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SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

INTERIM RESULTS HIGHLIGHTS OF 2023

- Revenue decreased to approximately RMB27,425 million, representing a decrease of approximately 8.05% as compared to the same period of last year;
- Profit for the period was approximately RMB980 million, representing an increase of approximately RMB403 million as compared to the same period of last year;
- The profit for the period attributable to owners of the Company amounted to approximately RMB855 million, as compared to approximately RMB531 million for the same period of last year;
- The basic earnings per share attributable to owners of the Company were RMB0.14, as compared to RMB0.09 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 2023.

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023 prepared in accordance with IFRSs.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	27,424,883	29,825,146
Cost of sales		(24,061,735)	(26,791,906)
Gross profit		3,363,148	3,033,240
Selling expenses		(59,094)	(100,805)
General and administrative expenses		(1,114,672)	(1,182,804)
Research and development expenses		(164,918)	(173,467)
Other income		8,319	5,221
Other gains and losses, net		(71,852)	(183,140)
Finance income		51,055	40,040
Finance costs		(702,317)	(510,164)
Share of results of associates		18,023	19,496
Profit (loss) before tax		1,327,692	947,617
Income tax expenses	5	(347,858)	(370,531)
Profit (loss) for the period		979,834	577,086
Profit (loss) for the period attributable to:			
– Owners of the Company		854,582	531,285
– Non-controlling interests		125,252	45,801
		979,834	577,086
EARNINGS (LOSS) PER SHARE	7		
– Basic and diluted (<i>RMB</i>)		0.14	0.09

During the Reporting Period, the profit for the period attributable to the holders of the Company's equity instruments included the interest attributable to the holders of the perpetual bonds of RMB213,255,000. After deducting the perpetual bond interest, the profit for the period attributable to ordinary shareholders of the listed company during the Reporting Period was RMB641,327,000. The effect of interest on perpetual bonds is deducted in the calculation of basic and diluted earnings per share.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit (loss) for the period	979,834	577,086
Other comprehensive income (expense):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	64,207	238,320
Other comprehensive income (expense) for the period	64,207	238,320
Total comprehensive income (expense) for the period	1,044,041	815,406
Total comprehensive income (expense)		
for the period attributable to:		
– Owners of the Company	918,789	769,605
– Non-controlling interests	125,252	45,801
	1,044,041	815,406

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	39,837,273	37,028,403
Investment properties		174,335	176,190
Right-of-use assets		920,286	852,397
Intangible assets		20,272,731	20,556,647
Goodwill		1,713,404	1,673,190
Investments in associates		2,396,925	1,988,901
Financial assets at fair value through other comprehensive income		7,900	7,900
Financial assets at fair value through profit or loss	9	5,549,453	5,160,074
Inventories		1,507,662	1,415,830
Deferred income tax assets		287,577	289,468
Other non-current assets		5,870,039	591,840
		<u>78,537,585</u>	<u>69,740,840</u>
Current assets			
Inventories		5,357,901	4,092,280
Prepayments, trade and other receivables	10	4,956,247	4,683,615
Prepaid income tax		50,543	105,146
Financial assets at fair value through profit or loss	9	3,193,488	2,959,904
Restricted bank deposits		909,090	1,880,825
Bank balances and cash		6,846,889	7,753,482
		<u>21,314,158</u>	<u>21,475,252</u>
Current liabilities			
Trade and other payables	11	15,006,396	13,144,075
Lease liabilities		15,394	64,506
Current income tax liabilities		302,896	303,418
Borrowings	12	17,121,977	9,780,631
Financial liabilities at fair value through profit or loss	13	5,371,607	11,265,745
Current portion of other non-current liabilities		91,127	131,562
		<u>37,909,397</u>	<u>34,689,937</u>
Net current liabilities		<u>(16,595,239)</u>	<u>(13,214,685)</u>
Total assets less current liabilities		<u>61,942,346</u>	<u>56,526,155</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Borrowings	12	18,429,221	13,548,305
Lease liabilities		144,217	143,670
Deferred income tax liabilities		4,183,235	4,076,245
Deferred revenue		16,006	16,084
Provision for asset retirement obligations		739,401	733,117
Other non-current liabilities		1,198,177	1,206,566
		24,710,257	19,723,987
Net assets		37,232,089	36,802,168
Capital and reserves			
Share capital		4,473,430	4,473,430
Reserves		19,043,701	18,520,429
Perpetual bonds		10,082,018	9,937,528
Non-controlling interests		3,632,940	3,870,781
Total equity		37,232,089	36,802,168

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2023

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 Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 September 2018.

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 Group is principally engaged in (i) mining, processing and sales of gold and gold products; (ii) manufacturing and sales 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 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 information of the Group has 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 information 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 new and amendments to the International Financial Reporting Standards (“IFRS”) and the following new amendments to IFRSs issued by the IASB, which are effective for the financial year beginning on 1 January 2023:

IFRS 17 and related amendments	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to IFRSs in the current interim period has had no material effect on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial information.

2.3 Going concern

As at 30 June 2023, the Group’s current liabilities exceeded its current assets by approximately RMB16,595,239 thousand. 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 2023 and available at least next twelve months from 30 June 2023.

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 2023. Accordingly, the directors of the Company have prepared the interim condensed consolidated financial information on a going concern basis. The interim condensed consolidated financial information does 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	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	27,391,308	29,698,948
Brokerage and other fees earned from trading of futures contracts	30,828	123,759
	27,422,136	29,822,707
Revenue from other sources		
Rental income from investment properties	2,747	2,439
	27,424,883	29,825,146

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	27,422,136	29,822,707

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 2023 (unaudited)

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
<i>Revenue from contracts with customers within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	1,626,400	19,050,991	6,713,917	27,391,308
Brokerage and other fees earned from trading of futures contracts	—	—	30,828	30,828
	<u>1,626,400</u>	<u>19,050,991</u>	<u>6,744,745</u>	<u>27,422,136</u>
<i>Revenue from other sources:</i>				
Rental income from investment properties	2,747	—	—	2,747
	<u>1,629,147</u>	<u>19,050,991</u>	<u>6,744,745</u>	<u>27,424,883</u>
Geographical markets:				
The PRC, excluding the Hong Kong Special Administrative Region (“Hong Kong”)	508,767	19,050,991	6,744,745	26,304,503
Outside the PRC	1,120,380	—	—	1,120,380
	<u>1,629,147</u>	<u>19,050,991</u>	<u>6,744,745</u>	<u>27,424,883</u>
Timing of revenue recognition:				
At a point in time	<u>1,626,400</u>	<u>19,050,991</u>	<u>6,744,745</u>	<u>27,422,136</u>

3.2 For the six months ended 30 June 2022 (unaudited)

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
<i>Revenue from contracts with customers within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	2,330,743	21,286,909	6,081,296	2,968,948
Brokerage and other fees earned from trading of futures contracts	—	—	123,759	123,759
	<u>2,330,743</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,822,707</u>
<i>Revenue from other sources:</i>				
Rental income from investment properties	2,439	—	—	2,439
	<u>2,333,182</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,825,146</u>
Geographical markets:				
The PRC, excluding the Hong Kong Special Administrative Region (“ Hong Kong ”)	593,793	21,286,909	6,205,055	28,085,757
Outside the PRC	1,736,950	—	—	1,736,950
	<u>2,330,743</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,822,707</u>
Timing of revenue recognition:				
At a point in time	<u>2,330,743</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,822,707</u>

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 2023 (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	7,597,338	19,079,744	6,744,745	(5,996,944)	27,424,883
Less: inter-segment revenue	(5,968,191)	(28,753)	–	5,996,944	–
Revenue from external customers	1,629,147	19,050,991	6,744,745	–	27,424,883
Operating profit	1,874,323	(26,062)	236,336	(123,666)	1,960,931
Finance income	32,180	3,936	14,939	–	51,055
Finance costs	(596,795)	(2,981)	(102,541)	–	(702,317)
Share of results of associates	18,023	–	–	–	18,023
Profit (loss) before tax	1,327,731	(25,107)	148,734	(123,666)	1,327,692
Income tax expenses	(337,975)	–	(9,883)	–	(347,858)
Profit (loss) for the period	989,756	(25,107)	138,851	(123,666)	979,834

