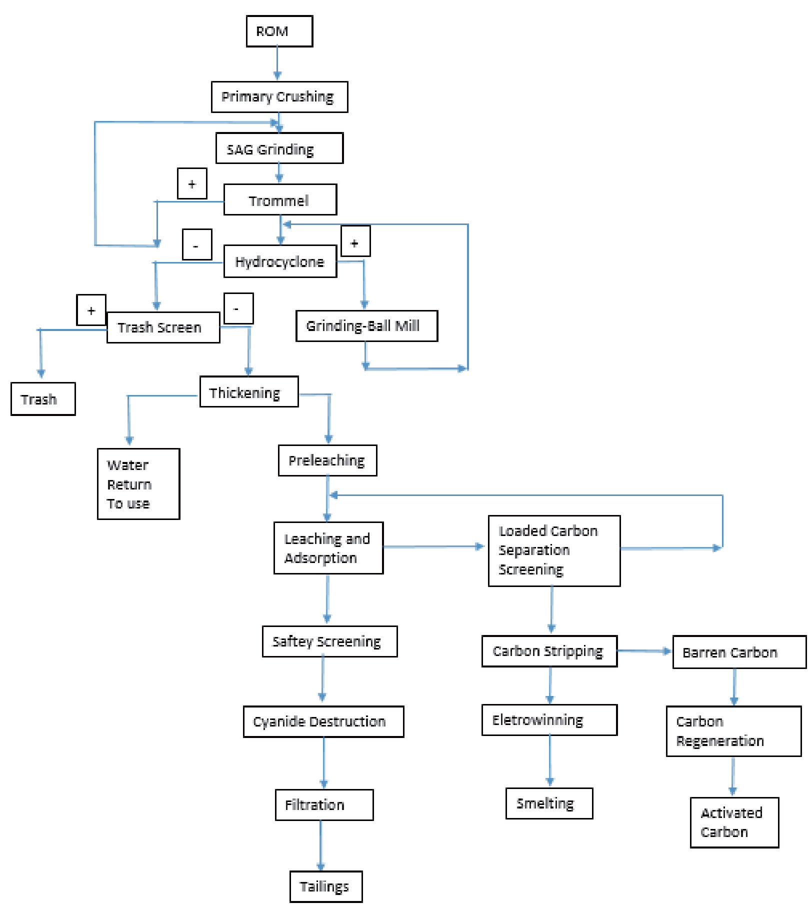


Figure 4-15 The Heihe Existing Processing Flowsheet Diagram

4.12.1 Process Description

The existing processing plant includes: Crushing, Grinding, CIL, Carbon Stripping and Electrowinning, Carbon Generation, Smelting, CIL Tailing Cyanide Destruction, Tailings Disposal.

1) Crushing

ROM is fed by truck lift into ROM bin and then is fed to primary jaw crusher-C116 by apron feeder. The primary jaw crusher products are discharged to 1# Belt Conveyor, and then are transported to Crushing Products Storage Bin. The materials from Storage Bin are transported by a vibrating feeder under the bin to 2# Belt Conveyor, and then are fed to SAG by 2# Belt Conveyor.

2) Grinding

The products of SAG flow through a Trommel screen. The underflow goes to 1# pump pond and oversize (pebbles) materials are fed to 3# Belt Conveyor, and then transferred to 4# Belt Conveyor and 5# Belt Conveyor to 2# Belt Conveyor combined with crushing products, and then return to SAG, forming a closed circuit.

The slurry of 1# Pump Pond is pumped by slurry pumps (1 standby 1 in operation) into the hydro cyclone cluster. The overflow of the cyclone cluster flows to the ball mill and the underflow of the cyclone cluster flows to a trash screen-linear vibrating screen. The oversize material is collected by a trash bin and the underflow of screening goes to the slurry distributor. The slurry goes to the air removal feeding box of 1# thickener or 2# thickener before the CIL system.

3) CIL

The system of CIL includes 8 tanks and 1# and 2# tanks are for pre-leaching added with lime slurry. The slurry flows from 1# to 8# tanks in sequence. Tanks 3#, 4#, 5#, 6#, 7#, and 8# are with interstage screens for keeping loaded carbon when the slurry flows to the next tank. The air and NaCN are added into 3# to 8# tanks and the lifters of these tanks transport the loaded carbons from 8# to 3#, and the loaded carbons are lifted from 3# tanks and then fed to the loaded-carbon separating screen. The oversize loaded carbons are transported to loaded carbon storage and underflow goes back to 3# tanks.

4) Carbon Stripping and Electrowinning

The loaded carbon are transferred to the acid washing column for acid washing and then fed to the elution column for carbon stripping. The pregnant solution goes to the electrowinning cell for electrolysis. It has electrowinning reaction and Au (CN) 2- is deoxidized to the cathode or falls to the bottom of the electrowinning cell. When the amount of gold sludge in the electrolytic tank (the gold deposited on the cathode or fall to the bottom of the cell, which is called gold sludge) reaches a certain level, gold sludge is to filtrate and dry. Then the gold cake is sent to the gold furnace for smelting. The eluted carbons are fed to the carbon regeneration system.

5) Carbon Regeneration

Eluted carbons are transported to the dewatering screen and oversize carbons are fed to the carbon regeneration kiln for heating. Then its products are sent to water tanks for quenching. After quenching, the carbons are fed to a separating screen for separation, the active carbons are stored in the storage tank and the underflow goes to recycle water system for reusing.

6) Smelting

The gold is filtrated by a gold sludge filter and by a vacuum filter in sequence, then is dried by the dryer to form a dry cake. The dry gold cake is sent to the gold furnace for smelting and then it has the final product of gold alloy, and the gold alloy is locked in the safe; inclination tailings are processed separately.

7) CIL Tailing Cyanide Destruction

Tailings from 8# tank flows to safety screen for collecting loaded carbons. The oversize material-loaded-carbons are collected and processed separately. The underflow of the safety screen flows to the tailing pump pond and is pumped to 1# CN^- destruction tank, and then flows to 2#, 3#, and 4# CN^- destruction tanks in sequence, added with copper sulfate and sodium metabisulfite for removing CN^-.

8) Tailing Disposal

Until the cyanide concentration in the slurry is below 1 ppm, meeting the safe discharge standard, then the slurry can be pumped to buffer tanks, and then the slurry is pumped to the tailings filter press plant for filtration and the belt conveyors transport the filter cakes to the tailing dumps.

4.12.2 Recoveries

Based on the document of the current production situation provided by the owner, below is a production indexes summary of the existing processing plant which is with 1,250 t/d capacity. The existing processing plant runs smoothly with a high-quality index. See Table 4-12:

Table 4-12 Heihe Existing Processing Plant Production Indexes Summary

Indexes	**Unit**	**Quantity**
Au Feeding Grade	g/t	6.71
Ag Feeding Grade	g/t	54.67
Grinding Fineness, -200 mesh	%	92.00
Overall, Au Recovery	%	97.44 (average of 2021 and 2022)
Overall Ag Recovery	%	73.14 (average of 2021 and 2022)
Electricity	Kwh/month	57.71
Still Ball	Kg/t (ROM)	2.97
NaCN	Kg/t (ROM)	3.21
CaO	Kg/t (ROM)	2.47
Metabisulfite	Kg/t (ROM)	5.49
CuSO4	Kg/t(ROM)	0.26
ZnSO4	Kg/t (ROM)	0.34
HCl	Kg/t (ROM)	0.32
Carbon	Kg/t (ROM)	0.097

4.12.3 Test Work

Below is the test report list as per the documents from the owner:

1) *Heilongjiang Province Xunke Town Dong'an Gold Mine 5# Ore Body Metallurgical Test* by Jilin Province Metallurgical Research Institute, 2003.06.

2) *Heilongjiang Dong'an Gold Mine Small Scale Metallurgical Test* by Beijing General Research Institute of Mining & Metallurgy, 2009.02.

3) *Heihe Yintai Mining Development Co. Ltd. Dong'an Gold Mine Metallurgical Test* by Changchun Gold Research Ltd., 2019.03.

4) *Heihe Yintai Mining Development Co. Ltd. Dong'an Gold Mine Metallurgical Test* by Changchun Gold Research Ltd., 2019.03.

Here is a comparison of the test result of 2019 and processing indexes of the existing 1,250 t/d processing plant, see Table 4-13.

Table 4-13 Test Result of 2019 and Existing 1,250 t/d Processing Indexes Comparison

Name	Processing	Au ROM Grade, g/t	Au Leaching Recovery, %
Test Report 2019	-200 mesh, 92%, slurry concentrate-40%, PH=10.8, leaching time 38h	27.16	98.82
Existing Processing Plant	-200 mesh, 92%	7.82 (Average of 2021 and 2022)	97.44

The existing processing plant's overall recovery is 97.44%, which is the average of the 2021 and 2002 production indexes. From the above data, the current overall recovery is almost as good as the test result.

4.13 Permitting, Environmental, Health and Social Impacts

4.13.1 Operational Licenses and Permits

BAW is aware that certain license such as business licenses, mining licenses, exploration licenses, safety production permits and water use permits are in place such the operation is in compliance with the regulatory and legal requirements of the PRC.

Table 4-14 Details of Mining License

Mining License Holder	Heihe Yintai Mining Development Co., Ltd.
Name of Property	The Dong'an Gold Deposit
License Type	Mining
License ID	C1000002016044210142237
Area (km^2)	0.1386
Elevation (m)	From 280 m to -100 m
Permitted Production Capacity	375.0 ktpa
Type of Commodities	Gold and Silver
Mining Method	Underground/Open Pit Mine
Valid Period	18 May 2016 to 18 May 2033

Table 4-15 Details of the Business License

Property	Business License No	Issue Date	Permitted Activities
Heihe Yintai Mining Development Co., Ltd.	91231100663888397E	22 August 2019	Mining, Exploration, processing and Sales

Table 4-16 Details of the Safety Production Permit

Property	Safety Production Permit No	Issue Date	Expiry Date
Heihe Yintai Mining Development Co., Ltd.	2020 HH3739	06 May 2021	10 September 2023

Table 4-17 Details of the Safety Production Permit (Tailing Storage Facilities)

Property	Safety Production Permit No	Issue Date	Expiry Date
Heihe Yintai Mining Development Co., Ltd.	2022 007	25 November 2020	24 November 2023

4.13.2 Environmental Management

In order to address the potential environmental impacts resulted from the mining operation, professional design research institutes were commissioned to carry out studies of Sustainable Development and Utilization Plan of Mineral Resources ("**SDP**") for its various operation. SDP is a combination of Mineral Resources Development and Utilization Plan, Land Reclamation Plan, and Geological Environment Protection and Restoration Plan to assess various aspects, such as, impacts on ecology, land subsidence, water and soil conservation, underground hydrogeology, surface drainage, dust and air quality, noise control, solid waste and emission, regulatory compliance and planning of environmental monitoring pursuant to the regulatory and legal requirements of the PRC in relation to nation-wide environmental, provincial environmental and administration. BAW understands that the SDPs were reviewed and approved by relevant government agencies pursuant to the regulatory and legal requirements of the PRC.

4.13.3 Occupational Health and Safety

Gold mining operation in the PRC is generally required to implement corporate safety policy and conducts its operations in accordance with the relevant national laws and regulations with respect to Occupational Health and Safety ("**OHS**") in construction, mining, production, blasting and explosives handling, waste rock dump design, mineral processing, environmental noise, emergency response, water and soil conservation, fire protection and fire extinguishment, sanitary provision, power provision, labour and supervision. BAW understands that the gold mine generally implement OHS procedures in line with the national standards, attaching importance to a safe working environment for employees which protect them from potential occupational hazards and health and safety risks.

4.14 Economic Analysis

BAW reviewed the forecasted operation data and analyzed the late mine operation data provided by Mine. BAW also prepared a production schedule for the Heihe project based on the information provided. To assess the economic viability of Minable Resources under the production schedule, BAW has performed an economic analysis for the Minable Resources estimated throughout the LOM. Determination of economic viability involves the sum of discounted annual free cash flow projected from the start of the year till the end of the LOM. The economic analysis is based on the following assumptions:

1. The economic analysis presented here is on a 100%-equity basis that shows the basic economics of the project.

2. It does not incorporate financing items such as interest paid and loan principal paid back.

3. The analysis also does not incorporate any losses carried forward for tax purposes and any refund of valued-added taxes previously or currently paid.

4.14.1 Valuation Methodology

- *Market Approach*

The market Approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

- *Income Approach*

The income Approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

- *Cost Approach*

The cost Approach measures the value of an asset by the cost to reproduce or replace it with another like a utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration and functional and economic obsolescence.

4.14.2 Adopted Valuation Approach

Among the abovementioned valuation methodologies, the selection of the valuation method for the Heihe Project is based on, among other things, the quantity and quality of the information provided, the availability of the data, the availability of relevant market transactions, the uniqueness of the Project, the nature of business and industry involved of the Project, professional judgment and technical expertise of the management.

The selection of the valuation approach is determined primarily by the stage of development of the concerned mineral asset. The chart below (Figure 4-16) shows the application of valuation methodology for valuing mineral assets.

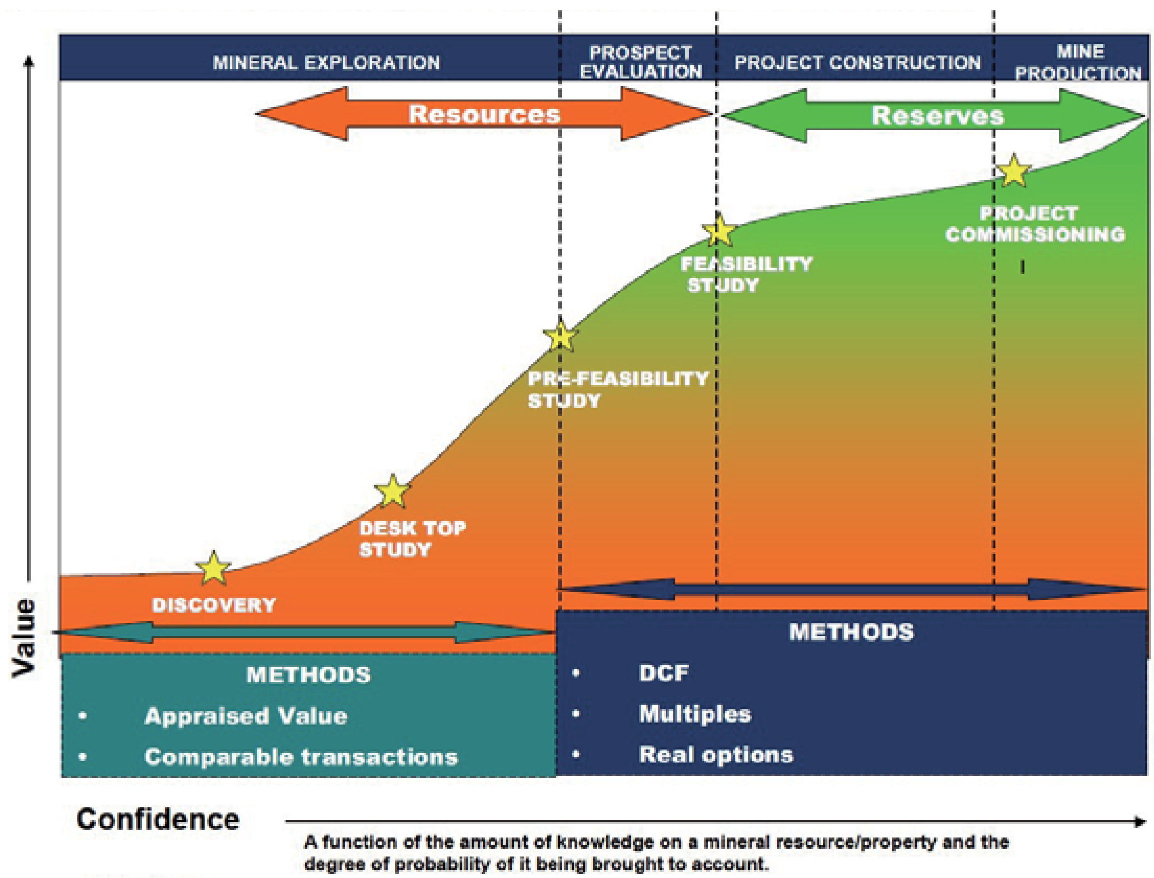


Figure 4-16 Application of different valuation Methodologies

4.14.2.1 Mineable Resource

Regarding the Mineable Resources of the Heihe Project, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. In addition, compared with the cost approach, the income approach can effectively and accurately reflect the future earnings of the Project. Among the income approaches, we adopted the approach of discounted cash flow projection. The adoption of such an approach for valuing the Mineable Resources is considered to be fair, reasonable and conformable with the industry practice.

4.14.2.2 Discounted Cashflow

In this method, the value depends on the present value of the economic benefits to be generated. The expected future cash flows available for payment of shareholders' loans and interest (which, in certain circumstances, is used to repay the registered capital plus interest and dividends) are converted to their present value equivalent using a rate of return appropriate for the business risk.

The expected debt-free cash flow for each year was determined as follows:

FCF = EBIT (1 – T) + Dep – InvCapex – InvNWC

FCF = *Expected Cash Flow*

EBIT = *Earnings before interest and tax*

T = *Tax rate*

Dep = *Non-cash items*

InvCapex = *Investment in capital expenditure*

InvNWC = *Investment in net working capital*

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present values of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

In which

PVCF = Present value of free cash flows

CF = Estimated cash flows

r = Discount rate

n = Number of the year of projections

4.14.3 Metal Production and Revenue

According to the production plan developed by BAW, the Heihe project will produce 8,799,154 g of gold and 74,922,568 g of silver. The long-term gold price is estimated to be 443.30 RMB/g and the Ag price is 4.12 RMB/g. The total revenue for gold should be CNY3,900.64 million and CNY308.31 million for silver.

4.14.4 Operating Cost and Capital Expenditure

The cash cost of LOM is estimated at CNY896.82 million, while the capital expenditures are CNY165.09 million.

4.14.5 NPV and Sensitivity Analysis

Regarding the Minable Resources of Project Heihe, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. Therefore, such an approach can effectively reflect the future revenue of the project. The NPV of the Heihe Project is **CNY2,090.5** million at a 9.09% discount rate. The sensitivity analysis shows that the NPV estimate is the most sensitive to commodity prices and discount rates.

Appendices

Appendix 1: JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	**Commentary**
Sampling techniques	• Trenching and tunnelling were conducted. Representative channel samples were collected using a diamond saw and chisel, with channel dimensions of 10 × 5 cm and a typical interval of 1 m. • Diamond drilling was employed, and cores were cut along the long axis using a saw splitter. Sample intervals were primarily set at 1 m lengths. • Mineralization was identified based on lithology and alteration.
Drilling techniques	• Both standard and triple tube core drilling rigs were utilized, with drill cores primarily being HQ-sized for surface drill holes and NQ-sized for underground drill holes. • Down-hole surveys were conducted using a digital inclinometer or downhole camera at intervals of 50 m for surface drilling and 30 m for underground drilling.

Criteria	Commentary
Drill sample recovery	• The logging geologist measured drill core recovery for each run and recorded the results in the primary database. Core recovery was determined by dividing the drilling footage by the core length. • Upon encountering low sample recovery during drilling, the logging geologist and driller worked together to promptly rectify the problem and optimize recovery. • The mineralization is relatively homogeneous and no relationship between sample recovery and grade was found.
Logging	• Drill cores were qualitatively logged by geologists to capture details such as oxidation, texture, grain size, lithology, alteration, structure, and recovery. • All drill hole cores were properly logged and photographed. Logging information was initially recorded on standardized logging sheets and subsequently digitized into the electronic database.
Sub-sampling techniques and sample preparation	• Half-core samples were obtained by splitting drill cores in half. • Channel samples were collected in their entirety for sample preparation, without splitting. • All samples underwent drying, crushing, splitting, and pulverizing according to the proper procedures. The Chichette formula ($Q = k \times d^2$) was used to determine the minimum allowable sample weight, where: Q represents the sample weight (kg), k is the coefficient determined by the ore type (0.8 for this rock type), and d is the maximum sample grain diameter (mm). • No field duplicates were collected. • On-site geologists deemed the sample size appropriate for the gold grain size observed.

Criteria	Commentary
Quality of assay data and laboratory tests	• The use of fire assay with AAS for gold determination and aqua regia digestion with AAS for silver determination was considered appropriate. • Geophysical tools, spectrometers, and handheld XRF instruments were not utilized for assaying purposes. • Basic samples were analyzed by both the internal mine-site laboratory and domestically certified Chinese laboratories, which implemented internal quality control procedures in line with relevant PRC standards. No systemic bias was reported.
Verification of sampling and assaying	• BAW geologists carried out a field inspection of significant intersections. • No twinned holes were drilled. • All geological logging and sampling information was initially recorded on logging sheets and later digitized into an electronic database. Both physical and electronic logging and sampling records were well-maintained. • During the site visit, BAW reviewed data entry procedures, and storage protocols, and verified the primary data. • No adjustment was made to the assay data.
Location of data points	• Drill holes, trenches, and adits were surveyed in compliance with relevant PRC standards by certified surveyors under the supervision of on-site geologists. • The Xi'an Coordinate System (1980) was applied to this project. • Detailed topographic surveys were conducted by certified surveyors and deemed adequate for modelling and Mineral Resource estimation purposes.

Criteria	Commentary
Data spacing and distribution	• The exploration grid was set at 40-80 × 40-80 m. Samples were collected continuously throughout mineralization zones and their contact zones in wall rocks, with a typical length of 1 m. • The spacing of drill holes is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedures and for the classifications applied.
Orientation of data in relation to geological structure	• Considering the deposit type, the drilling orientation and subsequent sampling are deemed unbiased for Mineral Resource estimation purposes.
Sample security	• Heihe Mining managed the chain of custody for sample security. Samples were collected, packed, marked, and logged before being delivered to the laboratory for preparation and assaying. The drill cores were stored in an on-site core shed, although some recent cores were temporarily placed outside.
Audits or reviews	• All aspects of sampling techniques strictly adhered to relevant PRC national standards and specifications. BAW reviewed and cross-checked the sampling data.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• BAW was provided with a scanned copy of the original mining license, and the details are stated in Sections 4.1.2 and 4.1.3 of this report.
Exploration done by other parties	• Detailed information can be found in Section 4.3.2 of this report.
Geology	• Detailed information can be found in Sections 4.4 and 4.5 of this report.
Drill hole Information	• All drill hole information was entered into the database and utilized for Mineral Resource estimation. Due to the extensive amount of drill hole data, a detailed tabulation of this information is not presented.

Criteria	Commentary
Data aggregation methods	• All samples are composited within the geological domains at a 1.0 m length, and short intervals at the end of the domain are incorporated into the preceding interval. A cut-off value of 1.0 g/t Au is used to define the domains. • Histogram and probability plot were used when capping. Outliers were replaced by the value at the 97.5% distribution frequency value. • No metal-equivalent approaches were applied.
Relationship between mineralization widths and intercept lengths	• Gold mineralization of the Dong'an deposit is mainly hosted by the quartzite zone which is affected by fault Striking South to North.
Diagrams	• Not Applicable in this report.
Balanced reporting	• The reporting is fully representative of the data provided at this stage.
Other substantive exploration data	• Adequate samples were measured for specific gravity, as detailed in Section 4.8.1.
Further work	• BAW was informed that Heihe Mining was applying for exploration rights in the peripheral area of the current mining license and intended to conduct further exploration programs.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	Commentary
Database integrity	• The data provided by the Company in Access format was imported into a Surpac database after validation. • Data validation steps included: – Validation through constraints and libraries set in the database, e.g., overlapping/missing intervals, intervals exceeding maximum depth, valid geology codes, and missing assays. – Validation through 3D visualization in 3D software to check for any obvious collar, down-hole survey, or assay import errors.

Criteria	Commentary
Site visits	• BAW Competent Person visited the Heihe Project from March 19 to 21, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Geological interpretation	• 2 different domains were determined based on geology, alteration and the interpreted controls on mineralization from production experience. • A cut-off value at 1.0 g/t Au is used to define domains.
Dimensions	• Not Applicable in this report.
Estimation and modelling techniques	• The Mineral Resource was estimated using Inverse Distance interpolation in Surpac. • 2 pass Inverse Distance Power was used by Yintai for grade interpolation. 60 m and 120 m were used for two different passes when performing IDW. • The parent cell size and estimation parameters were based on the drill hole spacing and the nature of the mineralization style at the project. • The geological interpretation was used to help build a mineralized wireframe model and the resource estimate was conducted within the model. • Validation of the Mineral Resource estimate has been conducted by: – Visual drill hole section data comparisons with the block model and – Swath plots of major elements in three orthogonal directions.
Moisture	• Tonnages are estimated on a dry basis.
Cut-off parameters	• Not Applicable in this report.

Criteria	Commentary
Mining factors or assumptions	• The mining method assumed is underground mining. • Mining factors such as mining dilution shown above were not incorporated into the Mineral Resource estimate.
Metallurgical factors or assumptions	• Simple studies of ore properties and processing tests were conducted and the files were provided by the Company. • The overall gold recovery is 97.44% as per the document from the owner. • Processing recovery rates presented above were incorporated into the Mineral Resource estimate.
Environmental factors or assumptions	• No assumptions have been made regarding possible waste or process residue disposal options or environmental surveys.
Bulk density	• The conventional water displacement method was utilized on a total of 440 samples from drill cores.
Classification	• Mineral Resources have been classified in the Measured, Indicated and Inferred categories in accordance with the JORC Code 2012 guidelines. • A range of criteria was considered in determining the classification for the project, including: – geological confidence in the interpretations, – sample data density, – sample/assay confidence, – grade continuity of the mineralization, – estimation method. • Blocks interpolated bypass 1 within 40 m drill hole spacing are classified as Measured, and with 40-80 m spacing in pass 2 are classified as Indicated. The rest are classified as Inferred. • The Competent Persons endorse the results and classification for the project.

Criteria	Commentary
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Relative accuracy and confidence have been assessed through validation of the model as outlined above. • The Mineral Resource estimate comprises material categorized as Measured, Indicated and Inferred Mineral Resource. The Mineral Resource categories reflect the assumed accuracy and confidence as a global.

.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	Commentary
The mineral Resource estimate for conversion to Ore Reserves	• The block models prepared by Yintai were used as the basis of the Ore Reserve estimate. • The Mineral Resources are reported inclusive of Ore Reserves.
Site visits	• BAW Competent Person visited the Heihe Project from March 19 to 21, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Study status	• The feasibility study report (2009.01) conducted by BGRIMM was provided to BAW. • The feasibility study report was used as the basis of the Ore Reserve estimate.
Cut-off parameters	• The feasibility study report (2009.01) conducted by BGRIMM was provided to BAW. • The feasibility study report was used as the basis of the Ore Reserve estimate.
Mining factors or assumptions	• Not Applicable in this report.

Criteria	Commentary
Metallurgical factors or assumptions	• The processing flowsheet is a conventional crushing, grinding, CIL, Carbon stripping and Electrowinning, which is simple and mature and is suitable for low-sulfur ore. • Compared with test results in 2019, the current processing overall gold recovery is good. • It doesn't have any documents about alloy gold analysis, so assuming that alloy gold meets the requirement of terms and sales agreement.
Environmental	• Environmental, safety and production permits were obtained.
Infrastructure	• The infrastructure meets the basic requirements of production and transportation.
Costs	• The Opex and Capex were provided by the Mine. • Refer to section 4.13.4.
Revenue factors	• Production Schedule is developed by BAW. • Refer to section 4.13.3.
Market assessment	• Not Applicable in this report.
Economic	• The input data to calculate NPV is described in Section 4.13 which mainly includes the production plan, sales revenue, production cost, administration cost, Capex and taxes. • Refer to section 4.13.5.
Social	• Not Applicable in this report.
Other	• None.

Criteria	Commentary
Classification	• The mineable Measured Resources, including diluting materials and allowances of losses, were classified as Proved Ore Reserves. • The mineable Indicated Resources, including diluting materials and allowances of losses, were classified as Probable Ore Reserves. • The results appropriately reflect the Competent Person's view of the deposit.
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Usually, the Ore Reserve estimate is reported based on some technical and economic assumptions which have been understood well to date. These assumptions would change as time goes on, so different Ore Reserve can be estimated/calculated.

5 YULONG PROJECT

5.1 Property Description and Location

5.1.1 Property Location

The Yulong Project, an Ag-Pb-Zn mineral project, is located approximately 25 km northeast of Baorigesitai Township in West Ujimqin Banner, Inner Mongolia Autonomous Region, China. It falls under the administrative jurisdiction of Bayanhua Town within West Ujimqin Banner. Hohhot, the capital of the Inner Mongolia Autonomous Region, is situated around 760 km southwest. The Project is also 175 km south of the China-Mongolia border.

Figure 5-1 Location of the Yulong Project

Source: Google Map

5.1.2 Ownership

Yintai, through its 76.67% owned subsidiary, Inner Mongolia Yulong Mining Co., Ltd. ("**Yulong Mining**") holds the Yulong Project, which includes all mineral resources and reserves, as well as all mining operations reported in this Report.

5.1.3 Tenure, Permit and License

Yulong Mining currently owns two valid mining licenses and four valid exploration licenses. Additionally, there are two expired exploration licenses (expired on 08/11/2022), 1118 and Periphery, which are applying for the extension. Details of the licenses are summarized in Table 5-1 and Figure 5-2. Exploration No. 1 and No.2 are exploration rights in depth below 400 m elevation within the scope of Huaaobaote mining license.

Table 5-1 Mining and Exploration Licenses, Yulong Project

Property	License Number	Expiration Date	Area	Licensed Ore Production
			(km^2)	*(kt)*
	Mining License – Valid			
Huaaobaote Ag-Pb Mining Area ("**Huaaobaote**")	C1500002011024210112496	11/11/2037	1.7093	1,000
Huaaobaote Mountain Pb-Zn-Ag Mining Area ("**Huaaobaote Mountain**")	C1500002012054210125299	16/05/2023	1.0269	250
	Exploration License – Valid			
Huaaobaote Ag-Pb Below 400 m Exploration Area No.1 ("**Exploration No.1**")	T1525002022054050056825	17/05/2027	1.68	/
Huaaobaote Ag-Pb Below 400 m Exploration Area No.2 ("**Exploration No.2**")	T1525002022054050056826	17/05/2027	0.05	/
Huaaobaote 1038 Pb-Zn Exploration Area ("**1038**")	T1525002008043010006893	24/12/2024	1.51	/
Huaaobaote Nanshan Pb-Zn Exploration Area ("**Nanshan"**)	T1525002008043010006891	20/01/2024	2.42	/
	Exploration License – Expired			
1118 Highland Pb-Zn Exploration Area ("**1118**")	T1525002009123010037416	08/11/2022	15.42	/
Huaaobaote Ag-Pb-Zn Periphery Exploration Area ("**Periphery**")	T1525002009114010036050	08/11/2022	21.76	/

Yintai has provided the necessary permits and licenses required for the current operation of the Yulong Project, including the Mine Safety Production License, Tailings Safety Production License, Water Extraction Permit, Radiation Safety Production License, Blasting Operation License, and Pollution Discharge Permit. However, BAW did not independently verify the information related to the location, area, and status of these permits and licenses. Additionally, BAW is unaware of any other permits required for carrying out the proposed work on the property, and whether such permits have been obtained or not.

Figure 5-2 Mining and Exploration License Area of the Yulong Project

Source: Google Earth

5.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

5.2.1 Accessibility

The Yulong Project is accessible via a 7 km paved road connecting to the S206 provincial highway. The area's road network is well-developed and maintained, which enables the project site easily to connect to some major neighboring cities, such as West Ujimqin Banner, XilinGol League, and Holingol City. The project is located 57 kilometres from the nearest railway station, Huolinhe Station in Holingol City. The closest airport to the project is also in Holingol City, which provides daily domestic flights to major international airports in the region, such as Shenyang and Hohhot.

5.2.2 Topography, Elevation, and Vegetation

The project area is situated on the northwest slope of the southwestern end of the Greater Khingan Range. The highest peak in the vicinity is Huaaobaote Mountain, which has an elevation of 1,103.5 m and a relative height difference of approximately 143 m compared to the lowest point at an elevation of 960 m. The terrain within the mining area is relatively gentle, featuring hills in the east and valleys in the west. The area is blanketed by a substantial layer of Quaternary deposits, predominantly consisting of residual, slope, and loess deposits. The region is characterized by grassland with well-developed vegetation and extensive coverage. No geological hazards, such as landslides or mudslides, have been documented in this area.

5.2.3 Climate

The area features a continental semi-arid climate, characterized by long, cold winters and short, hot summers. The average annual temperature ranges between 4-5 °C, with a frost-free period of 108 days and an annual sunshine duration of 2,741 hours. In January, temperatures can plummet to as low as -36 °C, with an average monthly temperature of -25 °C. In contrast, July temperatures can reach a maximum of 38 °C, with an average monthly temperature of 26 °C, resulting in an average summer temperature of 18 °C. Typically, ice begins to form in October, with the freezing period extending from October to next April, lasting approximately six months. The average annual precipitation is 300-400 mm, with a maximum value of 460 mm. The precipitation is primarily concentrated between June and August, which accounts for 75% of the annual precipitation. The average annual evaporation is roughly 2,000 mm, significantly exceeding the precipitation levels. The area is known for strong winds during winter and spring, primarily originating from the west, with an average wind speed of 3.2 m/s and a maximum wind speed of 20 m/s. Wind forces in the area range from 3-7 on the Beaufort scale.

5.2.4 Local Resources and Infrastructure

The water supply issue for the Yulong Project was resolved in 2003. Located approximately 5 km southwest of the mining area, the water source currently has six supply wells with a capacity of around 4,000 m^3/day. The aquifer lithology consists of a faulted serpentinite zone, with a thickness of 70 to 90 m and a water level depth of 30 to 35 m. Water quality tests indicate that the hydrochemical type is characterized as bicarbonate-calcium-magnesium water. The content of other compounds and heavy metal ions meets national drinking water quality standards.

In the processing plant area, there is one 2,000 m^3 high-level production water tank, two 1,000 m^3 low-level precipitation tanks, and one 200 m^3 domestic water tank in the residential area. The water source for the low-level precipitation tanks is supplemented by underground inflow water, while the domestic water tank is supplied by a dedicated well for domestic water use.

The mine has established a 35 kV substation in Baorigesitai to supply the existing mining and processing facilities. The power supply lines are connected through 35 kV overhead transmission lines to Huaaobaote 110 kV substation (Yilong line, 25 km away) and Jinxingan 110 kV substation (Yinxin line, 41.1 km away), meeting the dual power supply requirements for the project's first-level load. The main substation is equipped with a 16,000 kVA main transformer and an 8,000 kVA main transformer.

At the No. 20 sub-shaft location in the mining area, there is a 1,200 kW diesel generator set, and at the 35 kV main step-down substation location, there is a 2,000 kW diesel generator set serving as a backup power source for the mining area.

The project area is situated 70 km away from Bayanhua Coal Mine and Huolinhe Coal Mine, which can adequately meet the fuel demands of the project. Sand and gravel required for construction in the mining area are primarily sourced from quarries approximately 30 km to the east. Other building materials are predominantly purchased from Holingol City, Tongliao City, and Chifeng City. The surrounding areas mainly engage in mining, animal husbandry, and tourism industries.

5.3 History

5.3.1 Ownership

The initial exploration licenses for the Huaaobaote and Huaaobaote Mountain areas were issued to Chifeng Jinyuan Mining Development Co., Ltd. ("**Jinyuan Mining**") in 1999. These licenses were later transferred to West Ujimqin Banner Xinyuan Mining Development Co., Ltd. ("**Xinyuan Mining**") in 2002. On December 12, 2002, Xinyuan Mining was granted the first mining licenses for these two areas. In 2007, Xinyuan Mining changed its name to Yulong Mining, which has held the licenses since then.

For the 1118 and Periphery areas, exploration licenses were granted to Jinyuan Mining in 2003 and later acquired by Yulong Mining in 2007 and 2009, respectively. Both licenses expired on 08/11/2022 and are currently applying for the extension.

The exploration licenses for the 1038 and Nanshan areas were granted to Jinyuan Mining in 2002 and subsequently transferred to Yulong Mining in 2007 and 2008, respectively.

Finally, the exploration licenses for Exploration No. 1 and No. 2 areas were issued to Yulong Mining in 2022.

5.3.2 Exploration and Development

In 1965, the Aeromagnetic Exploration Brigade of the Geological Department conducted a 1:1,000,000 aeromagnetic survey in the Yulong Project area, leading to the discovery and delineation of the Huaaobaote ultramafic intrusion. In 1976, the No. 2 Regional Geological Surveying Brigade of the Inner Mongolia Autonomous Region Geological Bureau carried out a 1:200,000 regional geological survey in the Hanwula area. This effort resulted in the publication of geological and mineral reports, maps, and charts, the establishment of stratigraphic systems, the identification of intrusion phases, and detailed descriptions of igneous rocks. The structural features of the area were systematically analyzed from a geological and mechanical perspective, clarifying the structural outline and providing reliable regional geological data for further exploration and prospecting. In 1989, the No. 2 Geophysical Brigade of the Ministry of Geology and Mineral Resources conducted a 1:200,000 regional geochemical survey.

5.3.2.1 Huaaobaote and Huaaobaote Mountain Areas

In 1999, Jinyuan Mining initiated geological mapping and trenching in the project area. Ground geophysical surveys and vertical shaft development were carried out between 2000 and 2001, leading to the discovery of Pb-Zn-Ag mineralization and the delineation of the No. I1 and II2 ore bodies. Subsequently, a general exploration report was compiled. From 2002 to 2009, Xinyuan Mining (later Yulong Mining) continued exploration in the Project area, including mapping, tunnelling, and diamond drilling.

For the Huaaobaote area, production commenced under Xinyuan Mining in 2003. In 2007 and 2009, Yulong Mining summarized historical exploration results and submitted a supplementary general exploration report and a final exploration report titled "Exploration Report of Huaaobaote Ag-Pb-Zn Mine, West Ujimqin Banner, Inner Mongolia Autonomous Region" ("**Huaaobaote Exploration Report 2009**"). Since 2009, Yulong Mining has conducted production exploration activities, including surface and underground drilling, tunnelling, and underground channel sampling to support the underground mining operation and to expand resources. In 2022, Yulong Mining acquired two exploration licenses to investigate potential mineralization below 400 meters, which is beneath the current mining level.

For the Huaaobaote Mountain area, Yulong Mining completed a general exploration report and a verification report titled "Resource/Reserve Verification Report of Huaaobaote Mountain Pb-Zn-Ag Deposit, West Ujimqin Banner, Inner Mongolia Autonomous Region" ("**Huaaobaote Mountain Verification Report 2009**") in 2008 and 2009. From 2010 to 2017, the exploration program focused on surface trenching and a diamond drilling program in the Huaaobaote Mountain area.

5.3.2.2 1118 Area

From 2008 to 2010, preliminary geochemical and geophysical surveys were conducted, which delineated a series of anomalies. During 2012-2013, systematic exploration, including topographic mapping, geological mapping, detailed geophysical and geochemical surveys, trenching, and diamond drilling, was carried out, culminating in the completion of a general exploration report in 2014. From 2016 to 2019, Yulong Mining conducted extensive surface diamond drilling and compiled the "Exploration Report of 1118 Highland Polymetallic Deposit, West Ujimqin Banner, Inner Mongolia Autonomous Region" ("**1118 Exploration Report 2019**"). The drilling program continued in 2022 before the exploration license's expiration.

5.3.2.3 Periphery Area

During 2004-2008, Jinyuan Mining conducted preliminary geological mapping, geophysical surveys, trenching, and diamond drilling to evaluate the exploration potential. From 2010 to 2017, Yulong Mining carried out extensive exploration work, including topographic mapping, geological mapping, detailed geophysical surveys, trenching, and diamond drilling. The exploration results were compiled into a general exploration report in 2014 and a final exploration report titled "Exploration Report of Huaobaote Mine Periphery Ag-Polymetallic Deposit, West Ujimqin Banner, Inner Mongolia Autonomous Region" ("**Periphery Exploration Report 2017**") in 2017.

5.3.3 Historical Resource and Reserve Estimates

BAW acknowledges that mineral resource and reserve estimates were previously conducted for Huaaobaote, Huaaobaote Mountain, 1118 and Periphery areas during 2002-2019, following the Chinese standards, and approved by the Ministry of Land and Resources. However, the resource and reserve estimates presented in Sections 5.10 and 5.11 adhere to JORC Code 2012 and will be different from previous estimates.

5.3.4 Production

Yulong Project started production in 2003 within the Huaaobaote mining license area, with an annual mining capacity of 280 thousand tons. From 2009 to 2022, the Project completed several technical renovations, resulting in an annual production capacity of 720 thousand tons. Two processing plants have been constructed with daily processing capacities of 1,400 and 2,000 tons, respectively. The mine's recent production summary is presented in Table 5-2.

Table 5-2 2020-2022 Production Summary of the Yulong Project

Year	Ore Mining *(kt)*	Pb-Ag Concentrate *(kt)*	Zn-Ag Concentrate *(kt)*
2020	654	18,579.0	244,56.1
2021	661	17,842.0	28,787.4
2022	702	22,652.7	38,802.4

5.4 Geological Setting and Mineralization

5.4.1 Regional Geology

The Yulong Project is situated in the northeastern section of the Tianshan-Tuquan polymetallic metallogenic belt within the southern Great Hingan Mountain. Bordered by the Erlian-Hegenshan fault to the north, the Xar Moron fault to the south, and the Nenjiang fault to the northeast, this area is part of the expansive Central Asian Orogenic Belt, which is the most extensive Phanerozoic accretionary orogen. The region experienced the Paleozoic through the Triassic evolution of the Paleo-Asian ocean and is marked by multiple stages of accretion, collision, and later regional extension. During the Mesozoic, the southern Great Hingan Mountain was affected by the closure of the Mongol-Okhotsk Ocean and the subduction of the Paleo-Pacific oceanic plate, as demonstrated by the collision-related metamorphic rocks followed by extension and widespread Late Mesozoic volcanic rocks and granitoids.

