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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS HIGHLIGHTS OF 2021

– Revenue decreased to approximately RMB11,849.0 million, representing a decrease of approximately 64.1% as compared to the same period of last year;

– Loss for the period was approximately RMB1,444.0 million, as compared to profit for the period of RMB1,268.6 million for the same period of last year;

– The loss attributable to owners of the Company amounted to approximately RMB1,372.0 million, as compared to the profit attributable to owners of the Company of RMB1,112.3 million for the same period of last year;

– The basic loss per share attributable to owners of the Company was approximately RMB0.31, as compared to the basic earnings per share attributable to owners of the Company of RMB0.26 for the same period of last year; and

– The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021.

The Board of Shandong Gold Mining Co., Ltd. is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2021 prepared in accordance with IFRS.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**11,848,956**	33,039,934
Cost of sales		**(11,559,713)**	(29,892,246)
Gross profit		**289,243**	3,147,688
Selling expenses		**(111,615)**	(46,473)
General and administrative expenses		**(1,430,802)**	(912,390)
Research and development expenses		**(119,293)**	(155,775)
Other income		**5,526**	11,714
Other gains and losses, net		**324,332**	(55,025)
Finance income		**43,563**	33,501
Finance costs		**(335,777)**	(384,088)
Share of results of associates		**8,855**	7,830
(Loss) profit before tax		**(1,325,968)**	1,646,982
Income tax expenses	*5*	**(117,988)**	(378,399)
(Loss) profit for the period		**(1,443,956)**	1,268,583
(Loss) profit for the period attributable to:			
– Owners of the Company		**(1,372,039)**	1,122,253
– Non-controlling interests		**(71,917)**	146,330
		(1,443,956)	1,268,583
(LOSS) EARNINGS PER SHARE	*7*		
– Basic and diluted *(RMB)*		**(0.31)**	0.26

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
(Loss) profit for the period	**(1,443,956)**	1,268,583
Other comprehensive (expense) income:		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(4,017)**	66,115
Other comprehensive (expense) income for the period	**(4,017)**	66,115
Total comprehensive (expense) income for the period	**(1,447,973)**	1,334,698
Total comprehensive (expense) income for the period attributable to:		
– Owners of the Company	**(1,376,056)**	1,188,368
– Non-controlling interests	**(71,917)**	146,330
	(1,447,973)	1,334,698

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	**As at 30 June 2021** *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*8*	**30,172,046**	28,616,211
Investment properties		**212,596**	219,739
Right-of-use assets		**544,138**	508,996
Intangible assets		**16,935,752**	12,105,172
Goodwill		**1,335,243**	1,257,998
Investments in associates		**1,036,826**	1,027,971
Financial assets at fair value through other comprehensive income		**1,500**	1,500
Financial assets at fair value through profit or loss	*9*	**5,646,421**	5,568,568
Inventories		**1,201,372**	1,227,314
Deferred income tax assets		**165,598**	170,877
Other non-current assets		**614,671**	580,445
		57,866,163	51,284,791
Current assets			
Inventories		**3,409,320**	2,549,714
Prepayments, trade and other receivables	*10*	**3,099,719**	4,244,700
Prepaid income tax		**30,243**	33,205
Financial assets at fair value through profit or loss	*9*	**1,744,984**	3,058,213
Restricted bank deposits		**270,890**	258,912
Bank balances and cash		**4,054,921**	3,032,156
		12,610,077	13,176,900
Current liabilities			
Trade and other payables	*11*	**10,394,106**	6,658,366
Lease liabilities		**22,862**	36,655
Current income tax liabilities		**131,178**	366,274
Borrowings	*12*	**9,192,067**	9,727,870
Financial liabilities at fair value through profit or loss	*13*	**10,324,675**	8,672,590
Current portion of other non-current liabilities		**48,645**	72,383
		30,113,533	25,534,138
Net current liabilities		**(17,503,456)**	(12,357,238)
Total assets less current liabilities		**40,362,707**	38,927,553

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AS AT 30 JUNE 2021

	Note	**As at 30 June 2021** ***RMB'000*** **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Non-current liabilities			
Borrowings	*12*	**2,323,944**	1,677,098
Lease liabilities		**79,021**	63,427
Deferred income tax liabilities		**4,118,487**	3,928,100
Deferred revenue		**16,399**	15,406
Provision for asset retirement obligations		**872,449**	845,872
Other non-current liabilities		**696,833**	539,465
		8,107,133	7,069,368
Net assets		**32,255,574**	31,858,185
Capital and reserves			
Share capital		**4,473,430**	4,313,947
Treasury shares		**(6,385)**	(6,385)
Reserves		**20,953,319**	20,520,882
		25,420,364	24,828,444
Perpetual bonds		**3,999,387**	3,999,387
Non-controlling interests		**2,835,823**	3,030,354
Total equity		**32,255,574**	31,858,185

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2021

1. GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the "**Company**") was established in the PRC on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC. The A shares of the Company have been listed on the Shanghai Stock Exchange since 28 August 2003. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors of the Company, the immediate holding company and the ultimate controlling party of the Company are Shandong Gold Group Co., Ltd. (山東黃金集團有限公司) ("**Shandong Gold Group**") and the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government (山東省人民政府國有資產監督管理委員會), respectively.

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The Group is principally engaged in (i) mining, processing and sale of gold and gold products; (ii) manufacturing and sale of building decoration materials; and (iii) investment in equity funds, trading of gold bullion and provision of futures contracts trading services. The address of the Company's registered office and principal place of business is No. 2503, Jingshi Road, Licheng District, Jinan, the People's Republic of China (the "**PRC**").

The interim condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard ("**IAS**") 34 issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured and carried at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The preparation of the interim condensed consolidated financial statements requires the use of certain critical accounting judgements and estimates. It also requires management to exercise its judgements and estimates in the process of applying the Group's accounting policies.

2.2 Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2021:

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

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

2.3 Going concern

As at 30 June 2021, the Group's current liabilities exceeded its current assets by approximately RMB17,503,456,000. The directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

(i) The Group is expected to remain profitable and hence continue to generate operating cash inflows from its future business operations; and

(ii) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide sufficient banking facilities as at 30 June 2021 and available at least next twelve months from 30 June 2021.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 30 June 2021. Accordingly, the directors of the Company have prepared the interim condensed consolidated financial statements on a going concern basis. The interim condensed consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. REVENUE

Revenue represents revenue arising on sales of goods, leasing of properties and provision of services for the period. An analysis of the Group's revenue is as follows:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	**11,715,730**	32,993,153
Brokerage and other fees earned from trading of futures contracts	**129,090**	40,774
	11,844,820	33,033,927
Revenue from other sources		
Rental income from investment properties	**4,136**	6,007
	11,848,956	33,039,934

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

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	**11,844,820**	33,033,927

Set out below is the disaggregation of the Group's revenue from contracts with customers by (i) timing of revenue recognition; and (ii) geographical markets, arising from different reporting segments:

3.1 For the six months ended 30 June 2021 (unaudited)

	Gold Mining *RMB'000*	Gold Refining *RMB'000*	Investment Management *RMB'000*	Total *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:				
Sales of gold bullion, gold related products and others	**1,239,020**	**8,587,180**	**1,889,530**	**11,715,730**
Brokerage and other fees earned from trading of futures contracts	**–**	**–**	**129,090**	**129,090**
	1,239,020	**8,587,180**	**2,018,620**	**11,844,820**
Revenue from other sources:				
Rental income from investment properties	**3,699**	**–**	**437**	**4,136**
	1,242,719	**8,587,180**	**2,019,057**	**11,848,956**
Geographical markets:				
The PRC, excluding the Hong Kong Special Administrative Region ("**Hong Kong**")	**285,464**	**8,587,180**	**2,018,620**	**10,891,264**
Outside the PRC	**953,556**	**–**	**–**	**953,556**
	1,239,020	**8,587,180**	**2,018,620**	**11,844,820**
Timing of revenue recognition:				
At a point in time	**1,239,020**	**8,587,180**	**2,018,620**	**11,844,820**

3.2 For the six months ended 30 June 2020 (unaudited)

	Gold Mining *RMB'000*	Gold Refining *RMB'000*	Investment Management *RMB'000*	Total *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:				
Sales of gold bullion, gold related products and others	1,252,103	30,928,762	812,288	32,993,153
Brokerage and other fees earned from trading of futures contracts	–	–	40,774	40,774
	1,252,103	30,928,762	853,062	33,033,927
Revenue from other sources:				
Rental income from investment properties	5,490	–	517	6,007
	1,257,593	30,928,762	853,579	33,039,934
Geographical markets:				
The PRC, excluding Hong Kong	180,530	30,928,762	853,062	31,962,354
Outside the PRC	1,071,573	–	–	1,071,573
	1,252,103	30,928,762	853,062	33,033,927
Timing of revenue recognition:				
At a point in time	1,252,103	30,928,762	853,062	33,033,927

4. SEGMENT INFORMATION

The President Office (總裁辦公會) of the Company is the Group's chief operating decision-maker ("**CODM**"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The CODM has chosen to organize the Group around differences in different products and services.