For the six months ended 30 June 2022 (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	8,614,771	21,459,816	6,205,055	(6,454,496)	29,825,146
Less: inter-segment revenue	(6,281,589)	(172,907)	–	6,454,496	–
Revenue from external customers	2,333,182	21,286,909	6,205,055	–	29,825,146
Operating profit	2,240,811	19,395	(47,919)	(814,043)	1,398,244
Finance income	25,625	2,407	12,008	–	40,040
Finance costs	(408,830)	(732)	(100,602)	–	(510,164)
Share of results of associates	19,497	–	–	–	19,497
Profit (loss) before tax	1,877,103	21,070	(136,513)	(814,043)	947,617
Income tax expenses	(363,964)	(1,691)	(4,876)	–	(370,531)
Profit (loss) for the period	1,513,139	19,379	(141,389)	(814,043)	577,086

5. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax:		
– In the PRC	346,649	947,646
– Outside the PRC	22,890	87,770
	<u>369,539</u>	<u>1,035,416</u>
Deferred income tax	(21,681)	(664,885)
	<u>347,858</u>	<u>370,531</u>

Notes:

- (a) The provision for PRC enterprise income tax (the “EIT”) is calculated based on the statutory income tax rate of 25% (2022: 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% (for the six months ended 30 June 2022: 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% (for the six months ended 30 June 2022: 35%) in accordance with the Argentina income tax law.

In addition, the joint operation enterprise has paid withholding tax of approximately RMB13,654,000 (for the six months ended 30 June 2022: RMB2,842,000) during the six months ended 30 June 2023 on certain inter-company interest expenses paid to Shandong Gold Mining (Hong Kong) Co., Limited (“SDG Hong Kong”) (a wholly-owned subsidiary of the Company) which were eliminated upon the proportional consolidation.

6. DIVIDENDS

On 28 March 2023, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2022 of RMB0.07 per share to the shareholders of the Company. The dividend declared during the six months ended 30 June 2023 was approximately RMB313,140,000. The payment of dividend was resolved by an ordinary resolution at the annual general meeting of the Company on 7 June 2023, and the dividend was paid on or before 18 July 2023.

On 28 March 2022, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2021 of RMB0.05 per share to the shareholders of the Company. The dividend declared during the six months ended 30 June 2022 was approximately RMB223,431,000. The payment of dividend was resolved by an ordinary resolution at the annual general meeting of the Company on 31 May 2022, and the dividend was paid on or before 29 July 2022.

The Board does not recommend the payment of a dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

7. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) 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	
	2023	2022
	RMB'000	RMB'000
		(Restated)
Profit (loss) attributable to owners of the Company (RMB'000)	641,327	383,134
Weighted average number of shares in issues (thousands of shares)	4,473,430	4,473,430
Basic earnings (loss) per share (RMB per share)	0.14	0.09

As the Company did not have any dilutive instruments during the six months ended 30 June 2023 and 2022, the Group's diluted earnings (loss) per share was the same as its basic earnings (loss) per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of RMB456,220,000 (six months ended 30 June 2022: RMB716,397,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB23,013,000 (six months ended 30 June 2022: RMB14,046,000) for cash proceeds of RMB21,586,000 (six months ended 30 June 2022: RMB152,000), resulting in a loss on disposal of RMB1,427,000 (six months ended 30 June 2022: RMB13,894,000).

In addition, the Group incurred cost for construction in progress of RMB3,393,326,000 (six months ended 30 June 2022: RMB1,760,691,000).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets at FVTPL include the following:		
– listed equity investments	5,436,041	5,430,268
– investments in equity funds	2,634,844	2,679,193
– structured deposits	672,056	10,517
– derivative financial assets	–	–
	8,742,941	8,119,978
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analyzed as:		
– listed in the PRC	5,436,041	5,430,268
– unlisted	3,306,900	2,689,710
	8,742,941	8,119,978
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analyzed for reporting purpose as:		
– current assets	3,193,488	2,959,904
– non-current assets	5,549,453	5,160,074
	8,742,941	8,119,978

10. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

Prepayments, trade and other receivables mainly include trade receivables, notes receivable, value-added tax recoverable, prepayments 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	353,089	125,094
1-2 years	101,340	1,425
2-3 years	3,261	2,362
Over 3 years	24,856	24,342
	482,546	153,223
Less: impairment of trade receivables	(16,518)	(12,042)
	466,028	141,181

In addition, included in the trade and other receivables was deposits with exchanges and non-bank financial institutions of approximately RMB2,146,204,000 (31 December 2022: RMB2,007,459,000).

11. TRADE AND OTHER PAYABLES

Trade and other payables mainly include trade payables, notes payable, contract liabilities and other payables, of which ageing analysis of trade payables at the end of each reporting period based on invoice dates were as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	2,346,435	1,823,030
1-2 years	116,917	18,124
2-3 years	7,298	4,079
Over 3 years	5,255	7,400
	2,475,905	1,852,633

12. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately RMB11,557,000,000 (six months ended 30 June 2022: RMB10,168,496,000). These loans carry interests at fixed market rates of 2.12% to 3.80% per annum, and are repayable in instalments over a period of three years. The Group obtained new bank loans amounting to approximately USD373,000,000. These loans carry interests at market rates of 5.33% to 6.46% per annum, and are repayable in instalments over a period of one year.

Included in new bank loans as at 30 June 2023 was the issue of ultra short-term financing bonds by the Group of approximately RMB1,300,000,000 (six months ended 30 June 2022: RMB1,700,000,000). These ultra short-term financing bonds carry interests at a rate ranging from 2.12% to 2.13% 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 one year (one 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 opened 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 2023, 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Property, plant and equipment	444,186	589,108
Mining and exploration rights	683,079	692,408
	<u>1,127,265</u>	<u>1,281,516</u>

16. EVENTS AFTER REPORTING PERIOD

On 9 December 2022, the Company entered into the share transfer agreement with Mr. Shen Guojun, the de facto controller of Yintai Gold Co., Ltd. (銀泰黃金股份有限公司) (hereinafter referred to as “**Yintai Gold**”), and China Yintai Holdings Co., Ltd., the controlling shareholder, pursuant to which Mr. Shen Guojun and China Yintai Holdings Co., Ltd. intended to transfer 20.93% shares of Yintai Gold held by them in total to the Company. On 19 January 2023, the Company entered into the supplemental agreement to the share transfer agreement with Mr. Shen Guojun, the de facto controller of Yintai Gold, and China Yintai Holdings Co., Ltd., the controlling shareholder, pursuant to which China Yintai Holdings Co., Ltd. transferred 401,060,950 shares of Yintai Gold held by it, and Mr. Shen Guojun transferred 180,120,118 shares of Yintai Gold held by him (a total of 581,181,068 shares, accounting for 20.93% of Yintai Gold’s total share capital) to the Company. The securities transfer registration and the re-election of the board of directors by Yintai Gold have been completed on 20 July 2023 and 14 August 2023 respectively, and the Company has obtained control of Yintai Gold.

BUSINESS REVIEW

Industry and Principal Business of the Company during the Reporting Period

Business Scope

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

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

Operating Model

1. Large-scale production and operation

The Company focuses on the development and utilization of gold mineral resources. By adopting the gold production model of scattered mining and beneficiation and centralized smelting, the Company has utilized the mechanized and large-scale mining equipment, the automated transportation and lifting system, and the advanced and intelligent beneficiation technology to realize the large-scale, intensive and mechanized mining of gold resources. The Company increases the gold production of existing mines to improve the stockpile, focusing on expanding the boundary and capacity, increasing the reserves through prospecting to increase resource reserves continuously, and extending the service life of the mines; at the same time, improves the production efficiency through optimizing and perfecting the production system, improving the level of mechanized and intelligent operations, upgrading the level of operation and management and other measures. The Company continues to pay attention to domestic and overseas projects located in the main gold mineralization belt, and increase the volume by accelerating the merger and acquisition of high-quality resource projects.