The oldest formation in this region is a Paleozoic, medium- to high-grade metamorphic complex called the Xilinhot massif, which is primarily composed of amphibole and plagioclase-bearing gneisses, biotite-bearing granitic gneiss, and mica schist. Various Ordovician-Silurian, Devonian, and Carboniferous detrital metasedimentary units, carbonate rocks, and volcanic formations are present in the area. Permian volcano-sedimentary formations, made up of carbonaceous clastic rocks, carbonate rocks, and mafic to intermediate volcanic rocks, are widespread and host multiple mineral deposits. The Paleozoic strata are intruded by substantial Hercynian (Middle to Late Paleozoic) to Yanshanian (Jurassic to Cretaceous) granitic plutons and are overlain by Mesozoic volcano-sedimentary sequences. The Paleozoic granitoids are primarily found in the western part of the southern Great Hingan Mountain. The Mesozoic granitoids include granodiorite, monzogranite, and syenogranite, and are dispersed throughout the southern Great Hingan Mountain. Mesozoic volcanic-sedimentary sequences form the main cover sequence in the southern Great Hingan Mountain. The Mesozoic volcanism started in the Late Jurassic and reached its peak during the Cretaceous. The geochemistry of these volcanic encompasses a broad range of rock types, including basaltic trachy-andesites, trachy-andesites, trachytes, rhyolites, and lesser amounts of basalts and dacites.

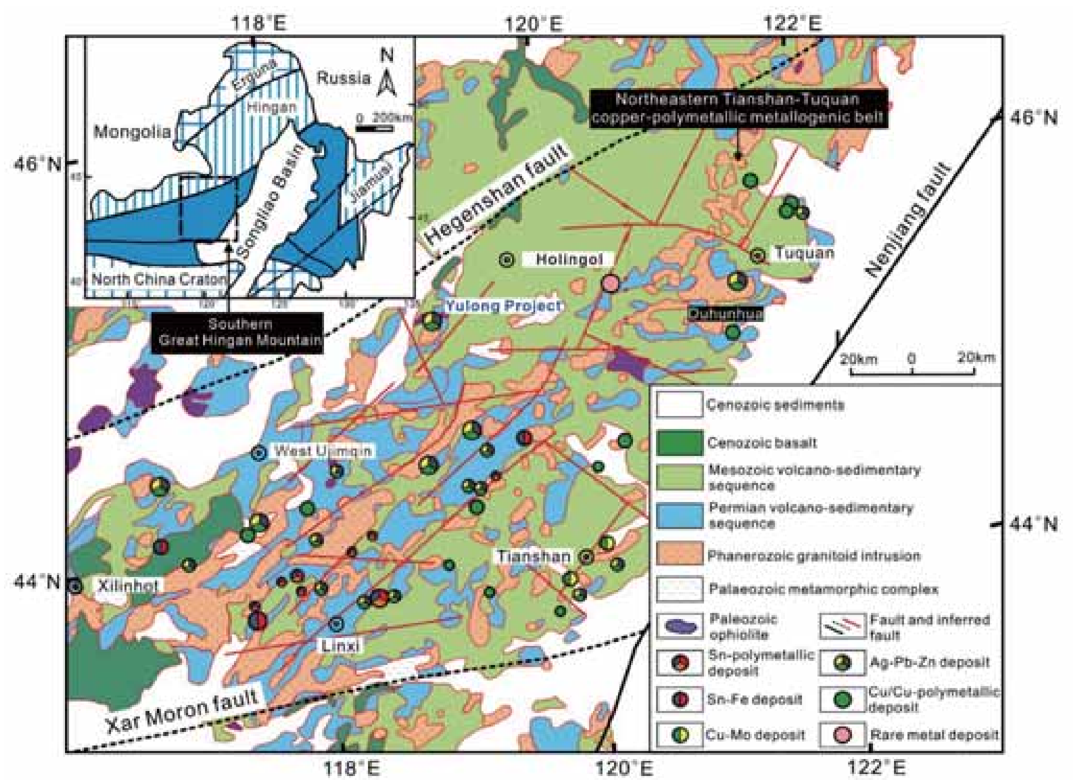


Figure 5-3 Geological map of the Greater Hingan Mountains Area

Source: Ouyang et al., 2014

5.4.2 Ore Deposit Geology

The Yulong Project is situated in the northeastern portion of the Meiluote fault zone. The exposed strata encompass the Lower Permian Shoushangou Formation, Upper Jurassic Mankehtou-Eb Formation, Upper Cenozoic Wuchagou Formation, and Quaternary unconsolidated deposits (Figure 5-4).

The Lower Permian Shoushangou Formation primarily consists of sandstone, conglomeratic sandstone, siltstone, and andesitic volcaniclastic rocks. These rocks exhibit intense alteration, characterized by mylonitization, chloritization, and hematization. The Shoushangou Formation is unconformably overlain by Late Variscan ultramafic rocks and is locally intruded by magmatic rocks. The majority of the significant orebodies are hosted within this formation.

The Upper Jurassic Mankehtou-Ebo Formation unconformably overlies the Shoushangou Formation. It is composed of felsic volcaniclastic rocks, crystal tuff, felsic brecciated tuff, and ignimbrite.

Quaternary deposits are extensively distributed and include alluvial and colluvial sediments, as well as eolian sediments.

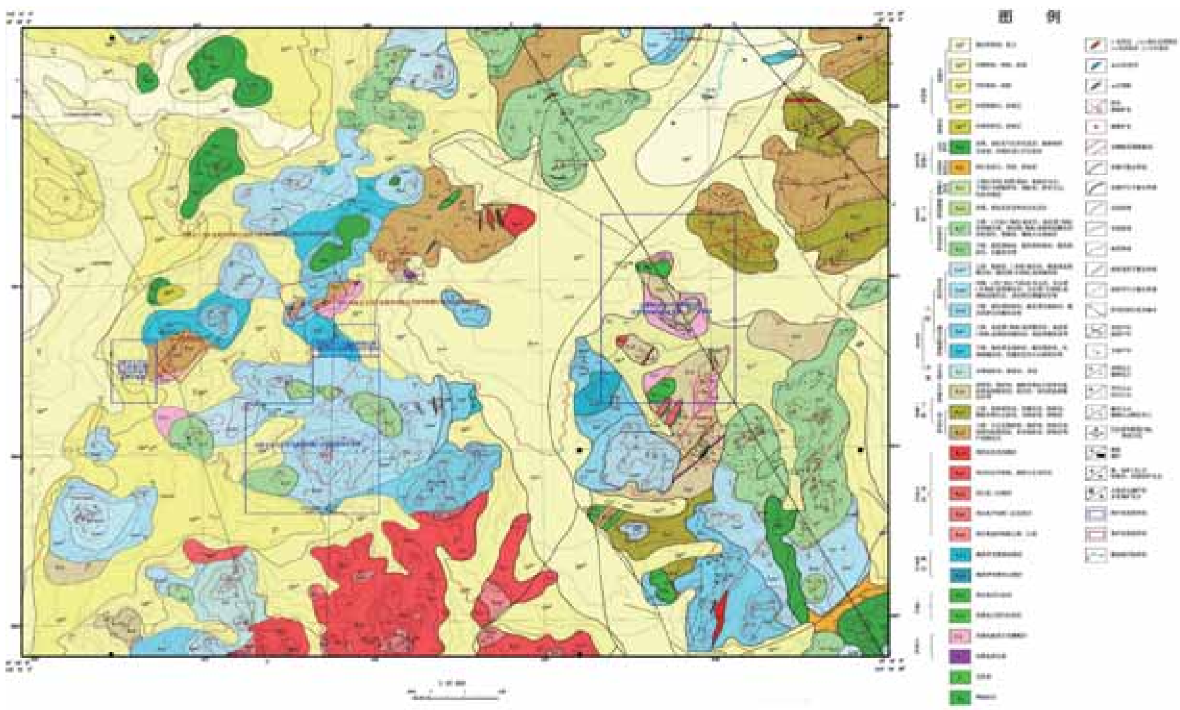


Figure 5-4 Geological Map of the Yulong Project Area

Source: Yintai

The volcanic and subvolcanic activities in the Yulong Project area have undergone multiple stages, leading to the reactivation of the Meiluote fault zone. A series of NW-, NE-, and N-S-trending faults developed within an area of approximately 500 m in width and 1,000 m in length, providing space for the transportation and emplacement of ore fluids. In the Huaaobaote area, over 40 ore bodies, primarily trending NW and secondarily N-S and NE, have been identified in the mining area.

The NE-trending F1 fault zone, with a length of 80 km and a width of approximately 600 m, exhibits distinct compressional characteristics and a dip angle of around 70° to the SE. It serves as the main controlling structure for polymetallic mineralization in the area. The NW-trending F8 fault zone, with a length of approximately 8,000 m, is divided into four groups of faulting clusters, namely F8-1, F8-2, F8-3, and F8-4. It controls the NW-trending mineralization veins in the II1, II2, II3, and II4 mining areas with a width of approximately 600 m and a length of 500 m, striking at 320° and dipping 60° to the SE.

The N-S-trending F13 fault zone is a concealed fault zone that controls 17 orebodies, including the VII and VII# orebodies, which are distributed N-S with a length of approximately 1,500 m and a width of 100 m. It trends to the W and dips 60-80°. The N-S-trending F14 fault zone is another concealed fault zone that controls 13 orebodies, including the III5 and III6 orebodies, which are distributed in the N-S direction in the III mining area, with a length of approximately 300 m and a width of 150 m. It trends to the W and dips 60-80°.

The magmatic rocks in the Project area mainly include Late Variscan ultramafic rock, Yanshanian pluton, dykes, and sills. The Late Variscan ultramafic rocks are controlled by the F1 fault zone, extending NNE. The ultramafic rocks include serpentinite and harzburgite. Yanshanian magmatic rocks include rhyolite, granite porphyry and diorite porphyry.

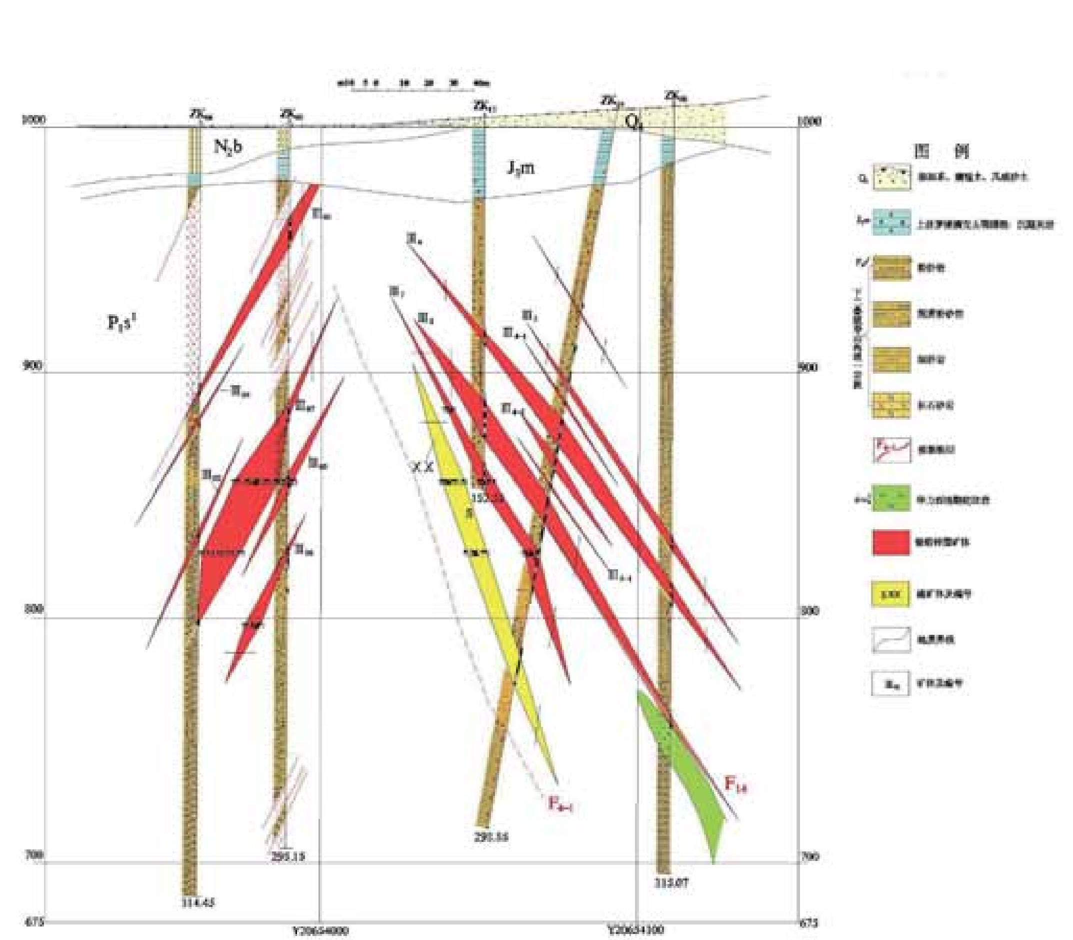


Figure 5-5 Representative Cross Section of the Huaaobaote area, Yulong Project

Source: Yintai

5.4.3 Alteration and Mineralization

The wall rocks in the Huaaobaote mining area are intensely altered, predominantly featuring silicification, hematization, pyritization, carbonatization, chloritization, actinolitization, sericitization, and kaolinization. Pyritization, silicification, and kaolinization are closely associated with mineralization. Due to surface oxidation, surface minerals often transform into oxides such as hematite, forming a siliceous cap. Moreover, the alteration is strongest along both sides of the Meiluote fault, and all the above alterations develop along the fault structure.

The main ore bodies' mineralization primarily occurs in massive, veining, and disseminated forms, while smaller ore bodies exhibit disseminated and banded forms. The ore bodies are distributed in three directions: northeast, northwest, and approximately north-south. The ore bodies' thickness generally ranges from several meters to tens of meters, and their shape is simple, appearing as lenses and veins. The mineralization zone has extensive extensions along strike and dip, reaching several hundred meters.

The ore minerals include pyrite, galena, and sphalerite. The primary mineralization mineral assemblages are galena-sphalerite-pyrite, galena-sphalerite, galena-proustite; galena-sphalerite-tetrahedrite; galena-sphalerite-pyrite-realgar; pyrite-realgar, etc. Gangue minerals mainly include quartz, feldspar, sericite, chlorite, calcite, hornblende, serpentine, and fluorite.

5.5 Deposit Types

The deposit is a vein-type, low-medium temperature, subvolcanic-hosted hydrothermal polymetallic (Ag-Pb-Zn) deposit. Based on previous studies and mineralization characteristics, the deposit can be interpreted as a volcanogenic massive sulfide deposit, with the main mineralization period being the Late Jurassic.

The formation of this deposit relies on four fundamental conditions: first, felsic volcanic rocks provide mineral sources and heat for mineralization; second, fissures, fractures, and breccia zones in the wall rock furnish channels for mineral fluid transportation and emplacement; third, serpentinite and Shoushangou sandstone constitute mineral fluid barrier layers; and fourth, the Upper Jurassic volcaniclastic rock cover and lower tectonic layer form a trapping structure.

5.6 Exploration

The exploration and development activities were carried out following the "*Specifications for copper, lead, zinc, silver, nickel and molybdenum mineral exploration*" (DZ/T 0214-2002; DZ/T 0214-2020) and "*General Requirements for Solid Mineral Exploration*" (GB/T13908-2002; GB/T13908-2020). These regulations specify the type of work that must be undertaken in each evaluation or verification phase.

Since 2003, a systematic sampling program has been continuously carried out through trenching and surface diamond drilling in various license areas of the Yulong Project. Only a limited number of trenches were constructed to protect the environment. Trenching was mainly used to expose alteration and mineralization zones within 3 m from the surface. The trench's top width is generally 2.5-3.5 m, and the bottom width is 1-1.8 m with a depth of 1.5-4.5 m. All trenching projects reached a depth of more than 0.3 m into fresh bedrock for geological logging and channel sampling.

In the Huaaobaote area, underground drilling and channel sampling in adits has been conducted since 2014 and 2016, respectively, to expand mineral resources and support mining operations. Vertical shafts and an adit network within the levels of 420-955 m have been extensively sampled. The adits are divided into two types: drifts and crosscuts. Drifts mainly determine the variation characteristics of the ore body along the strike, while crosscuts aim to determine the thickness, occurrence, grade, and contact between the ore body and the wall rock along the exploration line. The adits are mostly straight to ensure convenient transportation.

Based on the exploration database provided to BAW, major sample workings as of December 31st, 2022 are summarized in Table 5-3.

Table 5-3 Summary of Major Sample Workings as of 31/12/2022

Type	Collar	Depth (m)	Samples
Huaaobaote			
Surface Drill Hole	319	181,041.09	53,199
Underground Drill Hole	166	30,652.02	12,132
Underground Channel	2,712	47,866.97	33,436
Subtotal	3,197	259,560.08	98,767
Huaaobaote Mountain			
Surface Drill Hole	103	52,301.00	10,684
Periphery			
Surface Trench	23	910.46	419
Surface Drill Hole	149	70,414.2	17,628
Subtotal	172	71,324.66	18,047
1118			
Surface Trench	5	170.34	15
Surface Drill Hole	224	146,239.27	68,525
Subtotal	229	146,409.61	68,540
Total	3,701	529,595.35	196,038

Surface and underground surveys strictly followed the "*Specifications of Survey for Geological and Mineral Resources Exploration*" (GB/T18341-2001) and were carried out using a total station. incorporating the Beijing Coordinates System (1954) and Chinese Geodetic Coordinate System 2000 ("**CGCS2000**").

Channel sampling was employed for sampling in underground adits and trenches. Samples were determined based on the ore type, wall rock, and mineralization distribution. The sampling interval was primarily 1 m, mostly not exceeding 1.5 m. Samples less than 1 m were collected separately. The channel dimensions were 10 × 3-5 cm. Samples were taken along the ore bodies every 5-10 m. A diamond saw was used to cut samples along the pre-drawn sketch lines on the wall, and a steel chisel was employed for sample collection.

5.7 Drilling

Surface and underground diamond drilling at the Yulong Project were contracted to third-party operators. Surface drilling was carried out in the Huaaobaote area from 2003, in the Huaaobaote Mountain area from 2004 to 2018, in the Periphery area from 2005 to 2017, and in the 1118 area from 2017 to 2022. Underground drilling has been conducted in the Huaaobaote area since 2014. The drill hole spacing was designed to be 50 × 50 m and could be increased to 100 × 100 m locally, considering the characteristics of the mineralization.

Diamond drilling primarily used HQ- and NQ-sized cores, as well as minor AQ-sized cores for some underground drilling. All drill hole collars were surveyed using a total station. Downhole surveys were performed with an inclinometer every 50 m for inclined holes and 100 m for vertical holes, with additional measurements taken when encountering bedrock and the main ore body. Hole depth correction measurements were taken every 50 m for inclined holes and 100 m for vertical holes, as well as at the end of the hole. According to the drill hole database provided to BAW, 92%, 85%, 90%, and 95% of sample intervals, respectively, from Huaaobaote, Huaaobaote Mountain, Periphery, and 1118 areas have core recoveries of at least 90%, which is considered to be satisfactory given the conditions of the structure and mineralization. Upon completion of drilling, the hole was sealed with cement and marked with a permanent cement monument.

Upon retrieving the core from the core barrel, it was placed in wooden core boxes and transported from the drill site to the logging facility. At the logging site, lengths were marked in the core boxes, and laminated paper markers were inserted with downhole measurements. By arranging the core boxes in order of depth, the core loss was verified, and the correct depths were marked in the boxes. Drill cores were then logged for lithology, alteration, mineralogy, and geotechnical data. Plastic core boxes were utilized for recent drill cores and previous wooden boxes were also replaced.

Sample intervals were established based on core recovery, lithology, alteration, structure, and mineralization, actual sample intervals predominantly ranged from 1 to 3 m.

A saw splitter was used to cut the core in half along its long axis at the logging site. One half was bagged, sealed, and marked for further sample preparation, while the other half was preserved in the original core box for future inspection. When the drill core was broken into small pieces, rock chips, and rock powder and could not be split using a core splitter, the selective picking method was used for sampling. Considering the sampling representativeness, the small rock pieces were separately split in half for sampling, and the remaining rock chips and powder were mixed evenly before taking half for sampling. For the AQ-sized core, the whole core was sampled for further assay.

Drill cores have been stored on shelves in a new core storage warehouse, which was constructed in 2021. Historical drill core boxes have been relocated to the new warehouse from the old core storage shed and replaced with new plastic boxes and durable markers.

5.7.1 Discussion

BAW did not personally inspect the drilling and sampling operations on site, which BAW understands were carried out in compliance with relevant Chinese national standards. However, based on field observations and reviews of data, protocols and verification reports, BAW considers that the exploration, drilling, and sampling procedures within the Yulong Project are generally reasonable. The drill cores examined by BAW are in good condition.

In BAW's opinion, the documented protocols and primary data regarding exploration and drilling generally adhere to industry practices. Therefore, BAW assumes that no significant material biases have been introduced, and the collected data are essentially acceptable for mineral resource estimation in this report.

5.8 Sample Preparation, Analysis and Security

5.8.1 Density Determination

Based on the data provided to BAW, as of December 31, 2022, the Inner Mongolia Autonomous Region No. 10 Geological and Mineral Exploration and Development Institute Laboratory ("**No. 10 Laboratory**") conducted density measurements on 161, 56, 116, and 76 samples from Huaaobaote, Huaaobaote Mountain, Periphery and 1118 area, respectively, using the conventional water displacement method with wax-coated samples.

5.8.2 Sample Preparation

Sample preparation and assay were conducted by the No. 10 Laboratory from 2003 to 2017 and the mine site Laboratory of Yulong Mining ("**Yulong Laboratory**") has taken over the work since then. The standard procedure of sample preparation is low-temperature drying, weighing on a balance, coarse crushing with a jaw crusher, fine crushing with a double-roll crusher, homogenization, splitting with a riffle splitter into a primary and a fine duplicate sample, and discarding the remainder. The duplicate sample was weighed on a balance and kept in a sample bag. The primary sample was weighed on a balance, pulverized to -200 mesh with a rod mill, and split into a powder primary sample for further assay and a powder duplicate.

5.8.3 Sample Analysis

Samples with low Pb and Zn grades were analyzed using HCl-HNO_3 digestion, followed by atomic absorption spectrometry (AAS).

High Pb and Zn grade samples were assayed using the EDTA (ethylenediaminetetraacetic acid) complexometric titration method. The samples were digested with HCl, HNO_3, and H_2SO_4, and the solution was filtered and adjusted to a suitable pH for complexometric titration of Zn and Pb. The solution was titrated using Xylenol Orange as an indicator. The concentration of Zn and Pb was calculated based on the volume of EDTA solution consumed and the known concentration of the standard EDTA solution.

Extremely high Pb and Zn grade samples were analyzed using the X-ray fluorescence (XRF) method.

In the Yulong Laboratory, Ag content was determined using fire assay and high-precision weighing. Ag was preconcentrated in a lead button by fire assay and heated at 1,000 ℃ to evaporate the lead content. The remaining Ag pellet was cleaned and weighed using a high-precision electronic balance to calculate the Ag content in the sample. No. 10 Laboratory utilized acid digestion and AAS method to analyze Ag content.

Before 2019, several laboratories, including Inner Mongolia Autonomous Region Central Laboratory, Inner Mongolia Autonomous Region Mineral Experiment Research Institute, Liaoning Province Geological Experiment Research Institute, and Inner Mongolia Autonomous Region Mineral Experiment Research Institute, were used as umpire laboratories. In recent years, external checks have been conducted by BGRIMM MTC Technology Co., Ltd ("**BGRIMM Laboratory**") and SGS Laboratory in Tianjin ("**SGS**").

It should be noted that there is no information available on whether these laboratories hold any internationally recognized accreditations, except for BGRIMM Laboratory and SGS. However, the rest of the laboratories, excluding Yulong Laboratory, in previous reports obtained applicable provincial measurement certifications issued by China authorities.

5.8.4 Quality Assurance and Quality Control

Approximately 10% and 5% of the total samples assayed were subject to internal and external checks. The relative deviation of the sample and duplicate pairs was calculated to evaluate whether the results were acceptable.

According to the Huaaobaote Exploration Report 2009, from 2003 to 2008, internal and external checks were conducted on 9.57% and 5.63% of the total samples for the Huaaobaote area. The acceptable rate for Pb, Zn, and Ag internal checks were 94.0%, 96.4%, and 93.2%, while for external checks, they were 95.7%, 96.2%, and 96.2%, respectively.

For the Huaaobaote Mountain area during 2007-2008, internal and external checks were carried out on 10.04% and 6.00% of the total samples, according to the Huaaobaote Mountain Verification Report 2009. The acceptable rate for Pb, Zn, and Ag internal checks were 83.0%, 89.1%, and 83.0%, while for external checks, they were 84.4%, 87.0%, and 92.2%, respectively.

For the Periphery area during 2010-2017, internal and external checks were carried out on 8.82% and 5.41% of the total samples, according to the Periphery Exploration Report 2017. The acceptable rate for Pb, Zn, and Ag internal checks were 90.6%, 94.0%, and 95.7%, while for external checks, they were 95.1%, 97.2%, and 95.8%, respectively.

For the 1118 areas during 2017-2019, internal and external checks were carried out on 10.31% and 2.47% of the total samples, according to the Periphery Exploration Report 2017. The acceptable rate for Pb, Zn, and Ag internal checks were 99.0%, 99.5%, and 99.0%, while for external checks, they were 98.0%, 95.0%, and 98.0%, respectively.

In 2022, internal and external checks were conducted on 99 and 24 geological samples, respectively. The acceptable rate for Pb, Zn, and Ag internal checks were 74.7%, 68.7%, and 68.7%, while for external checks, they were 83.3%, 95.8%, and 91.7%, respectively.

5.8.5 Sample Security

During the site visit, BAW reviewed the sample security protocol and found that the mine site personnel made reasonable efforts to ensure proper preservation, accurate logging, and secure transportation of samples. In BAW's opinion, the implemented security protocol effectively maintains the validity and integrity of the samples.

5.8.6 Discussion

BAW did not visit all the laboratories responsible for analyzing samples, except the Yulong Laboratory at the mine site. BAW reviewed the protocols and procedures of the Yulong Laboratory and found them to be following industry standards.

In compliance with relevant Chinese regulations, exploration or mining projects are required to periodically provide verification reports, which include a comprehensive assessment of all aspects of exploration, production, and resource/reserve estimates. It should be noted that the standards followed in these verification reports are not entirely consistent with the JORC Code 2012, as they adhere to Chinese domestic standards. However, the verification reports do provide additional validation for the historical data. The QA/QC program for assay analysis in the Yulong Project was implemented as part of this verification report. BAW considers the program to be of adequate quality, consistently applied, and routinely monitored. The Yulong laboratory has regularly carried out internal checks and sent samples to external checks since 2017, but only the relevant data from 2022 are available for BAW to review. The acceptable rates of the 2022 internal checks for geological samples are relatively low. BAW suggests conducting further investigation on the 2022 assay results by the Yulong Laboratory. BAW recommends that Yintai independently incorporate an adequate number of quality control samples, including standards, blanks, and duplicates, in all sample batches before submission to the assay laboratory in the future. This will enhance the monitoring of assay accuracy and precision.

5.9 Data Verification

5.9.1 Database

BAW recognizes that the Yulong Project is subject to periodic authority agency reviews and verification reporting in compliance with the Chinese standards of the "*Specifications for copper, lead, zinc, silver, nickel and molybdenum mineral exploration*" (DZ/T 0214-2002; DZ/T 0214-2020) and "*General Requirements for Solid Mineral Exploration*" (GB/T13908-2002; GB/T13908-2020), which rigorously outline the detailed standards and requirements for various aspects such as exploration, drilling, sampling, assaying, QA/QC, mining, processing, etc.

BAW conducted the following verification procedures: interviewing on-site geologists and engineers; reviewing and validating the primary drilling and sampling database; randomly selecting and cross-checking between logging data and original logging records, between logging data and drill cores, and between assay data and original assay reports; assessing the existing geological interpretation and block model. After completing sufficient checks, BAW considers the drilling and sampling data, the interpreted geological framework, and the block model to be reasonable for mineral resource estimation.

5.9.2 Site Inspection

BAW experts conducted a site visit to the Yulong Project from March 26 to 28, 2023. The purpose of the visit was to inspect various aspects of the project, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel. No independent verification samples were collected during the site visit.

5.10 Mineral Resource Estimates

The most recent resource estimate of Yulong Xiwuzhumuqi Banner Huaaobaote Pb-Ag-Zn mine provided for the review was carried out by Inner Mongolia Yulong Mining Co., Ltd. in January 2023. The resource estimate technical report "Annual Reserve Report (2022) for Huaaobaote Pb-Ag-Zn Mine" was dated Dec. 31, 2022. Geological block grade modelling was used to estimate the resource at that time. The resource estimate and technical report were reviewed by BAW.

5.10.1 Wireframes

Mineralization of the Huaaobaote deposit is mainly hosted by structural fracture zones, structural breccias, structural fissures, and cataclysmic rock zones in metamorphic sandstones. All domains are determined based on geology, alteration and the interpreted controls on mineralization from production experience. A cut-off value at 0.8% equivalent pb is used to define domains. A total of 15 mineralization domains are generated for the resource estimate. Huaaobaote mineralization is 1,800 m long along NW and NE, dipping 60~70°.

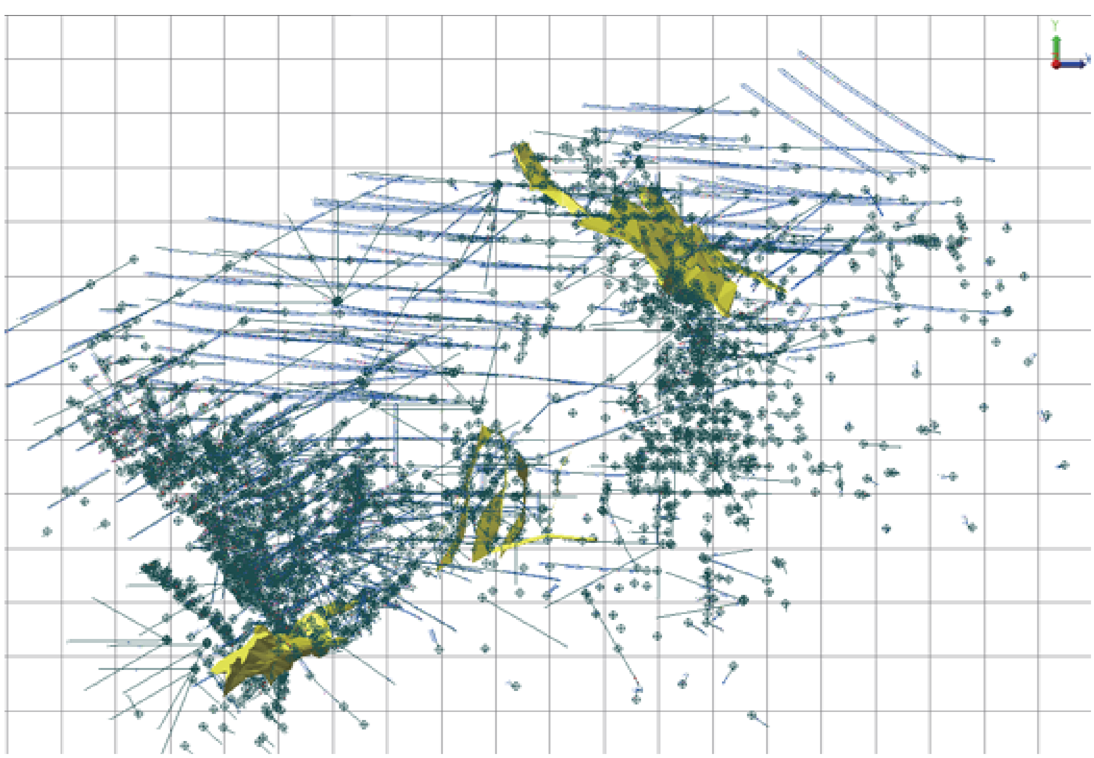


Figure 5-6 Domain modelling for Huaaobaote gold mine

5.10.2 Compositing

No composites were provided to BAW for review.

Drill hole assay intervals are composited within the geological domains at 1.5 m for Mountain Huaaobaote Section and 1.0 m for Huaaobaote Section, and short intervals at the end of the domain are incorporated into the preceding interval by BAW.

5.10.3 Capping

No capping description and capped composites about the 2022 internal model were provided to BAW. According to the 2022 report, massive and disseminated mineralization hosted most of the resources. Uniform grade distribution was present for Pb-Zn in both mineralizations, where no capping for Pb-Zn was done for composites. While 6~8 times of mean grade was used for high-grade capping for Ag.

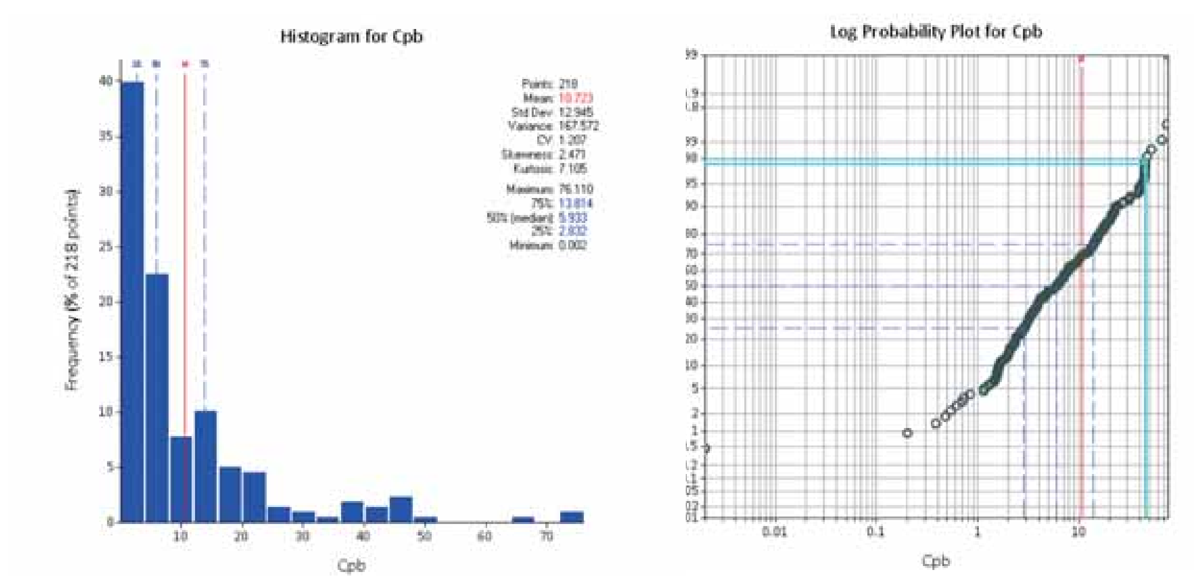


Figure 5-7 Histogram and Log-probability plot for Composites and Capped-composites

5.10.4 Variograms

No Varigraphy modelling was provided to BAW. BAW has attempted to develop variograms for each domain using capped composites as below:

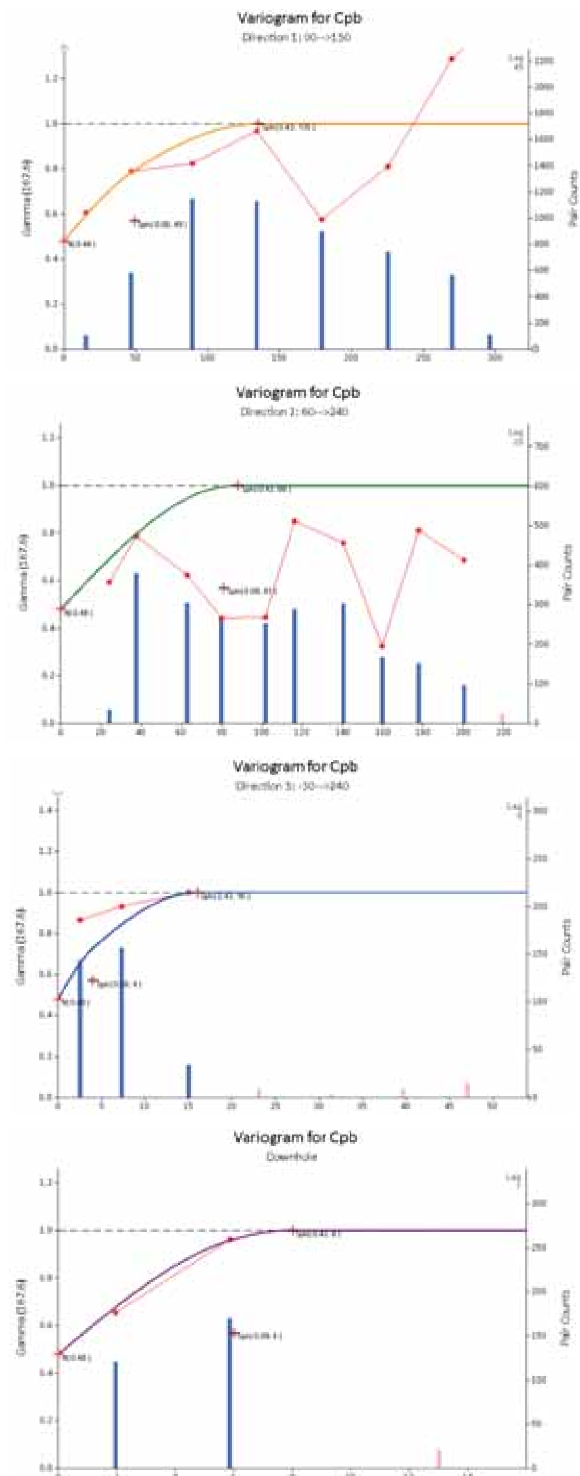


Figure 5-8 Varigraphy study for Huaaobaote deposit

Table 5-4 Varigraphy study for Huaaobaote deposit

	Zone	Nugget	Sill	Major	Semi	Minor
BAW	Domain 1	0.48	0.52	135	88	16

In BAW's opinion, it is reasonable to classify Measured resources with 50 x 50 m drill spacing and Indicated resources with 100 x 100 m spacing, the same as the current technical report stated.

5.10.5 Bulk Density

A total of 161 special density tests were collected, of which 129 were from the primary zone (21 from 2004 exploration, 48 from 2005 exploration and 60 from 2008 exploration), 2 from the oxidation zone and 30 from primary pyrite ore from 2004 exploration. 129 of the bulk density samples were constrained by the domain, and an average value of 3.60 t/m^3 was used for the Huaaobaote model.

5.10.6 Block Model

Block size is set at 5 m x 5 m x 2 m, with the sub-block at 2.5 m x 2.5 m x 1 m. A list of block model attributes is presented in the following Table 5-6. The volume block model was coded by 15 mineralized domains using the geological wireframes. Final block volumes were validated against the wireframe volumes. The dimensions and extent of the block model see as follows.

Table 5-5 Variogram parameters in Datamine^{TM} ZXY rotation

	MIN	MAX	Parent-Cell	Sub-cell	Rotation
Easting	418325	418845	5	2.5	0
Northing	5014815	5015150	5	2.5	0
RL	645	875	2	1	0

Inverse Distance Square was used by Yintai for grade interpolation. Equ-Pb (Pb equivalent grade, %) was interpolated to the empty block model using IDW2 by BAW for verification. On considering the performance of Variograms, BAW believes that IDW2 is more suitable for the Huaaobaote deposit, Blocks interpolated bypass 1 within 50 m drill hole spacing is classified as Measured, and with 50-100 m spacing in pass 2 are classified as Indicated. The rest are classified as Inferred.

Table 5-6 Block model attributes

Attribute	Description
BLOCK	Production block name
IJK	IJK number for each parent block
ZONE	Mineralization block number
Pbidw	–
Zn_idw	–
Ag_idw	–
DENSITY	Estimated in situ dry bulk density
Equ-Pb	Estimated ∑Pb in percentage (idw2 method)
No of Samples	Number of samples for grade interpolation (idw2 method)
No of Holes	Number of Holes for grade interpolation (idw2 method)
SV	Search volume category
CAT	Resource classification
Mined	Historical mining Depletion

5.10.7 Resource Reporting

The current resource estimate by Huaaobaote is based on 0.8 g/t Pb equivalent cut-off grade, which was used for Huaaobaote mining onsite.

