

Speech of APPMC 2022

*Special Focus - China*

Zhao Fanghua, General Manager of SGEI

Distinguished CEO Albert Cheng, Chairman KL Yap, ladies and gentleman:

Good morning everyone! I am Zhao Fanghua, General Manager of Shanghai Gold Exchange International. I am very pleased to be invited by SBMA to participate in APPMC again to meet with guests from all over the world online, sharing new achievements and views of gold market development and discuss future development.

First of all, on behalf of SGE, I would like to express my gratitude to SBMA and Albert for providing us with this great platform and opportunity to meet you guys online during this special period. Secondly, I would like to thank Alan Liew from UOB and Huang Yourong from Zijin Mining Group for joining this session out of their busy schedules. Later, as our guest speakers, they will share their insights of China's gold market from the point of view of SGE member, and experience with internationalization of China's gold market. Furthermore, I would also like to thank all the guests, both online and on-site who participated in the conference today. Thank you for your attention to the China's gold market and SGE. I hope that today's session will give you a new view of Chinese market.

After nearly two decades of development, China has formed a market covering the entire industrial chain of gold industry, and the volume of gold production and consumption has ranked first in the world for consecutive years. In 2021, China's domestic gold mining production reached nearly 330 tons, and gold consumption reached 1,120.90 tons, an increase of 11.78% comparing to 2019. Gold jewellery consumption continued to increase, and sales of gold bars and coins also maintained steady growth.

As the center of physical gold trading, delivery and vaulting in China, SGE is committed to maintaining the smooth operation of domestic market, and continues to explore new opportunities for mutual development with international gold market. In 2021, the total gold trading volume of SGE was 34,800 tons, with a turnover of 13.08 trillion RMB. The international board gold trading volume was 3,325.48 tons, with a turnover of 1.25 trillion RMB. Since

the beginning of this year, with the transformation of exchange business, institutional clients become more active in trading. As of the end of May 2022, the total gold trading volume of international board reached 1,851.58 tons. In particular, we see a significant increase of price asking transactions which trading volume reached 1,387.45 tons, a year-on-year increase of 125.70%.

Since 2019, SGE has work together with international members and Chinese gold producers and consumers to launch the "Gold Road" project for the international market, and successively launched business modes such as "Gold Leasing + Jewelry Manufacturing", Re-export after Processing.

At present, market participants in Singapore, Thailand and other regions have participated in the "Gold Road" project, making full use of China's high-quality design capabilities and convenient investment and financing channel of SGE to achieve win-win development. With RCEP agreement come into effect this year, we will further expand the application of "Gold Road" project, optimize business processes, and promote the integration of gold markets in RCEP member countries.

The relapse of Covid-19 has delayed the recovery process of global economy, which also impact the stability of global supply chains and financial markets. As for gold market, the resurgence of pandemic also brings difficulties to the transaction and transportation of physical gold. At the same time, under the current pandemic uncertainties, geopolitical tensions and inflation pressure, gold will continue to be good investment in years to come. Facing new challenges and opportunities in the precious metal market, we will continue opening up and cooperation, work with global market participants to meet challenges, actively provide more development opportunities for global participants, and jointly build a win-win "gold market community".

Thanks! Next, I would like to invite my colleagues to introduce the international development of SGE, especially the efforts made by connecting with Southeast Asian market.