2. *Lean operation control*

Through benchmarking against internationally renowned mining enterprises, and actively committed to “going out and inviting in”, the Company learns from advanced management technology and experience, improves the assessment system of enterprise management and innovation, and continuously strengthens the management system and management capacity building, promoting the improvements in management, efficiency and benefit. The Company implements full-value-chain and whole-life-cycle cost management, carries out lean management mode in mining enterprises, and actively promotes the typical experience of lean management to reduce operation cost and improve operation quality. The Company gives full play to the role of centralized procurement center, and comprehensively implements centralized procurement of materials, equipment and services; continuously improves the platform of whole-life-cycle management of equipment, and enhances the level of lean management of equipment, promoting the enterprise’s high-quality development by relying on the progress of management.

3. *Technology and innovation-driven model*

The Company continues to increase its investment in science and technology, and accelerates the transformation and application of scientific and technological achievements. Focusing on the development of metal mineral resources, scientific planning, and precise implementation of policies, the Company has established a scientific and technological innovation research and development platform system led by academician workstations, based on professional research and development institutions, and extended by innovative studios. The Company has an academician workstation, a provincial-level new research and development institution and a provincial-level technology center, and has undertaken the main construction tasks of one national-level research and development platform, three provincial-level research and development platforms and two cooperatively-built ministerial-level research and development platforms of Gold Group. With precise efforts mainly in three aspects of scientific research, talent cultivation and achievements transformation, the Company brought together the three parties of universities, institutes and enterprises to promote the transformation of scientific and technological achievements, empower the enterprises to improve quality and efficiency, and contribute high-quality development of the Company.

4. *Safe and green development*

The Company has made precise efforts in improving the institutional system, strengthening education and training, enriching the work force, upgrading equipment level and strictly rewarding and punishing assessment to strengthen the foundation of safety production and comprehensively improve the intrinsic safety level. The total amount of mechanized underground mining operations of each mining enterprise has gradually increased, and the automation control rate of mine hoisting, transportation, ventilation, drainage and other fixed equipment has reached more than 80%. The Company has built an ecological mining industry chain integrating green exploration, green mining, green processing and metallurgy, and green management, and 11 mines in production in its territory have been entered into the national and provincial green mines lists.

Analysis on Situation of the Company's Industry during the Reporting Period

Industry Development

Against the current background of changing and turbulent world, and the accelerated evolution of changes unseen in a century, the competition in the gold industry has intensified, showing new trends such as obvious competition in geographical layout, intensified competition for capital, and emerging resource protectionism. Affected by factors such as the slowdown of global economic development, geopolitical risk disturbances, and the strengthened expectations of slowing down the pace of interest rate hikes by the Federal Reserve, the gold as a safe-haven asset has become increasingly prominent, and its attractiveness in global asset allocation has continued to rise, making the gold industry faces better development opportunities.

During the Reporting Period, the international macroeconomic and political situation was complicated. On the one hand, affected by multiple factors such as the sudden outbreak of the banking crisis in the US and Europe, the rising expectations of the US economic recession, and the continued decline in inflation, the market generally expected that the Federal Reserve will change its tightening monetary policy. On the other hand, the Federal Reserve stated that the monetary policy tightening cycle was not over yet as the core inflation level in the United States was still high and the US economy was still relatively resilient. In addition, geopolitical risks continued to rise, the Ukrainian crisis remained unresolved, and Sino-US relationship was at a critical crossroads, making the international environment more complex and severe.

During the Reporting Period, the price of gold fluctuated and climbed to a record high. Affected by repeated changes in expectations of the Federal Reserve's interest rate hikes, the price of gold fluctuated and rose as a whole with large fluctuations. Among them, the international spot gold price ranged from the highest of US\$2,081/ounce to the lowest of US\$1,804/ounce, and closed at US\$1,919/ounce, with a maximum volatility of US\$277/ounce, up by 5.3% as compared to the closing price at the end of last year. The domestic RMB gold price was significantly stronger than the international gold price due to the depreciation of the RMB against the USD. During the Reporting Period, the AU(T+D) contract price of Shanghai Gold Exchange reached the highest of RMB457.50/g and the lowest of RMB408.08/g, and closed at RMB448.52/g, representing an increase of approximately 9.46% over the closing price of RMB409.76/g last year.

Looking forward to the gold price trend in the second half of the year, with the gradual slowdown of US inflation and the cooling of the labor market, the Federal Reserve's current round of interest rate hikes is drawing to a close. At the same time, against the background of high interest rates and high debt, the possibility of the US economy weakening in the future or even falling into recession is gradually increasing, and the expectation of the Federal Reserve's monetary policy from tightening to loosening is expected to rise again. In addition, global central banks may continue to increase their gold holdings as the global geopolitical situation becomes increasingly complex and severe. Therefore, the price of gold is expected to fluctuate upward continuously in the second half of the year.

Domestic Gold Trading Volume and Production

During the Reporting Period, the total amount of gold traded on domestic exchanges increased significantly year-on-year. According to the statistics of the statistic data of China Gold Association: the accumulated bilateral trading volume of all gold products on the Shanghai Gold Exchange was approximately 21,300 tonnes, representing a year-on-year increase of 10.55%, with an accumulated bilateral turnover of approximately RMB9.19 trillion, representing a year-on-year increase of 21.66%. The accumulated bilateral trading volume of all gold futures and options on the Shanghai Futures Exchange was approximately 59,500 tonnes, representing a year-on-year increase of 34.02%; the accumulated bilateral turnover was approximately RMB22.49 trillion, representing a year-on-year increase of 40.91%.

In the first half of 2023, the gold produced with domestic raw materials was 178.598 tonnes, representing an increase of 3.911 tonnes or 2.24% compared to the same period in 2022. Among them, the completed gold mine-produced gold was 139.971 tonnes, and the completed non-ferrous by-products gold was 38.627 tonnes.

Industry Position of Shandong Gold

In the first half of 2023, the completed mine-produced gold of Shandong Gold was 19.57 tonnes, accounting for 13.98% of the total mine-produced gold in China, and continuously maintaining the leading position in the domestic gold industry. In the first half of 2023, the gold industry has shown a steady and positive high-quality development trend. Large-scale gold enterprises (groups) are actively promoting mergers and acquisitions and resource mergers, which further concentrated high-quality gold resources and optimized the layout of mine production. Shandong Gold completed the acquisition of the controlling rights of Yintai Gold, one of the top ten in the domestic gold industry, and held a total of 641 million shares of Yintai Gold, accounting for 23.099% of the total share capital of Yintai Gold. This helps the two listed companies to realize complementary advantages and synergistic effects, and promotes the development quality of Shandong Gold and Yintai Gold as a whole.

Analysis on the Core Competitiveness during the Reporting Period

Strategic Advantage

The Company firmly grasped the theme of high-quality development, strengthened the role of strategic leadership, adhered to the drive of reform and innovation, and concentrated on the development of the main business. Focusing on the development concept of “Safe Shandong Gold, Ecological Shandong Gold, Vibrant Shandong Gold and Humanistic Shandong Gold”, the Company regarded “Technology Development, Resource Exploration, Mergers and Acquisitions Integration and Industry Chain Extension” as its four key business areas. Adhering to the philosophy that “technology is the primary productive force and innovation is the first driving force”, the Company continued to increase investment in research and development, focused on the core technologies of the industry, accelerated the building of scientific research platforms, steadily pushed forward the construction of intelligent mines, and activated the internal development momentum. Adhering to concept of “resource first, efficiency focused, innovation centered” in an unswerving manner, the Company internally strengthened exploration to increase reserves and externally acquired quality resources in an active manner, so as to continuously consolidate our leading position. Adhering to the direction of “ecology first, green development”, the Company accelerated the formation of a new mode of mining development in line with the requirements of ecological civilization, and made great efforts on ecological and environmental protection to promote the green, low-carbon transformation and development of the mining industry. Adhering to the principle that “safety input represents safety investment”, the Company promoted comprehensive upgrading of mining enterprises in terms of management reform, technological innovation and process optimization to build up safety production defenses and consolidate the foundation of intrinsic safety. The Company stabilized the operational management of existing overseas enterprises, improved the operation quality and efficiency, and further enhanced the ability and level of resilience to risks, steadily promoting the level of high-quality development.