Table 5-7 Summary of Huaaobaote Mineral Resources at a 0.8 g/t Pb equivalent cut-off as of 2022/12/31

Site	CAT	TONNES *(kt)*	Pb grade *(%)*	Pb Metal *(t)*	Zn grade *(%)*	Zn Metal *(t)*	Ag grade *(g/t)*	Silver Metal *(kg)*	Cu grade *(%)*	Copper Metal *(t)*	Au grade *(g/t)*	Gold Metal *(kg)*
Huaaobaote Mountain	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	4,926	0.64	31,740	1.30	64,070	66.16	325,895	0.16	777		
	M+I	4,926	0.64	31,740	1.30	64,070	66.16	325,895	0.16	777		
	Inferred	3,547	0.79	28,140	1.44	51,079	79.60	282,315	0.02	614		
	Total	8,472	0.71	59,879	1.36	115,149	71.79	608,210	0.02	1,391		
Huaaobaote	Measured	1,013	3.51	35,603	3.53	35,731	265.55	269,000	–	–		
	Indicated	10,321	1.19	122,563	1.86	191,830	113.85	1,175,000	–	–		
	M+I	11,334	1.40	158,166	2.01	227,561	127.40	1,444,000	–	–		
	Inferred	12,627	1.42	179,031	2.05	258,996	154.19	1,947,000	–	–		
	Total	23,961	1.41	337,197	2.03	486,557	141.52	3,391,000	–	–		
1038 Height	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	219	1.15	2,527	2.03	4,455	136.82	30,023	–	–		
	M+I	219	1.15	2,527	2.03	4,455	136.82	30,023	–	–		
	Inferred	384	1.15	4,416	2.19	8,431	125.20	48,117	–	–		
	Total	604	1.15	6,943	2.13	12,886	129.43	78,140	–	–		
Nanshan	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	332	2.54	8,427	2.89	9,596	190.99	63,418	–	–		
	M+I	332	2.54	8,427	2.89	9,596	190.99	63,418	–	–		
	Inferred	275	1.96	5,382	2.37	6,499	158.17	43,459	–	–		
	Total	607	2.28	13,809	2.65	16,095	176.13	106,877	–	–		

Site	CAT	TONNES (kt)	Pb grade (%)	Pb Metal (t)	Zn grade (%)	Zn Metal (t)	Ag grade (g/t)	Silver Metal (kg)	Cu grade (%)	Copper Metal (t)	Au grade (g/t)	Gold Metal (kg)
1118 Height	Measured	–	–	–	–	–	–	–	–	–		
	Indicated	12,057	0.56	67,573	1.65	198,951	73.22	882,877	0.32	38,600		
	M+I	12,057	0.56	67,573	1.65	198,951	73.22	882,877	0.32	38,600		
	Inferred	10,942	0.56	61,391	1.89	206,916	82.60	903,837	0.44	47,825		
	Total	23,000	0.56	128,964	1.76	405,867	77.68	1,786,715	3.76	86,424		
Peripheral (II) area	Measured	318	–	–	–	–	183.41	58,324	–	–		
	Indicated	588	0.08	490	0.13	790	208.47	122,578	–	–		
	M+I	906	0.05	490	0.09	790	199.67	180,902	–	–		
	Inferred	901	1.04	16,542	1.23	11,108	194.96	175,658	–	–	0.97	1,753
	Total	1,807	0.54	9,816	0.66	21,386	197.32	356,560	–	–	0.97	1,753
Total	Measured	1,331	2.67	35,603	2.68	35,731	245.92	327,324	–	–		
	Indicated	28,443	0.82	233,320	1.65	469,693	91.40	2,599,791	1.38	39,376		
	M+I	29,774	0.90	268,923	1.70	505,424	98.31	2,927,115	1.32	39,376		
	Inferred	28,676	1.03	294,902	1.89	543,029	118.58	3,400,386	1.69	48,439		
	Total	58,450	0.95	556,609	1.81	1,057,940	108.25	6,327,502	1.50	87,815		

Notes:

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.

2. The effective date for the Mineral Resource estimates is Dec 31, 2022.

3. Mineral Resource estimates account for mining depletion up to and including Dec 31, 2022.

4. A cut-off value at 0.8 g/t Pb equivalent was used for Huaaobaote underground mining.

5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

5.10.8 Conclusions and Recommendations

BAW visually inspected the Huaaobaote block model grade against the composites, carried out a capping study, investigated variograms, interpolated Pb equivalent grade with the Inverse Distance Power method using Datamine and compared the volumetric of each domain with the Yintai model. BAW concluded that the global resources between BAW and Yintai match well, and the internal resource estimate model provided by Huaaobaote is acceptable.

5.11 Mining

BAW mainly relied on LERINM, 2021 Feasibility Study report; Huaaobaote Silver-Lead Mine, 2021 Reserves Annual Report, the information and data provided by the Yulong and collected from site inspection by BAW. If there are any discrepancies, the content in the original report shall prevail. BAW understands that a portion of the data is pending further updates.

5.11.1 Mining Methods

This chapter summarizes the major operational mining method and the underground operation at Huaaobaote Mine of Inner Mongolia Yulong Mining.

5.11.1.1 Mine Operation Status

Yulong Mining Company, a subsidiary of Yintai Gold, is located in West Ujimqin Banner, Inner Mongolia.

The mine uses the main double-skip shaft and auxiliary shafts to access the underground. The main shaft is for ore lifting and the auxiliary shafts are for personnel and materials. The current main mining areas are No. I_1 and No. II_2 ore bodies.

5.11.1.2 Mining Methods

The ore body makes it suitable for underground mining. Before 2012, shrinkage stoping was mainly used. Currently, several mining methods such as sublevel stoping, shrinkage stoping, etc. have been used over the years.

- When the ore grade is high and the thickness of the ore body is ≥ 5 m, the method of sublevel open stoping with backfilling is recommended.
- When the ore grade is high and the thickness of the ore body is less than 5 m, the method of shrinkage stoping mining with backfilling is recommended.
- The other mining method is used according to the ore body, grade and stability.

5.11.1.2.1 Huaaobaote long hole sublevel stoping with delayed backfill

Most of the ore was extracted using a Huaaobaote long-hole sublevel stoping mining method with delayed backfill, which is shown in Figure 5-9.

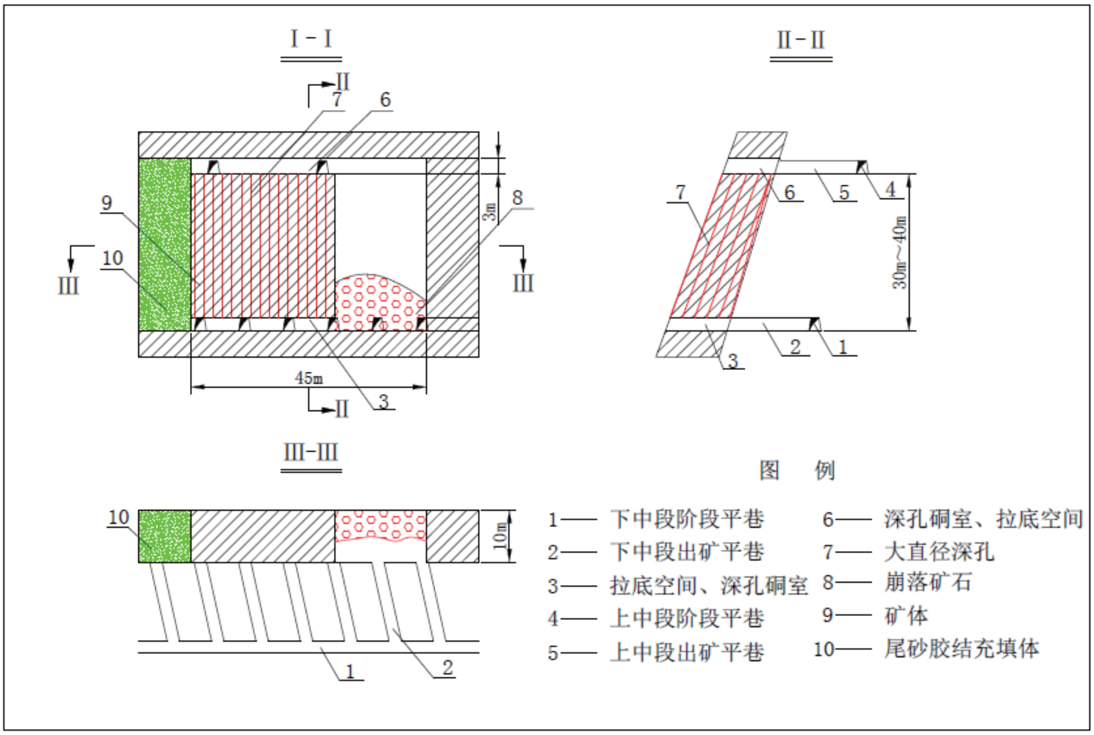


Figure 5-9 Conceptual Huaaobaote long-hole sublevel stoping method at Huaaobaote Mine (Source: Yulong)

Longitudinal long-hole stoping methods operate along or parallel to the strike of the ore body.

The void stopes are commonly filled with tailings cement. After the mining cycle is completed, it is necessary to seal in time and carry out full tailings cemented filling.

5.11.1.2.2 Shrinkage stoping

Shrinkage stoping mining method (Figure 5-10 conceptual shrinkage stoping method) is being considered to extract some portions of the ore materials.

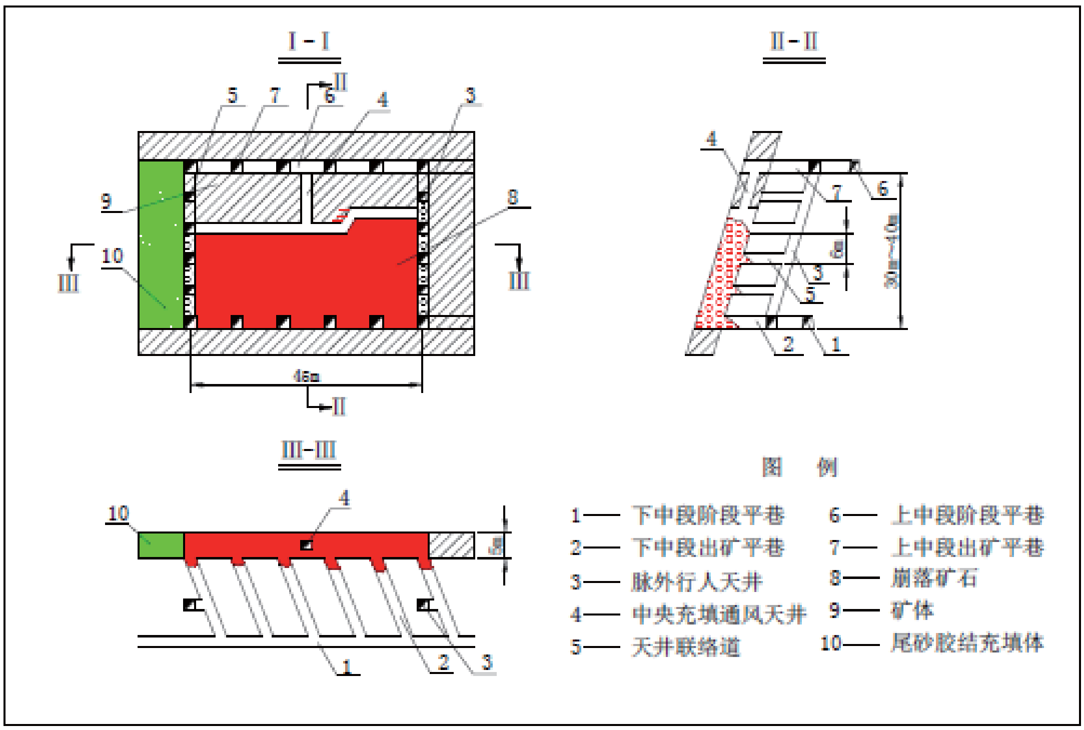


Figure 5-10 Conceptual shrinkage stoping method at Huaaobaote Mine (Source: Yulong)

Shrinkage stoping is a mining method used for steeply dipping, narrower ore bodies. It is an overhand mining method that relies on broken ore being left in the stope. During the mining cycle, about 1/3 of the ore blasted is extracted equivalent to the swell factor of in-situ ore to be broken. When mining is complete to the next upper horizon, the ore is extracted. They are commonly filled with tailings and waste rocks.

5.11.2 Mineral Reserve Estimates

In this chapter, BAW reviewed and summarizes mining factors, economic factors, and the preliminary reserve estimation.

5.11.2.1 Factors

BAW makes conservative assumptions for Yulong.

5.11.2.2 Reserve Estimation

The data discussed in the previous section is used to create a potential total reserve estimation. The potential reserve of a total of 29,823 kt with an average Pb grade of 0.83% at an Eq Pb cut-off summarizes in Table 5-8 by BAW.

BAW Cautionary Note about Reserves Estimates:

- This is only a preliminary reserve estimate with a conceptual mine plan. The mineral reserve estimate, with an effective date of December 31, 2022, was prepared by BAW. BAW understands that due to a lack of data or information, a portion of the data is pending further updates.

Table 5-8 Yulong Mineral Reserve at an Eq Pb cut-off as of 2022/12/31 by BAW

Site	Cut-off	CAT	TONNES	Pb grade	Pb Metal	Zn grade	Zn Metal	Ag grade	Silver Metal	Cu grade	Copper Metal
			(kt)	*(%)*	*(t)*	*(%)*	*(t)*	*(g/t)*	*(kg)*	*(%)*	*(t)*
Huaaobaote	Eq Pb	Proven	1,015	3.23	32,726	3.24	32,844	243.69	247,265	–	–
		Probable	10,338	1.09	112,660	1.71	176,330	104.48	1,080,060	–	–
		Total	11,353	1.28	145,386	1.84	209,174	116.92	1,327,325	–	–
Total	Eq Pb	Proven	1,015	3.23	32,726	3.24	32,844	243.69	247,265	–	–
		Probable	10,338	1.09	112,660	1.71	176,330	104.48	1,080,060		
		Total	11,353	1.28	145,386	1.84	209,174	116.92	1,327,325		

5.11.3 Production Schedule

Before preparing this preliminary schedule, BAW reviewed the information and data provided by Yulong and collected from the site inspection by BAW. If there are any discrepancies, the content in the original report shall prevail. BAW understands that a portion of the data is pending further updates.

Based on the information provided to BAW, details of the mining license and the adjacent exploration license are summarized in the previous section.

Based on the information provided to BAW, historic production is summarized in the previous section.

The information and data for this preliminary schedule are described below:

- From the 3-year production and development plan of Huaaobaote mine from Yulong, the production of 71,000 t/a is considered respectively for the Year 2023, Year 2024 and Year 2025.
- Heihe Mining currently owns mining licenses: 1,000,000 t/a for Huaaobaote.
- From Section of Processing: current processing plant capacity: 2,000 t/d processing plant; two processing plants have been constructed with daily processing capacities of 1,400 and 2,000 tons, respectively.
- Assumed comprehensive lead recovery from Section of Processing: Pb 91.96%; Zn 87.72%, Ag 93.215%.
- Production is based on the economic target.
- The schedule will be adjusted based on further data.

A preliminary Huaaobaote mine scheduling was developed by BAW (Table 5-9):

Table 5-9 The preliminary Huaaobaote mine schedule by BAW

ZONE	TONNES (t)	Pb grade (%)	Zn grade (%)	Ag grade (g/t)	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032	Year 11 2033	Year 12 2034	Year 13 2035	Remnant
Huaaobaote	11,353,000	1.28	1.84	116.92	710,000	710,000	710,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	223,000	
Total	11,353,000	1.28	1.84	116.92	710,000	710,000	710,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	223,000	
		Grade %			1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	
		Rec. %			1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	
		Rec. Pb (t)			8,357	8,357	8,357	11,771	11,771	11,771	11,771	11,771	11,771	11,771	11,771	11,771	2,625	133,635
			Grade %		1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.84	
			Rec.%		1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	
			Rec. Zn (t)		11,460	11,460	11,460	16,140	16,140	16,140	16,140	16,140	16,140	16,140	16,140	16,140	3,599	183,243
				Grade g/t	116.92	116.92	116.92	116.92	116.92	116.92	116.92	116.92	116.92	116.92	116.92	116.92	116.92	
				Rec. g/t	108.99	108.99	108.99	108.99	108.99	108.99	108.99	108.99	108.99	108.99	108.99	108.99	108.99	
				Rec. Ag (g)	77,380,754	77,380,754	77,380,754	108,986,978	108,986,918	108,986,978	108,986,978	108,986,978	108,986,978	108,986,978	108,986,978	108,986,978	24,304,096	1,237,329,161

Cautionary note that this is only a preliminary mine schedule based on a conceptual plan and a preliminary reserve estimate. BAW understands that a portion of the data is pending further updates. The preliminary schedule will be adjusted based on further data. BAW recommends that a complete supporting study and detailed long-term plan should be done in compliance with the Mine schedule.

5.11.4 Mining Equipment

Diesel and electric hydraulic equipment are employed throughout the mine. The primary haulage fleet consists of haul trucks and LHDs for the mineralized material, waste handling, secondary tasks, and backfilling. Development drilling is conducted using jumbos and long-hole drilling is conducted using equivalent drills.

Equipment requirements are based on the maximum annual duty hours for an individual piece of equipment, modified for mechanical availability and projected utilization. A list of the major equipment used in the mine is shown in Table 5-10.

Table 5-10 Mine Major Equipment Summary

Major Equipment	Area 1	Area 2	Area 3	Total
Jumbo	8	5	6	19
LHD	29	14	19	62
Long-hole Drill	1	1		2
Raise boring	1	1	2	4
Bolter		1	1	2
Excavator			1	1
Breaker	3	1		4
Scaling Cutter	1	1		2
Truck	1	1		2

Source: Yulong (2022.9)

5.11.5 Mine Service

This chapter summarizes the mine service at Huaaobaote Mine of Inner Mongolia Yulong Mining.

5.11.5.1 Ventilation

The ventilation involves all of the shaft connections to the surface. In zone 1 and zone 2, the FKCDZNo24/2×110 fan is installed for SJ16 return air shaft, the FKCDZNo24/2×110 fan is installed for SJ8 return air shaft, and the FKZNo15/110 fan is installed for SJ18 return air shaft. In zone 3, the FKZNo16/55 fan is installed for SJ12 return air shaft, and the FKZNo11/30 fan is installed for SJ19 return air shaft.

5.11.5.2 Mine Drainage and Water Supply

The shafts are used to dewater the underground mine. The Shaft shall have some pump stations and an associated collection of sumps. Pumps operating status depends on sump levels.

In the processing plant area, one 2,000 m^3 pond and two 1,000 m^3 settling ponds are in place. One 200 m^3 pond is in place for domestic users.

The water source of the sedimentation pond is from underground drainage, and the water source of the domestic pond is from the domestic water well.

The underground production water supply is described below:

- The water for production and firefighting is supplied by the surface drainage pumping station.
- The production and firefighting use one set of water supply systems.

5.11.5.3 Compressed Air

The compressor houses are located at portal areas, with recently additional two sets of JN200-41/8-II screw air compressors for the underground.

5.11.5.4 Power Supply

At present, the power has been supplied from two external substations: one is Huaaobao 110 kV substation (LGJ-95 and 38 km); the other is Jinxing'an 110 kV substation (LGJ-95 and 42 km). The 35 kV overhead line is used to lead to the 35/10 kV mine substation in the Huaaobaote area. The mine substation is located west of the processing plant and transmitted to the high-voltage distribution room through a 10 kV line, and then supplies power to other low-voltage distribution rooms.

Six diesel generators set, as an emergency power source for mines, are installed to connect to the 10 kV power grid.

One 1,200 kW diesel generator set at 20# auxiliary shaft area and one 2,000 kW diesel generator set at the 35 kV substation area are used as backup power sources.

5.12 Processing

The information in this section is based on the reports and documents from the owner. If there are any discrepancies, the content in the original reports shall prevail.

1) *Huaaobaote Ag-Pb Mine 2022 Reserve Verification Repo*rt by the owner, 2022.

2) *Neimenggu Yulong Mining Huaaobaote Ag-Pb Mine 1 million t/a Mining and Processing Engineering Feasibility Study*, by Lanzhou Non-ferrous Design Institute Ltd., 2021.12.

3) *Existing processing introduction and processing flowsheet*, by the owner.

4) *2000 t/d and 3030 t/d main processing equipment listed*, by the owner.

Huaaobaote Ag-Pb mine started in 2002, and it was purchased in 2012 by the public company of Yintai Resource Ltd. Since 2003, the company installed three processing plants with a capacity of 100 t/d (increased to 400 t/d after), 1,000 t/d and 2,000 t/d (2 series of grinding and classification) in sequence.

In 2022, the processing plant with a capacity of 2,000 t/d runs normally from March to December, and the change of consumed parts was about 6 months. The modification of combining processing plants of 400 t/d and 1,000 t/d has been implemented in 2021. The civil structure and equipment installation was finished at the end of 2021. In May of 2022, this processing plant started running with ores but was in operation until the end of December 2022. This modified processing plant has been out of operation now because of the high cost of old equipment maintenance.

The new design of 3,030 t/d mining and processing engineering feasibility study has been done by Lanzhou Non-ferrous Design Institute Ltd. in December 2021. This new design will do some modifications to the existing 1,400 t/d and 2,000 t/d processing plants, and the new 3,030 t/d processing plant will be in the existing 1,400 t/d processing plant.

5.12.1 Process Description

1. 2,000 t/d Processing Plant

The processing Plant with a capacity of 2,000 t/d flowsheets is as Figure 5-11.

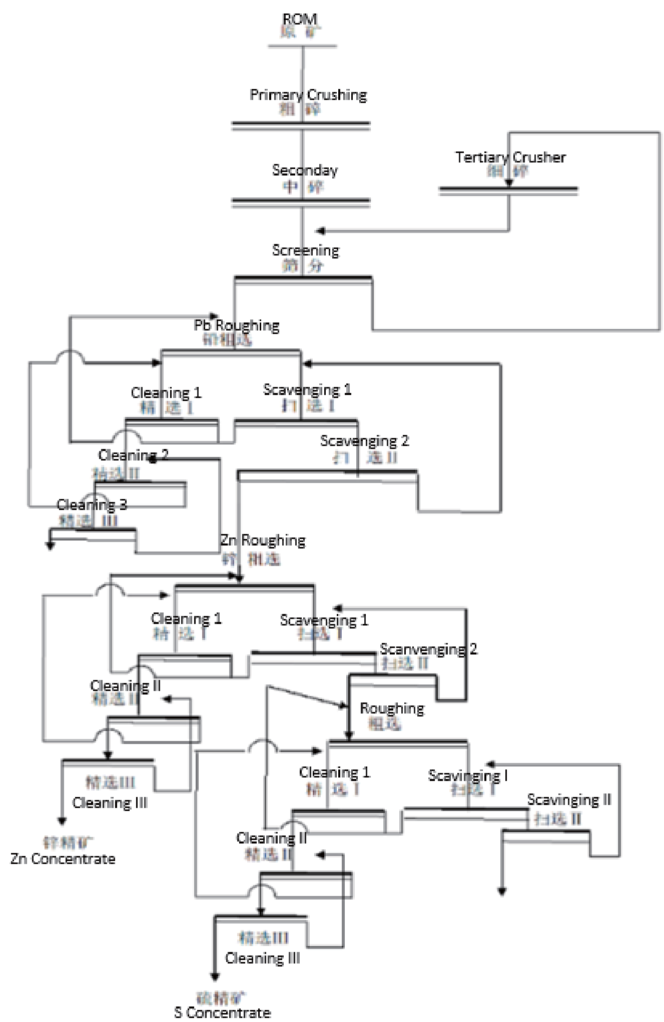


Figure 5-11 2,000 t/d Processing Flowsheet Diagram

2,000 t/d processing plant includes three stages of crushing and one stage of screening closed circuit + one stage of grinding circuit with grinding fineness at -200 mesh at 60% (2 series) + Pb flotation with 1 roughing – 2 scavenging – 3 cleaning + Zn Flotation with 1 roughing – 2 scavenging – 3 cleaning + S Flotation with 1 roughing – 2 scavenging – 3 cleaning + Concentrate Thickening + 2 stages of Concentrate Filtration + Tailings Disposal.

a) *Crushing and Screening:*

The ROM is fed by truck lift into the ROM bin and then is fed by apron feeder- GBZ125-4 to primary jaw crusher-C100. The products of the jaw crusher are discharged to 1# Belt Conveyor and fed to the secondary crusher-GP11F. GP11F discharges the products to 2# Belt Conveyor and the materials are transported to screening-2YAHG1848.

The oversize materials of the screen, particle size ≥15 mm, flow to 3# Belt Conveyor and then are fed to the storage bin before tertiary crusher-GP11S, which discharges its products to 2# Belt Conveyor and combines with products of primary jaw crusher to feed to the screen.

The undersize materials of the screen, particle size ＜15 mm, are discharged to 4# Belt Conveyor which feeds materials to Crushing Products Bin.

b) *Grinding and Classification (2 series):*

4# Belt Conveyor transports the products of secondary to Crushing Products Bin; the materials are fed by 5# and 6# belt feeders to 7# Belt Conveyor. The materials are fed to Grid Ball Mill-MQG 2736. The product of the ball mill discharges to Spiral Classification; the overflow with particle size – 200 mesh at 60% flows to the pump pond and then is pumped to mixing tanks before flotation.

c) *Flotation:*

After the slurry is adjusted by the reagent, it flows to Pb-Zn flotation roughing. Pb roughing concentrate goes to cleaning 1,2, and 3 in sequence and the middling of cleaning 1,2,3 is back to Pb roughing, cleaning 1, and cleaning 2 in sequence. The concentrate of Pb cleaning 3 is the final product-Pb concentrate.

Pb roughing tailing goes to scavenging 1 and 2 in sequence. The middling of scavenging 1 combines with cleaning 1 tailing to back to Pb roughing; the scavenging 2 middling goes back to scavenging 1. The concentrate of scavenging 2 goes to mixing tanks of Zn flotation.

Zn flotation includes 1 roughing – 2 scavenging – 3 cleaning. The concentrate of Zn roughing goes to cleaning 1, 2 and 3 in sequence; the middling of cleaning 1, 2, and 3 is back to Zn roughing, cleaning 1, and cleaning 2 in sequence. The concentrate of Zn cleaning 3 is the final product-Zn concentrate.

Zn roughing tailing goes to scavenging 1 and 2 in sequence. The middling of scavenging 1 combines with cleaning 1 tailing to back to Zn roughing; the scavenging 2 middling goes back to scavenging 1. The concentrate of scavenging 2 goes to mixing tanks of S flotation.

S flotation includes 1 roughing- 2 scavenging- 3 cleaning. The concentrate of S roughing goes to cleaning 1, 2 and 3 in sequence; the middling of cleaning 1, 2, and 3 is back to S roughing, cleaning 1, and cleaning 2 in sequence. The concentrate of S cleaning 3 is the final product- S concentrate.

S roughing tailing goes to scavenging 1 and 2 in sequence. The middling of scavenging 1 combines with cleaning 1 tailing to back to S roughing; the scavenging 2 middling goes back to scavenging 1. The concentrate of scavenging 2 goes to tailing disposal.

d) Concentrate Disposal and Tailings Disposal:

Pb concentrate is fed to 11 thickener- NZS-12; overflow is back to the recycle water system for reusing; underflow is pumped to 1 set of vacuum filter- GW20 for filtration. Zn concentrate is fed to 2 thickener- NZS-12; overflow is back to the recycle water system for reusing; underflow is pumped to 1 set of vacuum filter-GW30 for filtration. Pb and Zn concentrates are stored in the concentrates room separately for sale.

S flotation tailings are pumped to the tailing pond directly.

2. 1,400 t/d processing description

Underground Primary Crushing + SAB process + Classification + Pb flotation with 1 roughing - 1 scavenging - 3 cleaning + Zn Flotation with 1 roughing - 2 scavenging - 3 cleaning + S Flotation with 1 roughing - 1 scavenging - 1 cleaning + 1 thickening + 2 stages of Concentrate Filtration + Tailings Disposal.

As per the processing description of the 1 million t/a processing modification report, the main processing equipment of 1,400 t/d is as below in Table 5-11.

Table 5-11 1,400 t/d Processing Plant Main Equipment List

Sequence	Name	Model	Quantity
1	Jaw Crusher	C100	1
2	SAG	Ø5.49×3.05	1
3	Ball Mill	MQG Ø3.2×5.4	1
4	Hydro Cyclone	FX-610 × 2	1
5	Pb Flotation Cell	XYF II/KYF II-24	5
6	Pb Flotation Cell	XYF II/KYF II-2	4
7	Zn Flotation Cell	XYF II/KYF II-24	9
8	Zn Flotation Cell	XYF II/KYF II-2	4
9	S Flotation Cell	XYF II/KYF II-24	7
	S Flotation Cell	XYF II/KYF II-6	2
10	Zn Concentrate Thickener	NXZ-12	1
11	Pb Concentrate Thickener	NXZ-9	1
12	S Concentrate Thickener	NXZ-24	1
13	Ceramic Filter	TT-12	1
14	Ceramic Filter	TT-15	1
15	Ceramic Filter	TT-30	1

3. New Design of 3,030 t/d Processing Description

Underground Primary Crushing + SAB process + Classification + Pb flotation with 1 roughing – 3 scavenging – 4 cleaning + Zn Flotation with 1 roughing – 3 scavenging – 4 cleaning + S Flotation with 1 roughing – 2 scavenging- 3 cleaning + Concentrate Thickening + 2 stages of Concentrate Filtration + Tailings Disposal.

The processing of 3,030 t/d is similar to 2,000 t/d, and below is the main processing equipment in Table 5-12.

Table 5-12 3,030 t/d Processing Plant Main Equipment List

Sequence	Name	Model	Unit	Quantity
1	Jaw Crusher	C100	unit	1
2	Apron Feeder	1400×6000	unit	1
3	Apron Feeder	1200×4500	unit	1
4	Belt Conveyor	B1000	unit	3
5	Belt Conveyor	B500	unit	2
6	Metal Remover	RCY-C100T2	unit	1
7	SAG	5.49×3.05	unit	1
8	Ball Mill	3.81×6.71	unit	1
9	Linear Screen	SLG1848W	unit	2
10	Linear Screen	SLG1536W	unit	1
11	Cyclone Cluster	6×500CVX	set	1
12	Agitator	XB-3500	unit	2
13	Lifting Agitator	XBT-3500	unit	2
14	Reagent Agitator	RJW-2500	unit	1
15	Reagent Agitator	RJW-2500	unit	2
16	Reagent Agitator	RJW-1500	unit	3
17	High Density Agitator	XBN-1500	unit	1
18	High Density Agitator	XBN-2000	unit	1
19	Flotation Cell	XCF II-40	unit	10
20	Flotation Cell	KYF II-40	unit	16
21	Flotation Cell	XCF II-16	unit	8
22	Flotation Cell	KYF II-16	unit	9
23	Lime Adding System		unit	1
24	Reagent Adding System		unit	1
25	Thickener	NZY-18G	unit	1
26	Thickener	NZY-22G	unit	1
27	Ceramic Filter	BST-35M²	unit	1
28	Ceramic Filter	BST-60M²	unit	1

5.12.2 Recoveries

1) Existing processing plant 2,000 t/d recovery:

As per the 1 million t/a processing plant Feasibility Study, below is a summary of existing processing plant indexes. See Table 5- 13.

Table 5-13 Existing Processing Indexes

Year	Throughput	ROM Grade (%)			Pb Concentrate Grade (%)			Zn Concentrate Grade (%)			Recovery (%)			
	(t)	*Pb*	*Zn*	*Ag**	*Pb*	*Zn*	*Ag**	*Pb*	*Zn*	*Ag**	*Pb*	*Zn*	*Ag*Pb*	*Ag*Zn*
2017	728,258.54	1.94	2.83	245	52.11	5.76	6,093	0.89	43.62	389	90.376	90.361	83.918	9.337
2018	821,568.28	1.92	2.87	232	59.15	5.11	6,599	0.97	45.19	430	92.371	89.889	85.19	10.568
2019	598,347.9	1.58	2.03	205	52.99	3.96	6,529	1.23	46.76	549	86.244	85.398	81.547	9.892
2020	620,507.27	1.8	2.19	244	54.72	4.46	7,236	1.41	46.99	575	89.717	87.749	87.538	9.651
2021	787,819.04	1.37	1.82	208	57.58	5.39	7,979	1.1	45.69	550	91.959	87.717	84.024	9.191

2) New Design 3,030 t/d Processing Recovery:

New design processing indexes are based on existing processing plants and below are the processing indexes. See Table 5-14.

Table 5-14 3,030 t/d Processing Indexes

Product	**Yield, %**	**Grade (%)**			**Recovery (%)**		
		Pb	**Zn**	**Ag***	**Pb**	**Zn**	**Ag**
Pb Con.	2.13	52	2.5	5,000	88	2.85	84.09
Zn Con.	3.65	0.9	45	300	2.61	88	8.65
Tailings	94.22	0.13	0.18	9.75	9.39	9.15	7.26
ROM	100	1.26	1.87	126.62	100	100	100

5.12.3 Test Work

Several test reports have been shown in the owner's document listed below, but only No. 1 and No. 2 can be found, so this chapter only compared No. 1 and No. 2 test results with current production indexes.

1. *Inner Mongolia Yulong Mining Silver-Pb-Zn Polymetallic Ore Processing Test Report*, by Beijing Nonferrous Metals Research Institute, 2011.07.

The existing 1400 t/d modification processing plant is based on this test report.

2. *The Experimental study on the separation of lead and antimony*, by Shenyang Institute of Nonferrous Metals, by 2012.01.

3. *Inner Mongolia Yulong Mining Co., Ltd. Polymetallic Ore Beneficiation Process Test Technology Research Report*, by Hunan Nonferrous Research Institute, 2014.05.

4. *Inner Mongolia Yulong Mining Copper-Silver-Tin Polymetallic Mine*, by Guangzhou Nonferrous Metals Institute, 2017.01.

5. *Yulong Mining Polymetallic Mineral Processing Test Report*, by Guosheng Mining, Yulong Mining, 2019.07.

6. *Inner Mongolia Yulong Mining Small-scale Test Report*, by Solvay, 2019.12.

The comparison of test reports of No. 1 and No. 2 and existing production indexes are shown in Table 5-15.

Table 5-15 Test Results and Existing Production Indexes Comparison

Name	Processing	Pb ROM Grade, %	Zn ROM Grade, %	Ag ROM Grade, g/t	Pb Concentrate, % Pb	Zn	Ag	Pb Recovery, %	Zn Concentrate, % Pb	Zn	Ag, g/t	Zn Recovery
Test Report 2011	Pb1-1-3 Zn1-1-3	1.91	4.14	240.4	51.42	4.33	6,123.9	88.45	0.65	46.03	/	88.18
Test Report 2014	Pb1-2-3 Zn1-2-2 S1-2-3	3.6	3.56	495.6	55.46	2.35	6,899.15	88.9	0.85	45.53	384.27	88.41
Existing Processing Plant	Pb1-2-3 Zn1-2-3 S1-2-3	1.37	1.82	208	57.58	5.39	7,979	91.96	1.1	45.69	550	87.72

From the above data comparison of test reports, we can see that existing production indexes are better than the test results of the No. 1 and No. 2 report.

5.13 Permitting, Environmental, Health and Social Impacts

5.13.1 Operational Licenses and Permits

BAW is aware that certain license such as business licenses, mining licenses, exploration licenses, safety production permits and water use permits are in place such the operation is in compliance with the regulatory and legal requirements of the PRC.

Table 5-16 Details of Mining License

Mining License Holder	Inner Mongolia Yulong Mining Co., Ltd.
Name of Property	Huaaobaote Ag-Pb Mining Area ("**Huaaobaote**")
License Type	Mining
License ID	C1500002011024210112496
Area (km^2)	1.7093
Elevation (m)	From 1,030 m to 400 m
Permitted Production Capacity (kt)	1,000
Type of Commodities	Silver, Lead and Zinc
Mining Method	Underground
Valid Period	From 11 November 2012 to 11 November 2037

Table 5-17 Details of Mining License

Mining License Holder	Inner Mongolia Yulong Mining Co., Ltd.
Name of Property	Huaaobaote Mountain Pb-Zn-Ag Mining Area ("**Huaaobaote Mountain**")
License Type	Mining
License ID	C1500002012054210125299
Area (km^2)	1.0269
Elevation (m)	From 1,030 m to -473 m
Permitted Production Capacity (kt)	250
Type of Commodities	Silver, Lead and Zinc
Mining Method	Underground
Valid Period	From 16 May 2020 to 16 May 2023

Table 5-18 Details of Exploration License

License Type	Exploration
License ID	T1525002022054050056825
Area (km^2)	1.68
Valid Period	18 May 2022 – 17 May 2027

Table 5-19 Details of Exploration License

License Type	Exploration
License ID	T1525002022054050056826
Area (km^2)	0.05
Valid Period	18 May 2022 – 17 May 2027

Table 5-20 Details of Exploration License

License Type	Exploration
License ID	T1525002008043010006893
Area (km^2)	1.51
Valid Period	From 21 January 2022 to 20 January 2024

Table 5-21 Details of Exploration License

License Type	Exploration
License ID	T1525002008043010006891
Area (km^2)	2.42
Valid Period	From 21 January 2022 to 20 January 2024

Table 5-22 Details of Exploration License Exploration License – Expired

License Type	Exploration
License ID	T15250020091230100037416
Area (km^2)	15.42
Valid Period	From 09 November 2020 to 08 November 2022

Table 5-23 Details of Exploration License Exploration License – Expired

License Type	Exploration
License ID	T15250020091140100036050
Area (km^2)	21.76
Valid Period	From 09 November 2020 to 08 November 2022

Table 5-24 Details of Safety Production Permit

Property	**Safety Production Permit No**	**Issue Date**	**Expiry Date**
Inner Mongolia Yulong Mining Co., Ltd.	(2021) 001822	17 May 2022	24 June 2024

Table 5-25 Details of Safety Production Permit

Property	**Safety Production Permit No**	**Issue Date**	**Expiry Date**
Inner Mongolia Yulong Mining Co., Ltd.	(2020) 006377	17 May 2022	19 August 2023

Table 5-26 Details of Safety Production Permit (Tailing Storage Facilities)

Property	**Safety Production Permit No**	**Issue Date**	**Expiry Date**
Inner Mongolia Yulong Mining Co., Ltd.	(2020) 00648	16 August 2022	15 August 2025

Table 5-27 Details of Water Use Permits

Property	Water Use Permit No	Issue Date	Expiry Date	Water Supply Source	Water Use Allocation (m^3)
Inner Mongolia Yulong Mining Co., Ltd.	S1520496514689	25 December 2017	31 December 2022	Groundwater	934,800

5.13.2 Environmental Management

In order to address the potential environmental impacts resulted from the mining operation, professional design research institutes were commissioned to carry out studies of Sustainable Development and Utilization Plan of Mineral Resources ("**SDP**") for its various operation. SDP is a combination of Mineral Resources Development and Utilization Plan, Land Reclamation Plan, and Geological Environment Protection and Restoration Plan to assess various aspects, such as, impacts on ecology, land subsidence, water and soil conservation, underground hydrogeology, surface drainage, dust and air quality, noise control, solid waste and emission, regulatory compliance and planning of environmental monitoring pursuant to the regulatory and legal requirements of the PRC in relation to nation-wide environmental, provincial environmental and administration. BAW understands that the SDPs were reviewed and approved by relevant government agencies pursuant to the regulatory and legal requirements of the PRC.

5.13.3 Occupational Health and Safety

Gold mining operation in the PRC is generally required to implement corporate safety policy and conducts its operations in accordance with the relevant national laws and regulations with respect to Occupational Health and Safety ("**OHS**") in construction, mining, production, blasting and explosives handling, waste rock dump design, mineral processing, environmental noise, emergency response, water and soil conservation, fire protection and fire extinguishment, sanitary provision, power provision, labour and supervision. BAW understands that the gold mine generally implement OHS procedures in line with the national standards, attaching importance to a safe working environment for employees which protect them from potential occupational hazards and health and safety risks.

5.14 Economic Analysis

BAW reviewed the forecasted operation data and analyzed the late mine operation data provided by Mine. BAW also prepared a production schedule for the Yulong project based on the information provided. To assess the economic viability of Minable Resources under the production schedule, BAW has performed an economic analysis for the Minable Resources estimated throughout the LOM. Determination of economic viability involves the sum of discounted annual free cash flow projected from the start of the year till the end of the LOM. The economic analysis is based on the following assumptions:

1. The economic analysis presented here is on a 100%-equity basis that shows the basic economics of the project.

2. It does not incorporate financing items such as interest paid and loan principal paid back.

3. The analysis also does not incorporate any losses carried forward for tax purposes and any refund of valued-added taxes previously or currently paid.

5.14.1 Valuation Methodology

- *Market Approach*

The market Approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

- *Income Approach*

The income Approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

- *Cost Approach*

The cost Approach measures the value of an asset by the cost to reproduce or replace it with another like a utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration and functional and economic obsolescence.

5.14.2 Adopted Valuation Approach

Among the abovementioned valuation methodologies, the selection of the valuation method for the Yulong Project is based on, among other things, the quantity and quality of the information provided, the availability of the data, the availability of relevant market transactions, the uniqueness of the Project, the nature of business and industry involved of the Project, professional judgment and technical expertise of the management.

The selection of the valuation approach is determined primarily by the stage of development of the concerned mineral asset. The chart below (Figure 5-12) shows the application of valuation methodology for valuing mineral assets.