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

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

Segment revenue and results

For the six months ended 30 June 2021 (unaudited)

	Gold Mining *RMB'000* (Unaudited)	**Gold Refining** *RMB'000* (Unaudited)	**Investment Management** *RMB'000* (Unaudited)	**Inter-segment elimination** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Revenue	**3,760,102**	**8,823,445**	**2,019,779**	**(2,754,370)**	**11,848,956**
Less: inter-segment revenue	**(2,517,383)**	**(236,265)**	**(722)**	**2,754,370**	**–**
Revenue from external customers	**1,242,719**	**8,587,180**	**2,019,057**	**–**	**11,848,956**
Operating (loss) profit	**(1,158,196)**	**(11,816)**	**143,869**	**(16,466)**	**(1,042,609)**
Finance income	**13,215**	**1,259**	**29,089**	**–**	**43,563**
Finance costs	**(235,860)**	**(2,939)**	**(96,978)**	**–**	**(335,777)**
Share of results of associates	**8,855**	**–**	**–**	**–**	**8,855**
(Loss) profit before tax	**(1,371,986)**	**(13,496)**	**75,980**	**(16,466)**	**(1,325,968)**
Income tax expenses	**(96,409)**	**(60)**	**(21,519)**	**–**	**(117,988)**
(Loss) profit for the period	**(1,468,395)**	**(13,556)**	**54,461**	**(16,466)**	**(1,443,956)**

For the six months ended 30 June 2020 (unaudited)

	Gold Mining *RMB'000* (Unaudited)	Gold Refining *RMB'000* (Unaudited)	Investment Management *RMB'000* (Unaudited)	Inter-segment elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue	6,896,469	31,065,118	853,579	(5,775,232)	33,039,934
Less: inter-segment revenue	(5,638,876)	(136,356)	–	5,775,232	–
Revenue from external customers	1,257,593	30,928,762	853,579	–	33,039,934
Operating profit	1,803,958	89,088	111,397	(14,704)	1,989,739
Finance income	11,960	2,233	19,308	–	33,501
Finance costs	(290,303)	(1,339)	(92,446)	–	(384,088)
Share of results of associates	7,830	–	–	–	7,830
Profit before tax	1,533,445	89,982	38,259	(14,704)	1,646,982
Income tax expenses	(338,746)	(21,416)	(18,237)	–	(378,399)
Profit for the period	1,194,699	68,566	20,022	(14,704)	1,268,583

5. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current income tax:		
– In the PRC	**38,911**	392,379
– Outside the PRC	**119,184**	48,652
	158,095	441,031
Deferred income tax	**(40,107)**	(62,632)
	117,988	378,399

Notes:

(a) The provision for PRC enterprise income tax ("**EIT**") is calculated based on the statutory income tax rate of 25% (2020: 25%). The EIT is calculated based on the applicable income tax rate of 25% and the estimated tax assessable profit of each of the companies comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for the Company and certain subsidiaries which are taxed at preferential tax rate of 15% (2020: 15%) based on the relevant PRC tax laws and regulations.

(b) The estimated tax assessable profit of the Group's overseas joint operation is calculated at the statutory income tax rate in Argentina of 35% (2020: 30%) in accordance with the Argentina income tax law.

In addition, the joint operation has paid withholding tax of approximately RMB9,883,000 (2020: RMB11,130,000) during the six months ended 30 June 2021 on certain inter-company interest expenses paid to Shandong Gold Mining (HongKong) Co., Limited ("**SDG Hong Kong**") (a wholly-owned subsidiary of the Company) which were eliminated upon the proportional consolidation.

6. DIVIDENDS

On 30 March 2021, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2020 of RMB0.05 per share (except 4,884,143 treasury shares held by the Company) to the shareholders of the Company. Dividends of approximately RMB244,000 have been eliminated. Therefore, the dividend declared during the six months ended 30 June 2021 was approximately RMB223,427,000. The payment of dividend was resolved by a special resolution at the shareholders' meeting of the Company on 10 June 2021, and the dividend was paid in July and August 2021.

On 16 April 2020, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2019 of RMB0.1 per share (excluding 18,221,084 A shares of the Company not subject to any dividend payment and 3,488,674 treasury shares held by the Company) to the shareholders of the Company. The dividends of approximately RMB349,000 have been eliminated. Therefore, the dividend declared during the six months ended 30 June 2020 was approximately RMB307,790,000. The payment of dividend was resolved by a special resolution at the shareholders' meeting of the Company on 24 June 2020, and the dividend was paid in August 2020.

The Board does not recommend the payment of a dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

7. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share are calculated by dividing the profit attributable to owners of the Company by the number of shares in issue:

	Unaudited	
	Six months ended 30 June	
	2021	2020
(Loss) profit attributable to owners of the Company *(RMB'000)*	**(1,372,039)**	1,122,253
Weighted average number of shares in issues *(thousands of shares)*	**4,442,993**	4,334,572
Basic (loss) earnings per share *(RMB per share)*	**(0.31)**	0.26

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

The weighted average number of shares for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2020 has been adjusted for the bonus issue on 19 August 2020.

As the Company did not have any dilutive instruments during the six months ended 30 June 2021 and 2020, the Group's diluted (loss) earnings per share was the same as its basic (loss) earnings per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB514,932,000 (six months ended 30 June 2020: RMB517,429,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB5,934,000 (six months ended 30 June 2020: approximately RMB2,173,000) for cash proceeds of approximately RMB5,281,000 (six months ended 30 June 2020: RMB790,000), resulting in a loss on disposal of approximately RMB653,000 (six months ended 30 June 2020: RMB1,383,000).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Financial assets at FVTPL include the following:		
– listed equity investments	**4,423,155**	5,912,709
– investments in equity funds	**2,649,539**	2,568,009
– structured deposits	**318,425**	146,063
– derivative financial assets	**286**	–
	7,391,405	8,626,781

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analyzed as:		
– listed in the PRC	**4,423,155**	5,912,709
– unlisted	**2,968,250**	2,714,072
	7,391,405	8,626,781

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analyzed for reporting purpose as:		
– current assets	**1,744,984**	3,058,213
– non-current assets	**5,646,421**	5,568,568
	7,391,405	8,626,781

10. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

For trade receivables, the Group did not allow any credit term to its trade customers. Ageing analysis of trade receivables at the end of each reporting period based on invoice dates were as follows:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**122,689**	141,578
1-2 years	**36,634**	11,036
2-3 years	**13,004**	15,855
Over 3 years	**22,703**	18,686
	195,030	187,155
Less: impairment of trade receivables	**(16,708)**	(17,251)
	178,322	169,904

In addition, included in the prepayments, trade and other receivables was deposits with exchanges and non-bank financial institutions of approximately RMB1,745,297,000 (31 December 2020: RMB2,805,364,000).

11. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables at the end of each reporting period based on invoice dates were as follows:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**847,027**	845,446
1-2 years	**29,393**	33,648
2-3 years	**14,740**	13,085
Over 3 years	**3,870**	1,682
	895,030	893,861

12. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately RMB5,363,353,000 (six months ended 30 June 2020: RMB6,878,571,000). These loans carry interests at fixed market rates of 0.999% to 4.00% per annum.

During the current interim period, the Group issued ultra short-term financing bonds of approximately RMB1,000,000,000 (six months ended 30 June 2020: RMB2,000,000,000). These ultra short-term financing bonds carry interests at a rate ranging from 2.89% to 2.90% and are repayable within one year.

13. FINANCIAL LIABILITIES AT FVTPL

The Group obtained financing through entering into gold leasing contracts with banks to lease gold from banks and subsequently sold the gold through the Shanghai Gold Exchange. Upon maturity of those lease contracts, the Group has to return to such banks with gold of the same quantity and specification, which would be usually purchased through the Shanghai Gold Exchange. The maturity periods of gold leasing contracts are generally less than 1 year (1 year inclusive). The Group has designated the liabilities associated with such gold leasing arrangements as financial liabilities at FVTPL. Realized or unrealized fair value gain (loss) on gold leasing contracts are recognized and presented in the consolidated statement of profit or loss as "finance costs". The fair value of all gold leasing contracts is determined based on the current selling price in an active market.

The Group had also entered into certain gold forward/futures contracts for managing part of the risk associated with the fluctuation in the purchase prices of gold for its operations or managing the price risk associated with the aforesaid gold leasing contracts. These gold forward/futures contracts have also been designated as financial liabilities at FVTPL. Realized and unrealized fair values gain/loss on the gold forward/futures contracts are recognized in the consolidated statement of profit or loss as "other gains and losses, net".