Advantage in Resource Superiority

The Company has been upholding the concept of “resource first, efficiency focused, innovation centered” in an unswerving manner, further consolidating its resource base, building up its core competitiveness, cultivating its resource advantages and enhancing its resource reserves. In line with the direction of “interconnecting internally and externally to leap forward”, the Company continuously increased our internal exploration efforts, and actively carried out external resource mergers and acquisitions. The Company successfully bid for the mining right of Gansu Daqiao Gold Mine and completed the merger and acquisition of control over Yintai Gold, which continuously expanded the Company’s resource scale and resource reserves. In the province, the Company gave top priority to exploring mines and increasing reserves, and increased exploration efforts and accelerated the exploration process through prioritized investment and arrangements. While setting new highs and taking on heavy responsibilities, the Company conducted in-depth research on the deep and surrounding parts of the mines outside the province through continuous efforts, which has substantially safeguarded the resource continuity. The Company continuously optimized the geological prospecting model at its overseas mines, explored the occurrence regularity of ore bodies, and achieved new breakthroughs in prospecting to provide a solid resource base for the sustainable development of the mines.

Advantage in the Company's Scale

The Company is mainly engaged in the development and utilization of gold mineral resources, and has always been in a leading position in the domestic mining industry in terms of equipment level and degree of mechanization of mines. The construction of an “international first-class exemplary mine” at Sanshandao Gold Mine has led the pace of mechanization, automation and intelligent construction of large and medium-sized mines of the Company. Through solidly promoting the project of replacing workers with machineries, the mechanization rate of mining operations of several enterprises, such as Xincheng Gold Mine and Jiaojia Gold Mine, has reached over 50% and the automation control rate of auxiliary production systems in mines has reached 80%, gradually improving the level of mechanization and automation. Shandong Gold Smelting Co., Ltd. has enjoyed a leading position in terms of national mine-produced gold processing and trading volume for many years. Jiaojia Gold Mine, Sanshandao Gold Mine, Xincheng Gold Mine and Linglong Gold Mine have been on the list of “China Top Ten Gold Mines in terms of Production Output” for several consecutive years, with the cumulative gold production all exceeding 100 tonnes, making the Company the only domestic listed company which owns four mine enterprises each with cumulative gold production exceeding 100 tonnes.

Advantage in Scientific and Technological Innovation

Closely focusing on the cutting-edge technologies of the international mining industry, the Company continued to increase its investment in research and development by centering on the three major areas of deep resource exploration and exploitation, green mines and intelligent mining, and increased the guarantee of scientific research funding. Relying on major scientific and technological projects, the Company increased its efforts in scientific research, and made new progress in the research of deep resources development, green mines and the construction of deep shafts by focusing on key projects. Thanks to the rapid construction of Company's scientific and technological innovation platform, in the first half of 2023, a provincial enterprise technology research and development center was approved for Xinjiang Jinchuan Mining Co., Ltd., a subsidiary of the Company, while SDG Heavy Industry Co., Ltd. was identified as a provincial specialized and new small and medium-sized enterprise, and Shandong Gold Mining (Xinhui) Co., Ltd. was identified as a municipal “specialized and new”, innovative small and medium-sized enterprise. Under the guarantee of multi-level innovation system such as academician workstations, professional laboratories and grass-roots innovation studios, the Company will continue to carry out the research and application of relevant technologies and equipment such as prevention and control of ground pressure over 1,000 meters in depth, heat damage control of deep wells, prevention and control of water surges in downhole wells, highly efficient mining methods and resource utilization of tailings, as well as the key technology of constructing and upgrading the first 2,000-metre ultra-deep wells in the country, so as to fill the technological blanks of deep resource development in the domestic metal mining field.

Talent Advantage

Shandong Gold has firmly established the candidate selection and appointment direction of “morality first, equal stress on integrity and ability, emphasis on actual performance and public recognition”, actively optimized the talent environment, promoted the building of three talent teams of “management, technology and skill”, focused on the comprehensive cultivation of talents, and innovated the mechanism for the development of talents, providing sufficient support for the corporate development. The Company took the direction of selecting and appointing the capable personnel, firmly pushed forward the ability of cadres to work at both higher and lower levels, fully implemented the target accountability system during the tenure and the three-dimensional appraisal and evaluation system, and advanced the optimization of the age structure of the cadre team. Through building a better and stronger cadre talent team, the proportion of young cadres has been increasing; the effectiveness of campus recruitment, social recruitment and flexible talent attraction has been fully utilized to form a talent ladder of basic technicians, senior technicians and high-level researchers to support each other, and to consolidate the professional and technical force. The Company established a training system of “corporate culture + safety production + professional theory + operation skills” to enhance professional skills. The Company promoted “competition for learning, competition for training, competition for assessment, competition for building”, and 17 individuals won awards in the national gold industry vocational skills competition in the first half of 2023. Among them, the Company won the group and individual “double first” in the final of mine rescue workers; recommended all kinds of talents to participate in the evaluation and selection of the national and provincial talent project, 6 individuals were awarded as the “Shandong Province Technical Experts”, 7 individuals were awarded as the “National Gold Industry Technical Experts”, and 4 individuals participated in the evaluation of “Qilu Chief Technician”.

Brand Advantage

Based in China, Shandong Gold optimized and expanded its principal gold business with an international vision. The Company was included into the Shanghai Stock Exchange 50 Index, the Shanghai Stock Exchange 180 Index, as well as three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices for many times. In the first half of 2023, the Company was successively granted the “Golden Round Table” – Outstanding Contribution in Corporate Governance Award at the 18th Session of Board of Directors of China Listed Companies, the “Investor Relations Tianma Award (投資者關係天馬獎)”, the “Panoramic Investor Relations Gold Award (全景投資者關係金獎)” – “Outstanding IR Team” and other awards at the 14th Session of China Listed Company Investor Relations Forum. The Company has always insisted on thoroughly implementing the thought of ecological civilization and the “Two Mountains” development concept put forward by General Secretary Xi Jinping, and the ecological and environmental protection situation has continued to maintain a stable and positive trend. The Company further promoted the prevention and control of pollution, increased investment in environmental protection, and sped up the progress of construction projects of key environmental protection facilities. The ecological and environmental protection situation has continued to maintain a stable and positive trend. By promoting the goal of “carbon peaking and carbon neutrality” in a scientific and orderly manner, we vigorously advanced the application and promotion of clean energy and green and low-carbon technologies, and the construction experience of Sanshandao Gold Mine and other typical green mining enterprises has been publicized and reported in the domestic mainstream media, continuously polishing the brand image of “Shandong Gold, Ecological Mining”.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

Since 2023, the Company has taken the opportunity of solidly carrying out the education on the theme of Xi Jinping's new era of socialism with Chinese characteristics, fully implemented the decisions and deployments of the Party Central Committee, the State Council, the Shandong Provincial Party Committee and the Provincial Government, and undertook the responsibility of "stabilising the growth and making contribution". Closely following the annual target of "Integrating Internal and External Resources for Leapfrog Development", the Company upheld the general tone of the work of seeking progress while maintaining stability. With the theme of promoting high-quality development, the Company actively pressurized itself and forged ahead, exerting every effort to overcome difficulties, and made steady progress in production and operation and maintained a positive trend of development.