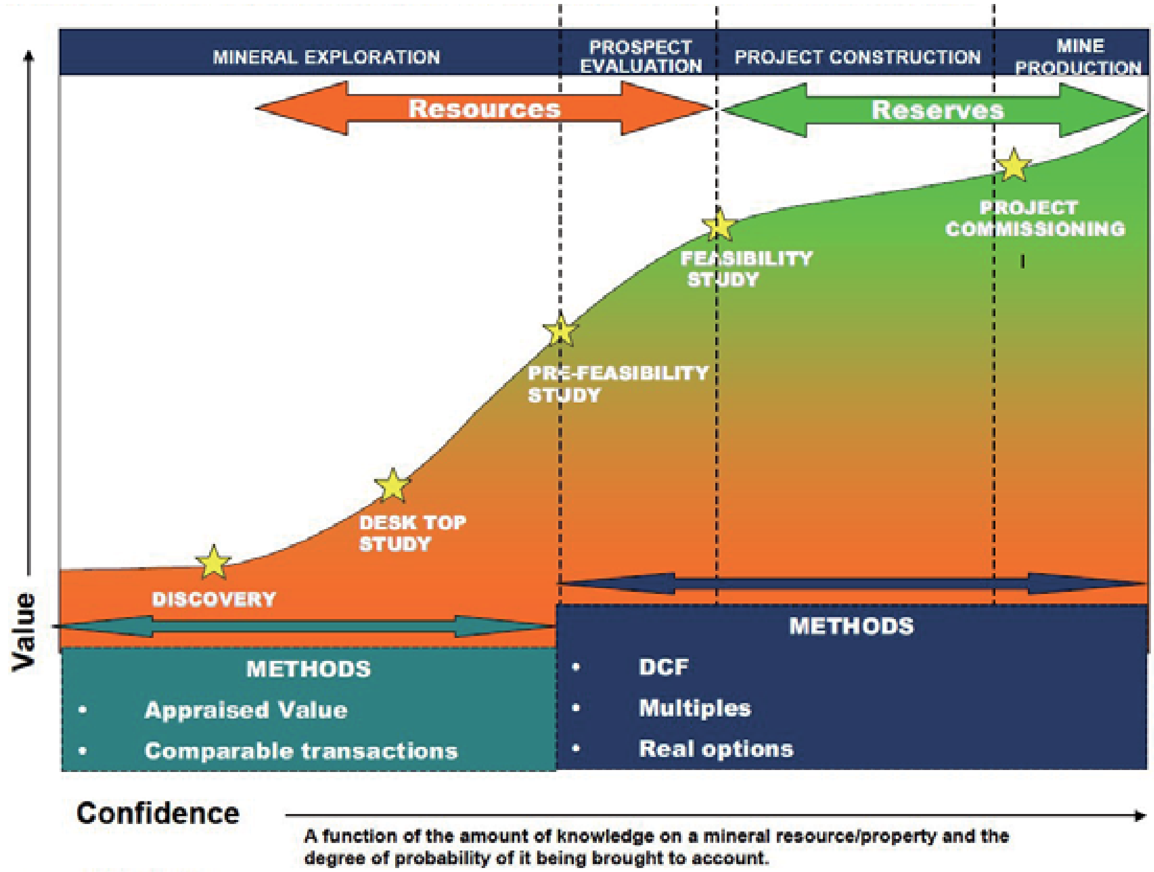


Figure 5-12 Application of different valuation Methodologies

5.15.2.1 *Mineable Resource*

Regarding the Mineable Resources of the Yulong Project, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. In addition, compared with the cost approach, the income approach can effectively and accurately reflect the future earnings of the Project. Among the income approaches, we adopted the approach of discounted cash flow projection. The adoption of such an approach for valuing the Mineable Resources is considered to be fair, reasonable and conformable with the industry practice.

5.15.2.2 *Discounted Cashflow*

In this method, the value depends on the present value of the economic benefits to be generated. The expected future cash flows available for payment of shareholders' loans and interest (which, in certain circumstances, is used to repay the registered capital plus interest and dividends) are converted to their present value equivalent using a rate of return appropriate for the business risk.

The expected debt-free cash flow for each year was determined as follows:

FCF = EBIT (1 – T) + Dep – InvCapex – InvNWC

FCF = *Expected Cash Flow*

EBIT = *Earnings before interest and tax*

T = *Tax rate*

Dep = *Non-cash items*

InvCapex = *Investment in capital expenditure*

InvNWC = *Investment in net working capital*

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present values of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

In which

PVCF = Present value of free cash flows

CF = Estimated cash flows

r = Discount rate

n = Number of the year of projections

5.14.3 Metal Production and Revenue

According to the production plan developed by BAW, the Yulong project will produce 133,634.8 Tons of Pb, 188,242.87 Tons of Zn and 1,237,329,161 g of silver. The long term Pb price is estimated to be 14,287 RMB/Ton, Zn 18,628 RMB/Ton and the Ag price 5.44 RMB/g. The total revenue of Pb should be CNY1,909.25 million, CNY3,413.44 million for Zn and CNY6,731.27 million for Ag.

5.14.4 Operating Cost and Capital Expenditure

The cash cost of LOM is estimated at CNY5,221.11 million, while the capital expenditures are CNY495.22 million.

5.14.5 NPV and Sensitivity Analysis

Regarding the Minable Resources of Project Yulong, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. Therefore, such an approach can effectively reflect the future revenue of the project. The NPV of the Yulong Project is CNY**2,462.8** million at a 9.23% discount rate. The sensitivity analysis shows that the NPV estimate is the most sensitive to commodity prices and discount rates.

Appendices

Appendix 1: JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	Commentary
Sampling techniques	• Trenching and tunnelling were conducted. Representative channel samples were collected using a diamond saw and chisel, with channel dimensions of 10 × 3-5 cm and a typical interval of 1 m. • Diamond drilling was employed, and cores were cut along the long axis using a saw splitter. Sample intervals were primarily set at 1-3 m lengths. • Mineralization was identified based on ore minerals, lithology and alteration.
Drilling techniques	• Standard tube core drilling rigs were utilized, with drill cores primarily being HQ-sized and NQ-sized. • Down-hole surveys were conducted using a digital inclinometer at intervals of 50 m for inclined holes and 100 m for vertical holes.
Drill sample recovery	• The logging geologist measured drill core recovery for each run and recorded the results in the primary database. Core recovery was determined by dividing the drilling footage by the core length. • Upon encountering low sample recovery during drilling, the logging geologist and driller worked together to promptly rectify the problem and optimize recovery. • No relationship between sample recovery and grade was found.
Logging	• Drill cores were qualitatively logged by geologists to capture details such as oxidation, lithology, alteration, structure, and recovery. • All drill hole cores were properly logged and photographed. Logging information was initially recorded on standardized logging sheets and subsequently digitized into the electronic database.

Criteria	Commentary
Sub-sampling techniques and sample preparation	• Half-core samples were obtained by splitting drill cores in half. • Channel samples were collected in their entirety for sample preparation, without splitting. • All samples underwent drying, crushing, splitting, and pulverizing according to the proper procedures. The Chichette formula ($Q = k \times d^2$) was used to determine the minimum allowable sample weight, where: Q represents the sample weight (kg), k is the coefficient determined by the ore type (0.2 for this rock type), and d is the maximum sample grain diameter (mm). • No field duplicates were collected. • On-site geologists deemed the sample size appropriate for the gold grain size observed.
Quality of assay data and laboratory tests	• Low Pb and Zn grade samples were analyzed using HCl-HNO3 digestion with AAS, while high Pb and Zn grade samples were assayed using the EDTA complexometric titration method or XRF. Ag content was determined using fire assay. • Geophysical tools, spectrometers, and handheld XRF instruments were not utilized for assaying purposes. • Basic samples were analyzed by both the internal mine-site laboratory and domestically certified Chinese laboratories, which implemented internal quality control procedures in line with relevant PRC standards. No systemic bias was reported.
Verification of sampling and assaying	• BAW geologists carried out a field inspection of significant intersections. • No twinned holes were drilled. • All geological logging and sampling information was initially recorded on logging sheets and later digitized into an electronic database. Both physical and electronic logging and sampling records were well-maintained. • During the site visit, BAW reviewed data entry procedures, and storage protocols, and verified the primary data. • No adjustment was made to the assay data.

Criteria	Commentary
Location of data points	• Drill holes, trenches, and adits were surveyed in compliance with relevant PRC standards by certified surveyors under the supervision of on-site geologists. • The Beijing Coordinates System (1954) and Chinese Geodetic Coordinate System 2000 were applied for this project. • Detailed topographic surveys were conducted by certified surveyors and deemed adequate for modelling and Mineral Resource estimation purposes.
Data spacing and distribution	• The exploration grid was set at 50-100 × 50-100 m. Samples were collected continuously throughout mineralization zones and their contact zones in wall rocks, with a typical length of 1-3 m. • The spacing of drill holes is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedures and for the classifications applied.
Orientation of data in relation to geological structure	• Considering the deposit type, the drilling orientation and subsequent sampling are deemed unbiased for Mineral Resource estimation purposes.
Sample security	• Yulong Mining managed the chain of custody for sample security. Samples were collected, packed, marked, and logged before being delivered to the laboratory for preparation and assaying. The drill cores were stored in an on-site core shed.
Audits or reviews	• All aspects of sampling techniques strictly adhered to relevant PRC national standards and specifications. BAW reviewed and cross-checked the sampling data.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• BAW was provided with scanned copies of the original mining and exploration licenses, and the details are stated in Sections 5.1.2 and 5.1.3 of this report.
Exploration done by other parties	• Detailed information can be found in Section 5.3.2 of this report.

Criteria	Commentary
Geology	• Detailed information can be found in Section 5.4 and 5.5 of this report.
Drill hole Information	• All drill hole information was entered into the database and utilized for Mineral Resource estimation. Due to the extensive amount of drill hole data, a detailed tabulation of this information is not presented.
Data aggregation methods	• All samples are composited within the geological domains at 1.5 m for Mountain Huaaobaote Section and 1.0 m for Huaaobaote Section, and short intervals at the end of the domain are incorporated into the preceding interval. A cut-off value of 0.8% Pb equivalent is used to define the domains.
	• No capping description and capped composites about the 2022 internal model were provided to BAW. According to the 2022 report, massive and disseminated mineralization hosted most of the resources. Uniform grade distribution was present for Pb-Zn in both mineralization, where no capping for Pb-Zn was done for composites. While 6~8 times of mean grade was used for high-grade capping for Ag.
	• Pb/Ag metal-equivalent approaches were applied. And 1 Zn = 1.29 Pb; 1 Zn = 0.0046 Ag
Relationship between mineralization widths and intercept lengths	• Huaaobaote mineralization is 1,800 m long along NW and NE, dipping 60~70°.
Diagrams	• Not Applicable in this report.
Balanced reporting	• The reporting is fully representative of the data provided at this stage.
Other substantive exploration data	• BAW is not aware of any other material or substantive exploration data that has not been reported
	• Adequate samples were measured for specific gravity, as detailed in Section 5.8.1.
Further work	• BAW was informed that Yulong Mining would conduct further exploration programs within the current mining and exploration licenses.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	Commentary
Database integrity	• The data provided by the Company in Excel format was imported into a Surpac database after validation. • Data validation steps included: – Validation through constraints and libraries set in the database, e.g., overlapping/missing intervals, intervals exceeding maximum depth, valid geology codes, and missing assays. – Validation through 3D visualization in 3D software to check for any obvious collar, down-hole survey, or assay import errors.
Site visits	• BAW Competent Person visited the Yulong Project from March 26 to 28, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Geological interpretation	• The geological interpretation was based on lithology, assays, structure and geotechnical information. • The data used in the resource estimation was from the approved exploration reports or laboratory assay results.
Dimensions	• Not Applicable in this report.

Criteria	Commentary
Estimation and modelling techniques	• The Mineral Resource was estimated using Inverse Distance interpolation in Surpac. • Search parameters were based on attitudes of mineralized zones and supported by geological knowledge gained from surface geological mapping, drill hole data and modelling analysis. • The parent cell size and estimation parameters were based on the drill hole spacing and the nature of the mineralization style at the project. • The geological interpretation was used to help build a mineralized wireframe model and the resource estimate was conducted within the model. • Validation of the Mineral Resource estimate has been conducted by: – Visual drill hole section data comparisons with the block model and – Swath plots of major elements in three orthogonal directions.
Moisture	• Tonnages are estimated on a dry basis.
Cut-off parameters	• The current resource estimate by Huaaobaote is based on 0.8 g/t Pb equivalent cut-off grade, which was used for Huaaobaote mining onsite.
Mining factors or assumptions	• The mining method assumed is open pit mining. • Mining factors such as mining dilution shown above have been incorporated into the Mineral Resource estimate.
Metallurgical factors or assumptions	• Simple studies of ore properties and processing tests were conducted and the files were provided by the owner. • The overall Pb recovery is 91.96% and the overall Zn recovery is 87.72%, which is as per the document from the owner. • Processing recovery rates presented above were incorporated into the Mineral Resource estimate.

Criteria	Commentary
Environmental factors or assumptions	• No assumptions have been made regarding possible waste or process residue disposal options or environmental surveys.
Bulk density	• The conventional water displacement method was utilized on a total of 409 samples from various types of ores.
Classification	• Mineral Resources have been classified in the Measured, Indicated and Inferred categories in accordance with the JORC Code 2012 guidelines.
	• A range of criteria was considered in determining the classification for the project, including:
	– geological confidence in the interpretations,
	– sample data density,
	– sample/assay confidence,
	– grade continuity of the mineralization,
	– estimation method.
	• The Competent Persons endorse the final results and classification for the project.
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review,
	• There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Relative accuracy and confidence have been assessed through validation of the model as outlined above.
	• The Mineral Resource estimate comprises material categorized as Measured, Indicated and Inferred Mineral Resource. The Mineral Resource categories reflect the assumed accuracy and confidence of a global.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	Commentary
The mineral Resource estimate for conversion to Ore Reserves	• The block models prepared by Yintai were used as the basis of the Ore Reserve estimate. • The Mineral Resources are reported inclusive of Ore Reserves.
Site visits	• BAW Competent Person visited the Yulong Project from March 26 to 28, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Study status	• The feasibility study report (2021.12) conducted by Lanzhou Engineering & Research Institute of Nonferrous Metallurgy was provided to BAW. • The feasibility study report was used as the basis of the Ore Reserve estimate.
Cut-off parameters	• The feasibility study report (2021.12) conducted by Lanzhou Engineering & Research Institute of Nonferrous Metallurgy was provided to BAW. • The feasibility study report was used as the basis of the Ore Reserve estimate.
Mining factors or assumptions	• Not Applicable in this report.
Metallurgical factors or assumptions	• The processing flowsheet is a conventional crushing, grinding, and flotation, which is simple and mature and is suitable for the ore type of Yulong project. • There are several test reports done by the third party with represented samples and two of the reports were provided by the owner.

Criteria	Commentary
	• Compared with the test report of 2011 and 2014, Pb and Zn recovery of existing processing are good. Zn recovery is affected by the separation of Pb and Zn flotation, which can be optimized by the production team.
	• It doesn't have the document about requirements and sales agreement, so assuming that the current Pb concentrate and Zn concentrate to meet the requirement of terms and sales agreement.
Environmental	• Environmental, safety and production permits were obtained.
Infrastructure	• The infrastructure meets the basic requirements of production and transportation.
Costs	• The Opex and Capex were provided by the Mine.
	• Refer to section 5.13.4.
Revenue factors	• Production Schedule is developed by BAW.
	• Refer to section 5.13.3.
Market assessment	• Not Applicable in this report.
Economic	• The input data to calculate NPV is described in Section 5.13 which mainly includes the production plan, sales revenue, production cost, administration cost, Capex and taxes.
	• Refer to section 5.13.5.
Social	• Not Applicable in this report.
Other	• None.
Classification	• The mineable Measured Resources, including diluting materials and allowances of losses, were classified as Proved Ore Reserves.
	• The mineable Indicated Resources, including diluting materials and allowances of losses, were classified as Probable Ore Reserves.
	• The results appropriately reflect the Competent Person's view of the deposit.

Criteria	Commentary
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review, • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Usually, the Ore Reserve estimate is reported based on some technical and economic assumptions which have been understood well to date. These assumptions would change as time goes on, so different Ore Reserve can be estimated/calculated.

6 HUASHENG PROJECT

6.1 Property Description and Location

6.1.1 Property Location

The Huasheng (Mangshi) Project is located approximately 32 km southwest of Mangshi City and about 40 km northwest of the China-Myanmar border. The project area falls under the jurisdiction of Shangmanggang Village, Santaishan Town, Mangshi City, in the Dehong Dai-Jingpo Autonomous Prefecture, Yunnan Province. Kunming City, the capital of Yunnan Province, is situated roughly 460 km to the east. The project location is depicted in Figure 6-1.

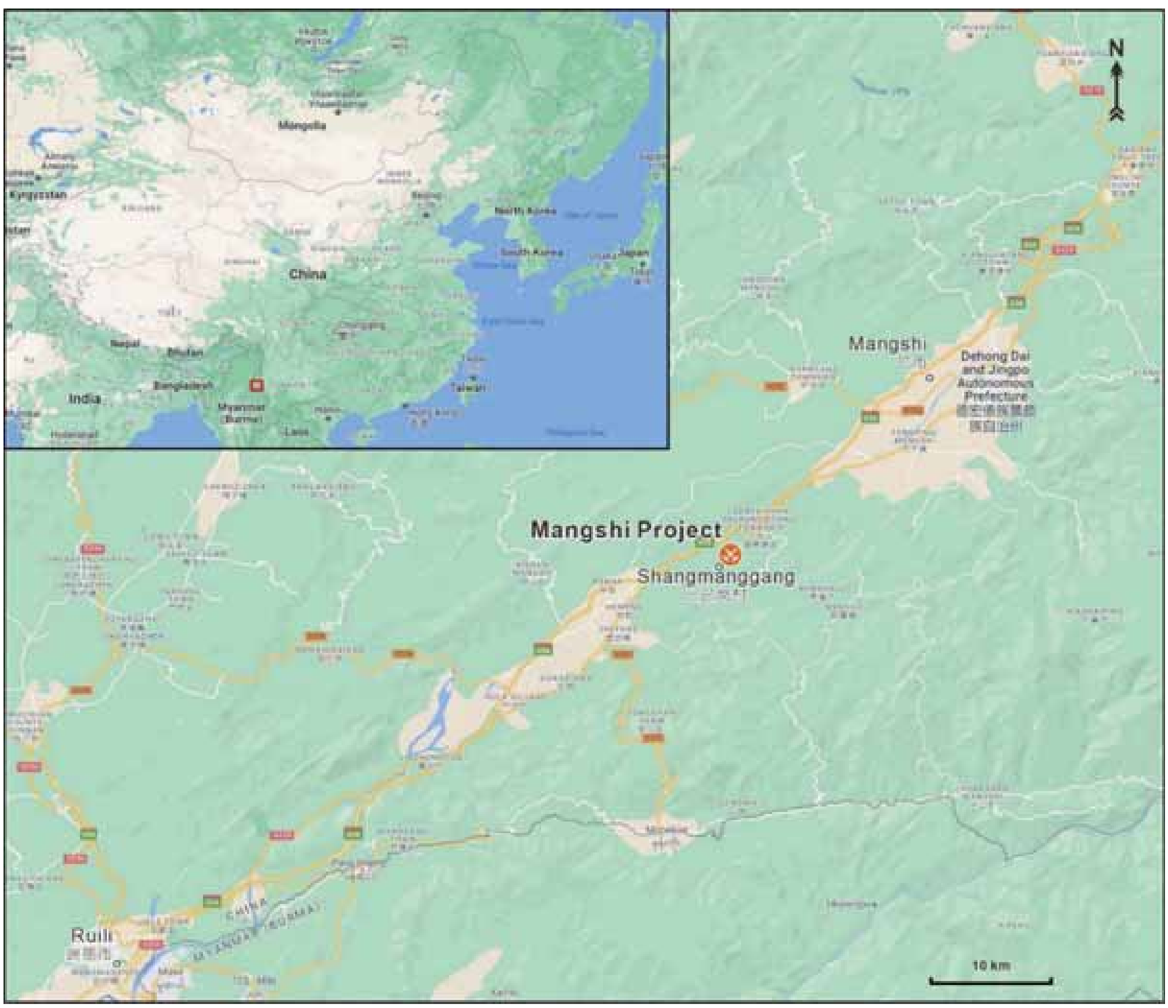


Figure 6-1 Location of the Huasheng Project

Source: Google Map

6.1.2 Ownership

Yintai, through its 60% owned subsidiary, Mangshi Huasheng Gold Mine Development Co., Ltd. ("**Huasheng Gold**") holds the Huasheng Project, which includes all mineral resources and reserves, as well as all mining operations.

6.1.3 Tenure, Permit and License

The mining license, held by Huasheng Gold, covers an area of 0.6338 square kilometres with an expiry date of 11/07/2025 and a permitted annual mining capacity of 100 thousand tons, including the Maiwoba and Guoyuan area. Table 6-1 and Figure 6-2 present the corner coordinates and areas of the mining license.

Table 6-1 Corner Coordinates of the Mining License, Huasheng Project

Corner Coordinates No.	Eastings/m	Northings/m
Maiwoba area		
1	2689686.13	33435378.13
2	2690143.13	33435620.13
3	2690346.13	33435888.13
4	2690206.13	33436088.13
5	2689536.13	33435478.13
6	2689111.85	33435285.11
7	2689114.16	33434713.12
Guoyuan area		
8	2691080.34	33436794.52
9	2691014.55	33436913.13
10	2690653.14	33436427.43
11	2690496.14	33436424.13
12	2690363.14	33436182.73
13	2690402.14	33436155.93
14	2690708.14	33436175.12
15	2690913.64	33436325.62
16	2690992.24	33436434.52
17	2691077.14	33436708.12

Xi'an 1980 Coordinate System; Elevation: 1500 -1100 m above sea level

Yintai has provided the necessary permits and licenses required for the current operation of the Huasheng Project, including the Water Extraction Permit and Pollution Discharge Permit. However, BAW did not independently verify the information related to the location, area, and status of these permits and licenses. Additionally, BAW does not know about any other permits required for carrying out the proposed work on the property, unaware of whether such permits have been obtained or not.

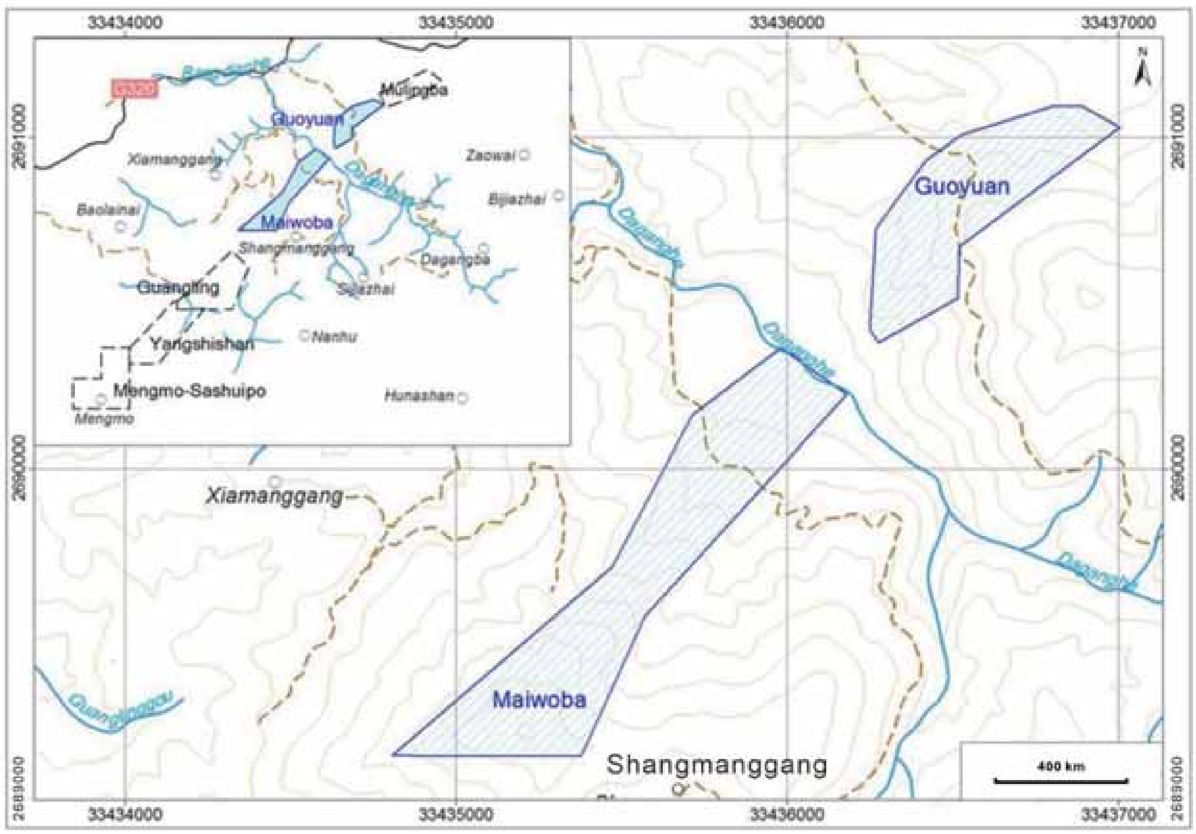


Figure 6-2 Mining License area of the Huasheng Project

Source: SRK, 2016

6.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

6.2.1 Accessibility

The Huasheng Project area is easily accessible via a 2 km gravel road that connects to National Highway 320. The distance from National Highway 320 to the city center of Mangshi is 23 km, and 33 km to the Dehong Autonomous Prefecture government (in Mangshi). The project area can also be reached via the G56 Highway, which runs from Mangshi to Kunming, spanning a total distance of 829 km. Mangshi has a domestic airport offering daily flights to major cities in China, such as Kunming and Beijing. Mangshi city is situated approximately 300 kilometres from Dali city, which has a railway station connected to the national railway network. The Dali-Ruili railway, which passes through Mangshi, is currently under construction and is estimated to be completed in 2025.

6.2.2 Topography, Elevation, and Vegetation

The Huasheng Project is situated at the southwestern edge of the Hengduan Mountains, within a secondary watershed southeast of the Bangdian River, a Mangshi River tributary. The terrain, marked by mountains and valleys, slopes southwestward, aligning with the predominant northeast-southwest structure. Slopes typically range between 20°-30°, with some areas exceeding 60°. The highest point is Leixiu Mountain (elevation 1,505.6 m) in the southwest, while the lowest is the Dagang River exits in the northwest (elevation 1,070 m), creating a relative elevation difference of 435.6 m.

The project area boasts dense vegetation, with over 80% coverage, and exhibits distinct vertical zonation due to terrain, topography, and climate. Plant species include Chinese fir, Simao pine, and birch, while peacocks, wild boars, and pheasants are the primary animal species.

6.2.3 Climate

The Huasheng Project area features a subtropical monsoon climate with low latitude and mountainous influences, characterized by long summers, short winters, small seasonal temperature differences, large annual temperature fluctuations, distinct dry and wet seasons, and significant vertical differences. The climate is marked by dry springs and winters and wet summers and autumns. Records from Mangshi Meteorological Station indicate an average annual temperature of 19.6°C, with extreme highs of 36.2 °C and winter lows of 0.6 °C.

The rainy season spans May to October, with an average annual rainfall of 1,654.6 mm. Rainfall during this season accounts for 89.9% of the total annual precipitation, with July and August experiencing heavy rain and contributing 46.8% of the total annual rainfall. The area experiences an average of 171 rainy days per year. Rainfall distribution varies with terrain, landform, and elevation, resulting in higher rainfall in mountainous areas than in dam and valley areas, and fluctuating rainfall amounts with altitude.

The region boasts abundant sunshine, with an annual duration of 2,252.9 hours and an average annual evaporation of 1,342.3 mm. The frost-free period lasts over 300 days per year. The prevailing wind direction is southwest, with wind speeds typically ranging from 1 to 3 levels and a maximum of 6 levels. The average annual wind speed is 1.0 m/s, with a maximum of 15.7 m/s, and windless conditions occur 10.5% of the year.

6.2.4 Local Resources and Infrastructure

Santaishan, the closest town to the project area, has a population of approximately 7,700 and is predominantly composed of the De'ang, Han, and Jingpo ethnic groups. Two neighbouring villages are Xiamanggang and Shangmangang.

Mangshi, the capital of the Dehong Autonomous Prefecture, is a modern city with a well-developed local infrastructure. Most raw materials and daily necessities are available in the city. Local agriculture produces wheat, soybeans, corn, rice, sugarcane, coffee, peanuts, rapeseed, tobacco, and various vegetables. The industrial sector comprises sugar production, papermaking, building materials, wood processing, and hydropower. Valuable mineral resources in the area include gold, copper, lead, zinc, and coal.

A 110 kV substation near the project area has adequate remaining capacity for this project's power needs. A 35 kV transmission line extends 3.6 km from the 110 kV substation to the project area.

The Dagang River, a seasonal river located about 2 km away, flows northward from the center of the project area and ultimately joins the regional Longjiang River via the Bangdian River. Domestic production water supply is from the Dagang River and transported via pipelines.

6.3 History

6.3.1 Ownership

The original mining license for the Huasheng Project was granted to the No. 209 Geological Brigade of the Southwest Geological Bureau of Nuclear Industry ("**No. 209 Brigade**") in 1999, including the Maiwaba and Guoyuan areas with a total area of 0.4338 km^2. The license was extended in 2009 and later transferred to Huasheng Gold in 2015, with the area expanded to 0.6338 km^2. In 2021, Yintai acquired a 60% stake in Huasheng Gold, becoming the biggest shareholder.

6.3.2 Exploration and Development

In 1988, the Geological Brigade of the Southwest Geological Bureau of Nuclear Industry discovered a 12 km gold mineralization zone along the Shangmanggang fault. In 1994, the No. 209 Brigade conducted an exploration within the Guoyuan area and prepared a general exploration report on the Guoyuan area in 1995. With the mining license granted in 1999, the No. 209 Brigade began small-scale open-pit mining. In 2009, No. 209 Brigade summarized historical exploration data and compiled the "*Resource/Reserve Verification Report of the Mangshi Gold Deposit, Luxi City, Yunnan Province*".

In 2009, Huasheng Gold was established through the restructuring of the No. 209 Brigade. Between 2009-2013, Huasheng Gold carried out systematic exploration, including topographic and geological mapping, diamond drilling, and sampling. From 2011 to 2012, a total of 27 drill holes were completed, mainly in the Maiwoba area. In 2013, Huasheng Gold submitted the "*Resource/Reserve Verification Report of the Mangshi Gold Deposit, Dehong Prefecture, Yunnan Province*" ("**Verification Report 2013**"). In 2014, Yunnan Hongdi Mineral Resource Co., Ltd ("**Hongdi**"), commissioned by Huasheng Gold, conducted an exploration in the Maiwoba area and completed 34 drill holes. In 2015 and 2016, SRK Consulting Ltd. ("**SRK**") performed two technical reviews for the Huasheng Project based on previous exploration results. From 2012 to 2020, Huasheng Gold carried out a limited amount of exploration work, including 18 drill holes and some sample assays.

From 2021-2022, Kunming Fulin Mining Co., Ltd ("**Fulin**"), commissioned by Huasheng Gold, executed extensive drilling, focusing on the Maiwoba area, with a total of 45 drill holes completed. In 2022, Huasheng Gold submitted the "*Resource/Reserve Verification Report of the Mangshi Gold Deposit, Yunnan Province*" ("**Verification Report 2022**"), which was waiting for approval by the Ministry of Land and Natural Resources as of 31/12/2022.

6.3.3 Historical Resource and Reserve Estimates

Resource and reserve estimates were conducted in 1995, 2009, 2013, 2014, and 2022 following Chinese standards and approved by the Ministry of Land and Resources. However, the resource and reserve estimates discussed in Sections 6.10 and 6.11 are based on the JORC Code 2012 and will be different from previous estimates.

In the technical review reports of 2015 and 2016, SRK completed resource and reserve estimations following the JORC Code 2012. Details of the resource/reserve estimates are summarized in Tables 6-2, 6-3, 6-4, and 6-5.

Table 6-2 Resource Estimate of the Huasheng Project by SRK, as of 30/09/2014

Mineralised Domain	Resource Category	Volume	Tonnage	Grade	Au Metal	
		(1,000 m^3)	*(1,000 t)*	*(g/t)*	*(1,000 kg)*	*(Moz)*
VII	Indicated	6,203	16,313	3.11	50.65	1.63
	Inferred	2,663	7,005	2.87	20.12	0.65

Table 6-3 Reserve Estimate of the Huasheng Project by SRK, as of 30/09/2014

Mineralised Domain	Ore Reserve Category	Volume	Tonnage	Grade	Au Metal	
		(1,000 m^3)	*(1,000 t)*	*(g/t Au)*	*(1,000 kg)*	*(Moz)*
VII	Probable	6,070	15,970	3.00	47.84	I1.54

Table 6-4 Resource Estimate of the Huasheng Project by SRK, as of 31/12/2015

Mineralised Domain	Resource Category	Volume	Tonnage	Grade	Au Metal	
		(1,000 m^3)	*(1,000 t)*	*(g/t)*	*(1,000 kg)*	*(Moz)*
VII	Indicated	6,188	16,275	3.11	50.62	1.63
	Inferred	2,642	6,950	2.89	20.05	0.64

Table 6-5 Reserve Estimate of the Huasheng Project by SRK, as of 31/12/2015

Mineralised Domain	Ore Reserve Category	Volume	Tonnage	Grade	Au Metal	
		(1,000 m^3)	*(1,000 t)*	*(g/t Au)*	*(1,000 kg)*	*(Moz)*
VII	Probable	6,070	15,970	3.00	47.84	1.54

6.3.4 Production

Gold production at the Huasheng Project started in 2009 and was suspended for an upgrade in 2015. The initial mining operations targeted shallow lateritic gold deposits, which were depleted in 2011 for the Guoyuan area and in 2013 for the Maiwoba area. Between 2013 and 2015, the production shifted to the deep Carlin-type gold deposits. SRK summarized the historical production data in 2016, which can be found in Table 6-6.

Table 6-6 Historical Production Summary of the Huasheng Project

Year	**Tonnage Mined out** *(1,000 t)*	**Feed Grade** *(g/t Au)*	**Gold Metal Mined out** *(kg)*	**Produced Gold Bullion** *(kg)*	**Total Recovery** *(%)*
2009	108	0.78	85	49	58.14
2010	231	0.84	194	136	69.97
2011	104	0.76	79	54	68.73
2012	85	0.64	55	37	67.66
2013	81	1.08	92	73	79.48
2014	972	1.94	1,874	1,499	80.01
2015	1,076	1.56	1,683	1,332	79.15

6.4 Geological Setting and Mineralization

6.4.1 Regional Geology

The Huasheng Project is situated in the southwestern section of the Baoshan Block at the southeastern edge of the Tibetan Plateau, an area composed of several micro-continental blocks and tectonic belts. Within the project area, the Baoshan Block is separated from the Tengchong Block and the Gaoligong Belt to the northwest by the Longling-Ruili Fault (Figure 6-3).

The Longling-Ruili Fault is a significant deep regional fault and forms a crucial part of the southern section of the Nujiang Fault System (Figure 6-4). It is characterized as a large-scale strike-slip and thrust fault zone. The fault trends southwest with a dip of 30° to 40°. A series of secondary local faults occur parallel or subparallel to the Longling-Ruili Fault to the southeast, such as the Shangmanggang Fault, which is genetically linked to the gold mineralization of the Huasheng Project.

To the northwest of the Longling-Ruili Fault, the Gaolinggong Belt is dominated by Mesoproterozoic metamorphic rocks, including gneiss, schist, and granulite. The Baoshan Block, acting as the footwall of the fault zone, is characterized by a complex anticline structure with Sinian-Cambrian weakly metamorphosed rocks in the hinge area and Ordovician-Tertiary sedimentary sequences on the limbs.

Mafic-ultramafic intrusions are identified within the Longling-Ruili Fault zone. The ultramafic rocks consist of harzburgite, lherzolite, and dunite, while the mafic rocks, outcropping along the local secondary faults and intruding the Triassic and Jurassic strata, are primarily composed of subvolcanic rocks. Cretaceous granitic intrusive complexes extensively occur as batholiths or stocks in the Gaolinggong Belt and Baoshan Block.

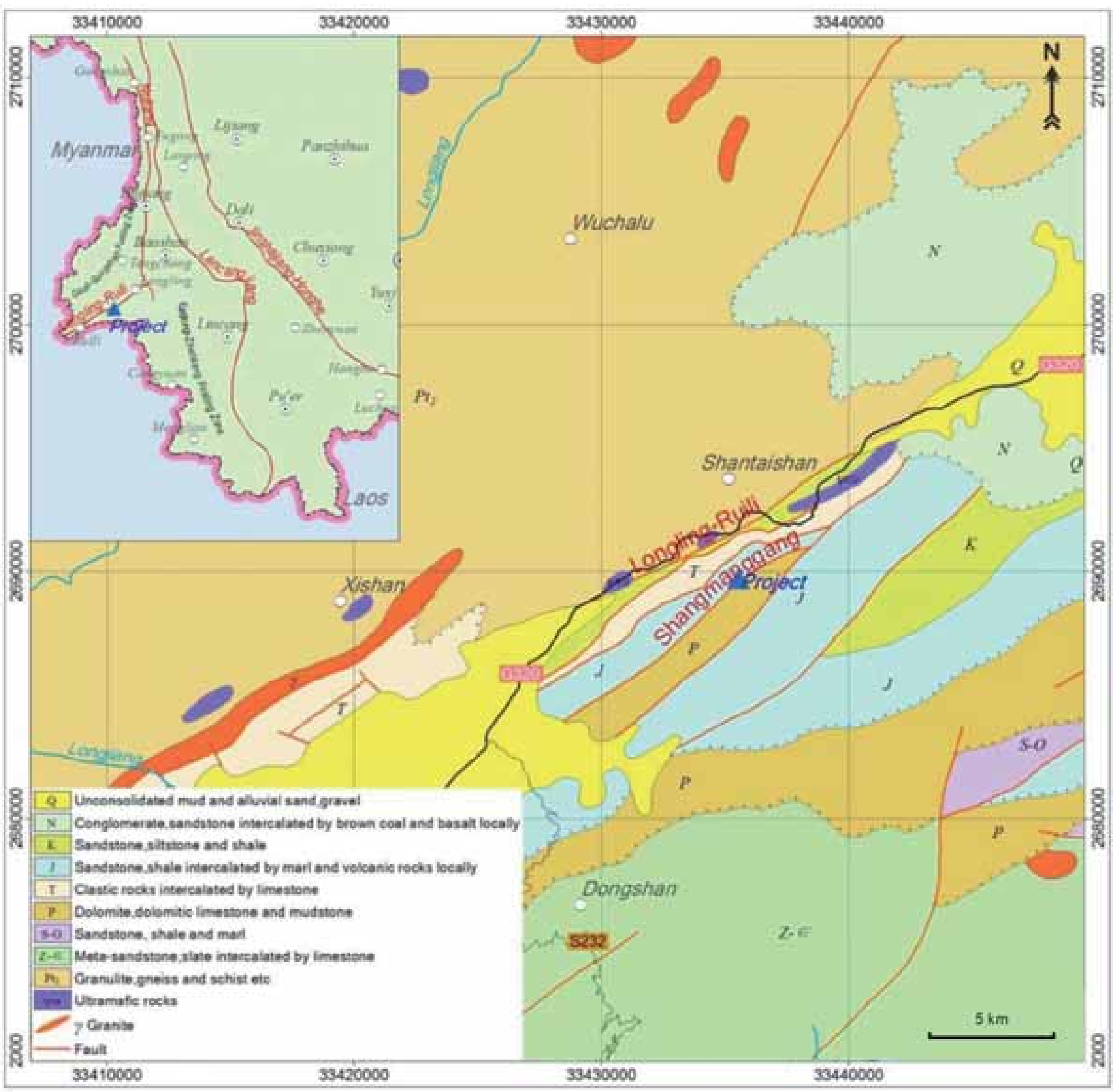


Figure 6-3 Regional Geological Map

Source: SRK, 2016

6.4.2 Ore Deposit Geology

The project area is characterized by a northeast-trending anticline structure, with the Lower Permian Shazipo Formation forming the hinge and the Middle Jurassic and Late Triassic strata comprising the limbs. Gold mineralization is primarily hosted within the Shazipo Formation, which mainly consists of dolomite and dolomitic limestone intercalated with minor argillaceous limestone. The Jurassic stratigraphy, from bottom to top, includes the Mengjia Formation, Liuwan Formation, and Longhai Formation. The Mengjia Formation mainly comprises sandstone, siltstone, argillaceous limestone, and oolitic limestone. The Longhai Group predominantly consists of limestone, shale, and siltstone. The Nanshuba Formation primarily consists of sandstone, siltstone, and shale.

The Shangmanggang Fault (F1) is developed along the unconformity between the Shazipo Formation and the Mengjia Formation, striking at 38°-50° with an average dip of 48°. The fracture zone of the fault, ranging from 100-300 m in width, resulted from compressive shearing during the early stage and tensile faulting in the later stage. It is primarily composed of cataclastic rocks, fault gouges, karst breccia, and tectonic breccia. The occurrence of gold mineralization, extending over 7 km, is predominantly associated with the Shangmanggang Fault and is divided into four areas from southwest to northeast: Yangshishan, Guanglingpo, and the Huasheng Project's Maiwoba and Guoyuan areas. Another set of faults, F3, dips to the northwest and is present in the middle of the Maiwoba area, having formed after the mineralization and locally intersecting F1. A series of monzonite porphyry stocks intruded into the Longhai Formation and are distributed in a northeast-trending pattern parallel to the Shangmanggang Fault.