14. CONTINGENCIES AND COMMITMENTS

The Veladero Mine held by Minera Andina del Sol. SRL. ("**MAS**") experienced several environmental incidents as set out below:

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

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

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

As at 30 June 2021, MAS was involved in several ongoing administrative and civil proceedings with respect to the abovementioned environmental incidents.

In assessing loss contingencies, the directors of the Company have evaluated the legal proceedings and determined that no provision should be made for any potential liabilities or asset impairment relating to the aforesaid legal proceedings as an amount cannot be reasonably estimated.

The Group has evaluated the legal proceedings with the assistance from its external legal counsel and no provision has been made for any potential liabilities or asset impairment relating to the aforesaid legal proceedings.

Other than those as disclosed above, the Group did not have any other significant pending litigation which may result in a significant loss to the Group.

15. CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet provided for in the interim condensed consolidated financial information of the Group at the end of the reporting period is as follows:

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Property, plant and equipment	**365,302**	367,965
Mining and exploration rights	**271,341**	277,937
	636,643	645,902

16. EVENTS AFTER REPORTING PERIOD

(i) Issuance of the ultra short-term financing bonds

On 13 August 2019, the Resolution on the Proposed Issuance of Ultra Short-term Financing Bonds was considered and passed by the Board of the Company, approving the Company's application to the National Association of Financial Market Institutional Investors for registration and issuance of ultra short-term financing bonds of no more than RMB10 billion. On 27 December 2019, the National Association of Financial Market Institutional Investors issued the Notice of Registration Acceptance (Zhong Shi Xie Zhu [2019] No. SCP501), approving the Company's issuance of ultra short-term financing bonds with an issue size of RMB10 billion, within an effective period of two years and in tranches.

On 21 July 2021, the Company issued the third tranche of ultra short-term financing bonds of RMB500 million at the coupon rate of 2.73% and with a term of 267 days.

On 20 August 2021, the Company has issued fourth tranche of ultra short-term financing bonds of RMB500 million at coupon rate of 2.5% and with a term of 270 days.

(ii) Impact of safety inspections on principal business

As a result of the safety accidents occurred in early 2021 in Qixia Hushan Gold Mine (栖霞市笏山金礦) of Shandong Wucailong Investment Company Limited (山東五彩龍投資有限公司) and Caojiawa Gold Mine (曹家窪金礦) of Shandong Zhaoyuan (山東招遠), two local enterprises which are not owned by Shandong Gold, the mines in Shandong Province owned by the Company have shut down production to carry out safety inspections since February 2021 in accordance with the requirements of the local authorities.

As at the date of this announcement, the resumption of work and production at the mines in Shandong Province owned by the Company is as follows: Shandong Gold Mining (Laixi) Co., Ltd., Shandong Jinzhou Mining Group Co., Ltd., Shandong Gold Mining (Xinhui) Co., Ltd. and Shandong Gold Mining (Yinan) Co., Ltd. have resumed normal production; Sanshandao Gold Mine and Jiaojia Gold Mine of SDG Mining (Laizhou), Xincheng Gold Mine of Shandong Gold and Dongfeng mining area of Shandong Gold Mining (Linglong) Co., Ltd. have resumed production, but none of them have reached full capacity.

(iii) Proposed Acquisition of equity interests

On 5 August 2021, 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. (山東地礦來金控股有限公司) (which directly holds 55% equity interests of Hongsheng Mining) and 45% equity interests in Hongsheng Mining, at an aggregate consideration of RMB4,667,014,358;

On 5 August 2021, 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 (山東萊州魯地金礦有限公司), at a consideration of RMB2,034,195,072;

On 5 August 2021, 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. (山東天承礦業有限公司), at a consideration of RMB431,031,818.

The aforesaid proposed acquisitions are subject to the approval of the Shareholders.

(iv) Capital increase of Donghai Securities by SDG Capital Management

On 12 August 2021, the eleventh meeting of the sixth session of the Board considered and approved the Resolution on the capital increase of Donghai Securities by SDG Capital Management, a wholly-owned subsidiary, which intends to contribute not more than RMB500 million to participate in the subscription of shares privately issued by Donghai Securities Co., Ltd.

BUSINESS REVIEW

Industry and Principal Business of the Company during the Reporting Period

Business Scope

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

Operating Model

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

By adopting the large-scale production and operation model of scattered mining and centralized smelting, the Company has been able to leverage on the scale advantage and modern production level of its gold resources in the Laizhou region of the Jiaodong Peninsula, and is currently accelerating the construction of a world-class gold base in Jiaodong area based on "Sanshandao Resource Belt, Jiaojia Resource Belt and Xincheng Resource Belt" and other mineral rights. The Company always places its emphasis on technological innovation to drive development through digital transformation and lead development through technological innovation. The Company adheres to the "double zero" goal in respect of safety and environmental protection and endeavors to build world-class intrinsically safe mines. The Company consciously places the green development model into practice and proactively promotes construction of green mine to achieve a harmonious, mutually beneficial and win-win situation between mines and the surrounding communities.

Changes in Key Performance Drivers

As a result of the safety accidents occurred in early 2021 in Qixia Hushan Gold Mine (栖霞市笏山金礦) of Shandong Wucailong Investment Company Limited (山東五彩龍投資有限公司) and Caojiawa Gold Mine (曹家窪金礦) of Shandong Zhaoyuan (山東招遠), two local enterprises in Shandong Province not owned by the Company, the gold mine enterprises in Shandong Province owned by the Company have shutdown production to carry out safety inspections since February 2021 in accordance with the requirements of the local authorities, which greatly affected the production capacity of the Company.

The gold mine production volume of the Company was 9.80 tonnes in the first half of 2021, representing a year-on-year decrease of 10.23 tonnes or 51.07%.

Description of the Company's Industry during the Reporting Period

In the first half of 2021, the global pandemic situation and the pace of economic recovery significantly diverged. Major developed economies such as Europe and the United States experienced a significant easing of the pandemic due to intensive prevention and control as well as sound progress in vaccination, and at the same time, the economy recovered rapidly due to the implementation of large-scale fiscal and monetary stimulus. However, the pandemic situation in certain emerging market countries, such as India, Brazil and some countries in Southeast Asia, remained challenging in the first half of the year, and the economic recovery was sluggish. In addition, due to frequent variations of the virus, the global pandemic prevention and control situation remained grim, and the global economy was recovering moderately but the outlook was still subject to great uncertainty. Due to the ultra-loose monetary policy and large-scale fiscal stimulus adopted by major developed countries, coupled with the imbalance between supply and demand of bulk commodities and the low base effect and other factors, the global inflation was significantly driven to a high level in the first half of 2021.

In the first half of 2021, the gold prices fluctuated and fell back as global vaccination rates for COVID-19 steadily increased, the pandemic generally eased off and the upside expectations for global economy improved. The London spot gold fixing price at the end of June 2021 was US$1,763.15/ounce, representing a decrease of 9.27% from the beginning of the year. The Shanghai Gold Exchange gold Au9999 reported an opening price of RMB397.48/g and closed at RMB365.82/g at the end of June 2021, representing a decrease of 7.97% from the beginning of the year. The weighted average price for the first half of the year was RMB376.62/g, representing an increase of 2.07% as compared with the same period of last year.

Looking forward to the second half of 2021, under the background of the marginal slowdown in global economic growth and the sustained high level of inflation, gold prices still have upside, but with the looming concern from the market of the tightening monetary policy of the Federal Reserve, the outlook for gold prices may be negative to some extent. Considering all the above, gold prices may show a slightly stronger momentum with fluctuations in the second half of the year, and its volatility may also rise to a relatively higher level.

From the perspective of the international gold industry, the current international situation has entered a period of turbulence and change, the global economic landscape and the supply and demand for mineral resources have been deeply adjusted, and the battle for mineral resources is becoming increasingly fierce; and from the perspective of the domestic gold industry, the current "carbon peak, carbon neutrality" provides a new development opportunity for the transformation from old growth drivers to new ones in the gold industry.

According to the latest statistics released on the official website of the China Gold Association, in the first half of 2021, the gold produced with domestic raw materials was 152.75 tonnes, representing a year-on-year decrease of 17.32 tonnes or 10.18% as compared with the same period of 2020. Among them, gold mine-produced gold was 122.72 tonnes, representing a year-on-year decrease of 13.47%; and the non-ferrous by-products was 30.03 tonnes. The supply of imported gold raw materials increased steadily, with 52.19 tonnes of gold produced from imported raw materials, representing a year-on-year increase of 9.33%. If the gold produced from such imported raw materials was added, the nationwide gold production was 204.94 tonnes in total, representing a year-on-year decrease of 5.90%.

In the first half of 2021, affected by two gold mine safety accidents in Yantai area at the beginning of the year, non-coal mines in Shandong Province have started large-scale safety inspections since February, which was the main reason for the decline of nationwide gold production in the first half of the year. Gold enterprises in Shandong Province actively communicated with the government authorities at all levels in Shandong Province to actively supervise the resumption of normal production in the mines under their ownership on the premise that the safety hazards were comprehensively investigated and the rectification measures were put in place, with an aim to minimize the impact on the enterprises arising from safety inspection.