I. Major operations of the Company

On 30 June 2023, the Company's total assets reached RMB99.852 billion, representing an increase of RMB8.636 billion or 9.47% over the beginning of the period; the Company's total liabilities were RMB62.620 billion, representing an increase of RMB8.206 billion or 15.08% over the beginning of the period; the debt-to-asset ratio was 62.71%, representing an increase of 3.04 percentage points over the beginning of the period; the total equity of the Company was RMB37.232 billion, representing an increase of RMB430 million or 1.17% over the beginning of the period. During the Reporting Period, the Company achieved a revenue of RMB27.425 billion, representing a year-on-year decrease of RMB2.400 billion or 8.05%; the profit before tax was RMB1.328 billion, representing a year-on-year increase of RMB380 million; the profit for the period attributable to owners of the Company was RMB855 million, representing a year-on-year increase of RMB323 million; the weighted average return on net assets was 2.75%, representing a year-on-year increase of 1.01 percentage points; the basic earnings per share was RMB0.14, representing a year-on-year increase of RMB0.05 per share.

In the first half of 2023, the Company had the gold mine production volume of 19.57 tonnes, continuously maintaining the leading position in the domestic gold industry.

II. Great efforts were exerted by the Company to the following work

- (I) **Actively taking on responsibilities and improving the main indicators to a new level.** We worked hard to overcome challenges such as increasing external environmental variables, tightening safety and environmental protection, and breaking bottleneck constraints in production capacity improvement. In accordance with the principle of “one enterprise, one policy”, we formulated scientific and reasonable production and operation plans, strengthened production and operation incentives, optimized production organization layout, increased scheduling and assessment efforts, constantly increased mining intensity, actively promoted safe and efficient mining methods, and continuously strengthened the “five rate” indicators and the whole process metal balance management, as well as equipment lifecycle management, and further reduced the “two rate” indicators of mining loss rate and dilution rate, improved the selection grade, and consolidated core advantages to maximize resource utilization.
- (II) **Daring to break through and overcoming difficulties, and making new breakthroughs in key work.** We deeply analyzed new variables, accurately grasped new trends, optimized and adjusted 14 key work classes with the times, and convened several key work promotion meetings to catch up with schedule. We fully promoted resource mergers and acquisitions, the Company’s subsidiary Gansu Jinshun Mining Co., Ltd. (甘肅金舜礦業有限責任公司) successfully won the mining rights of Gansu Daqiao Gold Mine. The acquisition of 20.93% shares of Yintai Gold by the Company was completed on 20 July 2023. Yintai Gold held a shareholders’ meeting and passed the proposal of directors and supervisors recommended by Shandong Gold on 14 August 2023. The new chairman was elected, the board of directors and board of supervisors were successfully reorganized. The registration of industrial and commercial changes of Yintai Gold’s legal representative was completed on 18 August 2023, and the acquisition project was successfully completed.

We made continued efforts to explore and increase reserves, Jiaojia Gold Mine, Jinzhou Company, Linglong Gold Mine, and Sanshandao Gold Mine added 3.58 tonnes, 2.5 tonnes, 1.85 tonnes, and 1.07 tonnes of gold metal through exploration, respectively. We highlighted the acceleration of certificate processing and made every effort to speed up the construction of key projects, among which the resource integration and development projects of Jiaojia Gold Mine and Xincheng Gold Mine were selected into the major implementation project library of Shandong Province in 2023. The tunnels and ingate excavation of Sanshandao auxiliary shaft project has completed about 1,035 meters, 54% of the total designed depth of the shaft (1,915 meters) in total, the open mixed well project of Jiaojia Gold Mine, ZhuguoLijia main shaft project and ZhuguoLijia auxiliary shaft project have progressed smoothly; the detailed design for construction of the concentrator of Namdini Mine of Cardinal Resources Limited (卡蒂諾資源公司) in Ghana continued as the long-term equipment has been purchased and is in the manufacturing stage, the field leveling work is about to be completed, and the auxiliary mine works advanced on schedule.

(III) Stimulating dynamism and taking new steps in reform and innovation.

The Company was awarded “excellent” in both “Modern Enterprise System Demonstration Project” and “Corporate Governance Demonstration Enterprise Evaluation” in Shandong Province, and the reform experience has been promoted across the province. In the first half of 2023, 186 patents were applied for, including 39 invention patents; and 58 patents were authorized, including 12 invention patents. “Research and Demonstration of Key Technologies for Deep Metal Green Mining”, which was the “13th Five-Year” National Key Research and Development Program, passed the on-site acceptance, and “Comprehensive Prospecting Technology and Storage Enhancement Demonstration of Vein Gold System”, which was the “14th Five-Year” National Key Research and Development Program was approved and officially entered the implementation stage. We steadily promoted the construction of intelligent mines, deepened the work of “mechanized personnel reduction, automated personnel replacement, and intelligent unmanned”, vigorously promoted the construction of intelligent mining areas, and completed the optimization and debugging of the remote control network of gravel crusher in the intelligent mining area of Jiaojia Gold Mine and the autonomous walking technology scheme of the scraper. The “Research and Application of Intelligent Gold Mine Construction Based on Digital Integration” entered the final of the National State-owned Enterprise Digital Scene Innovation Professional Competition.

(IV) Paying attention to quality and efficiency control, and improving new levels through lean management.

We accelerated the construction of a world-class enterprise, selected the target, learned best practice for integrating the target, clarified the main focus, and strengthened strategic measures. We promoted the systematic cost reduction and efficiency improvement work of “all employees, all posts, all elements, and the whole process”, improved the implementation plan and assessment system for cost reduction and efficiency improvement, and deeply tapped the cost reduction potential in all aspects of production and operation due to enterprise policies and precise efforts. We continuously promoted asset revitalization, asset inspection, and warehouse clearance. We gave full play to the effect of collective mining for creating efficiency and actively promoted the construction of centralized warehousing. We strictly controlled project initiation analysis, design review, acceptance and settlement, strengthened process management such as construction period, investment and quality, increased assessment, rewards, and punishments, strictly prohibited projects from exceeding the time limit and budget, and comprehensively improved project construction management level and investment efficiency.

- (V) **Firmly establishing the development bottom line, and taking on a new look in safety and environmental protection.** We strengthened basic management, strictly implemented the monthly special scheduling meeting on safety production and the “first lesson of construction” system, continued to promote the standardization of safety quality and the construction of the “double system” demonstration basic management team, firmly carried out activities such as the “Safety Production Month”, the special training of the top support of mining engineering to the front end, and the “Safe Shandong Gold” safety point competition, to improve the safety awareness of all employees and the level of grassroots management. We highlighted and strengthened the investigation and management of hidden dangers, organized special inspections and management activities such as resuming work and production after holidays, major inspections of mechanical and electrical equipment and safety production, ventilation and cooling, and top support to the front end. We continuously promoted the environmental protection “three simultaneities” procedures, tackled pollution prevention and control, investigated and corrected environmental hazards, and achieved “carbon peaking and carbon neutrality”, the “Jiaojia Gold Mine Green Mine Construction Project” won the first prize of the Major Engineering Award of the 2022 Green Mine Science and Technology Award, boosting the Company’s green, low-carbon, and high-quality development.
- (VI) **Widely gathering joint efforts to carry out work and entrepreneurship, shining a new atmosphere.** We prioritized the development of theme education as the primary political task, clarified key work tasks, refined personal self-study micro goals, created a “daily learning” online learning micro platform, held theme education reading classes, conducted in-depth research, solidly promoted the star-rating management of Party branches, deepened the “Party Flag Flying High in the Front Line” activities, and promoted the political loyalty of Party members and cadres. We completed the feedback of Party organization inspections in 4 units, launched Party organization inspections in 9 enterprises, and promoted efficient governance with high-quality supervision.

III. Miscellaneous

Due to the new round of ecological protection red line delineation in Shandong Province affecting the progress of the Company’s right certificate application, after the approval of the ecological protection red line plan, the Linglong mining area of Linglong Gold Mine obtained a renewed mining license in December 2022 and completed the safety facility design review of the production system optimization and finetune project in May 2023 which was approved in June 2023. As of the date of this announcement, the Linglong mining area is undergoing rectification of safety facilities and has not yet resumed production.