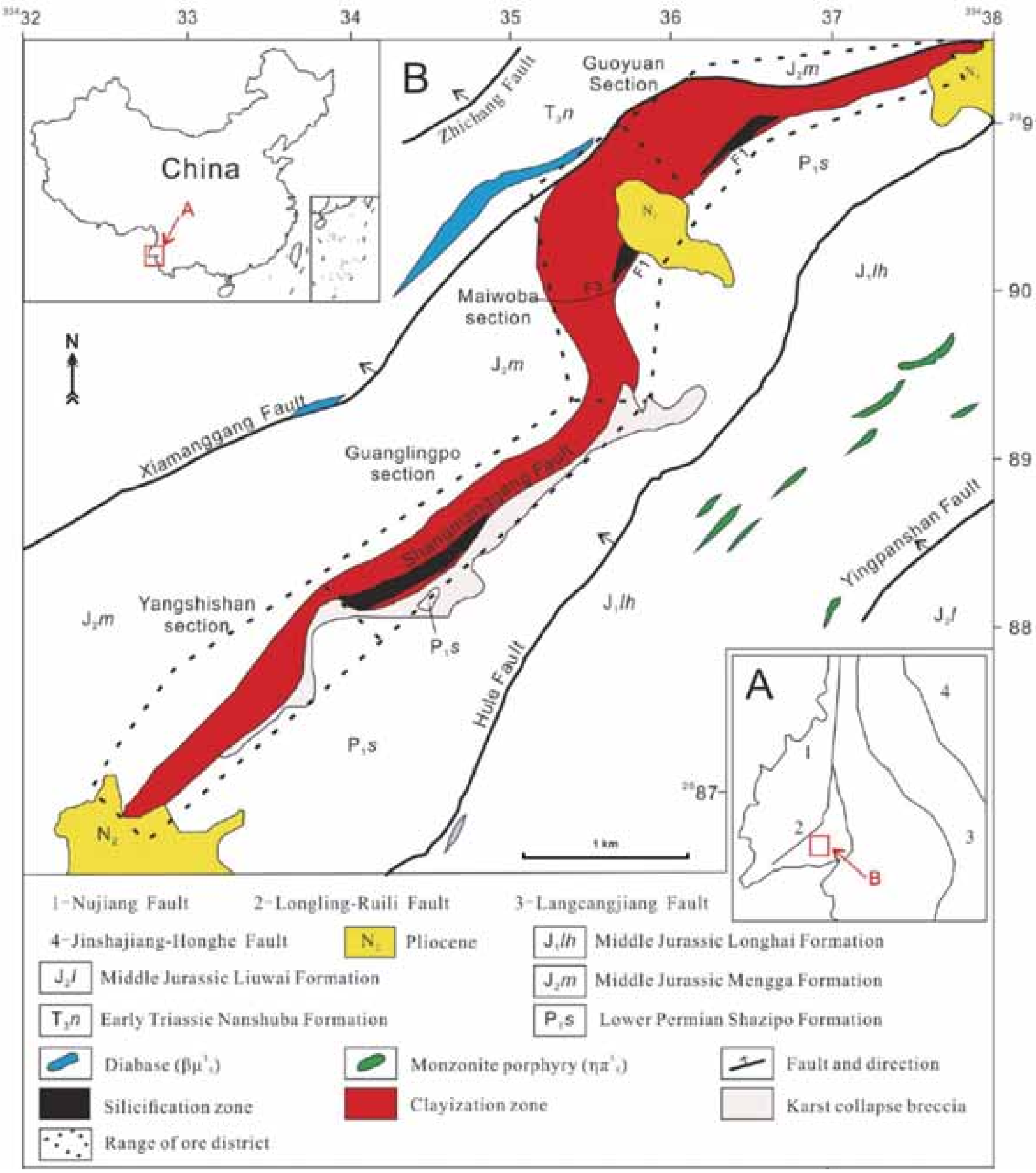


Figure 6-4 Geological Map of the Huasheng Project Area

Source: Liu et al., 2023

6.4.3 Alteration and Mineralization

The gold mineralization of the Huasheng Project can be divided into two zones from bottom to top, a hypogene zone and a lateritic zone. In the hypogene zone, the gold deposit is hosted in the unweathered sedimentary rocks of the Shazipo Formation and Mengjia Formation, while in the lateritic zone, gold is enriched in approximately 20 m thick, highly weathered, red clay sediments (Figure 6-5). In between, a transition brown-gray semi-oxidized zone can be also recognized.

The lateritic zone is mainly composed of quartz, plagioclase, limonite, illite, and kaolinite, with minor goethite, montmorillonite, alunite, and jarosite. A total of eight ore bodies were discovered within the lateritic zone and most of them were mined out before 2015. Only the ore body GI and GII of the Guoyuan area, and MI of the Maiwaba area are partially preserved till present.

For the hypogene zone, four major ore bodies, MII-1, MII-2, MII-3 and MII-4, as well as nine small ore bodies, have been recognized in the Maiwoba area (Figure 6-3). The major ore bodies are emplaced at a depth of 50-350 m from the surface, with a southwest strike and an average dip of 18°-46°. The length of the major ore bodies ranges from 478 to 1,272 m and the average thickness from 7.09 to 18.23 m.

In the Huasheng Project area, the primary alteration is related to intermediate-to-low-temperature hydrothermal processes and is closely associated with gold mineralization. The main alteration types include silicification, pyritization, hematitization, baritization, carbonatization, and argillic alteration.

Ore minerals primarily occur as disseminations within the fractures of dolomites and consist of limonite, pyrite, siderite, and magnesite, along with minor amounts of sphalerite, chalcopyrite, hematite, magnetite, ilmenite, and galena. The dominant gangue minerals are dolomite, accompanied by calcite, quartz, feldspar, and kaolinite, with traces of sericite, zircon, and barite.

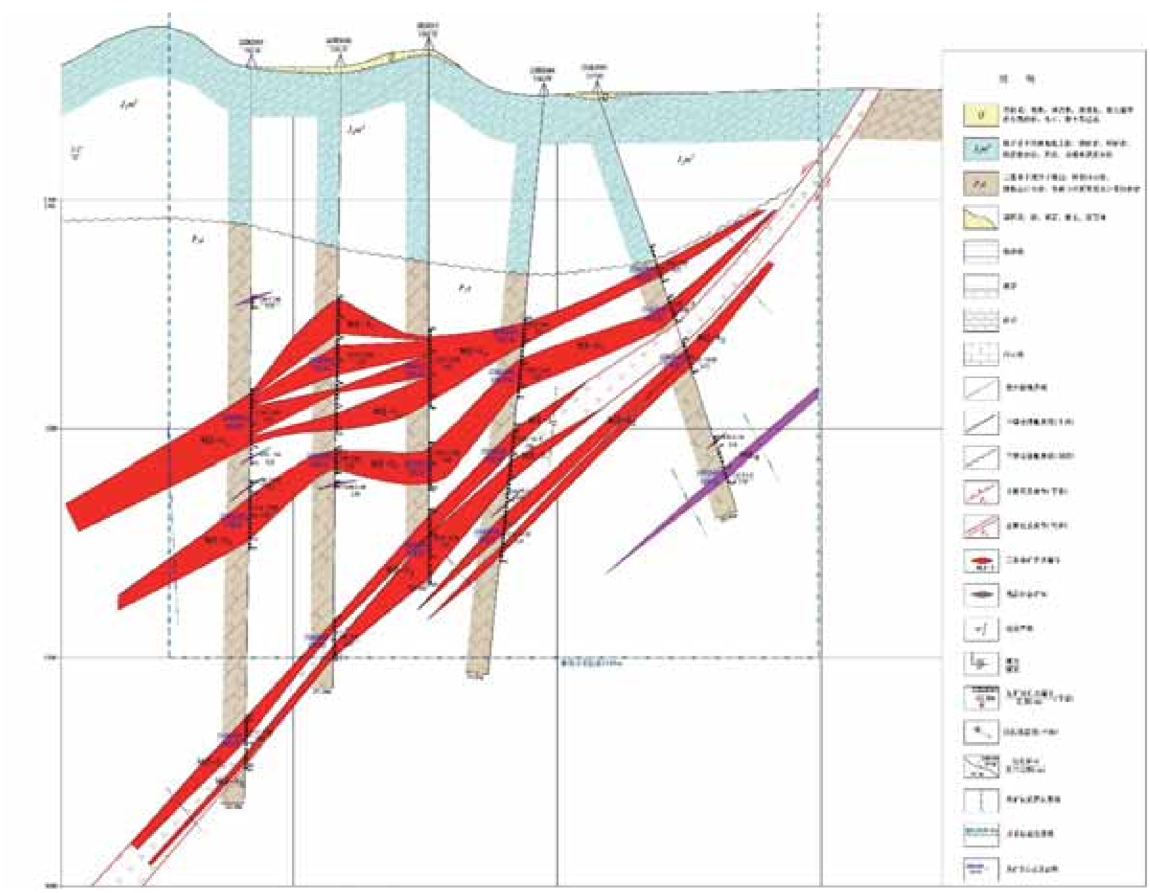


Figure 6-5 Exploration Line J26 Cross Section of the Huasheng Project

Source: Yintai

The ore minerals mainly include pyrite, sphalerite, chalcopyrite, limonite, hematite, magnetite, ilmenite, and siderite, with minor stibnite, cinnabar, galena, chalcocite, and covellite. Gold mainly occurs in native form and electrum. The gangue minerals are mainly calcite, dolomite, quartz, feldspar, and kaolinite, with minor sericite, zircon, and barite. The primary texture of the ore-bearing dolomitic limestone has been altered by silicification, sericitization, and carbonatization. Gold mineralization occurs in disseminated texture (pyrite), metasomatic structure (quartz and dolomite replacing original dolomite), and vein texture (pyrite, stibnite, cinnabar, and carbonates in veinlets). Pyrite, as an ore mineral, is fine-grained, subhedral with grain size ranging from 0.01 to 1.60 mm, and the grain size of hematite ranges from 0.004 to 0.4 mm. The gold minerals are mainly fine to very fine-grained, with over 70% of the grain size less than 0.037 mm. They are mainly present in the form of angular or elongated as inter-grain gold (accounting for 54.00%), inclusion gold (accounting for 26.80%) or fissure gold (accounting for 19.20%).

6.5 Deposit Types

The Huasheng Project features two types of gold mineralization: Carlin-type gold mineralization at depth and lateritic mineralization near the surface. The hypogene gold deposit shares similarities with the Carlin-type gold deposits in Nevada, USA, in aspects such as ore structure, ore-controlling factors, mineral assemblage, mineral composition, gold particle size, and low silver content. Previous research suggests that the Carlin-type gold mineralization occurred within faults and fractured carbonate and clastic rocks from the Early Cretaceous to Early Paleogene, providing the primary gold source for the lateritic zone. The Project area underwent multiple uplift events during the Middle Cenozoic, causing paleo-karstification and laterization of bedrock. This lateralization process facilitated gold migration and enrichment within the supergene red clay zone.

6.6 Exploration

The exploration and development activities were carried out following the "*Specifications for copper, lead, zinc, silver, nickel and molybdenum mineral exploration*" (DZ/T 0214-2002; DZ/T 0214-2020) and "*General Requirements for Solid Mineral Exploration*" (GB/T13908-2002; GB/T13908-2020). These regulations specify the type of work that must be undertaken in each evaluation or verification phase.

Huasheng Gold has conducted systematic exploration, including topographic mapping, geological mapping, trenching, diamond, percussion and reverse circulation ("**RC**") drilling, and hydrological and geotechnical surveys since 2011. To control the boundary of the open-pit mining area, eight trenches were completed between lines 14-18 in the Maiwoba mining area. The trenches were dug into the bedrock for 30 cm and were surveyed, logged and channel sampled afterwards.

Based on the exploration database provided to BAW, major sample workings as of December 31st, 2022 are summarized in Table 6-7.

Table 6-7 Summary of Major Sample Workings as of 31/12/2022

Type	Collar	Depth *(m)*	Samples
Surface Drill Hole	130	31,765.7	17,517
RC Drill Hole	6	820.0	792
Percussion Drill Hole	17	1,124.0	762
Trench	8	281.0	168
Total	161	33,990.7	18,477

Surface and underground surveys strictly followed the "*Specifications of Survey for Geological and Mineral Resources Exploration*" (GB/T18341-2001) and were carried out using a total station. incorporating the Xi'an Coordinates System (1980) and Chinese Geodetic Coordinate System 2000.

Channel sampling was utilized in trenches, with samples selected based on the ore type, wall rock, and mineralization distribution. Sampling intervals ranged from 0.5 to 1.5 meters, and channel dimensions were 10 × 5 cm. A minimum sample weight of 10 kg per meter was required.

6.7 Drilling

The diamond drill holes were arranged along the exploration lines perpendicular to the strike of the ore body with a basic grid of 80 × 80 m, locally increased to 40 × 40 m.

For diamond drilling, the general initial hole diameter is PQ, and the final hole diameter is HQ and NQ. All drill hole collars were surveyed using a total station. Downhole surveys were performed with an inclinometer or downhole camera every 30-50 m. Hole depth correction measurements were taken every 50-100 m, as well as at the end of the hole. According to the drill hole database provided to BAW, core recoveries of all diamond drill holes exceeded 90%, which is considered to be satisfactory given the conditions of the structure and mineralization. Upon completion of drilling, the hole was sealed with cement and marked with a permanent cement monument.

Half-core samples were obtained at the drilling site using a saw splitter, cutting along the pre-drawn sampling line and the long axis of the core. Unconsolidated core samples were manually collected. One half was bagged, sealed, and labelled for further sample preparation, while the other half was preserved in a plastic core box for future examination. Sample intervals ranged from 0.3 to 1.5 m, and sample weights were between 2.5 and 5.0 kg. Continuous sampling was conducted within the ore body, with additional samples collected at the top and bottom. Sampling across boundaries was avoided. Drill cores were preserved in plastic core boxes, stacked in the core shed.

6.7.1 Discussion

BAW did not personally inspect the drilling and sampling operations on site, to our understanding, which were carried out in compliance with relevant Chinese national standards. However, based on field observations and reviews of data, protocols, and verification reports, BAW considers the exploration, drilling, and sampling procedures of the Huasheng Project to be generally reasonable, although some historical cores were found to be improperly preserved. The sampling quality of historical percussion and RC drilling could not be assessed as no duplicate samples were preserved. BAW was informed that all the percussion and RC drilling results have been discarded by Huasheng Gold due to poor sampling quality.

6.8 Sample Preparation, Analysis and Security

6.8.1 Density Determination

Since 2012, a total of 95 samples have been collected, sealed and sent to Yunnan Province Geological and Mineral Exploration and Development Bureau Central Laboratory Dianxi Testing Institute ("**Dianxi Laboratory**") for density measurements, utilizing the water displacement method on wax-coated samples, yielding an average density of 2.73 t/m^3.

6.8.2 Sample Preparation

Sample preparation was carried out by the Dianxi Laboratory, Ministry of Land and Resources Kunming Mineral Resources Supervision and Inspection Center ("**Kunming Laboratory**"), Yunnan Nonferrous Geological Bureau Testing Center ("**Yunnan Laboratory**"), and the Huasheng Gold Laboratory located at the mine site ("**Huasheng Laboratory**").

The standard procedure for sample preparation involved the following steps: drying at 60 ºC, coarse crushing to 4 mm, homogenization, splitting, fine crushing to 1 mm, homogenization, and splitting into primary and fine duplicate samples, with the remainder discarded. The primary sample was pulverized to -200 mesh, divided into a 500-1,000 g powder primary sample for further assay, and a powder duplicate.

Sample preparation, subsequent assay, and QA/QC procedures were rigorously conducted in compliance with the Chinese standard "*Quality Management Specifications for Geological and Mineral Laboratory Testing*" (DZ0130.1-0130.13-94; DZ/T 0130-2006).

6.8.3 Sample Analyses

The same laboratories responsible for sample preparation also conducted sample analysis. The gold content in the samples was determined using activated carbon absorption-atomic absorption spectrometry ("**AAS**"). The analytical procedure included aqua regia digestion, Au pre-concentration with activated carbon cloth, heating the Au-absorbed cloth at 650-700 ºC, aqua regia digestion, and measurement using AAS.

External checks were performed by the Dianxi Laboratory, Ministry of Land and Resources Hangzhou Mineral Resources Supervision and Inspection Center ("**Hangzhou Laboratory**"), China Metallurgical and Geological Bureau Kunming Exploration Testing Central Laboratory ("**Metallurgical Laboratory**"), and Yunnan Province Mineral Exploration Bureau Central Laboratory ("**Yunnan Exploration Laboratory**").

Information regarding internationally accepted accreditations for these laboratories is unavailable. However, except for the Huasheng Laboratory, all other laboratories in previous technical reports hold Chinese provincial or national analytical certifications.

6.8.4 Quality Assurance and Quality Control

To maintain the quality of the analysis, a portion of the samples was selected for both internal and external checks in compliance with Chinese standards. Internal and external check samples were taken from duplicate samples at rates of 10% and 5%, respectively.

According to the 2013 Verification Report, internal and external checks were performed on 10.5% and 5.7% of total assays during 2012-2013, yielding acceptable rates of 96.8% and 92.6%, respectively. From 2013 to 2022, multiple laboratories conducted internal and external checks, with individual laboratory acceptable rates exceeding 95%. In summary, 11.4% and 6.3% of the samples underwent internal and external checks, resulting in acceptable rates of 98.4% and 97.0%, respectively.

6.8.5 Discussion

BAW did not visit the laboratories outside of Huasheng Mine. However, BAW reviewed the protocols and procedures of the Huasheng Laboratory and found them to be in line with industry standards.

Fire assay is the industry-standard method for the gold assay used in resource estimation. BAW believes that the activated carbon absorption method, as an Au preconcentration technique, may lead to an underestimation of the final Au measurements. To address uncertainties, BAW recommends randomly selecting sample duplicates for re-assaying using the fire assay method and conducting a comparative study.

According to Chinese mining regulations, exploration or mining projects must periodically conduct verification reporting, which includes a comprehensive assessment of all aspects of exploration, production, and resource/reserve estimates. It is noted that the standards followed in these verification reports do not entirely align with the JORC Code 2012, as they adhere to Chinese domestic standards. Nevertheless, the verification reports provide additional validation for the historical data. The QA/QC program for assay analysis in the Huasheng Project was implemented as part of this verification reporting. The QC data for the samples assayed by the Huasheng Laboratory is not available for BAW to review. Based on the existing data provided, BAW considers the program to be of adequate quality, consistently applied, and regularly monitored. BAW recommends that Yintai continue to independently incorporate a sufficient number of quality control samples, including standards, blanks, and duplicates, in all sample batches before submission to the assay laboratory in the future. This will improve the monitoring of assay accuracy and precision.

6.9 Data Verification

6.9.1 Database

BAW acknowledges that the Huasheng Project is subject to periodic authority agency reviews and verification reporting in compliance with the Chinese standard of "*Specification for Hard-Rock Gold Exploration*" (DZ/T 0205-2002). This specification stringently outlines the detailed standards and requirements for various aspects such as exploration, drilling, sampling, assaying, QA/QC, mining, processing, and more.

BAW conducted the following verification procedures: interviewing on-site geologists and engineers; reviewing and validating the primary drilling and sampling database provided by Yintai; randomly selecting and cross-checking between logging data and original logging records, and between logging data and drill cores; assessing the existing geological interpretation and block model. After completing thorough checks, BAW considers the drilling and sampling data, the interpreted geological framework, and the block model to be reasonable for use in mineral resource estimation.

6.9.2 Site Inspection

BAW experts conducted a site visit to the Huasheng Project from April 13 to 15, 2023. The purpose of the visit was to inspect various aspects of the project, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel. No independent verification samples were collected during the site visit.

6.10 Mineral Resource Estimates

The most recent resource estimate of Huasheng gold mine provided for the review was carried out by Kunming Fulin Mining Co., Ltd as of July 31, 2022. The resource estimate technical report "Resource & Reserve Estimation Report (2022) for Mangshi Huasheng Gold Mine" was following Chinese Classifications for mineral resources and reserves based on polygon estimation. Block-grade modelling was also done for the deposit by Fulin group for future mining design. Wireframing, Block grade simulation, pit design and mining depletion data were provided and reviewed by BAW. As an internal estimate, Wireframing, Capping, assay compositing, varigraphy modelling and grade interpolation parameters were not provided. Visual check, statistical and IDW2 grade simulation was performed by BAW for reviewing.

An independent report and associated models were also provided which were built by SRK in 2016. Considering the significant changes in the dataset and loose control of the grade interpolation through the estimates, BAW believes that the Fulin model is more suitable for the deposit.

6.10.1 Wireframes

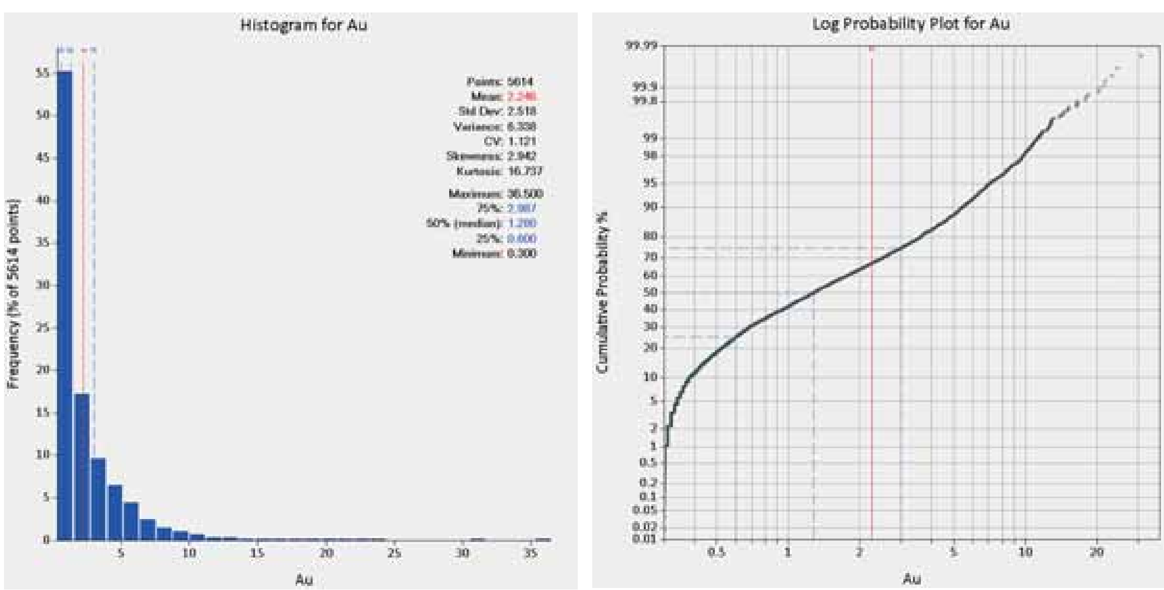
Gold mineralization of the Huasheng deposit is mainly hosted by the F1 fault, which is manifested as laterite-type gold deposits and Carlin-like gold deposits. All domains are determined based on geology, alteration and the interpreted controls on mineralization from production experience. A cut-off value at 0.3 g/t Au is used to define domains. A total of 5 mineralization domains are generated for the resource estimate. Huasheng mineralization is 1,000 m long along NE-SW, 200 m wide along SE-NW and 200 m vertical (see appendices – plan views and sections).

6.10.2 Compositing

No composites were provided to BAW for review. Drill hole assay intervals are composited within the geological domains at 1.0 m and short intervals at the end of the domain are incorporated into the preceding interval by BAW.

6.10.3 Capping

No capping description and composites were provided to BAW.



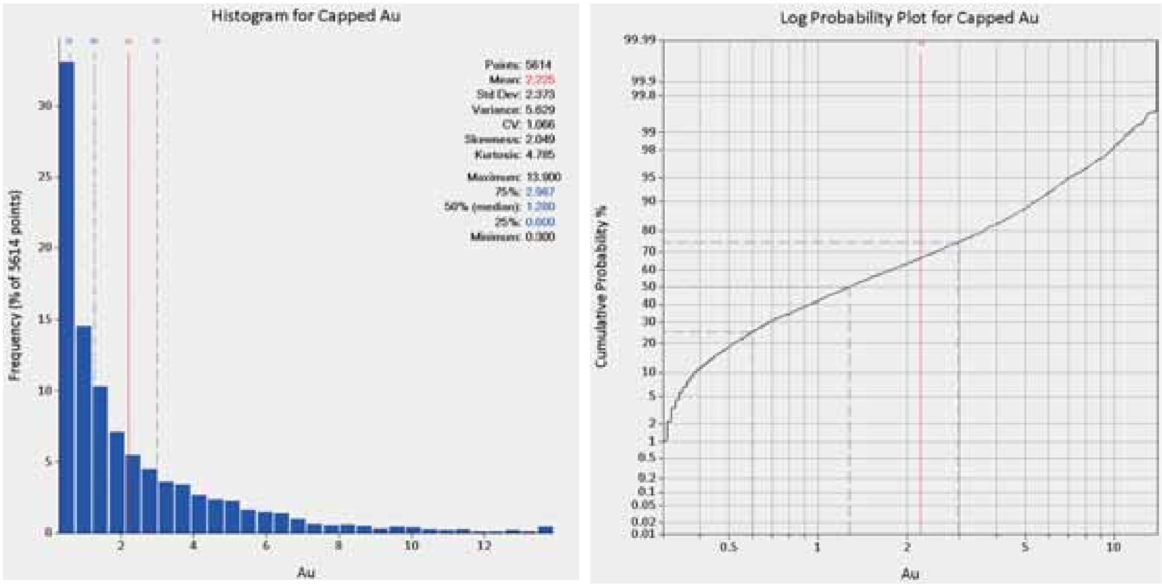


Figure 6-6 Histogram and Log-probability plot for Composites and Capped-composites

The impact of the Au grade outlier is evaluated on a geological domain basis by BAW. The influence of composites with extreme value is limited through the application of grade and distance thresholds (5 m) during estimation. For Au estimation, some extremely high values were capped when the distance between the sample and block exceeds 5 m. Where the distance threshold is not exceeded, the value of the sample is not capped. Capping values by BAW are presented in the table below. The methodology applied could result in an overestimation of local grade within the 5 m range.

Table 6-8 Summary statistics of 1 m composites (Au) and topo cut grade threshold applied during estimation

File	Capping Value	Points	mean	SD	CV	Skewness	Kurtosis	Max	Min
Assays		5273	2.156	2.54	1.178	3.16	18.45	36.5	0.3
Composites		5614	2.246	2.51	1.121	2.94	16.74	36.5	0.3
Capped Composites	13.9	5614	2.225	2.37	1.066	2.05	4.78	13.9	0.3

6.10.4 Variograms

No Varigraphy modelling was provided to BAW. BAW has attempted to develop variograms for each Au domain using capped composites as below:

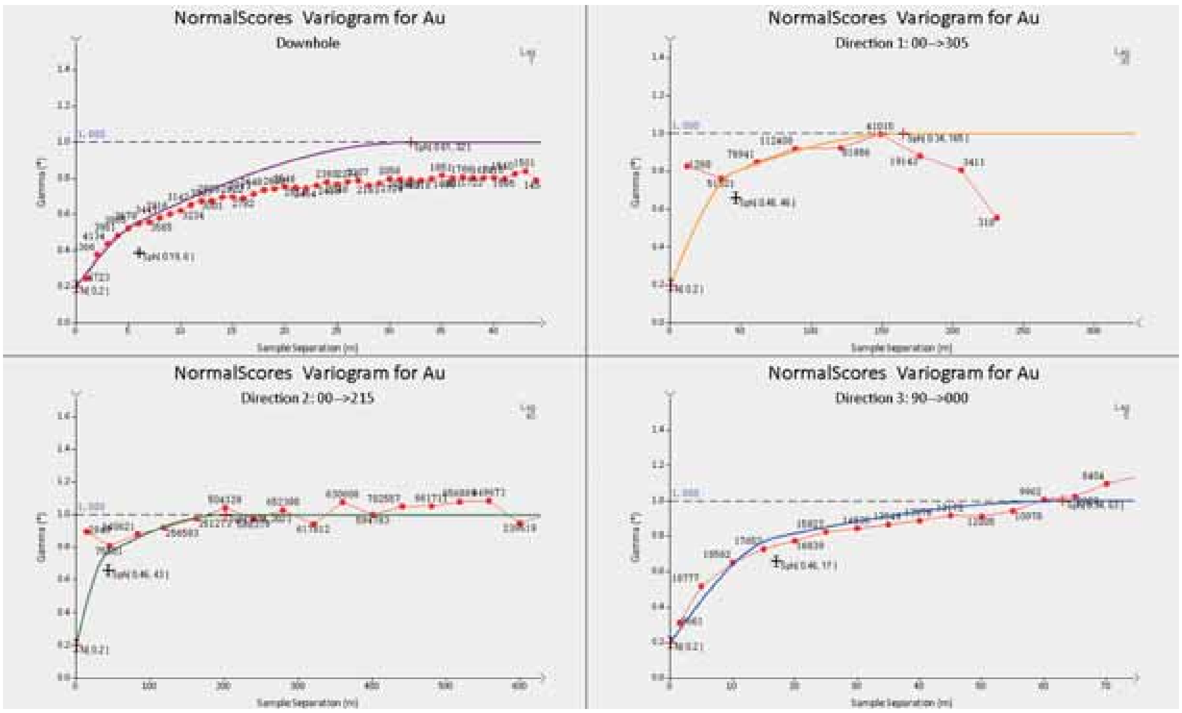


Figure 6-7 Varigraphy study for Huasheng deposit

Table 6-9 Varigraphy study for Huasheng deposit

Zone	Nugget	Sill	Rotation ZXY	Major	Semi	Minor
Huasheng	0.2	0.8	–135/0/0	230	140	60

The variograms perform well. In BAW's opinion, it is reasonable to classify Measured resources with 40 x 40 m drill spacing and Indicated resources with 80 x 80 m spacing, the same as the current technical report stated.

6.10.5 Bulk Density

The mineralization is composed of laterite-type and Carlin-type material, which are distributed in Guoyuan zone and Maiwoba zone respectively. 95 special gravity samples were taken for different lithology and Au grade in Maiwoba zone, of which 65 samples were from the 2014 Hongdi exploration and 30 samples from the 2021 Fulin exploration. An average value of 2.73 t/m^3 was used for the Fulin model. Density should be interpolated within a constrained wireframe for each mineralized domain separately.

6.10.6 Block Model

Block size is set at 5 m x 5 m x 5 m, with the sub-block at 2.5 m x 2.5 m x 2.5 m. A list of block model attributes is presented in the following Table. The volume block model was coded by 5 mineralized domains using the geological and structural wireframes. Final block volumes were validated against the wireframe volumes. The dimensions and extent of the block model see as follows.

Gold (Au ppm) was interpolated to the empty block model using IDW2 (Inverse Distance Power) and NN (nearest neighbor) methods. Kriging neighbourhood analysis (KNA) was performed to determine optimal block sizes. Studio RM uses a sub-cell method to evaluate volumes in domains.

BAW believes that fewer passes could cause over-smoothing of grade and the approach could result in larger tonnage and lower grade. The industry common practice is using three passes for grade interpolation with pass 1 related to Measured resources, pass 2 to Indicated and Pass 3 to Inferred. Blocks interpolated bypass 1 within 40 m drill hole spacing are classified as Measured, and with 40-80 m spacing in pass 2 are classified as Indicated. The rest are classified as Inferred.

Table 6-10 Variogram parameters in Datamine^{TM} ZXY rotation

	Origin	MAX	Parent-Cell	Sub-cell	Rotation
Easting	434596	436286	5	2.5	0
Northing	2688733	2690478	5	2.5	0
RL	800	1600	5	2.5	0

Table 6-11 Block model attributes

Attribute	Description
BLOCK	Production block name
IJK	IJK number for each parent block
ZONE	Mineralization block number
DENSITY	Estimated in situ dry bulk density
Au_idw	Estimated gold value in ppm (idw3 method)
Au_NN	Estimated gold value in ppm (NN method)
Au_ok	Estimated gold value in ppm (Kriging method)
No of Samples	Number of samples for grade interpolation (idw3 method)
No of Holes	Number of Holes for grade interpolation (idw3 method)
SV	Search volume category
CAT	Resource classification
Mined	Historical mining Depletion

Table 6-12 Search radius and interpolation parameters for Au (ppm) and interpolation methods

Search Range	Rotation ZXY	Range			Min Composites	Max Composites	Min Hole	Max. Comp per Hole	Capping Value	Capping Distance
1		40	40	20	7	20	3	3		5
2	–135/0/0	80	80	40	4	12	2	3	13.9	5
3		120	120	60	1	6	1	3		5

6.10.7 Model Verification

To verify the current Huasheng model, BAW has not only visually checked the Au block grade and the composite grade used for the estimation by sections, but also independently conducted Huasheng Au resource estimate using the capped composites with Inverse Distance Power (IDW2) through Datamine software. The resource estimations by Fulin and BAW are consistent.

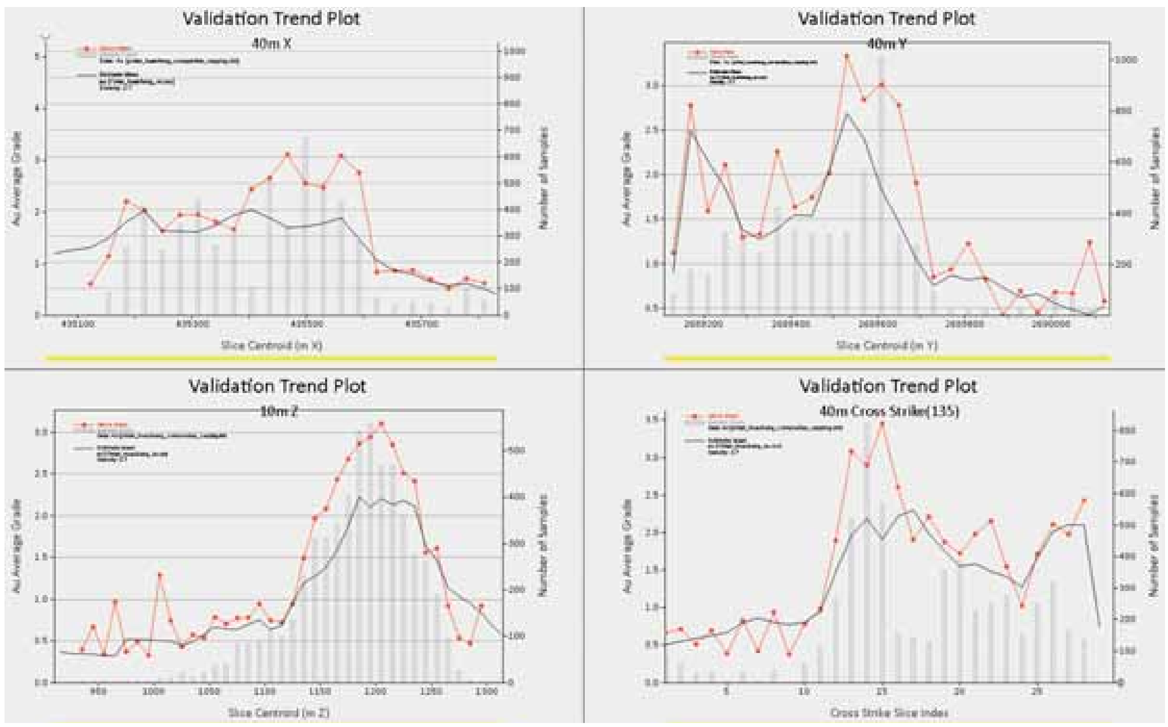


Figure 6-8 Swath plot for Huasheng deposit

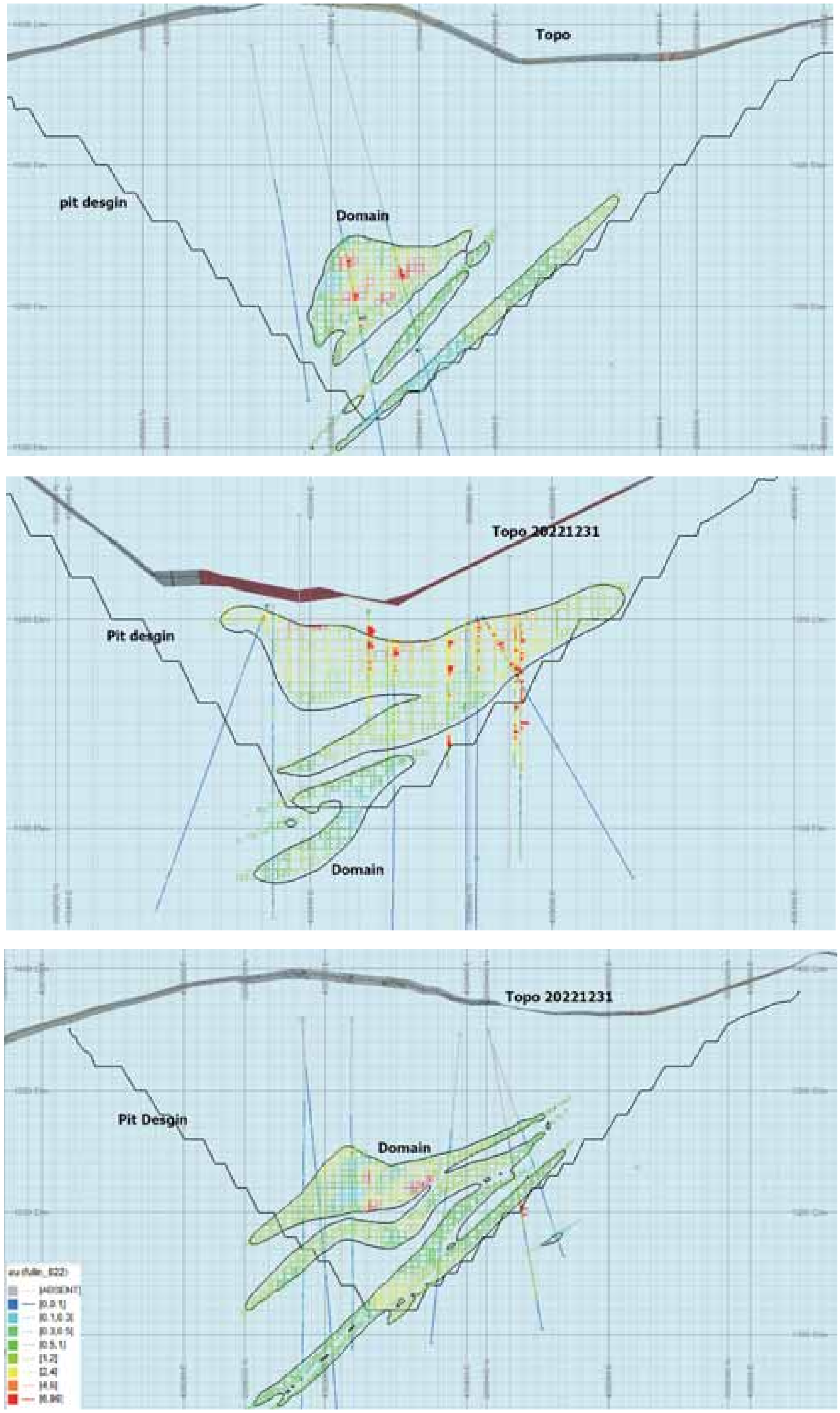


Figure 6-9 Section plot for Huasheng deposit

6.10.8 Resource Reporting

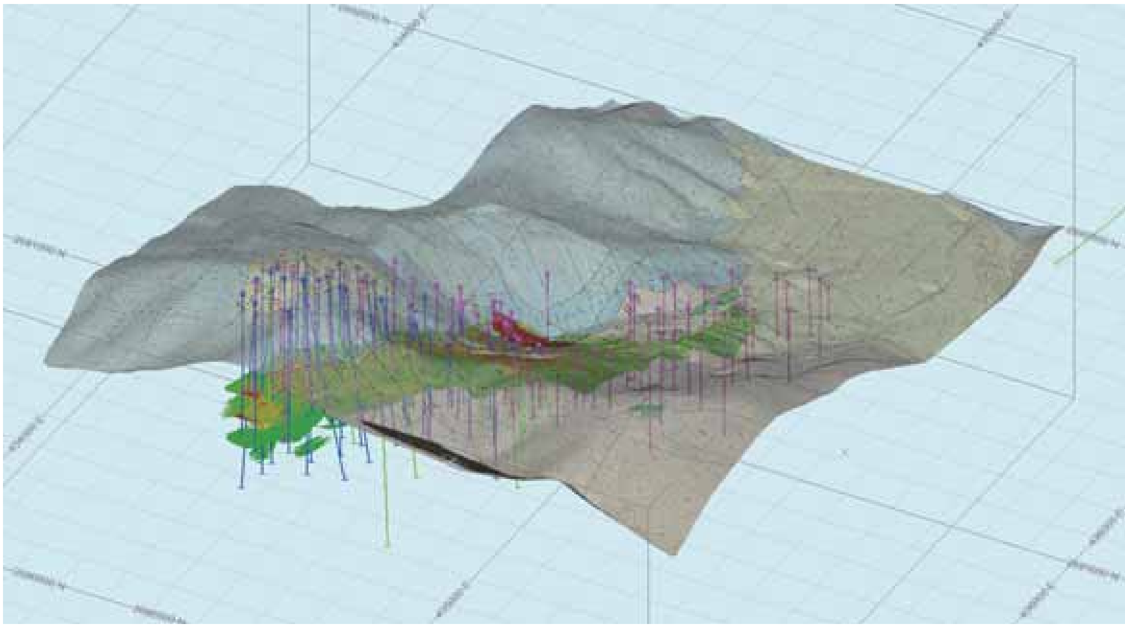


Figure 6-10 Block grade interpolation for Huasheng deposit

The current resource estimate by Huasheng is based on the 0.3 g/t Au cut-off, which was given by Huasheng.

Table 6-13 Summary of Huasheng Mineral Resources at a 0.3 g/t Au cut-off as of 2022/12/31

Zone	CAT	TONNES (kt)	Au grade (g/t)	Gold Metal (kg)
MVB, 0.3 g/t	Measured	2,932	1.99	5,850
	Indicated	7,401	1.96	14,477
	Measured + Indicated	10,334	1.97	20,327
	Inferred	7,374	1.21	8,901
	Total	17,708	1.65	29,228

Notes:

1. The Mineral Resource estimates are reported following the JORC 2012 Definition Standards for Mineral Resources & Mineral Reserves.

2. The effective date for the Mineral Resource estimates is Dec 31, 2022.

3. Mineral Resource estimates account for mining depletion up to and including Dec 31, 2022.

4. A cut-off value at 0.3 g/t Au was used for Huasheng open pit deposit.

5. Applicable rounding has been applied to the stated tonnages, grades, and metal content to reflect the level of accuracy and precision of the estimate.

6.10.9 Conclusions and Recommendations

BAW visually inspected the Fulin block model grade against the composites, carried out a capping study, investigated variograms, interpolated Au grade with the Inverse Distance Power method using Datamine and compared the volumetric of each domain with the Fulin model. BAW concluded that the global resources between BAW and Fulin match well, and the internal resource estimate model provided by Huasheng is acceptable.

BAW believes that the existing cut-off grade calculation parameter needs further investigation, especially the gold metallurgical recovery rate.

According to the 2022 resource estimation report, there is still 957 kg of gold at Guoyuan deposit, drilling data and models were not provided to BAW. BAW notes that there are still some resources outside the mining rights (1,439 kt @1.89 g/t Au, about 2,724 kg gold) and mineralization is open along the strike, expansion of the mining lease is recommended for the Huasheng deposit.