Analysis on the Core Competitiveness during the Reporting Period

Strategic Advantage

The Company was committed to strategy-leading development, continued to put strategy into practice and remained determined to its strategy. Focusing closely on the development concept of "Safe Shandong Gold, Ecological Shandong Gold, Vibrant Shandong Gold and Humanistic Shandong Gold", we took the promotion of world-class demonstration mines as an opportunity to accelerate the construction of mechanization, automation, information and intelligence, actively promoted changes in the mode of labor organization, and further improved the quality of safety. We adhered to the development concept of "Eco-mining", followed the path of ecological priority and green development, increased and optimized investment in key areas and sectors such as infrastructure, pivotal matters and strategic projects related to green development, and continuously improved the standard of green mine construction. We strengthened lean management across the board to maximize corporate efficiency, resource utilization and corporate value with minimum cost investment, and to promote high-quality corporate development; we focused on increasing the allocation of domestic resources and capacity enhancement, stabilizing the operational management of existing overseas enterprises, and further improving the Company's ability and level of resilience to risks.

Resources Advantage

In 2021, the Company adhered to the concept of "resource first", and stepped up exploration efforts while actively pursuing resource mergers and acquisitions. The Shandong provincial government has specifically put forward the requirements of accelerating the integration of gold enterprises in Shandong Province, optimizing the industrial layout and building the brands of gold enterprises. Taking this opportunity, the Company actively participated in the integration of gold resources in the province to focus on the acquisition of high-quality resource projects around the Company's existing mines, further promoted the integration of resources in Sanshandao metallogenic belt and Jiaojia – Xincheng metallogenic belt, advanced the resource optimization and integration in Laizhou region, and consolidated and enhanced the Company's resource reserves, which laid a solid resource foundation for building a world-class gold production base in Jiaodong region. The Company has continuously increased its overseas exploration efforts, comprehensively coordinated "two resources and two markets" and made full use of the constant advancement of the "Belt and Road" initiative. In 2021, the Company acquired Cardinal Resources and HXG in succession, which effectively expanded its global resource deployment.

Advantage in the Company's Scale

The Company is mainly engaged in the development and utilization of gold mineral resources, and enjoys the highest equipment level and degree of mechanization of mines in the domestic mining industry. The construction of an international first-class exemplary mine at Sanshandao Gold Mine has led the pace of mechanization, automation and intelligent mine well construction of large and medium-sized mines. A number of enterprises, such as Xincheng Gold Mine and Jiaojia Gold Mine have gradually improved the level of mechanization and automation, with the mechanization rate of mining operations reaching over 50% and the automation control rate of auxiliary production systems in mine wells reaching 80%. The cumulative gold production of Jiaojia Gold Mine, Linglong Gold Mine and Sanshandao Gold Mine all exceeded 100 tonnes, making the Company the only domestic listed company in the PRC which owns three mine enterprises each with cumulative gold production exceeding 100 tonnes. Jiaojia Gold Mine, Sanshandao Gold Mine, Xincheng Gold Mine and Linglong Gold Mine have been on the list of "China Top Ten Gold Production Mines and Top Ten Cost Efficient Gold Mines in the PRC" for several consecutive years. Shandong Gold Smelting Co., Ltd. has been on the list of "China Top Ten Gold Smelting Enterprises" for several consecutive years.

Advantage in Technological Innovation

The Company thoroughly implements the new development concept of "innovation, coordination, green, openness and sharing", closely follows the theme of ecological protection and high-quality development, and conforms to the development direction of "intelligent mine" and "ecological mining". The Company reinforced the construction of independent innovation platform and stuck to the path of independent innovation by focusing on mastering cutting-edge and core mining technologies and by means of increasing investment in scientific and technological research and development as well as undertaking and participating in key research and development projects at provincial and ministerial levels. In response to the current issues on flotation tailings and cyanide residue resource utilization, the Company established a joint innovation research base for the resource utilization of gold tailings, which gathered internal and external innovation resources to concentrate efforts on tackling technical problems. Pursuant to the Company's development strategy, the three laboratories of the Company have been working on rock mechanics testing and analysis, deep mining method research, filling process optimization, filling equipment and material development, gold processing and precious metal smelting, etc., and have achieved a number of independent innovative scientific and technological results with industrial application value. The Company has made efforts to protect its intellectual property and emphasized converting independent innovation into the driving forces for corporate development. In the first half of 2021, applications of 121 patents were submitted and accepted, 96 patents were granted and 25 provincial and ministerial awards were obtained.

Talent Advantage

The Company promotes the core values of "openness, inclusiveness, loyalty and responsibility", aiming to achieve the ideal goal of "bringing as much benefits as possible to as many individuals as possible from the existence of Shandong Gold". It advocates the idea of seeking for both talent and virtue and promoting those with competence and merits. The Company has remained its staffing direction of "accumulating experience through working in primary-level units and getting stronger through working at positions requiring arduous efforts" and continued the construction of "learning organization" and "professional team", and actively cultivated professional talents with "great theoretical accomplishment, strong professional ability and extensive practical experience". The Company vigorously selected young cadres, further optimizing the Company's talent echelon construction. At the same time, the Company actively launched an all-round in-depth cooperation between schools and enterprises and established the "Shandong Gold – Northeastern University Mining Technology Innovation Institute" (山東黃金–東北大學礦業技術創新研究院) to promote the cultivation of high-end talents. It utilized the market mechanism to vigorously implement the program of introducing high-end talents. Based on scientific design, the Company constantly improved the professional and technical post ranking system to offer a smooth career development channel for professional and technical personnel; and through active innovation, it established the self-assessment system for professional workers with specialized skills in gold mining industry, which filled the gap of the provincial specialized skill assessment for professional workers in the gold mining industry.

Brand Advantage

Based in China, Shandong Gold optimized and expanded its principal gold business with an international vision. The Company was successively selected as a sample stock of the three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices, and the Shanghai Stock Exchange 50 Index. In the first half of 2021, the Company was granted the "Evergreen Awards – Sustainable Development Inclusive Award", the sixteenth "Golden Roundtable Forum – Best Board of Directors Award" of Chinese Boards of Listed Company, the twelfth Tianma Award for the PRC Listed Companies with Best Investor Relationship –"Best Investor Relationship Award" and "Best Board of Directors Award". The Company thoroughly implemented the development concept of "lucid waters and lush mountains are invaluable assets", adhered to the principle of always putting the safety and life of people as top priority, continuously strengthened the main responsibility of safety protection and built up the intrinsically safe defense line. The Company deeply advanced the pollution prevention and control and the land greening and beautification action of "Green Mines, Beautiful Shandong Gold". It consolidated the green mine construction achievements, took the path of green and low-carbon sustainable development, strove to build "Safe Shandong Gold, Ecological Shandong Gold", and continuously enhanced the brand image of "Shandong Gold, Ecological Mining".

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

In the first half of 2021, the Board of the Company upheld the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strictly implemented the decision and deployment of the Shandong Provincial Party Committee and the provincial government, rose to the difficulties and took concrete steps to eliminate the risks and challenges in the way of corporate development.

Overview of the Company's Production and Operations for the First Half of the Year

The gold mine production volume of the Company was 9.80 tonnes, representing a year-on-year decrease of 10.23 tonnes or 51.07%.

Among the Company's gold mine production, the domestic companies' gold mine production decreased by 51.59% year-on-year, mainly due to impact of not reaching full production due to safety inspections required by policy, while foreign companies' gold mine production decreased by 48.93% year-on-year, mainly due to the impact of the epidemic and the delayed commissioning of the Phase 6 leach pad. The Company completed processing (leaching) of 14.4976 million tonnes, representing a year-on-year decrease of 2.63 million tonnes or 18.62%. Among them, the processing volume in PRC reached 3.8826 million tonnes, representing a year-on-year decrease of 4.3937 million tonnes or 53.09%; processing volume abroad was 4.5465 million tonnes, representing a year-on-year decrease of 1.3055 million tonnes or 22.31%. The raw ore grade was 1.39g/t, representing a year-on-year decrease of 0.73g/t or 34.54%; the raw ore grade of overseas mines was 0.79g/t, representing a year-on-year decrease of 0.07g/t or 7.71%; the gold beneficiation and smelting recovery rate of domestic mines was 91.46%, representing a year-on-year decrease of 0.29 percentage point or 0.31%; the gold beneficiation and smelting recovery rate of overseas mines was 72.96%, representing a year-on-year decrease of 0.57 percentage point or 0.77%.

Major Work Conducted

Focus on addressing risks and challenges to continue to resolve difficult issues. Since the commencement of the safety inspection, the Company has kept abreast of the production and operation dynamics, co-ordinated the deployment, made careful arrangements and implemented precise measures to create all conditions to help the mines shorten the time for rectification and acceptance as far as possible and resume production as soon as possible. At the same time, for the mines which have resumed production, the Company further organized the production system, acknowledged and managed the "shortcomings" in management, optimized the production organization and strove to reduce the impact of the safety inspection on the Company's annual production and operation.