ANALYSIS ON INVESTMENT STATUS

Key Equity Investments

Unit: RMB'00,000,000

Invested company	Major businesses	Mainly engaged in investment business	The amount invested	Shareholding	Whether consolidating the financial statements	Statement account (if applicable)	Source of capital	JV partners (if applicable)	Investment horizon (if any)	Progress as of the balance sheet date	Estimated earnings (if any)	Impact on the profit and loss during the period	Whether involved in litigation	Disclosure date (if any)	Disclosure date (if any)
Gansu Jinchun Mining Company Limited (甘肃金铜矿业有限公司)	Mining of mineral resources in non-coal mines; exploration of metallic and non-metallic mineral resources; ore processing; sales of metallic ores and mining machinery	Yes	2.70	60%	Yes	Long-term equity investment	Self-financing	Gansu Jinchun Mining Co., Ltd. (甘肃金铜矿业有限公司)	Long term	Completed the establishment	/	/	No	12 January 2023	"Overseas Regulatory Announcement – Announcement on Resolutions of the Thirty-third Meeting of the Sixth Session of the Board of Directors of Shandong Gold Mining Co., Ltd."
Yintai Gold Co., Ltd. (银泰黄金股份有限公司)	Investment and management of geological exploration, mining and smelting of gold and non-ferrous metals, etc.	Yes	127.60	20.95%	No	/	Self-financing	/	Long term	On 20 July 2023, the registration of securities transfer was completed, and the acquisition of control over Yintai Gold was realized.	/	/	No	19 January 2023 30 June 2023	"Major Transaction – Acquisition of Shares in the Target Company" and "Resolution Passed at the 2023 Third Extraordinary General Meeting"
			7.24	2.169%	No	/	Self-financing	/	/	/	/	/	No	13 June 2023 30 June 2023	"Overseas Regulatory Announcement – Announcement on the Increase of Shareholding in Yintai Gold by More Than 1% of Shandong Gold Mining Co., Ltd." and "Announcement on the Increase of Shareholding in Yintai Gold by More Than 1% of Shandong Gold Mining Co., Ltd."
Shandong Jinchun Mine Group Co., Ltd. (山东金铜矿业集团有限公司)	Mining of mineral resources in non-coal mines; ore processing; sales of gold and silver products, etc.	Yes	3.99	36.823%	Yes	Long-term equity investment	Self-financing	/	Long term	The registration of changes in shareholders was completed on 7 June 2023.	/	/	No	29 March 2023	"Overseas Regulatory Announcement – Announcement on the Acquisition of Equity Interests in Minority Shareholders of a Controlling Subsidiary of Shandong Gold Mining Co., Ltd."
Total	/	/	141.53	/	/	/	/	/	/	/	/	/	/	/	/

Note: As at the date of this results announcement, the Company holds 641,398,160 shares of Yintai Gold (including 60,217,092 shares acquired by the Company from the secondary market), representing 23.099% of the total share capital of Yintai Gold, and is the controlling shareholder of Yintai Gold.

In addition, the following significant acquisition was made during the first half of 2023:

Mining right of Gansu Daqiao Gold Mine

On 23 May 2023, the 40th meeting of the sixth session of the Board of Directors considered and passed the “Resolution on the Participation of the Company and its Controlling Subsidiary in the Auction of Mineral Rights”, agreeing that Gansu Jinshun Mining Co., Ltd., which was jointly established by the Company and Gansu Asset Management Co., Ltd. (甘肅省資產管理有限公司), and the Company shall participate in the auction of the mining right of Gansu Daqiao Gold Mine at the same time. On 24 May 2023, Gansu Jinshun Mining Co., Ltd. won the bid for the mining right of Gansu Daqiao Gold Mine at a price of RMB865,695,600.

Please refer to the Company’s overseas regulatory announcement dated 24 May 2023 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group’s:

- **revenue** decreased by approximately 8.05% to approximately RMB27,424.9 million from approximately RMB29,825.1 million for the same period of 2022, which was mainly due to the decrease in sales volume of self-produced gold, externally procured alloy gold and trade revenue during the period.
- **cost of sales** decreased by approximately 10.19% to approximately RMB24,061.7 million from approximately RMB26,791.9 million for the same period of 2022, which was mainly due to the decrease in the cost of self-produced gold, externally procured alloy gold and trade costs during the period.
- **gross profit** increased by approximately 10.87% to approximately RMB3,363.1 million from approximately RMB3,033.2 million for the same period of 2022, which was mainly due to the increase in gross profit of self-produced gold business during the period.
- **selling expenses** decreased by approximately 41.37% to approximately RMB59.1 million from approximately RMB100.8 million for the same period of 2022, which was mainly due to the decrease in sales commissions from subsidiaries during the period.
- **other gains and losses, net** decreased to a loss of approximately RMB71.9 million from a loss of approximately RMB183.1 million for the same period of 2022, which was mainly due to the increase in revenue from financial products.
- **finance costs** increased by approximately 37.65% to approximately RMB702.3 million from approximately RMB510.2 million for the same period of 2022, which was mainly due to the expansion of financing scale during the period.

LIQUIDITY AND CAPITAL RESOURCES

The Group operates in a capital-intensive industry. The Group requires liquidity for expansion of its mining and processing businesses, exploration activities and acquisition of exploration and mining permits. Major sources of capital of the Group 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 2023, the reserves of the Group amounted to approximately RMB19,043.7 million and short-term borrowings amounted to approximately RMB17,122.0 million. The bank balances and cash and restricted bank deposits of the Group as at 30 June 2023 were in an aggregate of approximately RMB7,756.0 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 2023 and available at least the next twelve months from 30 June 2023.

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next twelve 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 RMB802.7 million from SDG Group Finance at an interest rate ranging from 2.25% to 2.80% 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 RMB34,748.3 million (including gold leases of RMB4,256.0 million) through a number of banks in the PRC with interest rates ranging from 2.12% to 6.60% 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 are RMB981 million, 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%.

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

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 2020 Public Issuance of Renewable Corporate Bonds by Shandong Gold Mining Co., Ltd. (for Professional Investors) (the First Tranche)	20 Lujin Y1	175514	2020.12.1	2020.12.3	2023.12.3	27.00	4.80	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds by Shandong Gold Mining Co., Ltd. (for Professional Investors) (the Second Tranche)	20 Lujin Y2	175566	2020.12.17	2020.12.21	2023.12.21	13.00	4.69	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No

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 fifth tranche of 2022 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	22 Lujin SCP005	012284171	2 December 2022	5 December 2022	1 September 2023	5.00	2.35	Repayment of principal and interest in a lump sum at maturity	Interbank bond market	Institutional investors of the national interbank market	Public transaction	No
The first tranche of 2023 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd. (Technology Innovation Instrument)	23 Lujin SCP001 (Technology Innovation Instrument)	012382035	30 May 2023	31 May 2023	26 January 2024	6.00	2.13	Repayment of principal and interest in a lump sum at maturity	Interbank bond market	Institutional investors of the national interbank market	Public transaction	No
The second tranche of 2023 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd. (Technology Innovation Instrument)	23 Lujin SCP002 (Technology Innovation Instrument)	012382055	31 May 2023	1 June 2023	2 February 2024	7.00	2.12	Repayment of principal and interest in a lump sum at maturity	Interbank bond market	Institutional investors of the national interbank market	Public transaction	No

CASH FLOWS

The Group's bank balances and cash decreased from approximately RMB7,753.5 million as at 31 December 2022 to approximately RMB6,846.9 million as at 30 June 2023.

ASSETS AND LIABILITIES

As at 30 June 2023, the Group's:

- **borrowings** increased by approximately 52.39% to approximately RMB35,551.2 million from approximately RMB23,328.9 million as at 31 December 2022, which was mainly due to the payment of financing for Yintai's equity acquisition in the period.
- **financial liabilities at fair value through profit or loss** decreased by approximately 52.31% to approximately RMB5,371.6 million from approximately RMB11,265.7 million as at 31 December 2022, which was mainly due to the repayment of matured financial liabilities.