The Mangshi Gold Mine is divided into the Guoyuan and Maiwoba areas from northeast to southwest, forming the Shangmanggang gold polymetallic mineralization belt along with the Guanglingpo and Yangshishan deposit of the Luxi Gold Mine in the southwest direction. The strike of the gold polymetallic mineralization belt is consistent with the Shangmanggang Fault. Existing exploration indicates that there is Carlin-type gold mineralization along with the Fault belt in deep. Mineralization remains open in both strike and dip directions, explorational drilling is recommended.

6.11 Mining

BAW mainly relied on SRK, 2016 report; Yunnan Hongdi, 2014 Mangshi Gold Mine Maiwoba Section Resources/Reserves Verification Report and Changchun Gold Design Institute, 2023 Feasibility Study draft report, the information and data provided by the Huasheng and collected from the site inspection by BAW. If there are any discrepancies, the content in the original report shall prevail. BAW notes that Changchun Gold Design Institute is currently commissioned working Feasibility Study. BAW understands that a portion of the data is pending further updates.

6.11.1 Mining Methods

This chapter summarizes the major operational mining method and the operation at Yunnan Mangshi Huasheng Mining.

6.11.1.1 Mine Operation Status

Gold mines of Yunnan Huasheng of Yintai Gold are located in Yunnan; the province is rich in gold and non-ferrous metal resources.

Since Huasheng Mine was established in 2009, it has mainly exploited the laterite-type gold resources found in the Maiwoba Mine Section and the Orchard Mine Section. The laterite-type gold resources in the Maiwoba Mine Section were mined until the end of 2011. At the beginning of 2012, it began to mine Colin-type gold resources. The laterite-type gold resources in the orchard section were mined until 2013, and the surface land reclamation work has been completed. The main ore body currently mined is the No. VII ore body of the Maiwoba mine section, which is open-pit mining.

The mine operation was shut down in 2016, and no production operations have been carried out so far.

6.11.1.2 Mining Methods

The ore body makes it suitable for the use of surface mining.

Conventional open-pit mining methods will be used to extract a portion of the Deposit. This method was selected considering the deposit's size, shape, orientation, and proximity to the surface. Drilling, blasting, loading, and hauling will be used to mine the open pit material within the designed pit to meet the mine production schedule.

Open pit mining will include conventional drilling and blasting with a combination of a backhoe type excavator, hydraulic excavator, and front-end loader type excavator loading broken rock into haul trucks, which will haul the material from the bench to the crusher, run of mine (ROM) stockpile or waste stockpiling areas depending on the material type. Ancillary equipment includes dozers, graders, and various maintenance, support, service and utility vehicles. This Technical Report considers a mining contractor operator scenario.

BAW reviewed the SRK 2016 report and the Data provided by Huasheng. SRK considers that the mining method and scope adopted by the pre-feasibility study are reasonable.

BAW is using the open pit as shown in Figure 6-11.

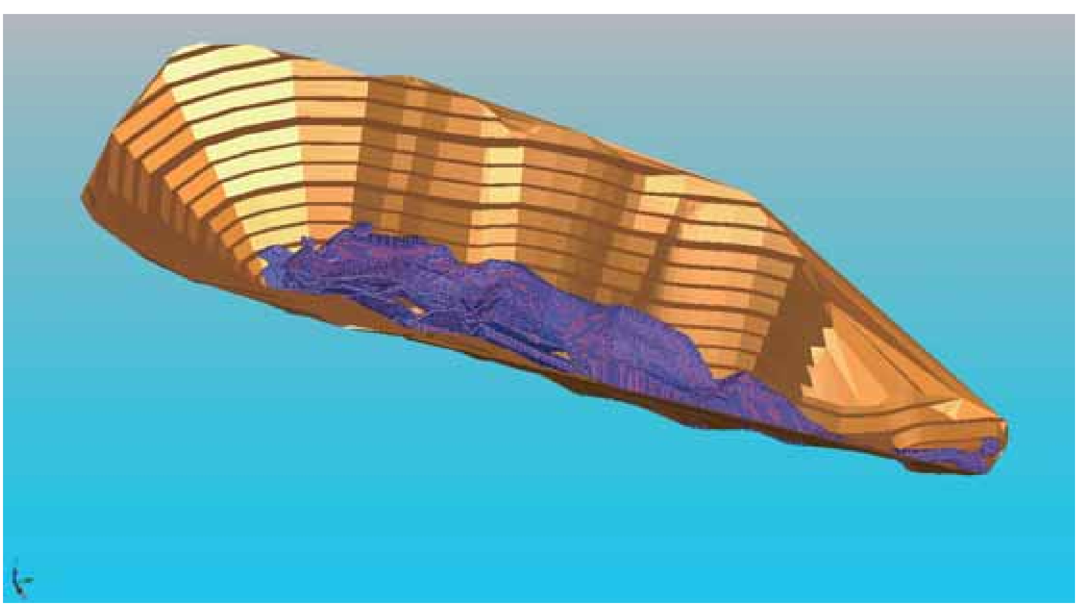


Figure 6-11 Pit limits at Maiwoba by BAW

SRK considers the mining and stripping method adopted to be mature mining technology commonly used in open-pit mining practices. It is technically reasonable and feasible. The designed bench height and bench slope angle are also within the reasonable scope. The designed three-phase large-scale stripping and mining scenario is reasonable and will reduce the amount of time and investment required for construction.

BAW notes that Changchun Gold Design Institute is currently commissioned working Feasibility Study. BAW understands that a portion of the data is pending further updates.

6.11.2 Mineral Reserve Estimates

In this chapter, BAW reviewed and summarizes mining factors, economic factors, and the preliminary reserve estimation.

6.11.2.1 Factors

BAW makes conservative assumptions for Huasheng.

6.11.2.2 Reserve Estimation

The data discussed in the previous section of this chapter is used to create potential total reserve estimation. The potential reserve of a total of 8,903 kt with an average Au grade of 2.18 g/t at a 0.5 g/t cut-off summarizes in Table 6-14 Summary of Huasheng Mineral Reserve at a 0.5 g/t Au cut-off as of December 31, 2022, by BAW.

Table 6-14 Summary of Huasheng Mineral Reserve at a 0.5 g/t Au cut-off as of December 31, 2022, by BAW

Cut-off	CAT	TONNES (kt)	Au grade (g/t)	Gold Metal (kg)	Note
0.5 g/t Au	Proven	2,621	2.15	5,626	
	Probable	6,283	2.19	13,775	
	Total	8,903	2.18	19,401	

BAW Cautionary Note about Reserves Estimates:

- This is only a preliminary reserve estimate with a conceptual mine plan. The mineral reserve estimate, with an effective date of December 31, 2022, was prepared by BAW. BAW understands that due to a lack of data or information, a portion of the data is pending further updates.

- BAW notes that Changchun Gold Design Institute is currently commissioned working Feasibility Study. BAW understands that a portion of the data is pending further updates.

6.11.3 Production Schedule

Before preparing this preliminary schedule, BAW reviewed the information and data provided by Huasheng and collected from the site inspection by BAW. If there are any discrepancies, the content in the original report shall prevail. BAW understands that a portion of the data is pending further updates.

Based on the information provided to BAW, details of the mining license and the adjacent exploration license are summarized in the previous section.

Based on the information provided to BAW, historic production is summarized in the previous section.

The information and data for this preliminary schedule are described below:

- The first two years of production are ramped up, and 80% of the designed production is considered.
- From the Huasheng expansion plan, the proposed production of 1,200,000 t/a is under process and the expansion is proposed to be started after April 2024.
- From the Huasheng mining and stripping plan, the stripping work proposed to start from September 2023 to March 2024, total ore production of 600,000 t is considered for stripping work.
- From the long-term plan of Huasheng, the production of 1,042,000 t/a considered for each year after the Year 2025.
- The production scale of the mining license in the mining area is 100,000 t/a and the new 1.2 Mt of production is in process.
- Assumed gold metallurgical recovery: 73%.
- Gold production is based on economic targets.
- The schedule will be adjusted based on further data.

A preliminary Huasheng mine scheduling was developed by BAW (Table 6-15):

Table 6-15 The preliminary Huasheng mine schedule by BAW

ZONE	TONNES *(t)*	Au Grade *(g/t)*	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	Year 5 2027	Year 6 2028	Year 7 2029	Year 8 2030	Year 9 2031	Year 10 2032	Remnant
Mangshi	8,998,000	2.05	300,000	900,000	1,042,000	1,042,000	1,042,000	1,042,000	1,042,000	1,042,000	1,042,000	504,000	
Total	8,998,000	2.05	300,000	900,000	1,042,000	1,042,000	1,042,000	1,042,000	1,042,000	1,042,000	1,042,000	504,000	
		Grade g/t	2.05	2.05	2.05	2.05	2.05	2.05	2.05	2.05	2.05	2.05	
		Rec. g/t	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	
		Rec. Au OZ	14,476	43,428	50,280	50,280	50,280	50,280	50,280	50,280	50,280	24,320	434,182

Cautionary note that this is only a preliminary mine schedule based on a conceptual plan and a preliminary reserve estimate. BAW understands that a portion of the data is pending further updates. The preliminary schedule will be adjusted based on further data. BAW recommends that a complete supporting study and detailed long-term plan should be done in compliance with the Mine schedule.

BAW notes that Changchun Gold Design Institute is currently commissioned working Feasibility Study. BAW understands that a portion of the data is pending further updates.

6.11.4 Mining Equipment

BAW reviewed SRK, 2016 technical report. Huasheng gold mine has purchased mining equipment to maintain the mining operation, and this equipment, as listed in Table 6-16 is still useful and has been included in the pre-feasibility study.

Table 6-16 Current Mining Equipment in Use (Source: Huasheng)

Equipment	**Specification**	**Quantity**	**Purchase/Use date**
Tongli automobile	45 t	25	2012/12
Northern Benz automobile	45 t	18	2011/01
Hongyan Kingkan automobile	35 t	5	2010/10
Air compressor	XRHS836	2	2013/09
Crawler DTH drill	680	2	2013/09
		1	2015/10
Carter bulldozer	D9	1	2011/10
Shantui 220 bulldozer	SD22	2	2011/10
Shantui 320 bulldozer	SD32	2	2013/01
Shovel loader	XGMA 953	1	2012/10
Shovel loader	CLG 855	1	2012/11
Road roller	CLG 614	1	2010/01
Carter excavator	349D (2.4 m^3)	5	2012/10
Carter excavator	336D (1.8 m^3)	6	2009/04
Carter excavator	320 (1.0 m^3)	1	2009/04
Volvo excavator	460 (2.1 m^3)	2	2009/09
Kobelco excavator	350-8 (1.0 m^3)	1	2009/11
XGMA excavator	XG806 (0.2 m^3)	1	2009/11
Total		77	

SRK considers that currently available mining equipment plus new additional equipment as designed by BGRIMM can meet the needs of expected expanding mining and stripping operations at a mining production rate of 1.2 Mtpa.

BAW notes that Changchun Gold Design Institute is currently commissioned working Feasibility Study. This major mining equipment is shown in Table 6-17 from this FS draft report. BAW understands that a portion of the data is pending further updates.

Table 6-17 Major Mining Equipment by Changchun Gold Design Institute (2023) (Source: Huasheng)

No	Equipment	Unit	Quantity	Specification *(t)*
1	150 mm DTH drilling rig	Unit	6	23
2	100 mm DTH drilling rig	Unit	2	9
3	Breaking hammer	Unit	2	32
4	2 m^3 Hydraulic Excavator	Unit	2	42
5	4 m^3 Hydraulic Excavator	Unit	6	67.3
6	3 m^3 Shovel Loader	Unit	2	16.5
7	45 t Dump Truck	Unit	48	40
8	220 Hp Bulldozer	Unit	2	22.7
9	20 t Water Truck	Unit	2	10.8
10	180 Hp Land Grader	Unit	2	18.5
11	120 Hp Road Roller	Unit	2	10
12	8 t Fuel Truck	Unit	1	8.8

6.11.5 Mine Service

6.11.5.1 Water Supply

The Daganghe stream is the main water supply source for the site, which is sufficient to provide an adequate water supply for the Mangshi mine construction and production.

The water intake points currently used are at a distance of about 800 m southeast of the open pit. It is connected to the existing pond in the mining area through pipelines. The volume of the high-level pond is 700 m^3, and it is currently used as a domestic water source.

6.11.5.2 Power Supply

There is one 110 kV substation near the mining area, and its capacity can meet the power demand of this project. One 36 km cable line (35 kV, model LGJ-185) is used to connect the 110 kV substation and the mine. This line is used as the main power supply for electrical equipment at the mine.

6.11.5.3 Other Supply

Fuel and construction materials, including steel, cement, wood, sand, stone, etc. are supplied from Mangshi, the province of Yunnan.

6.12 Processing

The information in this section is based on the following report and document list. If there are any discrepancies, the content in the original reports shall prevail.

1) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Resource Development Plan,* by Yunnanzhonglindi Geology and Prospecting Research Institute, 2013.06.

2) *Mangshi Huasheng Gold Mine Developing Ltd. Expending Project Pre-Feasibility Study,* by Beijing General Research Institute of Mining & Metallurgy, 2014.12.

3) *Mangshi Huasheng Gold Mine Feasibility Study*, by Changchun Gold Design Institute Ltd., 2022.12.

4) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Metallurgy Test*, by Changchun Gold Research Institute Ltd., 2022.11.

5) *Mangshi Huasheng Gold Mine Resource Reserve Verification*, by Kunming Fulin Mining Ltd., 2022.09.

6) *Mangshi Huasheng Gold Mine Resource Reserve Verification*, by Kunming Fulin Mining Ltd., 2013.03.

7) *Yunnan Province Dezhou Mangshi Gold Mine Resource Reserve Verification*, by Yunnan Hongdi Mining Ltd., 2014.08.

Since Huasheng Mine was established in 2009, it has mainly exploited the laterite-type gold resources found in the Maiwoba Mine Section and the Orchard Mine Section. The laterite-type gold resources in the Maiwoba Mine Section were mined until the end of 2011. At the beginning of 2012, it began to mine Colin-type gold resources. The laterite-type gold resources in the orchard section were mined until 2013, and the surface land reclamation work has been completed. The main ore body currently mined is the No. VII ore body of the Maiwoba mine section, which is open-pit mining. The production scale of the mining license in the mining area is 50,000 t/a. The open-pit heap leaching process will continue to be applied and the pregnant liquid will be extracted by activated carbon adsorption to extract gold. The gold-loaded carbon is desorbed, electrowinning and purified to produce high-quality gold. The existing processing and operation parameters are referred to Luxi Mine, applying crushing, stockpile, leaching, carbon adsorption, loaded carbon stripping, carbon regeneration and electrowinning, and smelting.

6.12.1 Process Description

1. The Existing Processing Description:

Mining + crushing + stacking (adding lime) + cyanidation to dissolve gold + activated carbon adsorption + carbon stripping and electrowinning + carbon regeneration + smelting.

The processing flowsheet is as Figure 6-12.

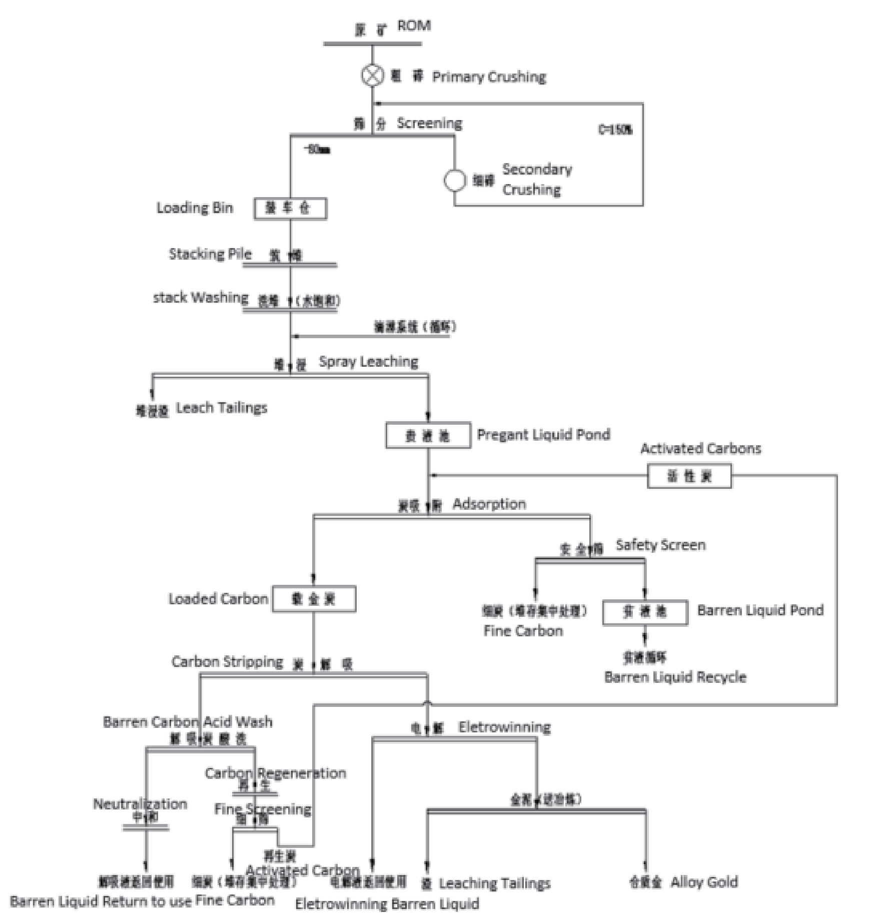


Figure 6-12 Huasheng Mine Simplified Processing Flowsheet Diagram

After mining from the open pit, the ROM is crushed by the primary crusher and then ROM is packed to the rock pile. The ore pile is sprayed with NaOH and NaCN liquid. The pregnant liquid is collected and then carbons are added to adsorb Au^{+}. Loaded carbons are transferred to the carbon stripping and electrowinning process; the products of electrowinning- the gold sludge goes to the smelting system and has the products of alloy gold. The desorption carbons are transferred to the carbon regeneration system.

2. *Prefeasibility Study (1.2 million t/y) Processing Description:*

According to the ore reserve report provided by the construction party, the Huasheng Gold Mine in Mangshi, Yunnan is dominated by raw ore, accounting for about 55% of the total ore reserves, followed by oxidized mines, which account for about 18% of the total ore reserves. Mines account for about 27% of the total ore reserves. It is designed to use a heap leaching process for low-grade oxidized ore, a complete set of treatments for high-grade oxidized ore, and full cementation + flotation process for primary ore process flow.

A. Low-grade Oxidized Ore

Two-stage one closed-circuit crushing + heap leaching + carbon adsorption + carbon stripping and electrowinning + smelting process.

B. High-grade Oxidized Ore

Primary crushing + semi-autogenous grinding + ball milling + cyanide leaching + carbon adsorption + carbon stripping and electrowinning + smelting.

C. Sulfide Ore

(CIL + flotation) adopts the process of coarse crushing + semi-autogenous grinding + ball milling + cyanide leaching, gold-loaded carbon for desorption electrolysis + smelting, and cyanide slag for flotation. Among them, the crushing and grinding workshop, cyanide leaching workshop and gold recovery workshop are shared parts of high-grade oxidized ore and primary ore.

6.12.2 Recovery

ROM Type: Broken Altered Dolomite Type and Earthy Ore

ROM Size: 0-75 mm, not more than 150 mm

Sodium Cyanide Dosage: 0.5 kg/t, NaCN 0.05-0.06%

Lime Dosage: 5 kg/t ROM

Leaching solution PH: 10-11

Spray Frequency: 9.0 L/h.m^2

Spray method: Intermittent

ROM Gold Grade: 1.35 g/t

Gold leaching Rate: 76.50% (Oxidized Ore)

Substitution Rate: 96.50%

Smelting Recovery Rate: 99.00%

Global Recovery Rate: 73%

Tailings Gold Grade: 0.32 g/t

6.12.3 Test Work

Mangshi Gold Mine has done several metallurgical tests from May 2013 to November 2022 and below is the test list:

1) *Yunnan Nuclear 209 Mangshi Gold Mine Metallurgical Test Report*, by Yantai Jinpeng Metallurgical Design and Research Institute Ltd., 2013.05.

2) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Cyanidation Test Report*, by Changchun Gold Research Institute Ltd., 2013.06.

3) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Ball Mill Bond Indexes Test Report*, by Luoyang Mining Mechanical Design and Research Ltd. Application and Technical Research Lab, 2013.09.

4) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Metallurgy Test*, by Kunming Fulin Mining Ltd., 2022.08.

5) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Metallurgy Test*, by Changchun Gold Research Institute Ltd., 2022.11.

The above No.1, No.2 and No.3 test reports were introduced by *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Expansion Engineering Pre-Feasibility Study*, which was drafted by Beijing General Research Institute of Mining & Metallurgy in December 2014.

The conclusions of the No.1, No.2 and No.3 test reports are as below:

1) *Yunnan Nuclear 209 Mangshi Gold Mine Metallurgical Test Report*, by Yantai Jinpeng Metallurgical Design and Research Institute Ltd., 2013.05

Through the systematic test research on ore samples, it can be seen that gravity separation, flotation, and none of the processes are suitable for this ore sample. According to the nature of the ore, it is recommended to use the CIL process to treat the ore. The Au grade of the sample is 1.61 g/t, and the ore process type is fine-grained disseminated gold oxide ore. The grinding fineness -0.074 mm at 85%, the dosage of calcium oxide is 7.0 kg/t, the dosage of sodium cyanide is 2 kg/t, the leaching time is 24 hours, the gold tailings grade was 0.19 g/t, the gold leaching recovery was 88.19%, and the overall gold recovery is 85.30%.

Since the ore samples are not representative, the test data provided cannot be used as the basis for this design.

2) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Cyanidation Test Report*, by Changchun Gold Research Institute Ltd., 2013.06

It is recommended to use the cyanidation process to treat the ore. The recyclable elements in the ore are gold and silver with an average grade of 3.47 g/t and 30.41 g/t respectively, and the ore process type is sulfide-lean carbonate-type gold-bearing oxidized ore. The ore grinding fineness is -0.074mm at 90%, and the amount of calcium oxide is 4.5 kg/t. The amount of sodium cyanide leaching recovery is 84.73% in condition with a gold concentration of 1 kg/t and a leaching time of 24 hours. The ore samples tested in this report are representative to a certain extent.

3) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Ball Mill Bond Indexes Test Report*, by Luoyang Mining Mechanical Design and Research Ltd. Application and Technical Research Lab, 2013.09.

When the grinding fineness is -0.074 mm at 85%, the crushed ore sample HS-1# ball mill Work index: 9.31 kWh/t; core type ore sample HS-2# ball mill work index: 10.83 kWh/t.

4) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Metallurgy Test*, by Kunming Fulin Mining Ltd., 2022.08.

This test report was introduced by *Mangshi Huasheng Gold Mine Resource Reserve Verification*, which was drafted by Kunming Fulin Mining Ltd. in November 2022.

The main conclusion is below:

a) The selected grade of ROM is Au 1.92 g/t, containing Ag at 0.78 g/t, S at 0.21%, and As at 135×10^{-6}. Au is the target element of beneficiation and recovery, and the associated beneficial element silver has no comprehensive recovery value. The content of sulfur and arsenic in the raw ore is low, which is beneficial to the direct leaching of gold.

b) The main ore mineral in the raw ore is the natural element gold; the main gangue mineral is dolomite, a small amount of calcite, quartz, sericite, pyrite, etc.

c) The gold in the raw ore is mainly natural gold, with a distribution rate of 78.65%. This part of gold is easy to be leached directly; the rest of the gold is present in the gangue minerals in the form of isomorphism or ultramicroscopic inclusions, and this part of the metal is difficult to leach.

d) cyanidation processing optimized test results:

The grinding fineness is -200 mesh at 95%, the concentration of Jinchan gold leaching agent is 0.20%, the pulp concentration is 25%, and the leaching time is 24 hours.

e) Under the above conditions, the gold leaching rate is at 86.80%, the leaching tailings grade is at 0.267 g/t, and the Jinchan gold leaching agent consumption of 0.860 kg/t can be obtained.

5) *Mangshi Huasheng Gold Mine Developing Ltd. Gold Mine Metallurgy Test*, by Changchun Gold Research Institute Ltd., 2022.11.

a) Oxidized Ore Test

The cyanidation test was applied to the samples from 2013 and 2022, which are mainly oxidized ores.

– 2013 sample cyanidation test:

The samples are low-sulfur carbonate-type gold containing oxidized ore. Au and Ag ROM grade is at 3.47 g/t and 30.41 g/t separately. The leaching recovery is 84.73% in condition with grinding fineness at -0.075 um of 85%.

– 2022 sample cyanidation test:

Gold ROM grade is 1.85 g/t and grinding fineness is -0.074 mm at 90%, the leaching tailings grade is 0.20 g/t and the gold leaching recovery is 89.19%.

b) Sulfide Ore Test

The gold grade of ROM is 1.85 g/t, the sulfur grade is 2.12%, and gold is the only valuable element. The ore process type is low-sulphide fine-grained carbonate-type refractory gold-bearing ore.

– The cyanidation test has been done and the test result is leaching recovery at 21.62% which is not good.

– The flotation test has been done on leaching tailings and the test result is feeding grade of Au is 0.47 g/t, Ag is 2.88 g/t, S is 0.80% and the recovery is 76.46%, 47.79%, and 65.04% in separate.

– The flotation and flotation tailings cyanidation tests have been done on ROM and the test result is leaching tailings grade is 0.44 g/t, gold flotation recovery is 70.72%, leaching recovery is 7.45%, so overall gold recovery is 78.17% which is similar with leaching tailings flotations.

So, the test report recommends adopting cyanidation + leaching tailings flotation processing, considering the TSF standards differences because of different types of tailings.

6.13 Permitting, Environmental, Health and Social Impacts

6.13.1 Operational Licenses and Permits

BAW is aware that certain license such as business licenses, mining licenses, exploration licenses, safety production permits and water use permits are in place such the operation is in compliance with the regulatory and legal requirements of the PRC.

Table 6-18 Details of Mining License

Mining License Holder	Mangshi Huasheng Gold Mine Development Co., Ltd.
Name of Property	The Huasheng Project
License Type	Mining
License ID	C5300001009114120045284
Area (km^2)	0.6338
Elevation (m)	From 1,500 m to 1,100 m
Permitted Production Capacity	100.00 ktpa
Type of Commodities	Gold
Mining Method	Underground/Open Pit Mine
Valid Period	11 July 2015 to 11 July 2025

Table 6-19 Details of Business License

Property	Business License No	Issue Date	Permitted Activities
Mangshi Huasheng Gold Mine Development Co., Ltd.	91533103219105958F	11 September 2021	Mining and Processing

Table 6-20 Details of Water Use Permits

Property	Water Use Permit No	Issue Date	Expiry Date	Water Supply Source	Water Use Allocation (m^3)
Mangshi Huasheng Gold Mine Development Co., Ltd.	DHMS2022053	06 June 2022	13 August 2027	Surface Water	3.00 Million

6.13.2 Environmental Management

In order to address the potential environmental impacts resulted from the mining operation, professional design research institutes were commissioned to carry out studies of Sustainable Development and Utilization Plan of Mineral Resources ("**SDP**") for its various operation. SDP is a combination of Mineral Resources Development and Utilization Plan, Land Reclamation Plan, and Geological Environment Protection and Restoration Plan to assess various aspects, such as, impacts on ecology, land subsidence, water and soil conservation, underground hydrogeology, surface drainage, dust and air quality, noise control, solid waste and emission, regulatory compliance and planning of environmental monitoring pursuant to the regulatory and legal requirements of the PRC in relation to nation-wide environmental, provincial environmental and administration. BAW understands that the SDPs were reviewed and approved by relevant government agencies pursuant to the regulatory and legal requirements of the PRC.

6.13.3 Occupational Health and Safety

Gold mining operation in the PRC is generally required to implement corporate safety policy and conducts its operations in accordance with the relevant national laws and regulations with respect to Occupational Health and Safety ("**OHS**") in construction, mining, production, blasting and explosives handling, waste rock dump design, mineral processing, environmental noise, emergency response, water and soil conservation, fire protection and fire extinguishment, sanitary provision, power provision, labour and supervision. BAW understands that the gold mine generally implement OHS procedures in line with the national standards, attaching importance to a safe working environment for employees which protect them from potential occupational hazards and health and safety risks.

6.14 Economic Analysis

BAW reviewed the forecasted operation data and analyzed the late mine operation data provided by Mine. BAW also prepared a production schedule for the Huasheng project based on the information provided. To assess the economic viability of Minable Resources under the production schedule, BAW has performed an economic analysis for the Minable Resources estimated throughout the LOM. Determination of economic viability involves the sum of discounted annual free cash flow projected from the start of the year till the end of the LOM. The economic analysis is based on the following assumptions:

1. The economic analysis presented here is on a 100%-equity basis that shows the basic economics of the project.

2. It does not incorporate financing items such as interest paid and loan principal paid back.

3. The analysis also does not incorporate any losses carried forward for tax purposes and any refund of valued-added taxes previously or currently paid.

6.14.1 Valuation Methodology

- *Market Approach*

The market Approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

- *Income Approach*

The income Approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

- *Cost Approach*

The cost Approach measures the value of an asset by the cost to reproduce or replace it with another like a utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration and functional and economic obsolescence.

6.14.2 Adopted Valuation Approach

Among the abovementioned valuation methodologies, the selection of the valuation method for the Huasheng Project is based on, among other things, the quantity and quality of the information provided, the availability of the data, the availability of relevant market transactions, the uniqueness of the Project, the nature of business and industry involved of the Project, professional judgment and technical expertise of the management.

The selection of the valuation approach is determined primarily by the stage of development of the concerned mineral asset. The chart below (Figure 6-13) shows the application of valuation methodology for valuing mineral assets.

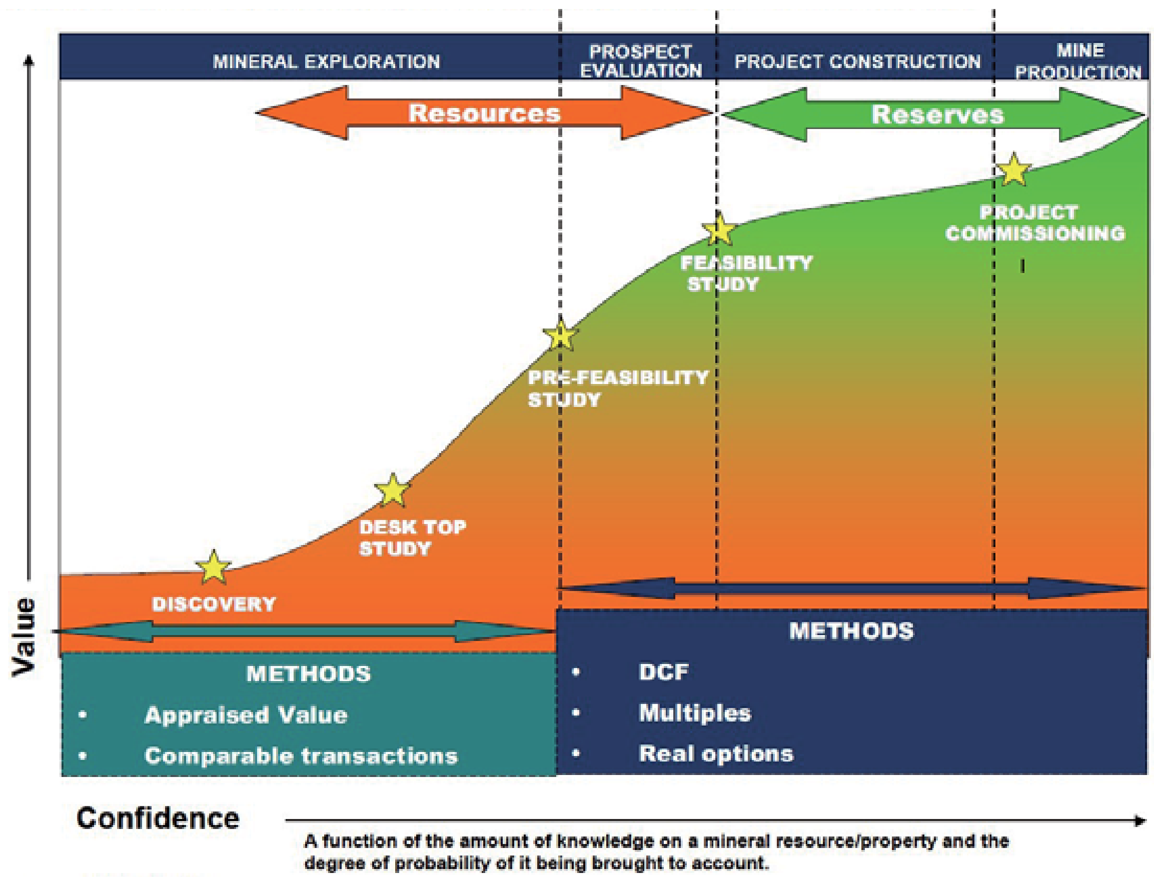


Figure 6-13 Application of different valuation Methodologies

6.14.2.1 *Mineable Resource*

Regarding the Mineable Resources of the Huasheng Project, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. In addition, compared with the cost approach, the income approach can effectively and accurately reflect the future earnings of the Project. Among the income approaches, we adopted the approach of discounted cash flow projection. The adoption of such an approach for valuing the Mineable Resources is considered to be fair, reasonable and conformable with the industry practice.

6.14.2.2 *Discounted Cashflow*

In this method, the value depends on the present value of the economic benefits to be generated. The expected future cash flows available for payment of shareholders' loans and interest (which, in certain circumstances, is used to repay the registered capital plus interest and dividends) are converted to their present value equivalent using a rate of return appropriate for the business risk.

The expected debt-free cash flow for each year was determined as follows:

FCF = EBIT (1 – T) + Dep – InvCapex – InvNWC

FCF = *Expected Cash Flow*

EBIT = *Earnings before interest and tax*

T = *Tax rate*

Dep = *Non-cash items*

InvCapex = *Investment in capital expenditure*

InvNWC = *Investment in net working capital*

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present values of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \ldots + CF_n/(1+r)^n$$

In which

PVCF = Present value of free cash flows

CF = Estimated cash flows

r = Discount rate

n = Number of the year of projections

6.14.3 Gold Production and Revenue

According to the production plan developed by BAW, the Huasheng project will produce 13,465,507 g of gold. The long-term gold price is estimated to be 443.3 RMB/gram. The total revenue of gold should be CNY5,969.22 million.

6.14.4 Operating Cost and Capital Expenditure

The cash cost of LOM is estimated at CNY1,132.43 Million, while the capital expenditures are CNY946.92 Million.

6.14.5 NPV and Sensitivity Analysis

Regarding the Minable Resources of Project Huasheng, the income approach is considered to be the most suitable valuation methodology since its net present value can be measured by the present value of the future economic benefits. Therefore, such an approach can effectively reflect the future revenue of the project. The NPV of the Huasheng Project is **CNY1,347.75** million at a 9.09% discount rate. The sensitivity analysis shows that the NPV estimate is the most sensitive to commodity prices and discount rates.

Appendices

Appendix 1: JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	**Commentary**
Sampling techniques	• Trenching was conducted. Representative channel samples were collected using a diamond saw and chisel, with channel dimensions of 10 × 5 cm and a typical interval of 0.5-1.5 m. • Diamond, RC and percussion drilling were employed, and cores were cut along the long axis using a saw splitter. Rock chip samples were collected from RC and percussion drilling. Sample intervals were primarily set at 1 m lengths. • Mineralization was identified based on lithology and alteration.
Drilling techniques	• Standard tube core drilling rigs were utilized, with drill cores primarily being HQ-sized and NQ-sized. • Down-hole surveys were conducted using a digital inclinometer or downhole camera at intervals of 30-50 m.
Drill sample recovery	• The logging geologist measured drill core recovery for each run and recorded the results in the primary database. Core recovery was determined by dividing the drilling footage by the core length. • Upon encountering low sample recovery during drilling, the logging geologist and driller worked together to promptly rectify the problem and optimize recovery. • No relationship between sample recovery and grade was found.

Criteria	Commentary
Logging	• Drill cores were qualitatively logged by geologists to capture details such as oxidation, texture, grain size, lithology, alteration, structure, and recovery. • All drill hole cores were properly logged and photographed. Logging information was initially recorded on standardized logging sheets and subsequently digitized into the electronic database.
Sub-sampling techniques and sample preparation	• Half-core samples were obtained by splitting drill cores in half. • Channel and rock chip samples were collected in their entirety for sample preparation, without splitting. • All samples underwent drying, crushing, splitting, and pulverizing according to the proper procedures. The Chichette formula ($Q = k \times d^2$) was used to determine the minimum allowable sample weight, where: Q represents the sample weight (kg), k is the coefficient determined by the ore type (0.8 for this rock type), and d is the maximum sample grain diameter (mm). • No field duplicates were collected. • On-site geologists deemed the sample size appropriate for the gold grain size observed.
Quality of assay data and laboratory tests	• The use of activated carbon absorption with AAS may lead to an underestimation of the final gold determination. BAW recommends routinely cross-checking the primary results using the fire assay method. • Geophysical tools, spectrometers, and handheld XRF instruments were not utilized for assaying purposes. • Basic samples were analyzed by both the internal mine-site laboratory and domestically certified Chinese laboratories, which implemented internal quality control procedures in line with relevant PRC standards. No systemic bias was reported.
Verification of sampling and assaying	• BAW geologists carried out a field inspection of significant intersections. • No twinned holes were drilled.

Criteria	Commentary
	• All geological logging and sampling information was initially recorded on logging sheets and later digitized into an electronic database. Both physical and electronic logging and sampling records were well-maintained. • During the site visit, BAW reviewed data entry procedures, and storage protocols, and verified the primary data. • No adjustment was made to the assay data.
Location of data points	• Drill holes and trenches were surveyed in compliance with relevant PRC standards by certified surveyors under the supervision of on-site geologists. • The Xi'an Coordinate System (1980) and Chinese Geodetic Coordinate System 2000 were applied to this project. • Detailed topographic surveys were conducted by certified surveyors and deemed adequate for modelling and Mineral Resource estimation purposes.
Data spacing and distribution	• The exploration grid was set at 40-80 × 40-80 m. Samples were collected continuously throughout mineralization zones and their contact zones in wall rocks, with a typical length of 1 m. • The spacing of drill holes is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource estimation procedures and for the classifications applied.
Orientation of data in relation to geological structure	• Considering the deposit type, the drilling orientation and subsequent sampling are deemed unbiased for Mineral Resource estimation purposes.
Sample security	• Huasheng Gold managed the chain of custody for sample security. Samples were collected, packed, marked, and logged before being delivered to the laboratory for preparation and assaying. The drill cores were stored in an on-site core shed.
Audits or reviews	• All aspects of sampling techniques strictly adhered to relevant PRC national standards and specifications. BAW reviewed and cross-checked the sampling data.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• BAW was provided with a scanned copy of the original mining license, and the details are stated in Sections 6.1.2 and 6.1.3 of this report.
Exploration done by other parties	• Detailed information can be found in Section 6.3.2 of this report.
Geology	• Detailed information can be found in Section 6.4 and 6.5 of this report.
Drill hole Information	• All drill hole information was entered into the database and utilized for Mineral Resource estimation. Due to the extensive amount of drill hole data, a detailed tabulation of this information is not presented.
Data aggregation methods	• All samples are composited within the geological domains at a 1.0 m length, and short intervals at the end of the domain are incorporated into the preceding interval. A cut-off value of 0.3 g/t Au is used to define the domains. • No capping description and composites were provided to BAW. Value at 13.9 g/t Au was used for high-grade capping. • No metal-equivalent approaches were applied.
Relationship between mineralization widths and intercept lengths	• Gold mineralization of the Huasheng deposit is mainly hosted by the F1 fault, which is manifested as laterite-type gold mineralization and Carlin-like gold mineralization. • Huasheng mineralization is 1,000 m long along NE-SW, 200 m wide along SE-NW and 200 m vertical (see appendices – plan views and sections).
Diagrams	• Not Applicable in this report.
Balanced reporting	• The reporting is fully representative of the data provided at this stage.
Other substantive exploration data	• BAW is not aware of any other material or substantive exploration data that has not been reported. . • Adequate samples were measured for specific gravity, as detailed in Section 6.8.1.
Further work	• BAW was informed that Huasheng Gold intended to conduct further exploration programs within the current mining license.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	**Commentary**
Database integrity	• The data provided by the Company in Excel format was imported into a Surpac database after validation. • Data validation steps included: – Validation through constraints and libraries set in the database, e.g., overlapping/missing intervals, intervals exceeding maximum depth, valid geology codes, and missing assays. – Validation through 3D visualization in 3D software to check for any obvious collar, down-hole survey, or assay import errors.
Site visits	• BAW Competent Person visited the Huasheng Project from April 13 to 15, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Geological interpretation	• All domains are determined based on geology, alteration and the interpreted controls on mineralization from production experience. • A cut-off value at 0.3 g/t Au is used to define domains. • A total of 5 mineralization domains are generated for the resource estimate.
Dimensions	• Not Applicable in this report.
Estimation and modelling techniques	• The Mineral Resource was estimated using Inverse Distance interpolation in Surpac. • Gold (Au ppm) was interpolated to the empty block model using IDW2 (Inverse Distance Power) and OK methods. • Search parameters were based on attitudes of mineralized zones and supported by geological knowledge gained from surface geological mapping, drill hole data and modelling analysis.