Focus on operational control and management to continue to improve the quality of development. The Company focused on quality orientation, strengthened operational control, deepened cost reduction and efficiency enhancement, and strove to improve the quality and efficiency of development. The Company promoted the effective improvement in technical indicators and production efficiency through optimizing and improving the process flow and strict dynamic control of key indicators. The Company also enhanced its cost control capability and level by reviewing and reducing non-productive investments, vigorously launching technological innovation and focusing on lean management. At the same time, we analyzed and grasped the capital situation of enterprises under the Company in a timely manner, highlighted the strengthening of cash flow management. The Company vigorously conducted low-cost financing through ultra-short-term financing and gold leasing, thus maximizing the saving of financial expenses.

Focus on promoting transformation and upgrading to continue to stimulate development vitality. For addressing the bottlenecks that constrain the development of the industry, the Company established a joint innovation research base for the resource utilization of gold tailings, and co-hosted the "High-end Forum on Green and Intelligent Development of Deep Earth Resources (深地資源綠色智能開發高端論壇)" with Northeastern University. The project "Three-dimensional Structure and Positioning Prediction of Mineral Gathering Area in Jiaodong (膠東礦集區三維結構與定位預測)", a national key R&D programme for the 13th Five-Year Plan, passed the performance evaluation. We strongly promoted digital transformation and formulated a digital transformation plan. The "Shanjin Cloud" project has been running on some enterprises' business systems and has been selected as one of the "five-star cloud enterprises (五星級上雲企業)" in Jinan City. The Shanjin integrated intelligent control platform (ERP) project has entered the stage of implementation in systems; we have successfully completed the construction of "world-class exemplary mine" in Sanshandao Gold Mine, which reached a leading international level. The results were selected as a typical case of "Industrial Internet" in the mining industry by the Ministry of Industry and Information Technology. The "Shandong Gold Intelligent and Smart Mine Joint Innovation Centre (山東黃金智能智慧礦山聯創中心)"was established to be responsible for the construction and promotion of first-class demonstration mines.

Focus on strategic support to continue to consolidate the foundation of development. We were serious about summarizing the rules of geological mineralization and promoting exploration to increase reserves. Through launching a high-intensity campaign to step up efforts to "find mines by mines, explore the edges and all parts (依礦找礦、探邊掃盲)", highlighting the deeper parts of mines and outer exploration work, the Company achieved new breakthroughs in exploration to increase reserves. We also made solid progress in the acquisition of resources and actively and steadily promoted the restructuring and integration of gold resources within Shandong Province to enhance the capacity of gold reserves comprehensively.

Focus on strengthening brand construction to continue to enhance development protection. We built a strong line of defence for production safety, strengthened the "double base" construction, revised 22 safety management systems and 44 production safety responsibility systems. The Company held 12 special training courses on fire operation and blasting materials management; and launched major safety hazard investigation and remediation, as well as special management activities on mine ventilation and blasting materials, which improved the safety management level significantly; the campaign "to replace workers with machineries and to reduce workers with automation" was continuously promoted, and the automation control rate of large fixed equipment in mines has now reached 78%. The Company has taken up its social responsibility and participated in rescue work for the explosion accident at Qixia Hushan Gold Mine, making an outstanding contribution to the rescue of the accident. The Company also gave full play to the role of cultural leadership and revised its corporate cultural philosophy system in conjunction with the 14th Five-Year Plan strategy. It held a series of activities to celebrate the centenary of the founding of the Party, as well as theme activities such as the "Party-love Movement in Qilu (紅動齊魯)" speech contest and the recitation of red classics. The culture of Shandong Gold has become more permeable and infectious with each passing day.

Focus on strengthening the Party building-led work to continue to inject development momentum. The Company carried out learning and education of the history of the Party, set up a leading group for learning and educating the history of the Party and an internal working body, organized participation in special classes for learning and educating the history of the Party at the party committee of Shandong Province, provincial enterprises and the Company, and promoted the practical activity of "I do practical things for the public (我為群眾辦實事)" to create a strong learning atmosphere. The Company earnestly conducted "two excellent and one advanced (兩優一先)" recommendation work in Shandong Province and provincial enterprises. One person was awarded the title of "Excellent Communist Party Member" in Shandong Province, and five persons and two Party organizations were awarded the title of "two excellent and one advanced" in provincial enterprises. The Company implemented results summary work for breakthrough projects by Party committee secretaries for the grassroots party building. The Company's breakthrough projects won the first prize in provincial enterprises, while the breakthrough projects in affiliated enterprises won the second prize and the third prize each.

Significant changes in the Company's operating conditions during the Reporting Period and events that occurred during the Reporting Period that have materially affected the Company's operating conditions and are expected to have a material impact in the future

As a result of the safety accidents occurred in early 2021 in Qixia Hushan Gold Mine (栖霞市笏山金礦) of Shandong Wucailong Investment Company Limited (山東五彩龍投資有限公司) and Caojiawa Gold Mine (曹家窪金礦) of Shandong Zhaoyuan (山東招遠), two local enterprises which are not owned by Shandong Gold, the mines in Shandong Province owned by the Company have started to carry out safety inspections since February 2021 in accordance with the requirements of the local authorities.

As of the date of this announcement, the resumption of work and production at the mines in Shandong Province owned by the Company is as follows:

Shandong Gold Mining (Laixi) Co., Ltd., Shandong Jinzhou Mining Group Co., Ltd., Shandong Gold Mining (Xinhui) Co., Ltd. and Shandong Gold Mining (Yinan) Co., Ltd. have resumed normal production;

Sanshandao Gold Mine of SDG Mining (Laizhou), Xincheng Gold Mine of Shandong Gold, Jiaojia Gold Mine of SDG Mining (Laizhou) and Dongfeng mining area of Shandong Gold Mining (Linglong) Co., Ltd. ("**Linglong Gold Mine**") have resumed production, and are taking measures to strive for full capacity as soon as possible. As of the date of this announcement, the combined daily production capacity of the above four main mines has reached 60% of their average combined daily production capacity in 2020, and the production and operation situation is gradually improving;

Shandong Gold Guilaizhuang Mining Co., Ltd. has recently achieved a stage result in the inspection and acceptance of the production resumption and is currently carrying out corresponding rectification according to the feedback of the inspection and acceptance in order to pass it as soon as possible; Lingshan mining area of Linglong Gold Mine has passed the inspection and acceptance of the production resumption organized by the local authorities and is awaiting for approval of production resumption;

Shandong Gold Group Penglai Mining Co., Ltd. is still actively applying to the relevant authorities for the production resumption.

Through the establishment of key special work teams and regular scheduling, the Company has concentrated on the integration of enterprise resources, expansion of capacity and production as well as cost reduction and efficiency enhancement, and has achieved significant results. As of the date of this announcement, the Company has achieved break-even for the month of August 2021, and the various production and operation indicators of the Company are gradually improving. The Company will continue to adopt a designated and dedicated approach and create all conditions to help enterprises which have not yet resumed work to resume production as soon as possible; to enhance the production organization of enterprises that have already resumed work, accelerate the construction of key projects and optimize the layout of mining projects; to strengthen geological prospecting and vigorously promote the integration of gold resources; to promote capacity enhancement through a variety of measures and strive to mitigate the impact of the above-mentioned safety inspections on its production and operation throughout the year.

ANALYSIS ON INVESTMENT STATUS

Overall Analysis on External Equity Investment

During the 14th Five-Year Plan period, the Company closely followed the policies and spirit of the central government, provincial party committee and provincial government and considered the macro political and economic situation at home and abroad. Based on the actual situation of the Company, priority was given to ensure the stable development of the Company, and through identifying key opportunities and challenges as well as key trends in the development of the mining industry, we can effectively promote quality and efficiency enhancement.

During the Reporting Period, the Company acquired Cardinal, HXG and Laizhou Zhangjian Investment Co., Ltd. (萊州章鑒投資有限公司); and incorporated SDG Sinking and Driving Engineering (Shandong) Co., Ltd. (山金井巷工程(山東)有限公司). On 29 January 2021, the Company issued additional H shares which have been listed on the Hong Kong Stock Exchange on 5 February 2021.

Key Equity Investments

① *Acquisition of TMAC Resources Inc.*

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

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

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

② *Offer to acquire Cardinal Resources*

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

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

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

③ *Acquisition of Hengxing Gold Holding Company Limited*

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

As of 1 February 2021, HXG has become a wholly-owned subsidiary of the Company and the shares of HXG had been delisted on the Hong Kong Stock Exchange. The 159,482,759 new H Shares issued by the Company has been listed and traded on the Hong Kong Stock Exchange since 5 February 2021, and the total number of Shares has been changed from 4,313,946,766 Shares to 4,473,429,525 Shares.