- **restricted bank deposits** decreased by approximately 51.67% to approximately RMB909.1 million from approximately RMB1,880.8 million as at 31 December 2022, which was mainly due to the decrease in earnest money for mergers and acquisitions.
- **current portion of other non-current liabilities** decreased by approximately 30.73% to approximately RMB91.1 million from approximately RMB131.6 million as at 31 December 2022, which was mainly due to the decrease in royalty fee due within one year.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2023, the Group recorded non-current assets and current assets classified as financial assets at fair value through profit or loss (“**FVTPL**”) amounting to approximately RMB8,742.94 million (31 December 2022: approximately RMB8,119.98 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits.

As at 30 June 2023, 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 347,169,166 shares of Donghai Securities in aggregate, representing approximately 18.71% of the total shares of Donghai Securities. The fair value of the investment in Donghai Securities as at 30 June 2023 was approximately RMB5,012.68 million, which was approximately 5.02% of the Group’s total assets as at 30 June 2023. For the six months ended 30 June 2023, there was no significant change in fair value gain on 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 2023.

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 of 30 June 2023, the Group's consolidated total debt was approximately RMB41,082.4 million (approximately RMB34,803 million as of 31 December 2022), and the Group's consolidated total equity was approximately RMB37,232.1 million (approximately RMB36,802 million as of 31 December 2022). As of 30 June 2023, the Group's gearing ratio was approximately 110.34% (31 December 2022: approximately 94.57%).

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. As of 30 June 2023, 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 RMB948.6 million (As of 30 June 2022: approximately RMB1,202.4 million).

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

Save as disclosed in this announcement, for the six months ended 30 June 2023, 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

The Group did not pledge any assets as at 30 June 2023.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2023 (same period of 2022: Nil).

POSSIBLE RISKS

The Company clarifies the risk management responsibilities of the Board, the management and various departments and positions by strengthening organizational leadership, and establishes a whole process and chain risk prevention and control system and work mechanism based on the standard of “standardization and stability”, so as to firmly and vigorously prevent and resolve risks. Investors are advised that the Company has listed the main risks and taken countermeasures, and however, the Company cannot absolutely guarantee the elimination of all adverse factors due to constraints of various factors.

Safety and Environmental Protection Management Risks

The external supervision of safety and environmental protection is increasingly stringent. Although the Company’s safety and environmental protection situation continues to be stable, there is still a certain uncertainty in internal and external conditions during the production and operations, which brings certain risks and potential dangers to the Company’s production safety and environmental protection.

Countermeasures: We signed the work safety responsibility certificate with all staff and released the Opinions on Strengthening Safety Work in 2023, strictly implemented the monthly special scheduling meeting on safety production and the “first lesson of construction” system, and continued to promote the standardization of safety and quality and the construction of the “dual system” demonstration basic management team. We reinforced the whole-process closed-loop management of the identification, registration, governance, supervision and closure of potential safety risks to comprehensively identify potential safety risks, strictly manage and control weaknesses, and deepen the implementation of safety production inspection, ventilation and cooling, full top slope support to the head and other special rectification activities. We further consolidated and enhanced the construction results of “to replace workers with machineries, to reduce workers with automation”, strengthening precise investment in and management of safety production to ensure key investments in potential risks governance, equipment upgrade, and emergency rescue, so as to build mechanized and intelligent mines and achieve intrinsic safety.

We signed the ecological and environmental protection responsibility certificate, implemented the main responsibility for environmental protection, conducted environmental inspection and assessment on a regular basis, standardized the management of pollution prevention and compliant emission in respect of hazardous chemicals, tailings pond and “three wastes”. We promoted the use of clean energy, increased pollution prevention, and advanced synergy effects of pollution reduction and carbon reduction. We actively carried out beautification and greening activities in mining areas, strengthened the dynamic management of green mine construction, and established the long-term management mechanism to increase the level of green mine construction. We organized various forms of environmental protection and environmental publicity activities to raise employees’ awareness of environmental protection.

International Operation Risk

Currently, global uncertainty continues to increase, and international economic and political situations such as low growth, high inflation, and geopolitical conflicts are becoming increasingly complex. The Chinese enterprises are facing with increasing risks in their international operations, including the risks in politics, law, economic environment, religious environment, financial and cultural integration, which may affect the Company's overseas operations.

Countermeasures: We carefully analyzed the political, religious and cultural and investment environments of the target country of investment, strengthening the communications with overseas Chinese-funded institutions and Chinese-funded enterprises that have started business in the target country, and continuously paid attention to and studied various laws, regulations and policy requirements of the PRC and target countries of investment to prevent the risks of overseas investment from the political, economic, and legal aspects. We actively responded to the impact of unexpected situations such as politics and environmental protection on overseas business and personnel safety, and established a highly adaptable business model to promote the sustainable development of overseas operations.

Financial Risk

The current international environment is volatile and the domestic economy is not yet on a firm footing to recover. The intertwining of internal and external factors has a significant impact on the capital market and the real economy, which brings challenges to the production and operation of the Company

Countermeasures: We focused on building a comprehensive risk management mechanism that integrates production and financing around core functions such as investment decision-making, transaction management, internal control and legal compliance; strengthened our research and interpretation of domestic and foreign macroeconomic situations and economic policies by building a transaction and research team and a risk management and control platform. We continued to enhance pre-investment business risk control, conduct detailed pre-investment due diligence, and make thorough research and judgement on the investment industry, selection of targets and investment timing. We made prudent investment decisions, strictly formulated and implemented risk prevention and control measures for key nodes and parts such as review of investment and post-investment management, set reasonable alert and stop-loss indicators, monitored in real-time of investment to adjust strategies in a timely manner and track project progress, so as to strictly control financial risk.

Resource Acquisition Risk

The competition between large mining groups for superior mineral resources has intensified, showing a trend of high overlap of major power competition categories, obvious geopolitical layout competition, and rising resource protectionism, making it more difficult to acquire new high-quality mineral rights.

Countermeasures: We innovated the mode of resource acquisition, accelerated the integration of significant and high-quality resources at home and abroad through various methods such as mergers and acquisitions of and application for mining rights, and risk prospecting, and continued to expand the advantages of production capacity and resource scale. To strengthen the research and development of exploration technology and make full use of the Company's professional geological team, we continued to intensify our efforts in exploration for domestic advantageous target areas, and made new breakthroughs in theories of ore formation and prospecting and regional exploration to expand our resource reserves. We kept track of policy trends and seized the opportunity of resource integration to advance the perfection of the certificates and permits in key areas.

Risks of Fluctuation in Product Prices

The product prices determine the operating results of the Company to a great degree. Gold is the primary product of the Company. Factors affecting the gold price include global supply and demand, macro-political and economic factors (such as geopolitics, local wars, inflation, etc.). Under the combined effect of these factors, there will be large fluctuations in the gold price, which may adversely affect the Company's revenue and profit.

Countermeasures: We improved the gold transaction decision-making mechanism, strictly implemented the transaction procedures, strengthened the research and analysis team building, and carried out market tracking research to comprehensively enhance the ability of price research and judgement and grasp the price trend. We rationally applied financial derivatives to continuously improve the hedging business operation system, so as to address and prevent the risk of prices fluctuation. We strengthened production organization and management, did a good job in the whole process of production technology management, and advanced the innovation of large-scale and intelligent mining operation mode to improve production operation rate and resource utilization rate, so as to promote the improvement of production capacity. We continued to reduce costs and increase efficiency by further reducing costs in management, finance, policy and centralized procurement, to enhance the enterprise's cost control capability and actively manage the possible adverse impact of product price fluctuations on the Company's revenue and profit.