Criteria	Commentary
	• The parent cell size and estimation parameters were based on the drill hole spacing and the nature of the mineralization style at the project. • The geological interpretation was used to help build a mineralized wireframe model and the resource estimate was conducted within the model. • Validation of the Mineral Resource estimate has been conducted by: – Visual drill hole section data comparisons with the block model and – Swath plots of major elements in three orthogonal directions.
Moisture	• Tonnages are estimated on a dry basis.
Cut-off parameters	• The current resource estimate by Huasheng is based on the 0.3 g/t Au cut-off, which was given by Huasheng.
Mining factors or assumptions	• The mining method assumed is open pit mining. • Mining factors such as mining dilution shown above have been incorporated into the Mineral Resource estimate.
Metallurgical factors or assumptions	• Simple studies of ore properties and processing tests were conducted and the file was provided by the Company. • Overall gold recovery is 73% which is as per the document from the owner. • Processing recovery rates presented above were incorporated into the Mineral Resource estimate.
Environmental factors or assumptions	• No assumptions have been made regarding possible waste or process residue disposal options or environmental surveys.
Bulk density	• The conventional water displacement method was utilized on a total of 95 samples from drill cores and channel samples, with an average of 2.73 g/cm^3.

Criteria	Commentary
Classification	• Mineral Resources have been classified in the Measured, Indicated and Inferred categories in accordance with the JORC Code 2012 guidelines. • A range of criteria was considered in determining the classification for the project, including: – geological confidence in the interpretations, – sample data density, – sample/assay confidence, – grade continuity of the mineralization, – estimation method. • The Competent Persons endorse the final results and classification for the project.
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Relative accuracy and confidence have been assessed through validation of the model as outlined above. • The Mineral Resource estimate comprises material categorized as Measured, Indicated and Inferred Mineral Resource. The Mineral Resource categories reflect the assumed accuracy and confidence of a global.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	Commentary
The mineral Resource estimate for conversion to Ore Reserves	• The block models prepared by Yintai were used as the basis of the Ore Reserve estimate.
Site visits	• BAW Competent Person visited the Huasheng Project from April 13 to 15, 2023. Various aspects of the project were inspected, including mineralization, drilling operations, logging, sampling, the database, the assay laboratory, mining and processing operations, and mine infrastructure, in collaboration with on-site personnel.
Study Status	• The feasibility study report (2014.12) conducted by BGRIMM was provided to BAW. • The technical review report (2016.03) conducted by SRK was provided to BAW.
Cut-off parameters	• The feasibility study report (2014.12) conducted by BGRIMM was provided to BAW. • The technical review report (2016.03) conducted by SRK was provided to BAW. • Details of the cut-off grade chosen are stated in Section 6.11.2 of this report.
Mining factors or assumptions	• Not Applicable in this report.
Metallurgical factors or assumptions	• The processing flowsheet is a heap leaching which is simple and mature. • There are four metallurgical test reports done with represented samples by a third party. • It doesn't have any document about the smelting and alloy gold, so assuming that alloy gold meets the requirement of terms and sales agreement. As per the latest metallurgical test in 2022, the CIL test result on oxidized ore is better than the current heap leaching. The new design is based on three different ore types, which can extract the ores efficiently.

Criteria	Commentary
Environmental	• Environmental, safety and production permits were obtained.
Infrastructure	• The infrastructure meets the basic requirements of production and transportation.
Costs	• The Opex and Capex were provided by the Mine. • Refer to section 6.13.4.
Revenue factors	• Production Schedule is developed by BAW. • Refer to section 6.13.3.
Market assessment	• Not Applicable in this report.
Economic	• The input data to calculate NPV is described in Section 6.13 which mainly includes the production plan, sales revenue, production cost, administration cost, Capex and taxes. • Refer to section 6.13.5.
Social	• Not Applicable in this report.
Other	• None.
Classification	• The mineable Measured Resources, including diluting materials and allowances of losses, were classified as Proved Ore Reserves. • The mineable Indicated Resources, including diluting materials and allowances of losses, were classified as Probable Ore Reserves. • The results appropriately reflect the Competent Person's view of the deposit.
Audits or reviews	• Mr. Weiliang Wang and Karfai Leung, MAusIMM, has undertaken a peer review. • There are no outstanding issues arising from these reviews.
Discussion of relative accuracy/confidence	• Usually, the Ore Reserve estimate is reported based on some technical and economic assumptions which have been understood well to date. These assumptions would change as time goes on, so different Ore Reserve can be estimated/calculated.

7 RISK ASSESSMENT

The mining industry is traditionally and inherently a high-risk business compared to other industries globally. The risk is an accumulated risk due to factors such as the nature of the orebodies, grade variations, natural disasters, geotechnical and hydrological risk, environmental, community, health and safety and water supply.

BAW's risk identification and assessment process focused on areas where there is perceived technical risk to the operation and exploration projects, including resources, reserves, operation, environmental, community, health and safety, particularly where the risk factor could materially impact the projected production and hence cashflow generated by the operation. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

1. High Risk: the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.

2. Moderate Risk: the factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.

3. Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk mitigation measures are recommended for each risk in order to reduce the risk's probability and/ or impact to an acceptable or practical level.

BAW summarized the risk factors in Table 7-1:

Table 7-1 Risks Factors in association with the Gold Mine

Risk Factors	Level	Potential Impact	Methods of Mitigation
Commodity prices	High	Similar to other mining operations, commodity prices are the most important factors which materially affects the profitability of operations. Low commodity price may bring significant negative impact to financial health of the operation.	Using financial instruments to hedge if applicable. A focus on efficiency upgrade throughout the operation will minimize the impact.

Risk Factors	Level	Potential Impact	Methods of Mitigation
Gold Resources	Moderate	Measured Resources, Indicated Resources and Inferred Resources have been reasonably classified using the latest geological databases and models.	Additional in-fill drilling activities may further reduce the resource risk for subsequent mine planning. Acquisition of exploration properties to expand the resource portfolio.
Mining Operation	Low to Moderate	Extraction is planned to be carried out in the way of open-pit mining and shrinkage stoping for different operation which are common mining methods adopted in the mining industry. BAW is of the opinion that the mining methods reasonable and appropriate for the this kind of gold deposits.	The mine site can allocate more financial and human resources to further improve its operation management and skillsets of mechanized mining method to achieve a higher mining recovery.
Production Targets	Moderate	BAW considers production target is reasonable and achievable for the Gold Mines. Variation of the mining dilution factor from time to time may cause variation in mining recovery factors, resulting in variation in quantity of the finished gold products. The faults encountered as mining advances may also cause some production short fall in some short periods.	Implementation of advanced production scheduling to address the issue of production short fall when mining activities are expected to approach fault zones. A more coordinated production scheduling may be necessary in order to achieve maintain the production target when mining activities proceed to those Gold Mine.

Risk Factors	Level	Potential Impact	Methods of Mitigation
Infrastructure	Low	A number of Gold Mines is located in mountainous region. Part of the access roads are rugged near the mines. Water supply is generally sufficient but could be a problem during dry seasons. Electricity is generally sufficient for production.	Continuous and regular effort on maintenance and upgrade of the roads will allow better access for the mining trucks and other equipment. Construction of small-scale reservoir will reduce the risk of water shortage.
CAPEX	Moderate	Projected CAPEX includes sustaining capital and have been reasonably budgeted in the financial model for the Gold Mines.	Detailed finance control and budgeting will be required.
Materials and labour prices	Low to Moderate	The overall economics is founded on a combination of pricing for metals, materials and labor. Therefore, it is sensitive to materials and labor prices over which it has limited control.	Further optimization of all operation processes to minimize cost of production shall assist in reducing the economic impact of high materials and labor prices.
Environment	Moderate	Increasing concern of environmental protection by the PRC Government may have negative impact on the mining activities.	Additional capital shall be budgeted to satisfy the latest regulatory environmental requirements.
Occupational Health and Safety	Low to Moderate	Realizing the importance to improve its production safety record and therefore, the Gold Mines have been placing emphasize and allocating resources to ensure its planned operation is conducted in accordance with the national safety regulations. All the necessary mine safety measures have been undertaken by the Gold Mine management. No safety issues were identified during BAW's site visit to the Gold Mines.	Additional capital shall be budgeted to satisfy the latest regulatory requirements.

8 REFERENCES

1. Jilin Banmiaozi, 2007. Exploration Report of Jinying Gold Mine, Baishan City, Jilin Province.

2. Jilin Banmiaozi, 2015. Resource/Reserve Verification Report of Jinying Gold Mine in Baishan City, Jilin Province.

3. Jilin Banmiaozi, 2018. Resource/Reserve Verification Report of Jinying Gold Mine in Baishan City, Jilin Province.

4. Jilin Banmiaozi, 2019. General Exploration Report of the Banmiaozi Gold Mine in Baishan City Jilin Province.

5. Li, X., Sun, G., Sun, F., Sun, J., Wang, Q. and Wang, G., 2020. Zircon U-Pb chronology, Petrochemistry characteristics and Metallogenic significance of Granodiorite porphyry in the Banmiaozi gold deposit in the NE margin of the North China Craton. Arabian Journal of Geosciences, 13, 1-20.

6. 707 Brigade, 2003. Exploration Report of the Exploration Line 19-44, No. 5 Ore Body, Dong'an Gold Deposit, Xunke County, Heilongjiang Province.

7. Heihe Luoke, 2017. Mineral Resource and Reserve Verification Report of the No. 5 Ore Body, Exploration Line 19-44, Dong'an Gold Deposit, Xunke County, Heilongjiang Province.

8. Liu, Y., Sun, J., Han, J., Ren, L., Gu, A., Zhao, K., Feng, Y. and Chu, X., 2021. Constraints of magmatic differentiation on epithermal mineralization at Dong'an, NE China: Insights from zircon geochronology, elements and Sr-Hf-Nd isotope geochemistry. Journal of Geochemical Exploration, 226, p.106768.

9. Ouyang, H., Wu, X., Mao, J., Su, H., Santosh, M., Zhou, Z. and Li, C., 2014. The nature and timing of ore formation in the Budunhua copper deposit, southern Great Hingan Mountain: Evidence from geology, fluid inclusions, and U-Pb and Re-Os geochronology. Ore Geology Reviews, 63, 238-251.

10. Yulong Mining, 2009. Exploration Report of Huaaobaote Ag-Pb-Zn Mine, West Ujimqin Banner, Inner Mongolia Autonomous Region.

11. Yulong Mining, 2009. Resource/Reserve Verification Report of Huaaobaote Mountain Pb-Zn-Ag Deposit, West Ujimqin Banner, Inner Mongolia Autonomous Region.

12. Yulong Mining, 2017. Exploration Report of Huaaobaote Mine Periphery Ag-Polymetallic Deposit, West Ujimqin Banner, Inner Mongolia Autonomous Region.

13. Yulong Mining, 2019. Exploration Report of 1118 Highland Polymetallic Deposit, West Ujimqin Banner, Inner Mongolia Autonomous Region.

14. Qinglonggou Gold 323 Section (South) Basic Engineering by Changchun Gold Design Institute, 2020.12.

15. Qinglonggou Gold Modification Project Basic Engineering by Changchun Gold Design Institute, 2020.

16. Qinghai Province Dachaidan Town Jinlonggou Gold Metallurgical Test Report, by Qinghai Geology Mine Test and Application Center, 2018.11.

17. Qinghai Dachaidan Xijingou Gold Mining Project Feasibility Study, by Lanzhou Non-ferrous Metallurgical Design and Research Institute Ltd., 2021.02.

18. Heilongjiang Province Xunke Town Dong'an Gold Mine 55 Ore Body Metallurgical Test by Jilin Province Metallurgical Research Institute, 2003.06.

19. Heilongjiang Dong'an Gold Mine Small Scale Metallurgical Test by Beijing General Research Institute of Mining & Metallurgy, 2009.02.

20. Heihe Yintai Mining Development Co. Ltd. Dong'an Gold Mine – Crushing and Grinding, and Tailing Filter Pressing Modification Project Basic Engineering by Heilongjiang Province Metallurgical Research and Planning Institute, 2019.02.

21. Heihe Yintai Mining Development Co. Ltd. Dong'an Gold Mine Metallurgical Test by Changchun Gold Research Ltd., 2019.03.

22. Heilongjiang Province Xunke Town Dong'an Gold Mine 5# Ore Body 19 – 44 Resource Reserve Verification Report by Heihe Luoke Mining Development Ltd., 2017.04.

23. Neimenggu Yulong Mining Huaaobaote Ag-Pb Mine 1 million t/a Mining and Processing Engineering Feasibility Study, by Lanzhou Non-ferrous Design Institute Ltd., 2021.12.

24. Eldorado Online Data Center, http://apps.indigotools.com/IR/IAC/?Ticker=EGO&Exchange=NYSE#

25. Yintai Gold Corporation Ltd., Annual Reports 2016-2022. Shenzhen Stock Exchange.

26. Dachaidan Mining, 2004. Resource/Reserve Reassessment Report for the Jinlonggou Deposit at an Elevation of 3,378-3,408 m in Tanjianshan Gold Minefield, Dachaidan, Qinghai Province.

27. Dachaidan Mining, 2007. Exploration Report of the "Jinlonggou Gold Deposit, Dachaidan, Qinghai Province.

28. Dachaidan Mining, 2014. General Exploration Report of the Qinglongshan Gold Deposit Qinglonggou Section Exploration line 16600N-13800N, Dachaidan, Qinghai Province."

29. Dachaidan Mining, 2019. General Exploration Report of the Jinlonggou Gold Deposit, Dachaidan, Qinghai Province.

30. Dachaidan Mining, 2019. General Exploration Report of the Xijinggou Gold Deposit, Dachaidan, Qinghai Province.

31. Dachaidan Mining, 2020. Resource/Reserve Verification Report of the Qinglonggou Gold Deposit, Dachaidan, Qinghai Province.

32. Dachaidan Mining, 2020. General Prospecting Report of the Qingshan Gold Deposit, Dachaidan, Qinghai Province.

33. Dachaidan Mining, 2022. General Prospecting Report of the Qinglonggou Deposit Below 3,300 m, Dachaidan, Qinghai Province.

34. Zhang, L., Chen, R.X., Zheng, Y.F., Hu, Z. and Xu, L., 2017. Whole-rock and zircon geochemical distinction between oceanic-and continental-type eclogites in the North Qaidam orogen, northern Tibet. Gondwana Research, 44, 67-88.

35. Huasheng Gold, 2013. Resource/Reserve Verification Report of the Mangshi Gold Deposit, Dehong Prefecture, Yunnan Province.

36. Huasheng Gold, 2022. Resource/Reserve Verification Report of the Mangshi Gold Deposit, Yunnan Province.

37. Liu, X., Chen, Y., Hu, Y., Liang, J., Wang, Y., He, W. and Chen, X., 2023. Fine gold grains inside the limonite in the supergene Shangmanggang gold deposit, SW China: Implications for gold mobilization and mineral exploration. Journal of Geochemical Exploration, 248, 107193.

VALUATION REPORT
OF
EQUITY INTEREST IN YINTAI GOLD CO., LTD.

PREPARED

FOR

SHANDONG GOLD MINING CO., LTD.

PREPARED BY

BAW Mineral Partners

31 May 2023

PROJECT NO: 060

Unit 6A
Gaylord Commercial Building
114-118 Lockhart Road
Wanchai, Hong Kong

31 May 2023

Shandong Gold Mining Co., Ltd.
No. 2503 Jingshi Road
Licheng District
Jinan, Shandong Province
the PRC

Dear Sirs/Madams,

This report was prepared solely for Shandong Gold Mining Co., Ltd. (the "**Company**"), which has engaged BAW Mineral Partners Limited ("**BAW**" or "**we**") to perform a valuation of 100% equity interest in Yintai Gold Co., Ltd. (the "**Target Company**") which indirectly holds 100% interest in Heihe Yintai Mining Exploitation Co., Ltd. ("**Heihe Yintai**") (黑河銀泰礦業開發有限責任公司), 90% interest in Qinghai Dachaidan Mining Co., Ltd. ("**Qinghai Dachaidan**") (青海大柴旦礦業有限公司), 95% interest in Jilin Banmiaozi Mining Co., Ltd. ("**Jilin Banmiaozi**") (吉林板廟子礦業有限公司), 76.67% interest in Inner Mongolia Yulong Mining Holdings Co., Ltd. ("**Yulong**") (內蒙古玉龍礦業股份有限公司) and 60% interest in Mangshi Huasheng Gold Mining Exploitation Co., Ltd. ("**Mangshi Huasheng**") (芒市華盛金礦開發有限公司) (collectively the "**Mining Assets**") located in Heilongjiang Province, Qinghai Province, Jilin Province, Inner Mongolia Autonomous Region, and Yunnan Province of the People's Republic of China (the "**PRC**") respectively as of 31 March 2023 (the "**Date of Valuation**"). The Target Company is principally engaged in the business of exploration, mining and sales of gold at the Mining Assets.

The approaches and methodologies adopted in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

BAW hereby certifies that neither BAW, nor its directors, shareholders, staffs have any present or prospective interests in the Company or its mining properties. BAW is to receive the professional fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this report.

Yours faithfully,

For and on behalf of
BAW MINERAL PARTNERS LIMITED

Karfai Leung

LEUNG Kar Fai

TABLE OF CONTENTS

1 SUMMARY OF SALIENT FACTS

Valuation Subject	100% equity interest in Yintai Gold Co., Ltd. (the "**Target Company**")
Mining Assets	Heihe Yintai Mining Exploitation Co., Ltd. Gold Mine, Qinghai Dachaidan Mining Co., Ltd. Gold Mine, Jilin Banmiaozi Mining Co., Ltd. Gold Mine, Inner Mongolia Yulong Mining Holdings Co., Ltd. Silver Mine and Mangshi Huasheng Gold Mining Exploitation Co., Ltd. Gold Mine (collectively "**Mining Assets**")
Gold Mine Operator	Heihe Yintai, Qinghai Dachaidan, Jilin Banmiaozi, Yulong and Mangshi Huasheng
Mining License Holder	Heihe Yintai, Qinghai Dachaidan, Jilin Banmiaozi, Yulong and Mangshi Huasheng
Mining Assets Location	Heilongjiang Province, Qinghai Province, Jilin Province, Inner Mongolia Autonomous Region, and Yunnan Province of the PRC
Current Status of the Mining Assets	In production
Date of Valuation	31 March 2023
Report Date	31 May 2023
Fair Market Value	Preferred value of the Target Company: RMB12,348,000,000

2 PURPOSE OF VALUATION

This report was prepared solely for the use of the directors and management of the Company. In addition, BAW acknowledges that this report may be made available to the Company for public disclosure purpose and used as reference on the Company's circular. We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

3 BASIS OF VALUATION

Our valuation was performed based on the Fair Market Value ("**FMV**"), which is defined by International Valuation Standards established by the International Valuation Standards Council as "the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties".

4 PREMISES OF VALUATION

Premises of valuation relate to the concept of valuing a subject in the manner which would generate the greatest return to the owner of the asset, taking into account what is physically possible, financially feasible and legally permissible. Premises of valuation include the following:

- Going concern: appropriate when the business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
- Orderly liquidation: appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
- Forced liquidation: appropriate when time or other constraints do not allow an orderly liquidation; and
- Assembled group of assets: appropriate when all assets of a business are sold in the market piecemeal instead of the entire business itself.

The valuation of the Target Company is prepared on the going concern basis.

5 REPORTING STANDARD

The reporting standard of this report is the VALMIN Code which is Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2005.

The reporting of Resource and Reserve is referenced to the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia revised in 2012. The JORC Code is a mineral resource/ore reserve classification system that has been widely used and is internationally recognized. It has also been used in independent technical reports for mineral resource and ore reserve statements for the natural resource companies listed on the HKEX.

The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

6 INDEPENDENCE STATEMENT

BAW certifies that neither BAW, nor its directors, shareholders, staffs have any present or prospective interests in the Company, Target Company or Mining Assets. BAW is to receive the professional fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this report.

7 COMPETENCE STATEMENT

Mr. Leung Kar Fai, as the Director of BAW and being responsible for the overall project management of this report, graduated with Honours with a Bachelor of Science (major Earth Sciences) and a Master of Philosophy in Earth Sciences, both from The University of Hong Kong.

He has more than fifteen years of extensive experience in the mining industry including project generation, prospecting, field exploration, mineral resource definition, HSE management, mineral assets valuation, mineral assets acquisition, M&A and IPO process for energy, base metals, non-ferrous metals and precious metals in the PRC, Southeast Asia, North Asia, Central-Asia, Mid-East, Africa, Australasian, North and South Americas.

He possesses relevant education, qualifications, experience and professional expertise so as to have a reputation that gives authority to statements made in relation to the valuation matters of this report. He meets all the requirements for "Competent Person" as defined in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves ("**JORC Code**").

8 SCOPE OF WORK

Our valuation work was based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Company and/or their representative(s) (collectively the "**Management**"). In the course of our valuation work, we conducted the following processes to evaluate the reasonableness of the adopted basis and assumptions provided:

- Discussed with the Management in relation to the background, development, operations, financial performance and other relevant information of the Target Company;

- Reviewed relevant financial information, operational information and other relevant data concerning the Target Company;

- Conducted site inspections;

- Reviewed and discussed with the Management on the business development concerning the Mining Assets provided to us by the Management;

- Performed market research in relation to the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market and obtained relevant statistical figures from public sources;

- Examined relevant basis and assumptions of both the financial and operational information of the Target Company, which were provided by the Management;

- Prepared a valuation model to derive the fair market value of the Target Company; and

- Presented all relevant information on, including but not limited to, the scope of work, source of information, overview of the Target Company, overview of the industry, major assumptions, valuation methodology, sensitivity analysis, limiting conditions, remarks and conclusion of value in this report.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

9 LIMITATION IN SCOPE OF WORK

Our scope of work for the purpose of the valuation is constrained by the following limitations:

- In performing our services, we relied on the accuracy of the information provided by the Management with regards to the Target Company's financial projections and business affairs as well as the outlook for the business. The procedures and enquiries undertaken by us in preparing this report do not include any verification work, nor do they constitute an examination made in accordance with generally accepted auditing standards. As such, we do not express an opinion or offer any forms of assurance regarding the accuracy, reasonableness, completeness, or reliability of these information we are based;

- Information furnished by others, upon which all or portions of this report are based, is believed to be reliable. However, we did not independently verify this information and no warranty is given as to the accuracy of such information;

- The results of our work are dependent on the financial projections of the Target Company. However, because events and circumstances frequently do not occur as expected, there will usually be differences between predicted and actual results, and those differences may be material. We take no responsibility for the achievement of predicted results;

- Our analysis relied on information provided by the Management. We are not required to verify the legal titles of the Target Company; and

- We considered published market data and other public information, where appropriate, for which we are not responsible for their content and accuracy. Such information was obtained from sources such as Bloomberg, S&P Capital IQ and publicly available industry reports.

10 SOURCES OF INFORMATION

For the purpose of our valuation, we were provided with the information in respect of the Target Company prepared by the Management. The valuation required the consideration of all relevant factors including, but not limited to, the following:

- Background information of the operation and relevant corporate information of the Target Company;

- Historical financial information of the Target Company such as management accounts for the year ended December 31, 2022;

- Financial projections of the Target Company;

- Competent Persons' Report ("**CPR**") of the Mining Assets prepared by BAW;
- Registrations, legal documents, permits and licenses related to the Mining Assets;
- The economic outlook in general and the specific economic environment and market elements affecting the coal mining business, industry and market; and
- Bloomberg database and other reliable sources of market data.

We also conducted research from public sources and carried out site inspection to assess the reasonableness and fairness of information provided. We assumed the accuracy of the information furnished to us and relied to a considerable extent on such information in arriving at our opinion.

11 SITE INSPECTION

During BAW's site visit, the following tasks were carried out as part of our analysis process:

- Tour of the Mining Assets and its site office; and
- Meetings with the Management from different operational and supporting departments.

12 ECONOMIC OVERVIEW

With the world's largest population, the PRC is the second largest economy, as well as the second largest importer and consumer in the world. Its significant role in the international arena has become increasingly obvious. During the global financial crisis of 2008, the Chinese government has taken effective stimulus policies to prevent huge economic decline. The PRC has been the largest contributor to world growth since the crisis.

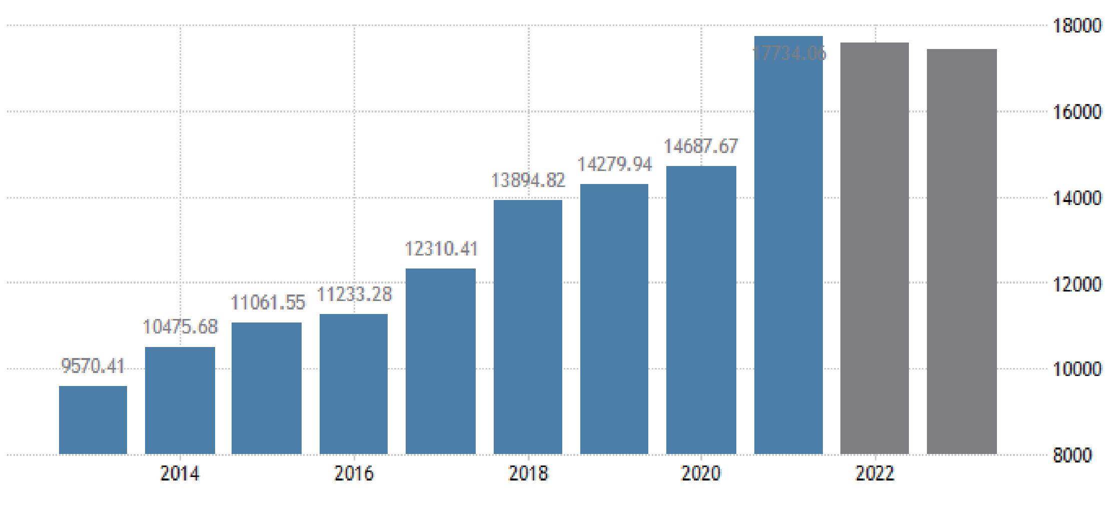


Figure 12.1 – GDP of the PRC (in USD Billion) from 2012 to 2022 (Source: Trading Economics, World Bank)

As shown in Figure 12.1, the gross domestic product (GDP) of the PRC was worth USD17,734.06 billion in 2021, representing 7.94% of the world economy. The Chinese GDP is expected to reach USD17,300.00 billion by the end of 2023 whereas in the long-term, the Chinese GDP is projected to trend around USD17,500.00 in 2024 and USD17,800.00 billion in 2025 according to the Trading Economics macro models.

13 OVERVIEW OF THE MINING ASSETS

13.1 Location and Access

The Jilin Banmiaozi Gold Mine is situated 6.3 km northwest of Baishan City in Jilin Province, the PRC, and approximately 40 km northwest of the China-North Korea border (Figure 13-1). The administrative division falls under the jurisdiction of the Hunjiang District, Baishan City, Jilin Province. Changchun City, the provincial capital of Jilin Province, is located approximately 220 km northwest of the Jilin Banmiaozi Gold Mine.

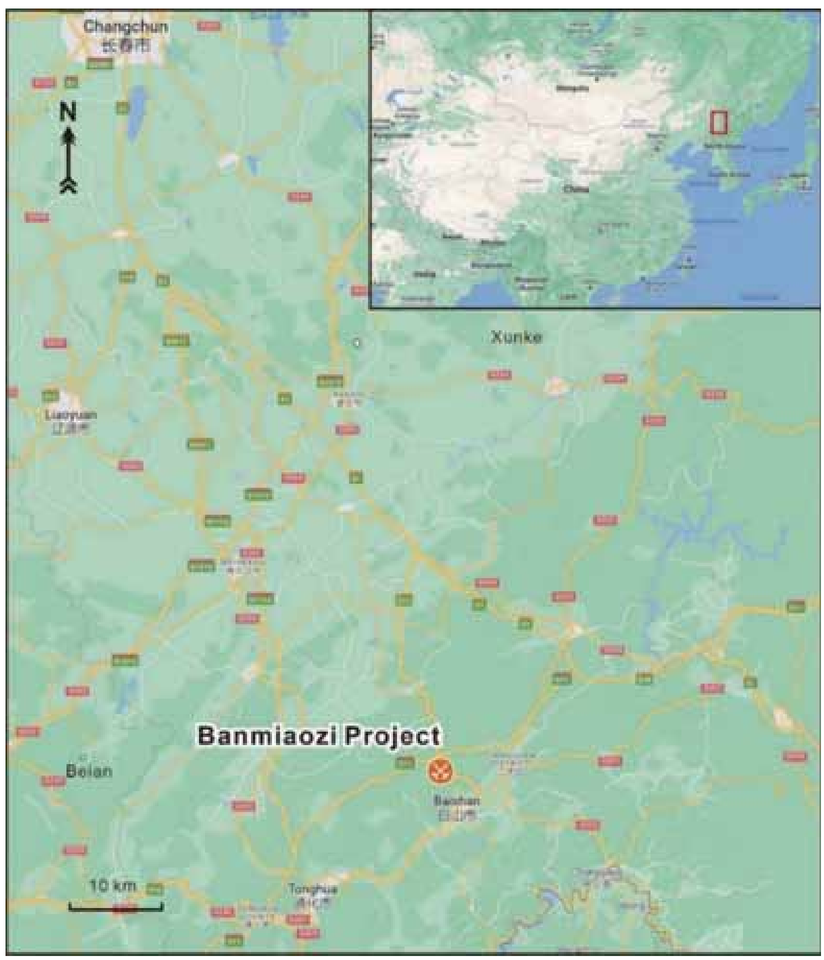


Figure 13-1: Location Map showing the Jilin Banmiaozi Gold Mine

The Qinghai Dachaidan Gold Mine is located approximately 75 kilometres northwest of the town of Dachaidan, under the jurisdiction of Dachaidan town in Haixi Mongolian and Tibetan Autonomous Prefecture, Qinghai Province, the PRC (Figure 13-2). The Qinghai Dachaidan Gold Mine is about 200 km away from Dunhuang City to the north and Golmud City to the south, and about 660 kilometres northwest of Xining City, the capital of Qinghai Province.

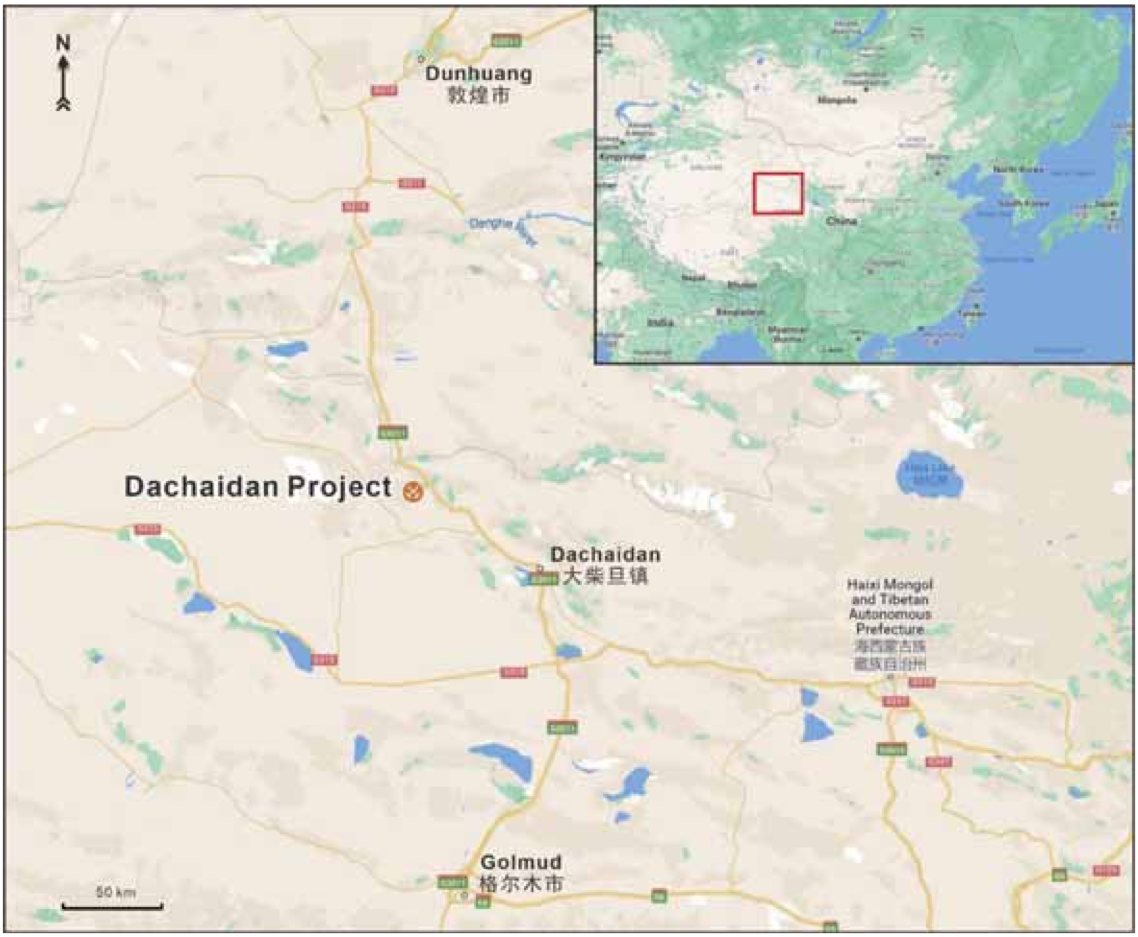


Figure 13-2: Location Map showing the Qinghai Dachaidan Gold Mine

The Heihe Yintai Gold Mine is located in the southeast region of Heilongjiang Province, the PRC, approximately 45 km from Xunke County and 145 km from Heihe City. Harbin, the capital city of Heilongjiang Province, lies around 427 km to the southwest. The Heihe Yintai Gold Mine falls under the administrative jurisdiction of Xinxing Township in Xunke County and is situated approximately 15 km south of the China-Russia border.

Figure 13-3: Location Map showing the Hehei Yintai Gold Mine

The Yulong Silver Mine, a silver-lead-zinc operation, is located approximately 25 km northeast of Baorigesitai Township in West Ujimqin Banner, Inner Mongolia Autonomous Region, the PRC. It falls under the administrative jurisdiction of Bayanhua Town within West Ujimqin Banner. Hohhot, the capital of the Inner Mongolia Autonomous Region, is situated around 760 km southwest. The Yulong Silver Mine is also 175 km south of the China-Mongolia border.

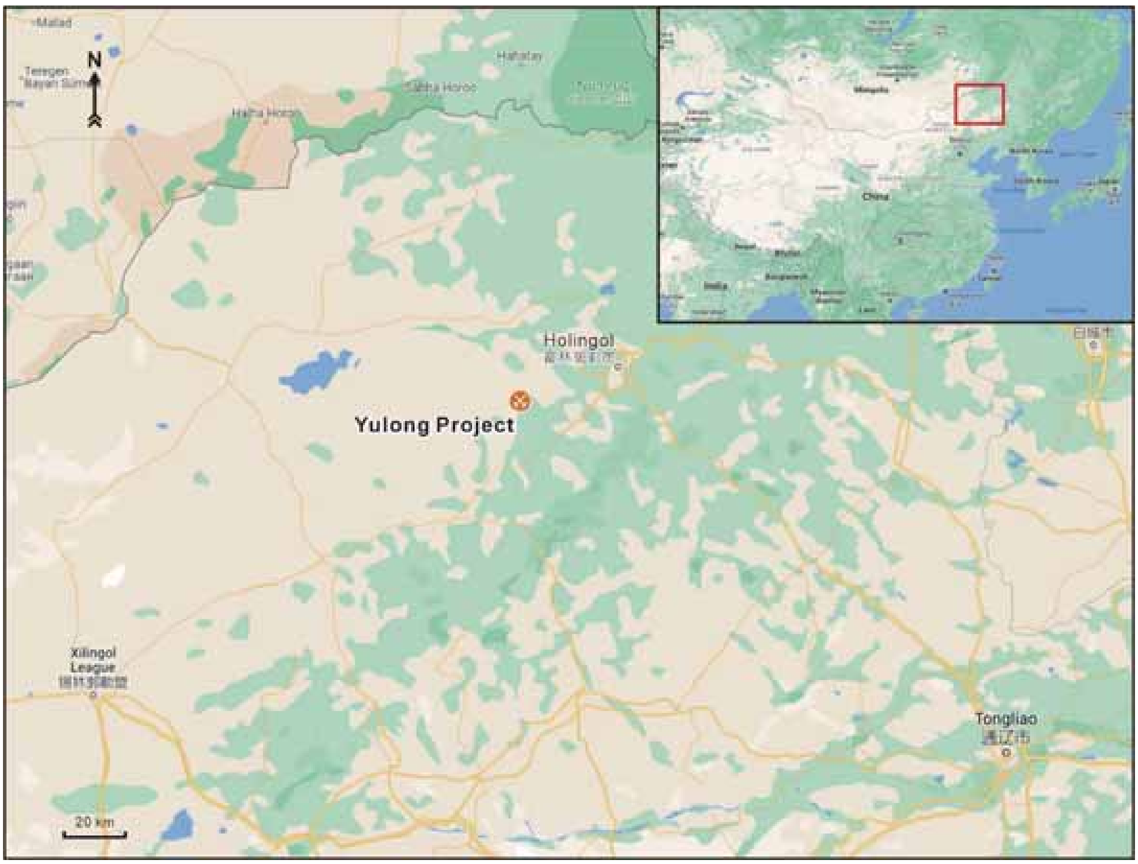


Figure 13-4: Location Map showing the Yulong Silver Mine

The Mangshi Huasheng Gold Mine is located approximately 32 km southwest of Mangshi City and about 40 km northwest of the China-Myanmar border. The project area falls under the jurisdiction of Shangmanggang Village, Santaishan Town, Mangshi City, in the Dehong Dai-Jingpo Autonomous Prefecture, Yunnan Province, the PRC. Kunming City, the capital of Yunnan Province, is situated roughly 460 km to the east.

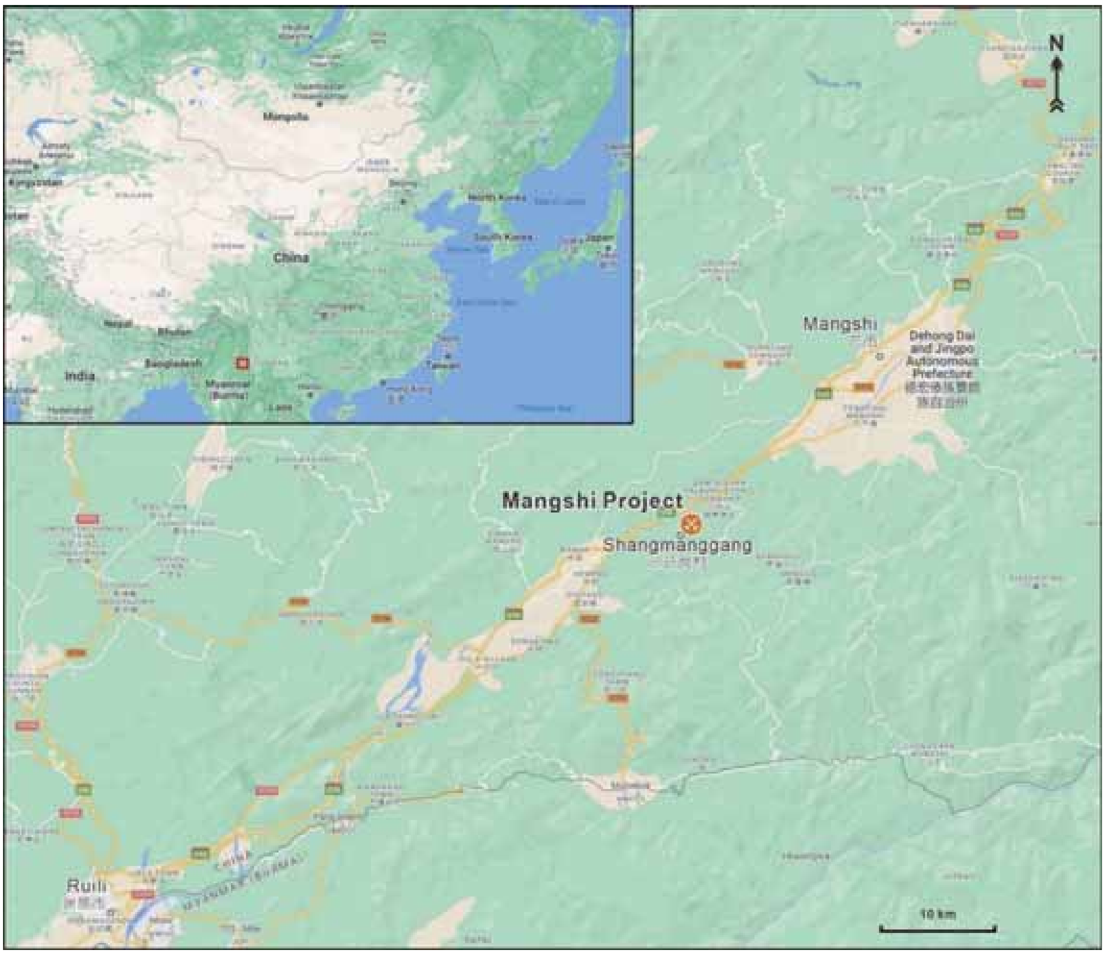


Figure 13-5: Location Map showing the Mangshi Huasheng Gold Mine

13.2 Ownership of the Mining Assets

Pursuant to the "Mineral Resource Law of the PRC", all mineral resources in the PRC are owned by the nation. All types of exploration and mining activities in the PRC generally requires approval from the relevant government agencies in the form of exploration license or mining license granted for a specific area during a specified period of validity (generally extendable once expired).

The Mining Assets are currently owned by the Target Company. The licenses of the Mining Assets were provided by the Company for our review. The license details such as license ID, effective date, area, valid period and permitted production capacity are summarized as below.