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

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

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

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

⑤ *Establishment of Shandong Gold Risk Management Co., Ltd. (山金風險管理有限公司)*

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

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

On 4 June 2021, the seventh meeting of the sixth session of the Board considered and approved the Resolution on the Establishment of SDG Sinking and Driving Engineering (Shandong) Co., Ltd. 山金井巷工程(山東)有限公司), which is funded by the capital contribution from the Company and has a registered capital of RMB100 million. The registration of the SDG Sinking and Driving Engineering (Shandong) Co., Ltd. (山金井巷工程(山東)有限公司) was completed on 11 June 2021. Scope of business: permitted items: all kinds of engineering construction activities; mining of mineral resources (non-coal mines); geological exploration of metal and non-metal mineral resources; construction engineering survey; construction engineering design; building demolition operation (except blasting operation); professional construction operation; general contracting of housing construction and municipal infrastructure projects; subcontracting of construction labour; installation, remolding and repair of special equipment; installation, repair and testing of electrical facilities; surveying and mapping services; occupational intermediary activities (items subject to approval shall be approved by the relevant departments before commencing business activities, the specific business items are subject to approval documents or permits of the relevant departments). General items: earthwork construction; machinery and equipment leasing; mining machinery sales; loading and unloading; general machinery and equipment installation services; engineering management services; engineering technical services (except planning management, survey, design, supervision); safety consulting services; digital content production services (excluding publication and distribution); human resources services (excluding employment intermediary activities and labour dispatch services); business training (excluding education training, vocational skills training and other training requiring permission); technical services, technical development, technical consultation, technical exchange, technical transfer and technical promotion (except for items subject to approval in accordance with the law, carry out business activities independently according to the business licence). For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 4 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group's:

- **revenue** decreased by approximately 64.1% to approximately RMB11,849.0 million from approximately RMB33,039.9 million for the same period of 2020, which was mainly due to the decrease in sales volume of purchased-gold and self-produced gold of subsidiaries.

- **cost of sales** decreased by approximately 61.3% to approximately RMB11,559.7 million from approximately RMB29,892.2 million for the same period of 2020, which was mainly due to the decrease in sales volume of purchased-gold and self-produced gold of subsidiaries.

- **gross profit** decreased by approximately 90.8% to approximately RMB289.2 million from approximately RMB3,147.7 million for the same period of 2020, which was mainly due to decrease in the gross profit of self-produced gold.

- **general and administrative expenses** increased by approximately 56.8% to approximately RMB1,430.8 million from approximately RMB912.3 million for the same period of 2020, which was mainly due to inclusion of expenses previously charged to cost in general and administrative expenses during the shutdown period.

- **other gains and losses, net** increased to gain of approximately RMB324.3 million from loss of approximately RMB55.0 million for the same period of 2020, which was mainly due to the increase in dividend and bonus, bid-ask spreads and changes in the fair value of financial assets during the holding period as compared to the same period of last year.

LIQUIDITY AND CAPITAL RESOURCES

The Group operates in a capital-intensive industry. The Group requires liquidity for expansion of its mining and processing businesses, exploration activities and acquisition of exploration and mining permits. Major sources of capital of the Group include but are not limited to, cash generated from operating activities, bank financing, bonds issued or to be issued, and private placement of share capital. The liquidity of the Group depends, to a large extent, on the cash generated from its operating activities, its ability to repay debts as and when the debts fall due, and its requirements for future operating and capital expenditure.

As at 30 June 2021, the reserves of the Group amounted to approximately RMB20,953.3 million and short-term borrowings amounted to approximately RMB9,192.1 million. The bank balances and cash of the Group as at 30 June 2021 was approximately RMB4,054.9 million. Based on the following considering factors, the Directors were of the opinion that the Group will be able to have sufficient working capital to provide capital sources for future needs of financing and working capital: (a) the Group is expected to remain profitable, and thus will continue to generate operating cash flows from future business operations; and (b) the Group has been maintaining long-term business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide the Group with sufficient banking facilities as at 30 June 2021.

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Group include short term borrowings due to related parties in an aggregate amount of approximately RMB576 million from SDG Group Finance at an interest rate ranging from 3.3% to 4.35% per annum. The Company has issued two tranches of renewable corporate bonds. Please refer to "Information of Corporate Bonds" below for details.

Meanwhile, the Group had arrangements of bank borrowings of approximately RMB8,446.2 million through a number of banks in the PRC with interest rates ranging from 0.92925% to 4.5% per annum.

On 13 August 2018, the Shareholders approved our proposal to issue green bonds in accordance with the relevant CSRC laws and regulations. The fixed-rate (3.85%) green bonds with a term of three years amounting to RMB1.0 billion were issued on 22 March 2019. For further details, please refer to the Company's announcements published on 4, 19, 21 and 22 March 2019. As at the date of this announcement, the proceeds from the bonds after deducting the issuance expenses is RMB981 million, all of which have been used for the operation of the comprehensive recycling project of gold concentrate and the Group's green mines. For details, please refer to the board resolution stated in the overseas regulatory announcement of the Company dated 21 June 2019, and the remaining amount of approximately RMB18 million has not been utilized.

Moreover, the Group utilized the following sources of capital to finance the Veladero Acquisition: (i) obtaining the Syndicated Term Loan of US$740.0 million; and (ii) obtaining a term loan of US$300.0 million from the China Development Bank Corporation, Hong Kong Branch ("**China Development Bank**"). The interest rate of the Syndicated Term Loan was LIBOR plus 1.25%, and the interest rate of the term loan from China Development Bank was LIBOR plus 1.23%. As at 30 June 2021, approximately RMB4,506.1 million of the proceeds raised from the listing of our H Shares on the Hong Kong Stock Exchange have been utilized to fully repay the three-year Syndicated Term Loan.

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

Unit: *RMB*

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Maturity	Outstanding Balance of Bonds	Interest Rate (%)	Payment of Principal and Interest	Place of Trading
The 2019 Public Issuance of Green Corporate Bonds	G19 Lujin 1	155270	2019.3.22	2022.3.22	1,000,000,000.00	3.85	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the First Tranche)	20 Lujin Y1	175514	2020.12.3	2023.12.3	2,700,000,000.00	4.80	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the Second Tranche)	20 Lujin Y2	175566	2020.12.21	2023.12.21	1,300,000,000.00	4.69	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange

Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market

Basic Information on Debt Financing Instruments of Non-Financial Enterprises

Unit: *RMB'00,000,000*

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Initial Interest Accrued	Date of Maturity	Outstanding Balance of Bonds	Coupon Rate (%)	Payment of Principal and Interest	Place of Trading	Appropriate Arrangement of Investors (if any)	Mechanism of Trading	Whether There is a Risk of Termination of the Listing Transaction
The Second Tranche of 2020 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	20 Lujin SCP002	012002017	10 May 2020	11 May 2020	26 January 2021	0	1.65	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The Third Tranche of 2020 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	20 Lujin SCP003	012002017	1 June 2020	2 June 2020	4 February 2021	0	1.55	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The Fifth Tranche of 2020 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	20 Lujin SCP005	012003283	16 September 2020	17 September 2020	14 June 2021	0	2.3	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The First Tranche of ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP001	012100479	28 January 2021	29 January 2021	28 July 2021	5	2.9	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The Second Tranche of ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP002	012100964	11 March 2021	12 March 2021	7 December 2021	5	2.89	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The Third Tranche of ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP003	012102643	20 July 2021	21 July 2021	14 April 2022	5	2.73	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No

CASH FLOWS

The Group's bank balances and cash increased from approximately RMB3,032.2 million as at 31 December 2020 to approximately RMB4,054.9 million as at 30 June 2021.

ASSETS AND LIABILITIES

As at 30 June 2021, the Group's:

- **prepayments, trade and other receivables** decreased by approximately 27.0% to approximately RMB3,099.7 million from approximately RMB4,244.7 million as at 31 December 2020, which was mainly due to the transfer of the prepayment for acquisition to long-term equity investment.

- **trade and other payables** increased by approximately 56.1% to approximately RMB10,394.1 million from approximately RMB6,658.4 million as at 31 December 2020, which was mainly due to the increase in gold leasing and cash held on behalf of customers of the subsidiary, and the increase in the amount of accrued but unpaid employee compensation payable as compared to that at the beginning of the year.

- **financial liabilities at fair value through profit or loss** increased by approximately 19.0% to approximately RMB10,324.7 million from approximately RMB8,672.6 million as at 31 December 2020, which was mainly due to the decrease in the financing through gold leasing of the Company.

- **intangible assets** increased by approximately 39.9% to approximately RMB16,935.8 million from approximately RMB12,105.2 million as at 31 December 2020, which was mainly due to the increase in mining rights as a result of acquisition of subsidiaries by the Company.