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 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, there has been no change in the use of proceeds as stated in the Prospectus. As of 30 June 2023, approximately RMB4,601.1 million have been utilized, namely:

Item	Percentage	Available to utilize	Net proceeds (RMB million)		As of 30 June 2023	Expected timeline for the use of the unutilized proceeds ⁽¹⁾
			From the listing date to 30 June 2023	For the six months ended 30 June 2023		
Repayment of Syndicated Term Loan	97.6%	4,506.1	4,506.1	–	–	–
Payment of listing expenses ⁽²⁾	2.4%	112.7	95.0	–	17.7	On or before 31 December 2023
Total	100%	4,618.8	4,601.1	–	17.7	

Notes:

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

STAFF OF THE GROUP

As of 30 June 2023, the Group had a total of 16,244 full-time employees (31 December 2022: 16,794 employees). For the six months ended 30 June 2023, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB1,806.9 million (six months ended 30 June 2022: approximately RMB2,083.5 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 2022 Annual Report.

CORPORATE GOVERNANCE

The Company, being a company listed in Hong Kong and Shanghai, 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. 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 2023.

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 Hang 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 2023 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 2023 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.

OTHER SIGNIFICANT EVENTS DURING REPORTING PERIOD

Dividends

Based on the Company's total number of issued shares of 4,473,429,525 Shares as at 31 December 2022, a cash dividend of RMB0.7 (tax inclusive) per ten (10) Shares was distributed to all Shareholders for the profit distribution, and the total cash dividend paid was approximately RMB313.140 million. The above-mentioned profit distribution plan was considered and approved at the 2022 annual general meeting of the Company held on 7 June 2023, and the implementation of cash dividend of A Shares and H Shares was completed on 18 July 2023.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On 9 December 2022, the Company entered into the Share Transfer Agreement with Mr. Shen Guojun, the de facto controller of Yintai Gold, and China Yintai Holdings Co., Ltd., the controlling shareholder, pursuant to which Mr. Shen Guojun and China Yintai Holdings Co., Ltd. intended to transfer 20.93% shares of Yintai Gold held by them in total to the Company. On 19 January 2023, the Company entered into the Supplemental Agreement to the Share Transfer Agreement with Mr. Shen Guojun, the de facto controller of Yintai Gold, and China Yintai Holdings Co., Ltd., the controlling shareholder, pursuant to which China Yintai Holdings Co., Ltd. transferred 401,060,950 shares of Yintai Gold held by it, and Mr. Shen Guojun transferred 180,120,118 shares of Yintai Gold held by him (a total of 581,181,068 shares, accounting for 20.93% of Yintai Gold's total share capital) to the Company. The securities transfer registration and the re-election of the board of directors by Yintai Gold have been completed on 20 July 2023 and 14 August 2023 respectively, and the Company has obtained control of Yintai Gold.

The Company received the "Confirmation Letter on Securities Transfer and Registration" (《證券過戶登記確認書》) issued by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 20 July 2023, completing the acquisition of the control of Yintai Gold. As of 20 July 2023, the Company held 641,398,160 shares in Yintai Gold (including 60,217,092 shares purchased by the Company from the secondary market), representing 23.099% of the total share capital of Yintai Gold, and is the controlling shareholder of Yintai Gold. For details, please refer to the Company's announcement dated 20 July 2023 published on the website of the Hong Kong Stock Exchange.

Shandong Gold Group Penglai Mining Co., Ltd.* (山東黃金集團蓬萊礦業有限公司) ("**Penglai Mining**"), a wholly-owned subsidiary of the Company, has successfully bid and acquired the Qigouyifen Mine Assets (excluding the liabilities) that Shandong Jinchuang Co., Ltd.* (山東金創股份有限公司) ("**Jinchuang**") transferred through the SPREC by way of public tender at a base price of RMB465,173,000, and entered into the Asset Transaction Contract on 28 July 2023. After mutual negotiation between Penglai Mining and Jinchuang, both parties signed the Supplemental Agreement on 2 August 2023, pursuant to which Penglai Mining agreed to take over the liabilities of RMB324,047,187.67 of the Qigouyifen Mine Assets and the personnel affiliated to the mineral rights. For details, please refer to the announcements of the Company dated 25 July 2023 and 2 August 2023 published on the website of the Hong Kong Stock Exchange.

On 15 August 2023, the 44th meeting of the sixth session of the Board of Directors of considered and approved the Resolution on the Extension of the Validity Period of the Shareholders' Resolution in relation to the Company's Issuance of A Shares to Target Subscribers. In view of the implementation of the stock issuance registration system (股票發行註冊制), the issuance to target subscribers is now subject to the approval of the Shanghai Stock Exchange and the consent of the CSRC for registration. As the matters relating to the issuance to target subscribers are still in progress, in order to ensure the continuity and effectiveness of the issuance to target subscribers and the smooth progress of the relevant work, the Board of Directors resolved to propose extension of the validity period of the shareholders' resolution in relation to the issuance to target subscribers to 29 January 2024. The relevant resolution shall be considered and approved at the 2023 fourth extraordinary general meeting and the 2023 second H Shares class meeting of the Company to be held on 1 September 2023. For details, please refer to the Company's announcement dated 15 August 2023 and circular dated 16 August 2023 published on the website of the Hong Kong Stock Exchange.

On 22 August 2023, the 45th meeting of the sixth session of the Board of Directors considered and approved the Resolution on the Acquisition of Mineral Rights and Other Assets in Yanshan Mine Area of Shandong Gold Jinchuang Group Co., Ltd. and the Entering into of Relevant Transfer Contract. Penglai Mining and Shandong Gold Jinchuang Group Co., Ltd.* (山東黃金金創集團有限公司) ("**Jinchuang Group**") entered into the Asset Package Transfer Contract, pursuant to which Jinchuang Group has agreed to sell and Penglai Mining has agreed to purchase the target assets package held by Jinchuang Group, at a total consideration of RMB422,183,204.57. The relevant resolution shall be considered and approved at the 2023 fifth extraordinary general meeting of the Company to be held on 12 September 2023. For details, please refer to the Company's announcement dated 22 August 2023 and circular dated 25 August 2023 published on the website of the Hong Kong Stock Exchange.

On 22 August 2023, the 45th meeting of the sixth session of the Board of Directors considered and approved the Resolution on the Plan for the Public Issuance of Corporate Bonds. In order to further satisfy the capital requirements for the development of the Company's business operations, ensure the long-term stable supply of capital for the Company's development, further broaden the financing channels, leverage its sound capital market image and the cost advantages of direct financing, and reasonably match various financing channels, the Company intends to apply to the Shanghai Stock Exchange and the CSRC for the registration and issuance of corporate bonds (with the approval to be valid within 2 years), with a total amount of not exceeding RMB10 billion (inclusive of RMB10 billion). The relevant resolution shall be considered and approved at the 2023 fifth extraordinary general meeting of the Company to be held on 12 September 2023. For details, please refer to the Company's announcement dated 22 August 2023 and circular dated 25 August 2023 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 2023 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;
“Board” or “Board of Directors”	the board of directors of the Company;
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules;
“China” or the “PRC” 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” or “we”	the Company and all of its 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;
“IFRS”	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB);
“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, 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 2023 to 30 June 2023;
“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 70%, 20% and 10% by Shandong Provincial People’s Government State-owned Assets Supervision and Administration Commission* (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Holding Group Co., Ltd.* (山東國惠投資控股集團有限公司) and Shandong Caixin Assets Operation Co., Ltd.* (山東省財欣資產運營有限公司), respectively. Shandong Guohui Investment Holding Group Co., Ltd. is a limited liability company established in the PRC and is owned as to 100% by Shandong Provincial People’s Government State-owned Assets Supervision and Administration Commission;
“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 (Hong Kong) Co., Limited (山東黃金礦業(香港)有限公司), incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
“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 (上海黄金交易所);
“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);
“Supervisor(s)”	the supervisor(s) of the Company;
“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;
“USD”	United States dollar, the lawful currency of the United States;
“Veladero Mine”	the Veladero Mine located in the high Andes Cordillera of central western Argentina, details of which are set out in “Appendix IV – Competent Person’s Report – RPA Report” to the Prospectus; and
“Yintai Gold”	Yintai Gold Co., Ltd. (銀泰黃金股份有限公司), a joint stock company established in the PRC with limited liability on 18 June 1999, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000975).

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

Jinan, the PRC, 29 August 2023

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 Hang, 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.

* *For identification purposes only*