Table 13.1: License Details of Heihe Yintai

Mining License Holder	Heihe Yintai Mining Exploitation Co., Ltd. (黑河銀泰礦業開發有限責任公司)
Name of Property	Heihe Yintai
License Type	Mining
License ID	C1000002016044210142237
Area (km^2)	0.1386
Elevation (m)	From 280 m to -100 m
Permitted Production Capacity	375 ktpa
Type of Commodities	Gold and silver
Mining Method	Underground and open pit
Valid Period	18 May 2016 to 18 May 2033

Table 13.2a: License Details of Qinghai Dachaidan

Mining License Holder	Qinghai Dachaidan Mining Co., Ltd.
Name of Property	Qinghai Dachaidan Tanjianshan
License Type	Mining
License ID	C1000002011104120120032
Area (km^2)	1.0306
Elevation (m)	From 3,556 m to 3,000 m
Permitted Production Capacity	600 ktpa
Type of Commodities	Gold
Mining Method	Open pit
Valid Period	17 June 2011 to 17 June 2023

Table 13.2b: License Details of Qinghai Dachaidan

Mining License Holder	Qinghai Dachaidan Mining Co., Ltd.
Name of Property	Qinghai Dachaidan Qinglonggou
License Type	Mining
License ID	C1000002010044120060797
Area (km^2)	2.8751
Elevation (m)	From 3,710 m to 3,450 m
Permitted Production Capacity	200 ktpa
Type of Commodities	Gold
Mining Method	Open + underground pit
Valid Period	17 January 2016 to 17 January 2023

Table 13.3: License Details of Jilin Banmiaozi

Mining License Holder	Jilin Banmiaozi Mining Co., Ltd.
Name of Property	Jilin Banmiaozi Jinying Gold Mine
License Type	Mining
License ID	C1000002011044110112056
Area (km^2)	2.0514
Elevation (m)	From 750 m to -200 m
Permitted Production Capacity	800 ktpa
Type of Commodities	Gold
Mining Method	Underground
Valid Period	13 April 2021 to 13 December 2025

Table 13.4a: License Details of Yulong

Mining License Holder	Inner Mongolia Yulong Mining Holdings Co., Ltd.
Name of Property	Yulong Mining Company Huaao Baoteshan
License Type	Mining
License ID	C1500002012054210125299
Area (km^2)	1.0269
Elevation (m)	From 1,030 m to 400 m
Permitted Production Capacity	250 ktpa
Type of Commodities	Silver, lead and zinc
Mining Method	Underground
Valid Period	16 May 2020 to 16 May 2023

Table 13.4b: License Details of Yulong

Mining License Holder	Inner Mongolia Yulong Mining Holdings Co., Ltd.
Name of Property	Yulong Mining Company Huaao Baote
License Type	Mining
License ID	C1500002011124210112496
Area (km^2)	1.7093
Elevation (m)	From 1,030 m to 400 m
Permitted Production Capacity	1,000 ktpa
Type of Commodities	Silver, lead and zinc
Mining Method	Underground
Valid Period	11 Nov 2012 to 11 Nov 2037

Table 13.5: License Details of Mangshi Huasheng

Mining License Holder	Mangshi Huasheng Gold Mine Exploitation Co., Ltd.
Name of Property	Yunnan Huasheng Mangshi Gold Mine
License Type	Mining
License ID	C5300002009114120045284
Area (km^2)	0.6338
Elevation (m)	From 1,500 m to 1,100 m
Permitted Production Capacity	100 ktpa
Type of Commodities	Gold
Mining Method	Underground and open pit
Valid Period	11 July 2015 to 11 July 2025

13.3 Mineral Resources

The Mineral Resources estimated by the CPR for the Mining Assets in conformity with the requirements of the JORC Code 2012 as of 31 December 2022 are summarized as below:

Table 13.6: Mineral Resources estimated for Jilin Banmiaozi as of 31 December 2022

Cut-off Grade	Category	Tonnage *(kt)*	Gold Grade *(g/t)*	Contained Gold *(kg)*
1.0 g/t Au	Measured	4,584	4.03	18,480
	Indicated	482	3.62	1,746
	M+I	5,067	3.99	20,226
	Inferred	1,675	3.72	6,233
	Total	6,742	3.92	26,459

Table 13.7: Mineral Resources estimated for Qinghai Dachaidan as of 31 December 2022

Site	Category	Tonnage *(kt)*	Gold Grade *(g/t)*	Contained Gold *(kg)*
Jinlonggou Pit 3	Measured	–	–	–
	Indicated	2,754	3.78	10,399
	M+I	2,754	3.78	10,399
	Inferred	1,190	3.04	3,615
	Total	3,944	3.55	14,015
Qinglonggou M2	Measured	–	–	–
	Indicated	346	7.64	2,646
	M+I	346	7.64	2,646
	Inferred	186	6.23	1,159
	Total	532	7.15	3,805
Qinglonggou South	Measured	–	–	–
	Indicated	–	–	–
	M+I	–	–	–
	Inferred	427	6.21	2,650
	Total	427	6.21	2,650
Qinglonggou M3	Measured	–	–	–
	Indicated	613	3.81	2,335
	M+I	613	3.81	2,335
	Inferred	266	2.93	780
	Total	879	3.55	3,115
Qinglonggou North Deep East	Measured	–	–	–
	Indicated	–	–	–
	M+I	–	–	–
	Inferred	383	5.13	1,964
	Total	383	5.13	1,964
Qinglonggou North Deep West	Measured	–	–	–
	Indicated	–	–	–
	M+I	–	–	–
	Inferred	1,356	2.69	3,644
	Total	1,356	2.69	3,644

Site	Category	Tonnage *(kt)*	Gold Grade *(g/t)*	Contained Gold *(kg)*
Xijinggou	Measured	–	–	–
	Indicated	2,700	4.08	11,014
	M+I	2,700	4.08	11,014
	Inferred	1,506	4.24	6,380
	Total	4,206	4.14	17,394
Qinglonggou East	Measured	–	–	–
	Indicated	1,738	8.11	14,095
	M+I	1,738	8.11	14,095
	Inferred	529	7.62	4,029
	Total	2,267	7.99	18,124
Stockpile	Measured	1,314	5.21	6,850
	Indicated	–	–	–
	M+I	1,314	5.21	6,850
	Inferred	–	–	–
	Total	1,314	5.21	6,850
Total	Measured	1,314	5.21	6,850
	Indicated	8,151	4.97	40,490
	M+I	9,465	5.00	47,339
	Inferred	5,843	4.15	24,221
	Total	15,308	4.67	71,561

Table 13.8: Mineral Resources estimated for Hehei Yintai as of 31 December 2022

Cut-off	Category	Tonnage (kt)	Gold Grade (g/t)	Contained Gold (kg)	Silver Grade (g/t)	Contained Silver (kg)
1.0 g/t Au	Measured	1,393	6.57	9,144	71.17	99,132
	Indicated	160	2.59	414	58.18	9,292
	M+I	1,553	6.16	9,558	69.84	108,424
	Inferred	80	2.40	191	65.82	5,235
	Total	1,632	5.97	9,749	69.64	113,659
Stockpile	Measured	214	3.27	700	76	16,320
	Indicated	–	–	–	–	–
	M+I	214	3.27	700	76	16,320
	Inferred	–	–	–	–	–
	Total	214	3.27	700	76	16,320
Total	Measured	1,607	6.13	9,844	71.84	115,452
	Indicated	160	2.59	414	58.08	9,292
	M+I	1,767	5.81	10,258	70.60	124,744
	Inferred	80	2.39	191	65.44	5,235
	Total	1,846	5.66	10,449	70.41	129,979

Table 13.9: Mineral Resources estimated for Yulong as of 31 December 2022

Site	Category	Tonnage (kt)	Lead grade (%)	Contained Lead (t)	Zinc grade (%)	Contained Zinc (t)	Silver grade (g/t)	Contained Silver (kg)	Copper grade (%)	Contained Copper (t)
Huaaobaote Mountain	Measured	–	–	–	–	–	–	–	–	–
	Indicated	4,926	0.64	31,740	1.30	64,070	66.16	325,895	0.16	777
	M+I	4,926	0.64	31,740	1.30	64,070	66.16	325,895	0.16	777
	Inferred	3,547	0.79	28,140	1.44	51,079	79.60	282,315	0.02	614
	Total	8,472	0.71	59,879	1.36	115,149	71.79	608,210	0.02	1,391

Site	Category	Tonnage (kt)	Lead grade (%)	Contained Lead (t)	Zinc grade (%)	Contained Zinc (t)	Silver grade (g/t)	Contained Silver (kg)	Copper grade (%)	Contained Copper (t)
Huaaobaote	Measured	1,013	3.51	35,603	3.53	35,731	265.55	269,000	–	–
	Indicated	10,321	1.19	122,563	1.86	191,830	113.85	1,175,000	–	–
	M+I	11,334	1.40	158,166	2.01	227,561	127.40	1,444,000	–	–
	Inferred	12,627	1.42	179,031	2.05	258,996	154.19	1,947,000	–	–
	Total	23,961	1.41	337,197	2.03	486,557	141.52	3,391,000	–	–
1038 Height	Measured	–	–	–	–	–	–	–	–	–
	Indicated	219	1.15	2,527	2.03	4,455	136.82	30,023	–	–
	M+I	219	1.15	2,527	2.03	4,455	136.82	30,023	–	–
	Inferred	384	1.15	4,416	2.19	8,431	125.20	48,117	–	–
	Total	604	1.15	6,943	2.13	12,886	129.43	78,140	–	–
Nanshan	Measured	–	–	–	–	–	–	–	–	–
	Indicated	332	2.54	8,427	2.89	9,596	190.99	63,418	–	–
	M+I	332	2.54	8,427	2.89	9,596	190.99	63,418	–	–
	Inferred	275	1.96	5,382	2.37	6,499	158.17	43,459	–	–
	Total	607	2.28	13,809	2.65	16,095	176.13	106,877	–	–
1118 Height	Measured	–	–	–	–	–	–	–	–	–
	Indicated	12,057	0.56	67,573	1.65	198,951	73.22	882,877	0.32	38,600
	M+I	12,057	0.56	67,573	1.65	198,951	73.22	882,877	0.32	38,600
	Inferred	10,942	0.56	61,391	1.89	206,916	82.60	903,837	0.44	47,825
	Total	23,000	0.56	128,964	1.76	405,867	77.68	1,786,715	3.76	86,424

Site	Category	Tonnage (kt)	Lead grade (%)	Contained Lead (t)	Zinc grade (%)	Contained Zinc (t)	Silver grade (g/t)	Contained Silver (kg)	Copper grade (%)	Contained Copper (t)
Peripheral (Ⅱ) area	Measured	318	–	–	–	–	183.41	58,324	–	–
	Indicated	588	0.08	490	0.13	790	208.47	122,578	–	–
	M+I	906	0.05	490	0.09	790	199.67	180,902	–	–
	Inferred	901	1.04	16,542	1.23	11,108	194.96	175,658	–	–
	Total	1,807	0.54	9,816	0.66	21,386	197.32	356,560	–	–
Total	Measured	1,331	2.67	35,603	2.68	35,731	245.92	327,324	–	–
	Indicated	28,443	0.82	233,320	1.65	469,693	91.40	2,599,791	1.38	39,376
	M+I	29,774	0.90	268,923	1.70	505,424	98.31	2,927,115	1.32	39,376
	Inferred	28,676	1.03	294,902	1.89	543,029	118.58	3,400,386	1.69	48,439
	Total	58,450	0.95	556,609	1.81	1,057,940	108.25	6,327,502	1.50	87,815

Table 13.10: Mineral Resources estimated for Mangshi Huasheng as of 31 December 2022

Cut-off Grade	Category	Tonnage (kt)	Gold Grade (g/t)	Contained Gold (kg)
0.3 g/t Au	Measured	2,932	1.99	5,850
	Indicated	7,401	1.96	14,477
	M+I	10,334	1.97	20,327
	Inferred	7,374	1.21	8,901
	Total	17,708	1.65	29,228

13.4 Ore Reserves

The Ore Reserves estimated by the CPR for the Mining Assets in conformity with the requirements of the JORC Code 2012 as of 31 December 2022 are summarized as below:

Table 13.11: Ore Reserves estimated for Jilin Banmiaozi as of 31 December 2022

Cut-off Grade	Category	Tonnage	Gold Grade	Contained Gold
		(kt)	*(g/t)*	*(kg)*
2.0 g/t Au	Proven	3,672	4.08	14,999
	Probable	341	3.94	1,343
	Total	4,013	4.07	16,342

Table 13.12: Ore Reserves estimated for Qinghai Dachaidan as of 31 December 2022

	Category	Tonnage	Gold Grade	Gold Metal
		(kt)	*(g/t)*	*(kg)*
Jinlonggou Pit 3	Proved	–	–	–
	Probable	1,975	4.16	8,212
	Total	1,975	4.16	8,212
Qinglonggou M2	Proved	–	–	–
	Probable	343	6.91	2,371
	Total	343	6.91	2,371
Qinglonggou South	Proved	–	–	–
	Probable	–	–	–
	Total	–	–	–
Qinglonggou M3	Proved	–	–	–
	Probable	472	4.01	1,894
	Total	472	4.01	1,894

	Category	Tonnage *(kt)*	Gold Grade *(g/t)*	Gold Metal *(kg)*
Qinglonggou North Deep East	Proved	–	–	–
	Probable	–	–	–
	Total	–	–	–
Qinglonggou North Deep West	Proved	–	–	–
	Probable	–	–	–
	Total	–	–	–
Xijinggou	Proved	–	–	–
	Probable	2,035	4.38	8,918
	Total	2,035	4.38	8,918
Qinglonggou East	Proved	–	–	–
	Probable	1,684	7.49	12,609
	Total	1,684	7.49	12,609
Stockpile	Proved	1,314	5.21	6,850
	Probable	–	–	–
	Total	1,314	5.21	6,850
TOTAL	Proved	1,314	5.21	6,850
	Probable	6,509	5.22	34,005
	Total	7,823	5.22	40,855

Table 13.13: Ore Reserves estimated for Hehei Yintai as of 31 December 2022

Cut-off	Category	Tonnage *(kt)*	Gold Grade *(g/t)*	Contained Gold *(kg)*	Silver Grade *(g/t)*	Contained Silver *(kg)*
3.0 g/t Au	Proven	1,141	7.15	8,160	72.00	82,177
	Probable	44	3.84	169	91.33	4,022
	Total	1,185	7.03	8,329	72.72	86,199

Table 13.14: Ore Reserves estimated for Yulong as of 31 December 2022

Site	Category	Tonnage *(kt)*	Pb grade *(%)*	Pb Metal *(t)*	Zn grade *(%)*	Zn Metal *(t)*	Silver Grade *(g/t)*	Contained Silver *(kg)*
Huaaobaote	Proven	1,015	3.23	32,726	3.24	32,844	243.69	247,265
Mountain	Probable	10,338	1.09	112,660	1.71	176,330	104.48	1,080,060
	Total	11,353	1.28	145,386	1.84	209,174	116.92	1,327,325

Table 13.15: Ore Reserves estimated for Mangshi Huasheng as of 31 December 2022

Cut-off	Category	Tonnage *(kt)*	Gold Grade *(g/t)*	Contained Gold *(kg)*
0.5 g/t Au	Proven	2,621	2.15	5,626
	Probable	6,283	2.19	13,775
	Total	8,903	2.18	19,401

14 MAJOR ASSUMPTIONS

In conducting our valuation work, the following assumptions were adopted in order to sufficiently support our conclusion of value including, but not limited to the information provided and the representations made by the Management with regard to the Target Company's financial and business affairs are accurate and reliable;

- The Target Company will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business development; All relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;

- There will be sufficient supply of technical staff in the industry in which the Target Company operates or intends to operate, and the Target Company will retain competent management, key personnel and technical staff to support their ongoing operations and developments;

- There will be no major changes in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There were no major changes in the financial position and performance of the Target Company between the Date of Valuation and the date of this report;

- There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;

- There will be no material changes in the relevant interest rates and exchange rates that would impact the Target Company's business; and

- There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Company as of the Date of Valuation.

In the event actual events do not accord with one or more of the above assumptions, the resulted value of the Target Company may vary substantially from the figure as set out in this report.

15 VALUATION METHODOLOGY

15.1. General Valuation Approaches

Conventional valuation approaches include Income Approach, Market Approach and Cost Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing the subjects that are similar in nature.

15.1.1. Market Approach

The market approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

15.1.2. Income Approach

The income approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

15.1.3. Cost Approach

The cost approach measures the value of an asset by the cost to reproduce or replace it with another of like utility. To the extent that the asset being valued provides less utility than a new asset, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional and economic obsolescence.

15.2. Adopted Approach for the Valuation

Among the abovementioned valuation approaches, the selection of the valuation approach in valuing the Target Company is based on, among other criteria, the quantity and quality of the information provided, accessibility to available data, availability of relevant market transactions, uniqueness of the Target Company's operations, nature of the industry the Target Company is participating in, professional judgment and technical expertise.

The income approach was considered to be the most appropriate valuation approach in this valuation for valuing the Ore Reserves estimated for the Mining Assets, as it takes the future growth potential and the specific issues of the Mining Assets into consideration. Under the income approach, the Discounted Cash Flow ("**DCF**") method was adopted.

The market approach was considered to be the most appropriate valuation approach in this valuation for valuing remaining Mineral Resources estimated for the Mining Assets which have not included in the Ore Reserves, given that those Mineral Resources were not supported by a number of technical metrics and parameters such as production costs, processing recovery and cashflow projection. In addition, compared to the cost approach the market approach is more likely to reflect current market expectations over the corresponding industry since the price multiples of the comparable companies were arrived from market consensus and capture the future growth potentials. Under the market approach, comparable transaction method was adopted.

15.3. Valuation of the Ore Reserves

15.3.1. Discounted Cash Flow Method

The DCF method begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The expected debt-free cash flow for each year was determined as follows:

$$FCF = EBIT\ (1 - T) + NCI - InvCapex - InvNWC$$

Where:

FCF	=	*free cash flow*
EBIT	=	*earnings before income and tax*
T	=	*tax rate*
NCI	=	*non-cash incomes*
InvCapex	=	*investment in capital expenditure*
InvNWC	=	*investment in net working capital*

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow is calculated as follows:

$$PVFCF = FCF_1 / (1 + r)^1 + FCF_2 / (1 + r)^2 + \ldots + FCF_n / (1 + r)^n$$

Where:

PVFCF	=	*present value of free cash flows*
FCF	=	*free cash flow*
r	=	*discount rate*
n	=	*number of year of projections*

In our valuation work, key technical parameters such as Gold Reserves, production schedule, and other relevant costs data were largely derived from the CPR. Provided below is a brief description and analysis of the major assumptions applied in the valuation.

15.3.2. Mineral Resources and Ore Reserves

In our valuation, the Mineral Resources and Ore Reserves adopted were derived from the CPR. Details of the Mineral Resources and Ore Reserves as of the Date of Valuation can be referred to the CPR and previous sections of Mineral Resources and Ore Reserves in this Report.

15.3.3. Production Capacity and Schedule

Production schedules prepared for the Mining Assets by the CPR have been adopted in this valuation. The annual production capacity adopted for each gold mine in the valuation is conformable with its permitted production capacity. Details of the production schedules can be referred to the CPR.

15.3.4. Basis of Revenue

Annual revenue is determined by applying estimated metal prices to the estimated annual payable products for each operating year. Metal prices have been applied to all production without hedging. The revenue is the gross value of the payable products sold before transportation charges.

Our valuation work adopted the forecasted metal prices sourced from Bloomberg. Given the long-term uncertainty of price associated with commodities, the selling price was assumed to be stationary and no price growth was factored into the revenue projection. The selling prices of finished products applied in the valuation are tabulated as below:

Table 15.1: Projected Selling Prices

Finished Products	**Selling Price inclusive VAT** *(USD/oz)*
Gold	2,007.00
Silver	24.63

Source: Bloomberg

With the adopted selling price mentioned above, revenue generated by the Target Company is summarized as below:

Table 15.2: Projected Revenue of the Mining Assets (RMB in million)

Revenue	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Heihe Yintai	1,400.22	1,247.23	1,247.23	413.55	–	–	–	–	–	–	–	–	–
Qinghai Dachaidan	970.76	1,040.07	1,058.90	1,070.63	994.12	1,414.79	1,420.46	1,521.19	1,521.19	1,428.90	1,333.39	729.03	–
Jilin Banmiaozi	1,111.47	866.41	885.38	1,264.83	1,264.83	951.78	–	–	–	–	–	–	–
Yulong	753.84	753.84	753.84	1,061.74	1,061.74	1,061.74	1,061.74	1,061.74	1,061.74	1,061.74	1,061.74	1,061.74	236.77
Mangshi Huasheng	199.02	597.05	691.26	691.26	691.26	691.26	691.26	691.26	691.26	334.35	–	–	–

15.3.5. Basis of Capital Expenditure

Capital Expenditure ("**CAPEX**") generally comprises of Development and Expansion CAPEX, Sustaining CAPEX, Rehabilitation CAPEX and Exploration CAPEX. BAW was given to understand that the CPR and Mining Assets prepared a projection of Development and Expansion CAPEX and Sustaining CAPEX for further mine development and mining equipment, support facilities based on the proposed production schedule and Rehabilitation CAPEX for proposed rehabilitation program and environmental work, which is reasonable and conformable with the industry practice. No projection was made for Exploration CAPEX.

15.3.6. Basis of Operating Expenditure

Operating Expenditure ("**OPEX**") can be classified into operating cash costs and total production costs. The operating cash costs generally include mining costs, processing (washing) costs, G&A costs, selling costs, environmental protection costs, taxes, resource compensation levy, interests on loans and other cash cost items. The total production costs comprise the operating cash costs, depreciation/ amortization costs and other non-cash cost items. These costs are expressed in RMB.

15.3.7. Basis of Working Capital Requirement

The working capital requirement for the projection period, projected by the Management, was made reference to the market data, including account receivables turnover days, inventories turnover days and account payables turnover days.

15.3.8. Comparable Companies

In applying the DCF method, the estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows, or the discount rate. The appropriate discount rate for the Target Company was determined with reference to the business nature and financial information of publicly listed companies that are considered to be comparable to the Target Company ("**Comparable Companies**").

Given that there is no company which is exactly the same as the Target Company, a set of the Comparable Companies must be identified in valuing the Target Company. To determine the set of the Comparable Companies, we adopted the following principles during our selection process:

- The companies are principally engaged in the business of production and sales of gold in the PRC; and

- Sufficiency of information (such as listing and operating histories, and availability of the financial information to the public).

Based on the abovementioned selection criteria, we considered the set of the Comparable Companies adopted in the valuation is comprehensive. Details of the Comparable Companies are listed as follows:

Table 15.3: Comparable Companies Adopted for Valuation

Company Name	**Bloomberg Ticker**	**Business Description**
Zijin Mining Group Co Ltd	2899 HK Equity	Zijin Mining Group Company Limited operates metal mineral resources exploration and mining businesses. The Company produces gold, copper, zinc, iron, and other base metals. Zijin Mining Group also conducts metal trade and investment businesses domestically and internationally.
Shandong Gold Mining Co Ltd	600547 CH Equity	Shandong Gold Mining Co., Ltd. operates gold mining and production businesses. The Company provides gold exploration, processing, and outsourcing gold smelting services. Shandong Gold Mining also conducts gold jewelry purification and non-ferrous metal production businesses.
Zhongjin Gold Corp Ltd	600489 CH Equity	Zhongjin Gold Corp Ltd acquires, explores and develops properties for gold production. The Company's products also include silver, electrolytic copper and sulphuric acid.
Chifeng Jilong Gold Mining Co Ltd	600988 CH Equity	Chifeng Jilong Gold Mining Co.,Ltd. offers precious metals mining and processing services. The Company produces gold, silver, antimony, palladium, antimony, and other precious metal products. Chifeng Jilong Gold Mining also conducts resource comprehensive recycling businesses.
Western Region Gold Co Ltd	601069 CH Equity	Western Region Gold Co Ltd mines and smelts gold, chrome ore, iron ore in western China.

Company Name	Bloomberg Ticker	Business Description
China Gold International Resources Corp Ltd	2099 HK Equity	China Gold International Resources Corp Ltd. is a mining company focused on the exploration and development of gold projects in inner Mongolia and copper projects in Tibet Autonomous Region of China.
Yantai Yuancheng Gold Co Ltd	600766 CH Equity	Yantai Yuancheng Gold Co Ltd's business scope includes the development, operation and rental of real estate, building furnishing materials, gold mining and sales of copper.
Tongguan Gold Group Ltd	340 HK Equity	Tongguan Gold Group Limited operates as a gold mining company. The Company provides gold exploration, mining, processing, sales, and other services. Tongguan Gold Group markets its products throughout Hong Kong.
Lingbao Gold Group Co Ltd	3330 HK Equity	Lingbao Gold Group Co., Ltd. operates as a mining company. The Company explores, mines, smelts, refines, and processes gold bullion, silver, copper products, and sulfuric acid. Lingbao Gold Group serves customers internationally.
Grand T G Gold Holdings Ltd	8299 HK Equity	Grand T G Gold Holdings Limited is a mining company. The Company focuses on gold exploration, mining and mineral processing in the Peoples Republic of China. Grand T G Gold Holdings current principal gold project-Taizhou Mining is located in Tongguan County, Shaanxi Province along the Xiao Qinlin Mineralized Belt.
Taung Gold International Ltd	621 HK Equity	Taung Gold International Ltd. is a mineral exploration and production company. The Company is a gold exploration and development company focused on developing assets in South Africa. Taung Gold's projects are the Evander in the Mpumalanga Province and Jeanette in the Free State Province.
Dragon Mining Ltd	1712 HK Equity	Dragon Mining Limited operates gold mining and production businesses. The Company provides gold exploration, development, and supervision services. Dragon Mining conducts businesses in Sweden, Finland, and other countries.

Source: Bloomberg

15.3.9. Discount Rate

In order to estimate the value of the Target Company and perform an overall reasonability assessment, it is required to determine an appropriate discount rate for the Target Company. As such, we adopted the weighted average cost of capital ("**WACC**") as a basic discount rate for the Target Company. WACC represents the weighted average return attributable to all of the operating assets of the Target Company. WACC was computed using the formula below:

$$WACC = R_e\ (E / V) + R_d\ (D / V)\ (1 - T_c)$$

Where:

WACC	=	*weighted average cost of capital*
R_e	=	*cost of equity*
R_d	=	*cost of debt*
E	=	*value of the firm's equity*
D	=	*value of the firm's debt*
V	=	*sum of the values of the firm's equity and debt*
T_c	=	*corporate tax rate*

As a component of WACC, the cost of equity was determined using the Capital Asset Pricing Model ("**CAPM**"). CAPM calculates a required return based on a risk measurement. It describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated. CAPM was modified to reflect the size premium and company-specific risk premium associated with the Target Company. The cost of equity under the modified CAPM was computed using the formula below:

$$R_e = R_f + \beta * MRP + RP_S + RP_U$$

Where:

R_e	=	*cost of equity*
R_f	=	*risk-free rate*
β	=	*beta coefficient*
MRP	=	*market risk premium*

RP_S = *size premium*

RP_U = *company-specific risk premium*

In the valuation, the yield rate of the 10-year Government Bond of the PRC of 2.85% as of the Date of Valuation, as extracted from Bloomberg, was adopted as the risk-free rate. The market risk premium of the PRC as of the Date of Valuation of 12.38% was determined from Bloomberg.

The beta coefficient for the Target Company was determined by the median of the betas of the Comparable Companies, with adjustment for differences in corporate tax rates and leverage compositions. As a result, the beta coefficient of the Target was calculated as 0.73.

Considering the above-mentioned parameters, our analysis suggested a cost of equity before any other risk premium of 11.93%.

The weight of debt and weight of equity were determined by making reference to the median of the weight of debt and weight of equity of the Comparable Companies respectively. The weight of equity was adopted as 67.36%.

The cost of debt is determined by making reference to the prime rate in the PRC of 4.30% before tax. The after tax cost of debt adopted was 3.23% and 5.36%.

Accounting for the above items, the nominal WACC as of the Date of Valuation is derived as 9.09% and 9.79%.

15.3.10. Sensitivity Analysis

By its very nature, valuation work cannot be regarded as an exact science and the conclusion arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation. Thus, the following sensitivity analysis was applied to determine the impact of change of the discount rate on the FMV of the Target Company.

Table 16.1: Sensitivity Analysis of the Change in Discount Rate for the Valuation as of 31 March 2023

Discount Rate	Fair Market Value of 100% Interest in the Target Company	Change in Fair Market Value of 100% Interest in the Target Company
	RMB	*(%)*
11%	12,178,000,000	-5.69%
10%	12,642,000,000	-2.10%
Base case (9.09% and 9.79%)	12,913,000,000	–
8%	13,681,000,000	5.95%
7%	14,263,000,000	10.45%

A further sensitivity analysis was run for changes of gold prices, operating cash costs and CAPEX at a discount rate of 9.09% and 9.79%. The resulted changes of after-tax FMV are summarized below.

Table 16.2: Sensitivity Analysis of the Change in Gold Prices as of 31 March 2023

Gold price change	Fair Market Value of 100% Interest in the Target Company	Change in Fair Market Value of 100% Interest in the Target Company
	RMB	*(%)*
+15%	14,820,000,000	14.77%
+10%	14,184,000,000	9.84%
+5%	13,549,000,000	4.93%
Base case	12,913,000,000	–
-5%	12,276,000,000	-4.93%
-10%	11,640,000,000	-9.86%
-15%	11,005,000,000	-14.78%

15.4. Valuation of the Mineral Resources

The market approach develops a value using the principle of substitution which suggests that if one thing is similar to another and could be used (our case invested in) for the other, that they must be equal. Furthermore, the price of two like and similar items should approximate one another.

Given that there is no mineral property exactly the same as the Target Company or the Mining Assets, comparable transactions ("**Comparable Transactions**") must be appropriately selected. In order to determine a set of qualified Comparable Transactions from historic transactions which are available from the public domain, we established multiple selection criteria outlined as below:

- Historic transactions were involved with the JORC-compliant Indicated Resource or above delineated according to the JORC Code 2012 or resources delineated according to the PRC's national standard, collectively the "Qualified Resource";
- The geographic location of the mineral properties in relation to historic transactions being similar with that of the Target Company or Mining Assets;
- The stage of development of the mineral properties in relation to historic transactions being similar with that of the Target Company or Mining Assets;
- Completed mining and surface facilities in relation to historic transactions being similar with that of the Target Company as of the transaction date;
- The delineated quantity of contained metal in relation to historic transactions being comparable with that of the Target Company;
- Historic transactions were completed within three years prior to the Date of Valuation; and
- Historic transaction details are sufficiently available from the public domain.

According to the CPR, the remaining Measured and Indicated Resources that have not been included in the Ore Reserves are summarized as below.

Table 15.4: Remaining Measured and Indicated Resources Adopted for Valuation

Mining Assets	Gold Resources (kg) which are not included in Ore Reserves	Silver Resources (kg) which are not included in Ore Reserves
Banmiaozi	3,884	n/a
Dachaidan	6,484	n/a
Heihe	1,929	38,545
Yulong	n/a	1,599,790
Huasheng	926	n/a
Total	13,223	1,638,335

As demonstrated above, the quantity of remaining Measured and Indicated Resources is 13,223 kg of gold and 1,638,335 kg of silver which are adopted in the valuation using market approach. The analysis of Comparable Transactions shows that the unit acquisition cost per ounce stands at 8.68% of the spot gold price at the time of transaction.

16 RISK FACTORS

16.1. Resource and Reserve

Estimations of tonnage, grade and overall content of a deposit are not precise calculations but are based on interpretation and on sampling. There is always a potential error in the projection of sampling data when estimating the tonnage and grade of the surrounding strata, and significant variations may occur. It is possible that some resources may not be economically mineable. Additionally, historical recovery rate might not be able to be sustained in future operations. The FMV of the Target Company may be diminished if any of these events happen.

16.2. Fluctuation of the Selling Price and Demand

Commodity price and demand are fluctuated. If the selling price decreases substantially or the demand for Gold diminishes in the long run, the value of the Target Company will be adversely affected.

16.3. Implementation for Future Development Plan

Future development of the Target Company may be subject to the approval by the local government. Any delays in the proposed future development plan may adversely affect the value of the Target Company.

16.4. Social and Environmental Issues

If there are any complaints or protests by the local community or any changes on the environmental regulation or requirement, the operation of the Target Company may suffer adverse impact and thus negatively affect our conclusion of value.

16.5. Government Policy Change

Our DCF-based evaluation of the Target Company is reliant on the existing government policy as it existed at the time of the evaluation. Any changes in existing government policy may affect our conclusion of value.

17 LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We have not verified the accuracy of the information provided and have assumed that the aforesaid information is accurate. We have not conducted any further investigations concerning whether all data have been provided to us for our assessment and we have no reason to believe that any material data have been withheld from us.

We would particularly point out that our valuation was based on the information such as the projections made by the Target Company, company background, business nature of the Target Company provided to us.

Our conclusion of the value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation.

This report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated in **Section 2 – Purpose of Valuation**, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear. We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

The title of this report shall not pass to the Company until all professional fees have been paid in full.

18 REMARKS

Unless otherwise stated, all monetary amount stated in this valuation report are in Renminbi (RMB).

19 OPINION OF VALUE

Based on the investigation and analysis stated above, our scope of work, the valuation method employed, information reviewed and the assumptions adopted, the Fair Market Value of the Target Company as of 31 March 2023 (i.e., the Date of Valuation), in our opinion, was reasonably stated as below:

Mining Assets	**Fair Market Value**
Heihe Yintai	3,466,000,000
Qinghai Dachaidan	3,535,000,000
Jilin Banmiaozi	1,723,000,000
Yulong	1,982,000,000
Mangshi Huasheng	602,000,000
Remaining Mineral Resources	1,040,000,000
Total Fair Market Value	12,348,000,000

APPENDIX A – QUALIFICATION OF THE VALUATION TEAM MEMBERS

Mr. Karfai Leung (MPhil, MAusIMM), as the Director of BAW and responsible for the overall project management of this engagement, has more than fifteen years of extensive experience in the mining industry globally including project generation, prospecting, field exploration, mineral resource definition, HSE management, mineral assets valuation, mineral assets acquisition for energy, base metals, non-ferrous metals and precious metals in the PRC, Southeast Asia, North Asia, Central-Asia, Mid-East, Africa, Australasian, North and South Americas. He has hands-on and extensive experience in cash-flow modelling, valuation, due diligence, capital raising, M&A deals and IPOs project management. He meets all the requirements for "Competent Person" as defined in the Australasian JORC Code and the HKEX Listing Rules for the purpose of mineral resource/ore reserve estimation and reporting.

Mr Tom Lam (CFA) has participated in numerous valuations of businesses and financial instruments in M&A deals, Pre-IPO and debt & equity financing for publicly listed and private companies. In particular, he was involved in a wide variety of industries, including natural resources, renewable energy, forestry and agriculture, e-commerce platforms, banking and financial services.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

2. DISCLOSURE OF INTERESTS

(A) Directors', Supervisors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares and Debentures

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company has any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Hong Kong Listing Rules, in accordance with information received by the Company:

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

(B) Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors, supervisors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares, which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Class of Shares	Number of Shares/ underlying Shares interested	Long/Short position	Approximate percentage of shareholding in the relevant class Shares	Approximate percentage of shareholding in the total issued share capital
SDG Group Co.	Beneficial owner	A Shares	1,694,069,251	Long	46.87%	37.87%
	Interest held by controlled corporation *(Note 1)*	A Shares	345,073,733	Long	9.55%	7.71%
Shandong Gold Resources Development Co., Ltd. ("**SDG Resources Development**")	Beneficial owner *(Note 2)*	A Shares	194,872,049	Long	5.39%	4.36%
Schroders PLC	Investment manager	H Shares	85,890,350	Long	9.99%	1.92%
Gold Virtue Limited	Beneficial owner	H Shares	94,189,655	Long	10.97%	2.11%
	Beneficial owner	H Shares	11,000,000	Short	1.28%	0.25%
China Structural Reform Fund Corporation Limited (中國國有企業機構調整基金股份有限公司)	Beneficial owner	H Shares	76,639,270	Long	8.92%	1.71%
CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 (廣發資管–國調基金1號定向資產管理計劃)	Trustee	H Shares	76,639,270	Long	8.92%	1.71%

Notes:

(1) These 345,073,733 A Shares comprise 194,872,049 A Shares held by SDG Resources Development, 115,477,482 A Shares held by SDG Non-ferrous, 31,467,157 A Shares held by Shandong Gold Group Qingdao Gold Co., Ltd. ("**Qingdao Gold**") and 3,257,045 A Shares held by SDG (Beijing) Industry Investment Co., Ltd. ("**Beijing Industry Investment**"). Each of SDG Resources Development, Qingdao Gold and Beijing Industry Investment is wholly-owned by SDG Group Co. SDG Group Co. holds 100% equity interest of SDG Non-ferrous. As such, SDG Group Co. is deemed to be interested in the Shares held by SDG Resources Development, SDG Non-ferrous, Qingdao Gold and Beijing Industry Investment for the purpose of the SFO.

(2) SDG Resources Development is wholly-owned by SDG Group Co., and therefore SDG Group Co. is deemed to be interested in all the Shares held by SDG Resources Development for the purpose of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors are not aware of any business or interest of the Directors nor any of their respective associates (as defined in the Hong Kong Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules as if each of them was a controlling Shareholder).

5. INTERESTS IN CONTRACT OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Enlarged Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

The followings are the particulars of Directors' and Supervisors' employment with substantial Shareholders (holding interests or short positions in the shares and underlying shares of the Company required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO) as at the Latest Practicable Date:

Mr. Li Hang, the chairman of the Board, serves as the deputy secretary of the CPC Committee and general manager of the Shandong Gold Group Co., Ltd..

Mr. Wang Lijun, the Director, serves as a standing committee member of the CPC Committee and deputy general manager of Shandong Gold Group Co., Ltd..

Mr. Li Xiaoping, the chairman of the Supervisory Committee, serves as a standing committee member of the CPC Committee of Shandong Gold Group Co., Ltd..

Ms. Wang Xiaoling, the Director, serves as a special consultant of Shandong Gold Group Co., Ltd..

7. LITIGATION

As at the Latest Practicable Date, save as disclosed in this circular, so far as the Directors are aware, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatening against any member of the Enlarged Group.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MATERIAL CONTRACTS

The Enlarged Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this circular which is or may be material:

(i) On 5 August 2021 (after trading hours), Shandong Gold Mining (Laizhou) Co., Ltd. ("**SDG Mining (Laizhou)**") and SDG Group Co. entered into the acquisition agreements on the acquisitions of 100% equity interests in Shandong Dikuang Laijin Holdings Co., Ltd. (which directly holds 55% equity interests of Laizhou Hongsheng Mining Investment Co., Ltd. ("**Hongsheng Mining**")) and 45% equity interests in Hongsheng Mining at an aggregate consideration of RMB4,667,014,358.15.

(ii) On 5 August 2021 (after trading hours), SDG Mining (Laizhou) and SDG Group Co. entered into the acquisition agreement on the acquisition of 100% equity interests in Shandong Laizhou Ludi Gold Mine Company Limited at a consideration of RMB2,034,195,071.54.

(iii) On 5 August 2021 (after trading hours), SDG Mining (Laizhou) and SDG Group Co. entered into the acquisition agreement on the acquisition of 100% equity interests in Shandong Tiancheng Mining Co., Ltd. at a consideration of RMB431,031,818.49.

(iv) On 22 December 2021 (after trading hours), the Company (as the vendor) entered into a sale and purchase agreement with Shandong Guoxin Yiyang Group Investment and Development Limited ("**Guoxin Yiyang Investment**") (as the purchaser), pursuant to which the Company agreed to sell and Guoxin Yiyang Investment agreed to purchase the asset located at the No. 3 Building, Shuntai Square, No. 2000 Shunhua Road, High-tech Zone, Jinan City, the PRC at a total consideration of approximately RMB414.6 million.

(v) The Share Transfer Agreement and the Supplemental Agreement.

10. EXPERTS AND CONSENTS

The following is the qualification of experts who have given opinion or advice which is contained in this circular:

Name	**Qualification**
BAW Mineral Partners Limited	Competent person and valuer
SHINEWING (HK) CPA Limited	Certified public accountants

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears. Each of the above experts has further confirmed that as at the Latest Practicable Date, it was not interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. It was not interested in any assets which have been, since 31 December 2022 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

11. CORPORATE INFORMATION OF THE COMPANY

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, Hong Kong
H share registrar	Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Joint Company secretaries	Mr. Tang Qi Ms. Ng Sau Mei (FCG, HKFCG)

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sdhjgf.com.cn) for a period of 14 days from the date of this circular:

(a) the Share Transfer Agreement;

(b) the Supplemental Agreement;

(c) the report from SHINEWING (HK) CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(d) the Competent Person's Report prepared by BAW Mineral Partners Limited, the text of which is set out in Appendix V to this circular;

(e) the Valuation Report prepared by BAW Mineral Partners Limited, the text of which is set out in Appendix VI to this circular; and

(f) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix.

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 2023 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 third extraordinary general meeting ("**EGM**") 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 10:00 a.m. on Friday, 30 June 2023 for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

THAT:

1. to consider and approve the resolution regarding the signing of the Supplemental Agreement to the Share Transfer Agreement.

Note: The resolution is in connection with the Company's acquisition of 581,181,068 shares of Yintai Gold Co., Ltd. held by China Yintai Holdings Co., Ltd. and Mr. Shen Guojun (the "**Acquisition**"). For details of the Acquisition, please refer to the circular of the Company dated 15 June 2023.

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

Jinan, PRC
15 June 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.

Notes:

1. Holders of the Company's H Shares should note that the register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023 (both days inclusive). All transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, namely Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 26 June 2023. H Shareholders whose names appear on the H shares register of members of the Company at the close of business on Monday, 26 June 2023 are entitled to attend with their identity cards or passports and vote at the EGM. The record date and arrangements in respect of the holders of A Shares of the Company who are entitled to attend the EGM will be determined and announced separately in the PRC.

2. Any shareholder entitled to attend and vote at the EGM is entitled to appoint a proxy or more proxies (who need not be a shareholder of the Company) to attend the EGM 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 EGM 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 appointer, 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 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 EGM (i.e. before 10:00 a.m. on Thursday, 29 June 2023). Completion and return of the proxy form will not affect the rights of the shareholders to attend and vote at the EGM 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 EGM.

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 EGM.