- **inventories** increased by approximately 22.1% to approximately RMB4,610.7 million from approximately RMB3,777.0 million as at 31 December 2020, which was mainly due to acquisition of subsidiaries by the Company.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2021, the Group recorded non-current assets and currents assets classified as financial assets at fair value through profit or loss ("**FVTPL**") amounting to approximately RMB7,391.4 million (31 December 2020: approximately RMB8,626.8 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits.

As at 30 June 2021, the Group, through its subsidiaries, held securities of Donghai Securities Co., Ltd. ("**Donghai Securities**"), a company listed on national equities exchange and quotations of the PRC, the principal business of which include brokerage business, online trading and investment consultation. The Group held 262,065,000 shares of Donghai Securities in aggregate, representing approximately 15.7% of the total shares of Donghai Securities. The fair value of the investment in Donghai Securities as at 30 June 2021 was approximately RMB3,655.8 million, which was approximately 5.2% of the Group's total assets as at 30 June 2021. For the six months ended 30 June 2021, there was no material change in fair value gain from the securities of Donghai Securities held by the Group and Donghai Securities did not distribute any dividend. We are optimistic about the on-going performance of Donghai Securities. Nevertheless, we will closely monitor the performance of Donghai Securities on an on-going basis.

The Group considers that, save for the investments in Donghai Securities, no other single investment that was designated as financial assets at FVTPL in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 30 June 2021.

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

GEARING RATIO

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 30 June 2021, the Group's consolidated total debt was approximately RMB11,617.9 million (approximately RMB11,505.1 million as at 31 December 2020), and the Group's consolidated total equity was approximately RMB32,255.6 million (approximately RMB31,858.2 million as at 31 December 2020). As at 30 June 2021, the Group's gearing ratio was approximately 36.0% (31 December 2020: approximately 36.1%).

CAPITAL EXPENDITURE

The capital expenditure of the Group mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. For the six months ended 30 June 2021, in the contracted but not incurred capital expenditure of the Group, the total amount for the acquisition of mining and exploration permits, property, plant and equipment was approximately RMB636.6 million (for the six months ended 30 June 2020: approximately RMB461.2 million).

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

Save as disclosed under "Key Equity Investments" in this announcement, for the six months ended 30 June 2021, the Group had no major investments (including investments with an asset ratio of more than 8% in any entities) nor major acquisitions or disposals of subsidiaries, associates and joint ventures.

The Group will make every endeavor to keep abreast of the changing market conditions, proactively identify investment opportunities and expand its mineral resources in order to broaden the revenue base of the Group, enhance its future financial performance and profitability. We are confident in the future and committed to bolstering the continuous growth of the Group.

The Company did not offer any financial assistance or guarantee for its affiliates or grant loans to any entity with a total amount exceeding 8% of its assets during the Reporting Period.

PLEDGE OF ASSETS

Save as disclosed in other parts of Management Discussion and Analysis, the Company did not pledge any assets as at 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2021 (same period of 2020: Nil).

POSSIBLE RISKS

In 2021, due to the impact of the accidents at Qixia Hushan Gold Mine and Zhaoyuan Caojiawa Gold Mine as well as the stringent and restrictive industry policies, the Company faces a situation of pressure, challenges, risks and tests, as well as significant opportunities and room for development in the current and future periods.

Risk of Mining Enterprise Shutdown

Domestic enterprises in the industry with accidents occurring frequently and repeatedly become the focus of public opinion again and again, the State rolls out much stricter regulation to the industry, which may require enterprises to suspend operation or shut down the facilities or make rectifications to certain mine shafts; enterprises may be shut down due if there are safety and environmental events caused by factors including the roof fall and wall collapse, water inrush, poisoning choke, collapse, gunpowder explosion, tailings dam collapse, dangerous chemical leakage, waste water discharge, surface subsidence, irregular disposal of hazardous wastes and environmental pollution in the production.

Countermeasures: Firstly, supervise full resumption of work and production of enterprises, keep abreast of production and operation dynamics, and with an approach of dedicated person to take charge of and keep an eye on the situation, create all conditions to help enterprises that have not yet resumed work to resume work and production as soon as possible. Secondly, increase safety input to ensure the smooth progress of safety technology upgrading of each unit and the implementation of special safety improvement actions of the Company. Thirdly, strengthen the research and development of safety technologies, and address safety issues in the process of production with technology innovation. Fourthly, enhance safety inspections, launch special improvement actions, strengthen inspection and improvement for eliminating potential risks, and gradually resolve major safety and environmental issues of mining enterprises. Fifthly, improve the six major systems for mines, and strengthen emergency response drills to improve the safety management level and the accident response capability. Sixthly, intensify the training for outsourced construction teams, strengthen the safety management of outsourced construction teams, to prevent safety risk. Seventhly, urge construction projects to complete the "three simultaneous" procedures for safety and environmental protection and the application of other certificates, to evade the safety legal risk to the greatest extent. Eighthly, conduct environmental monitoring, and strengthen hazardous waste management with a focus on potential significant environmental pollution accidents. Ninthly, take prompt actions in response to national work safety policies and principles, and strengthen communication with local authorities.

Safety Management Risks

Currently, the Company has established a complete safety accountability system, improved the safety management system, formed a professional safety management team and shaped an effective safety management model, which contributes to the continuous improvement of work safety management level of the Company. However, if compared to the Company's development requirements, the safety production management still has some weaknesses and room for improvement. For instance, the safety production mechanism lacks innovation; there is a gap between the relevant requirements and the technology investment in and standardization work of actual mine safety; the safety education and training as well as the management of personnel of outsourced construction units are to be enhanced; the capacity of top slope support for mining and the deep ventilation capacity do not match the developed production capacity, etc.

Countermeasures: Firstly, arrange the signing of the safety responsibility contract to urge the true fulfillment of responsibility at every level, and strengthen the work safety process management and assessment at the same time. Secondly, guide the safety production work of the year pursuant to the Key Tasks of Safety and Environmental Protection Work 2021. Thirdly, increase safety input to ensure the smooth progress of safety technology upgrading of each unit and the implementation of special safety improvement actions. Fourthly, strengthen the research and development of safety technologies, offer generous rewards to safety technological achievements, and address safety issues in the process of production with technology innovation. Fifthly, enhance safety inspections to reinforce the identification of potential safety risks and the relevant improvements. Sixthly, promote adequate and effective safety training to improve the safety quality of safety management personnel and operation personnel. Seventhly, improve the six major systems for mines, strengthen emergency response drills to improve the safety management level and the accident response capability. Eighthly, identify safety issues with a focus on special improvement actions including the explosive items management, the fire operation management, the construction project safety management and the hazardous chemicals management, and gradually address the safety and environmental protection issues of mining enterprises. Ninthly, strengthen the building of safety culture, and create a safe atmosphere. Tenthly, strengthen the safety management of outsourced construction teams to prevent the safety risk.

Environmental Management Risk

Currently, the Company has initially established the environmental protection accountability system and improved the environmental management system, and the ecological and environmental management level witnesses continuous improvement. However, if compared to the Company's development requirements, its ecological and environmental management still needs further improvement. Various international and domestic environmental pollution accidents have sent all mines and smelting enterprises a warning message that the inadequate and ineffective ecological and environmental management may lead to significant environmental pollution accidents. Major environmental risk factors include hazardous chemical leakage, tailings dam collapse, non-compliant and excessive discharge of mine shaft water/tailings waste water and other production waste water, non-compliant and excessive emissions of waste gas, irregular disposal of hazardous wastes and tailings, failure to discharge in accordance with the permit, destruction of the ecological environment, failure to construct green mines, etc. In addition, ecological red line restrictions will also have an impact on the renewal of some of the Company's existing mining permits.

Countermeasures: Firstly, sign the environmental protection responsibility contract to urge the true fulfillment of responsibility at every level, and strengthen the whole-process ecological and environmental management and assessment. Secondly, establish and improve various ecological and environmental protection systems, improve the management systems, strengthen the pollution prevention and compliant emission in respect of hazardous chemicals, tailings pond and "three wastes", the utilization and disposal of hazardous wastes, and the management of pollutant discharge permit, green mine construction and "three simultaneous" environmental protection, to reduce the environmental risk. Thirdly, establish and improve the inspection system and the assessment system for environmental protection, conduct environmental inspection and assessment on a regular basis, and establish the long-term dynamic management mechanism. Fourthly, establish and improve the "one license" management model for pollutant discharge permit, practice the licensed pollutant discharge and the pollutant discharge in compliance with the license, in order to reduce the environmental risk. Fifthly, organize self-monitoring to collect information of the pollutant discharge and the surrounding environment, and take prompt actions to address any issues identified. Sixthly, consolidate the green mine construction achievements, promote the construction of mining ecological civilization, and practice the green development concept. Seventhly, strengthen environmental protection promotion, training and education to improve employees' awareness of environmental protection, root the environmental protection concept in the mind of everyone and make environmental protection a conscious activity of employees. Eighthly, intensify technology innovation and environmental protection input, continuously improve the pollution prevention level, further reduce pollutant discharge, and continue to improve the ecological environment of mining areas (plants). Ninthly, build the identification and improvement system for potential ecological and environmental risks, establish the long-term dynamic management mechanism, and strengthen the emergency response capability in unexpected environmental accidents, so as to prevent the environmental risk.

Risks in Gold Prices Fluctuation

As gold is the primary product of the Company, the fluctuation in gold prices determines the profit level of the Company to a large degree. International gold prices are affected by several factors, including expectation of inflation, U.S. dollar trend, interest rate, supply and demand in the gold market and economic development trend, which cast uncertainties over the Company's operation performance. The operating results of the Company will be affected if gold prices decrease significantly.

Countermeasures: Firstly, we further enhance our study and judgment on domestic and international economic development and promote research in professional areas; secondly, we strictly implement the sales of gold transaction decision-making procedure, accurately follow the price trend and centralize the sales of gold by relying on the decision-making committee for the Company's transactions and the transaction center; thirdly, we use gold forward and futures contracts or other instruments to avoid risks in price fluctuation.

Exchange Rate Volatility Risk

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

Use of Proceeds from Global Offering

The H Shares were listed on 28 September 2018 on the Main Board of the Hong Kong Stock Exchange with net proceeds of approximately HK$5,245.7 million (approximately RMB4,618.8 million) after deducting transaction fees and other expenses. As of the date of this results announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 30 June 2021, approximately RMB4,602.6 million have been utilized, namely:

		Net proceeds (RMB million)			
Item	**Percentage**	**Available to utilize**	**Utilized**	**Unutilized**	**Expected timeline for the use of the unutilized proceeds**
Repayment of Syndicated Term Loan	97.6%	4,506.1	4,506.1	–	–
Payment of listing expenses	2.4%	111.7	94.0	17.8	On or before 31 December 2021
Payment of withholding taxes to listing expenses through the Company's basic account in China Construction Bank	0.0%	1.0	1.0	–	–
Exchange loss	0.0%	–	1.6	1.6	–
Total	100%	4,618.8	4,602.6	16.2	

Note: The expected timeline for the use of the remaining proceeds is based on the best estimates made by the Group and will be subject to change based on future development.

STAFF OF THE GROUP

As of 30 June 2021, the Group had a total of 16,516 full-time employees (31 December 2020: 15,770 employees). For the six months ended 30 June 2021, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB2,002.0 million (six months ended 30 June 2020: RMB1,617.0 million).

The Group ensured that the remuneration packages of employees remain competitive and the remuneration level of its employees was determined on the basis of work performance, with reference to the profitability of the Group, industry remuneration standards and market conditions within the general framework of the Group's remuneration system.

MATERIAL CHANGE

Save as disclosed herein, there has been no material change in respect of the future developments in the business of the Group (including the Company's prospects for the current financial year) since the publication of the Company's 2020 Annual Report.

CORPORATE GOVERNANCE

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

The Company is committed to the maintenance of good corporate governance practices, with reference to the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Board is of the opinion that the Company had complied with all the applicable code provisions as set out in the CG Code during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT COMMITTEE

The Audit Committee currently comprises of two non-executive Directors, Mr. Li Guohong and Ms. Wang Xiaoling and three independent non-executive Directors, Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng. The chairman of the Audit Committee is Ms. Zhao Feng.

The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2021 and further discussed the auditing, internal control and financial reporting matters. The Audit Committee considers that the interim results of the Group for the six months ended 30 June 2021 are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

SIGNIFICANT EVENTS DURING REPORTING PERIOD

Connected Transaction – Acquisition of Target Assets

On 25 June 2021, SDG Mining (Laizhou) entered into an asset transfer contract with SDG Group Co. for the purchase of the mining and exploration rights and related land assets of Jiaojia Gold Mine at a consideration of RMB169,317,000. For details of the acquisition, please refer to the announcements of the Company dated 25 June 2021 and 16 July 2021 published on the website of the Hong Kong Stock Exchange.

Amendments to the Articles

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

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Dividends

Based on the Company's total number of issued shares of 4,473,429,525 Shares as at 30 March 2021, being the date of the Board meeting, a cash dividend of RMB0.5 (tax inclusive) per ten (10) Shares was distributed to all Shareholders for the profit distribution, and the total cash dividend paid was approximately RMB223.671 million. The above-mentioned profit distribution plan was considered and approved at the 2020 annual general meeting of the Company held on 10 June 2021, and the implementation of cash dividend of A Shares and H Shares were completed on 27 July 2021 and 10 August 2021, respectively.

Discloseable and Connected Transactions – Proposed Acquisition of Dikuang Laijin, Hongsheng Mining, Ludi Gold Mine and Tiancheng Mining

On 5 August 2021, SDG Mining (Laizhou) has entered into acquisition agreements with SDG Group Co. to acquire Shandong Dikuang Laijin Holdings Co., Ltd. (山東地礦來金控股有限公司), Laizhou Hongsheng Mining Investment Co., Ltd. (萊州鴻昇礦業投資有限公司), Shandong Laizhou Ludi Gold Mine Company Limited (山東萊州魯地金礦有限公司) and Shandong Tiancheng Mining Co., Ltd. (山東天承礦業有限公司) at an aggregate amount of approximately RMB7,132.2 million (the "**Acquisitions**"). An extraordinary general meeting will be convened for the independent Shareholders to consider approving the Acquisitions. For details, please refer to the announcement of the Company dated 5 August 2021 published on the website of the Hong Kong Stock Exchange.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sdhjgf.com.cn), and the 2021 interim report of the Company containing all the information required by the Hong Kong Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

In this results announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

"A Share(s)"	The domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
"Articles"	the articles of association of the Company;
"Board" or "Board of Directors"	The board of directors of the Company;
"CAD"	Canadian dollar, the lawful currency of Canada;
"Cardinal Resources" or "Cardinal"	Cardinal Resources Limited (a company incorporated in Australia with limited liability with its shares listed on the Australian Securities Exchange (stock code: CDV.AX) and the Toronto Stock Exchange (stock code: CDV.TO);
"CG Code"	The Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules;
"China" or the "PRC" or "State"	The People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan;

"CSRC"	China Securities Regulatory Commission;
"Director(s)"	The director(s) of the Company;
"Group"	The Company and all of our subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its existing subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
"H Share(s)"	The overseas-listed foreign invested share(s) in the Company's share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"HXG"	Hengxing Gold Holding Company Limited (恒興黃金控股有限公司), a company incorporated in the Cayman Islands with limited liability and owned by the Company;
"IFRS"	The International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB);
"MAS"	Minera Andina del Sol SRL (previously known as Minera Argentina Gold S.R.L), a sociedad de reponsabilidad limitada incorporated in Argentina on 31 January 1995, held as to 95.6906% by AGB II, 2.1547% by SDG Hong Kong, 1.9529% by Argentina Gold Corporation and 0.2018% by Compania Minera San Jose de Argentina;
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;

"PRC Company Law"	The Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time;
"Prospectus"	The prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;
"Reporting Period"	From 1 January 2021 to 30 June 2021;
"RMB"	Renminbi, the lawful currency of China;
"SDG Group"	SDG Group Co. and all of its subsidiaries;
"SDG Group Co."	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a company incorporated in the PRC with limited liability on 16 July 1996, the controlling Shareholder of the Company, and is held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
"SDG Group Finance"	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a company incorporated in the PRC with limited liability on 17 July 2013, which is held as to 30% by the Company and as to 70% by SDG Group Co.;
"SDG Hong Kong"	Shandong Gold Mining (HongKong) Co., Limited (山東黃金礦業(香港)有限公司), incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
"SDG Mining (Laizhou)"	Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a subsidiary of the Company incorporated in the PRC on 27 May 2003;
"SFC"	The Securities and Futures Commission of Hong Kong;
"Shandong Gold" or "Company"	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People's Republic of China with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 1787) and the Shanghai Stock Exchange (stock code: 600547) respectively;

"Shanghai Gold Exchange"	Shanghai Gold Exchange (上海黃金交易所);
"Shanghai Stock Exchange"	Shanghai Stock Exchange (上海證券交易所);
"Share(s)"	Shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
"Shareholders"	Holder(s) of the Share(s);
"Syndicated Term Loan"	The loan available under the US$960.0 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent;
"TMAC"	TMAC Resources Inc., a company incorporated in Canada on 30 October 2012, the shares of which are listed on the Toronto Stock Exchange (stock code: TMR);
"USD"	United States dollar, the lawful currency of the United States; and
"Veladero Mine"	The Veladero Mine located in the high Andes Cordillers of central western Argentina. Details of which are set out in "Appendix IV – Competent Person's Report – RPA Report" to the Prospectus.

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

Jinan, the PRC, 26 August 2021

As at the date of this announcement, the executive Directors are Mr. Liu Qin, Mr. Wang Shuhai and Mr. Tang Qi; the non-executive Directors are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive Directors are Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng.