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# 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)

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

## **ANNUAL RESULTS HIGHLIGHTS OF 2020**

- The Group's revenue for the year ended 31 December 2020 was approximately RMB63,645.4 million, representing an increase of approximately 1.6% as compared to the corresponding period of last year;
- The Group's profit of the year for the year ended 31 December 2020 was approximately RMB2,496.3 million, representing an increase of approximately 76.8% as compared to the corresponding period of last year;
- Profit for the year attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately RMB2,231.5 million, representing an increase of approximately 72.9% compared to the corresponding period of last year;
- Basic earnings per share of the Company for the year ended 31 December 2020 was RMB0.51, representing an increase of approximately 70.0% as compared to the corresponding period of last year;
- The Board proposed the payment of a final dividend of RMB0.5 per 10 Share (tax inclusive) for the year ended 2020.

The Board of Directors is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2020, which is an extract of the audited consolidated financial statements of the Group.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

Cost of sales         (57,088,914)         (57,601,7           Gross profit         6,556,437         5,011,3           Selling expenses         (107,147)         (188,1           General and administrative expenses         (2,319,331)         (1,768,6           Research and development expenses         (387,558)         (333,0           Other income         26,435         37,7           Other gains and losses, net         143,354         107,5           Finance income         72,877         71,4           Finance costs         (811,872)         (866,8           Share of results of associates         10,669         1,3           Profit before tax         3,183,864         2,072,6           Income tax expenses         5         (687,562)         (660,3           Profit for the year attributable to:         2,496,302         1,412,3           - Owners of the Company         2,231,533         1,290,5           - Non-controlling interests         2,496,302         1,412,3           (Restate         (Restate		Notes	2020 RMB'000	2019 RMB'000
Gross profit         6,556,437         5,011,3           Selling expenses         (107,147)         (188,1           General and administrative expenses         (2,319,331)         (1,768,6           Research and development expenses         (387,558)         (333,0           Other income         26,435         37,7           Other gains and losses, net         143,354         107,5           Finance income         72,877         71,4           Finance costs         (811,872)         (866,8           Share of results of associates         10,669         1,3           Profit before tax         3,183,864         2,072,6           Income tax expenses         5         (687,562)         (660,3           Profit for the year attributable to:         2,496,302         1,412,3           Profit for the Company         2,231,533         1,290,5           Non-controlling interests         2,496,302         1,412,3           (Restate         (Restate		3		62,613,141
Selling expenses       (107,147)       (188,1         General and administrative expenses       (2,319,331)       (1,768,6         Research and development expenses       (387,558)       (333,0         Other income       26,435       37,7         Other gains and losses, net       143,354       107,5         Finance income       72,877       71,4         Finance costs       (811,872)       (866,8         Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year attributable to:       2,496,302       1,412,3         Profit for the Company       2,231,533       1,290,5         Non-controlling interests       264,769       121,8         (Restate	Cost of sales		(57,088,914)	(57,601,794)
Selling expenses       (107,147)       (188,1         General and administrative expenses       (2,319,331)       (1,768,6         Research and development expenses       (387,558)       (333,0         Other income       26,435       37,7         Other gains and losses, net       143,354       107,5         Finance income       72,877       71,4         Finance costs       (811,872)       (866,8         Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year attributable to:       2,496,302       1,412,3         Profit for the Company       2,231,533       1,290,5         Non-controlling interests       264,769       121,8         (Restate	Gross profit		6,556,437	5,011,347
Research and development expenses       (387,558)       (333,0         Other income       26,435       37,7         Other gains and losses, net       143,354       107,5         Finance income       72,877       71,4         Finance costs       (811,872)       (866,8         Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to:       2,231,533       1,290,5         Non-controlling interests       264,769       121,8         (Restated       (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)       (1,412,3)         (1,412,3)	-		, ,	(188,120)
Other income       26,435       37,7         Other gains and losses, net       143,354       107,5         Finance income       72,877       71,4         Finance costs       (811,872)       (866,8         Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year attributable to:         - Owners of the Company       2,231,533       1,290,5         - Non-controlling interests       264,769       121,8         (Restate         (Restate			(2,319,331)	(1,768,667)
Other gains and losses, net       143,354       107,5         Finance income       72,877       71,4         Finance costs       (811,872)       (866,8         Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to:       - Owners of the Company       2,231,533       1,290,5         - Non-controlling interests       2,496,302       1,412,3         (Restate         (Restate	Research and development expenses		(387,558)	(333,050)
Finance income       72,877       71,4         Finance costs       (811,872)       (866,8         Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to:       2,231,533       1,290,5         Non-controlling interests       264,769       121,8         2,496,302       1,412,3         (Restated to the company of the c	Other income		26,435	37,704
Finance costs       (811,872)       (866,8         Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to:       - Owners of the Company       2,231,533       1,290,5         - Non-controlling interests       264,769       121,8         2,496,302       1,412,3         (Restate	Other gains and losses, net		143,354	107,585
Share of results of associates       10,669       1,3         Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to:       2,231,533       1,290,5         Non-controlling interests       264,769       121,8         2,496,302       1,412,3         (Restate       (Restate			,	71,466
Profit before tax       3,183,864       2,072,6         Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to: <ul> <li>Owners of the Company</li> <li>Non-controlling interests</li> <li>2,231,533</li> <li>1,290,5</li> <li>264,769</li> <li>121,8</li> </ul> (Restated to the company of the Company			` ' '	(866,894)
Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to:	Share of results of associates		10,669	1,319
Income tax expenses       5       (687,562)       (660,3         Profit for the year       2,496,302       1,412,3         Profit for the year attributable to:	Profit before tax		3,183,864	2,072,690
Profit for the year attributable to:	Income tax expenses	5		(660,376)
- Owners of the Company - Non-controlling interests  2,231,533 1,290,5 264,769 121,8  2,496,302 1,412,3  (Restate	Profit for the year		2,496,302	1,412,314
- Owners of the Company - Non-controlling interests  2,231,533 1,290,5 264,769 121,8  2,496,302 1,412,3  (Restate	Profit for the year attributable to:			
<b>2,496,302</b> 1,412,3 (Restate	•		2,231,533	1,290,503
(Restate	<ul> <li>Non-controlling interests</li> </ul>		264,769	121,811
			2,496,302	1,412,314
Earnings per share 6				(Restated)
	Earnings per share  – Basic and diluted (RMB)	6	0.51	0.30

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	2,496,302	1,412,314
Other comprehensive (expense) income:  Item that will not be reclassified subsequent to profit or loss:  Fair value loss on equity investment designated		
at fair value through other comprehensive income, net of tax	(425)	-
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	(306,489)	69,593
Other comprehensive (expense) income	(306,914)	69,593
Total comprehensive income for the year	2,189,388	1,481,907
Total comprehensive income for the year attributable to:		
- Owners of the Company	1,924,786	1,360,096
<ul> <li>Non-controlling interests</li> </ul>	264,602	121,811
	2,189,388	1,481,907

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		28,616,211	26,029,464
Investment properties		219,739	231,459
Right-of-use assets		508,996	503,550
Intangible assets		12,105,172	12,581,306
Goodwill		1,257,998	1,327,478
Investments in associates		1,027,971	1,042,259
Financial assets at fair value through other			
comprehensive income		1,500	2,000
Financial assets at fair value through profit or loss		5,568,568	5,688,098
Inventories		1,227,314	385,483
Deferred income tax assets		170,877	130,000
Other non-current assets		580,445	565,816
		51,284,791	48,486,913
Current assets			
Inventories		2,549,714	3,639,787
Prepayment, trade and other receivables	7	4,244,700	1,916,843
Prepaid income tax		33,205	14,125
Financial assets at fair value through profit or loss		3,058,213	1,528,785
Restricted bank deposits		258,912	243,232
Bank balances and cash		3,032,156	3,019,041
		13,176,900	10,361,813

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (Continued) AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and other payables	8	6,658,366	5,447,967
Lease liabilities		36,655	42,043
Current income tax liabilities		366,274	239,667
Borrowings		9,727,870	5,964,287
Financial liabilities at fair value			
through profit or loss		8,672,590	13,145,643
Current portion of other non-current liabilities		72,383	65,911
		25,534,138	24,905,518
Net current liabilities		(12,357,238)	(14,543,705)
Total assets less current liabilities		38,927,553	33,943,208
Non-current liabilities			
Borrowings		1,677,098	2,199,267
Lease liabilities		63,427	65,940
Deferred income tax liabilities		3,928,100	4,262,779
Deferred revenue		15,406	12,444
Provision for asset retirement obligations		845,872	909,958
Other non-current liabilities		539,465	424,495
		7,069,368	7,874,883
Net assets		31,858,185	26,068,325
Capital and reserves		4.242.045	2 000 (12
Share capital	9	4,313,947	3,099,612
Treasury shares		(6,385)	(6,385)
Reserves		20,520,882	20,114,685
		24,828,444	23,207,912
Perpetual bonds		3,999,387	_
Non-controlling interests		3,030,354	2,860,413
Total equity		31,858,185	26,068,325

#### **NOTES**

#### 1 GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC" or "China") on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC.

The A shares of the Company have been listed on the Shanghai Stock Exchange since 28 August 2003. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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 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委員會), respectively.

The Group is principally engaged in (i) mining, processing and sale of gold and gold products: (ii) manufacturing and sales of building decoration materials; and (iii) investments in equity funds, trading of gold bullion and provision of futures contracts trading services. The address of the Company's registered office is No. 2503 Jingshi Road, Licheng District, Jinan, Shangdong Province, the PRC (subsequently changed from Building No. 3, Shuntai Square, No. 2000 Shuhua Road, Jinan, Shangdong Province, the PRC on 21 January 2021).

The consolidated financial statements of the Group are presented in Renminbi ("RMB"), the functional currency of the Company.

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument, which are measured at fair value at the end of the each reporting period.

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 consolidated financial statements in conformity with IFRSs 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.

#### 2.1.1 Going concern

As at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB12,357,238,000. The directors of the Company are of the opinion that the Group will have adequate funds to finance its future financing requirements and working capital based on the following considerations:

- (a) The Group is expected to remain profitable and hence continue to generate operating cash inflows from its future business operations; and
- (b) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide banking facilities of not less than RMB52 billion as at 31 December 2020.

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 31 December 2020. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

#### 2.1.2 Changes in the principal accounting policies and disclosures

(a) New or amendments to standards that are effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to standards for the first time which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IFRS 3

Amendments to IAS 1 and IAS 8

Amendments to IFRS 9, IAS 39

and IFRS 7

Definition of a Business

Definition of Material

Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs and the above amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New or amendments to standards in issue but not yet effective

New or amendments to IFRSs, which are not yet effective for the financial year commencing on 1 January 2020 and have not been applied in preparing the consolidated financial statements are listed below:

IFRS 17	Insurance Contracts and related Amendments <sup>5</sup>
Amendments to IFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>5</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds Before Intended Use <sup>3</sup>
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract <sup>3</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 cycle <sup>3</sup>
Amendments to IFRS 16	COVID-19-Related Rent Concessions <sup>4</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to IAS 1 and	Disclosure of Accounting Policies <sup>5</sup>
IFRS Practice Statement 2	

- Effective for annual periods beginning on or after 1 January 2021
- Effective for annual periods beginning on or after a date to be determined
- Effective for annual periods beginning on or after 1 January 2022
- Effective for annual periods beginning on or after 1 June 2020
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

The Directors of the Company anticipate that the application of the new or amendments to IFRSs as listed above will have no material impact on the results and the financial position of the Group.

## 3 REVENUE

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

	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	63,549,196	62,396,032
Brokerage and other fees earned from trading of futures contracts	83,777	198,443
	63,632,973	62,594,475
Revenue from other sources		
Rental income from investment properties	12,378	18,666
	63,645,351	62,613,141
Disaggregation of revenue from contracts with customers by timing of recog	gnition	
	2020	2019
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	63,632,973	62,594,475

#### 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.

During the year ended 31 December 2019, the Group completed the acquisition of entire equity interest in SDG Capital Management Co., Ltd. as business combination involving entities under common control. SDG Capital Management Group was principally engaged in the investments in equity funds, trading of gold bullion and provision of futures contracts trading services.

Financial information of the following reportable segments has been separately presented as discrete segment information for 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.

	For the year ended 31 December 2020				
	Gold Mining <i>RMB'000</i>	Gold Refining RMB'000	Investment Management RMB'000	Inter- segment Elimination RMB'000	Total RMB'000
Revenue Inter-segment revenue	14,289,898 (11,546,753)	58,632,707 (396,943)	2,669,103 (2,661)	(11,946,357) 11,946,357	63,645,351
Revenue from external customers	2,743,145	58,235,764	2,666,442		63,645,351
Operating profit Finance income Finance costs Share of results of associates	3,541,779 69,516 (636,670) 10,507	85,773 4,697 (4,039)	284,311 36,787 (209,286) 162	327 (38,123) 38,123	3,912,190 72,877 (811,872) 10,669
Profit before tax Income tax expenses	2,985,132 (629,760)	86,431 (16,832)	111,974 (40,970)	327	3,183,864 (687,562)
Profit for the year	2,355,372	69,599	71,004	327	2,496,302

# As at 31 December 2020

	Gold Mining <i>RMB</i> '000	Gold Refining RMB'000	Investment Management RMB'000	Inter- segment Elimination RMB'000	Total RMB'000
Total assets	55,327,458	2,749,074	10,141,491	(3,756,332)	64,461,691
Total liabilities	26,292,791	1,957,556	8,109,164	(3,756,005)	32,603,506
		For the year	ar ended 31 Decen	mber 2019 Inter-	
	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	segment Elimination RMB'000	Total RMB'000
Revenue Inter-segment revenue	12,344,729 (9,305,652)	57,980,127 (259,216)	1,855,131 (1,978)	(9,566,846) 9,566,846	62,613,141
Revenue from external customers	3,039,077	57,720,911	1,853,153		62,613,141
Operating profit Finance income Finance costs Share of results of associates	2,474,070 32,572 (637,373) 1,273	215,479 4,335 (7,394)	174,684 34,559 (222,127) 46	2,566 - - -	2,866,799 71,466 (866,894) 1,319
Profit (loss) before tax Income tax expenses	1,870,542 (556,298)	212,420 (55,565)	(12,838) (48,513)	2,566	2,072,690 (660,376)
Profit (loss) for the year	1,314,244	156,855	(61,351)	2,566	1,412,314
		As a	at 31 December 2	019 Inter-	
	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	segment Elimination RMB'000	Total <i>RMB'000</i>
Total assets	48,238,865	2,847,412	9,628,967	(1,866,518)	58,848,726
Total liabilities	24,851,950	2,124,151	7,668,252	(1,863,952)	32,780,401

#### 5 INCOME TAX EXPENSES

	2020	2019
	RMB'000	RMB'000
Current income tax:		
- The PRC (note (a))	668,136	559,934
- Outside the PRC (note (b))	245,699	146,848
	913,835	706,782
Deferred income tax credit	(226,273)	(46,406)
	687,562	660,376

#### Notes:

- (a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25% (2019: 25%). The PRC EIT is calculated based on the applicable income tax rate of 25% (2019: 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% (2019: 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 30% (2019: 30%) in accordance with the Argentina income tax law.
  - In addition, withholding tax of approximately RMB21,175,000 (2019: RMB21,158,000) has been provided during the year ended 31 December 2020 on inter-company interest expenses paid to Shandong Gold Mining (Hong Kong) Co., Limited ("SDG Hong Kong"), a wholly-owned subsidiary of the Company, from the joint operation, which such interest expense were eliminated upon the proportional consolidation.
- (c) No provision for income tax has been made by SDG Hong Kong as it has no estimated taxable profits in any financial year since the date of its incorporation.

#### 6 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the number of shares in issue.

	2020	2019 (Restated)
Profit attributable to owners of the Company (RMB'000) Weighted average number of shares in issue (thousands of shares) Basic earnings per share (RMB per share)	2,231,533 4,333,387 0.51	1,290,503 4,334,572 0.30

On 24 June 2020, a special resolution was passed by the shareholders of the Company to approve the bonus issue on the basis of four bonus shares for every ten existing shares held by the shareholders as at 7 July 2020.

The weighted average number of shares for the purpose of calculating basic and diluted earnings per share for the years ended 31 December 2020 and 2019 has been adjusted for the bonus issue on 19 August 2020.

As the Company did not have any dilutive instruments during the years ended 31 December 2020 and 2019, the Group's diluted earnings per share was the same as its basic earnings per share.

#### 7 PREPAYMENT, TRADE AND OTHER RECEIVABLES

Ageing analysis of trade receivables included in prepayment, trade and other receivables at the end of the reporting period based on invoice dates is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	141,578	261,012
1–2 years	11,036	22,121
2–3 years	15,855	15,636
Over 3 years	18,686	8,262
	187,155	307,031
Less: Impairment of trade receivables	(17,251)	(16,888)
Trade receivables, net	169,904	290,143

#### 8 TRADE AND OTHER PAYABLES

Ageing analysis of trade payables included in trade and other payables at the end of the reporting period based on invoice dates is as follows:

2020	2019
RMB'000	RMB'000
845,446	912,846
33,648	31,293
13,085	1,951
1,682	1,731
893,861	947,821
	RMB'000  845,446 33,648 13,085 1,682

#### 9 SHARE CAPITAL

Shares, issued and fully paid:

	2020	)	2019	)
	Number of shares (thousands)	Share capital <i>RMB'000</i>	Number of shares (thousands)	Share capital <i>RMB'000</i>
Domestic Shares ("A share") of RMB1.00 each - directly held by Shandong Gold Group - held by other shareholders	1,671,709 1,942,734	1,671,709 1,942,734	1,194,078 1,405,889	1,194,078 1,405,889
	3,614,443	3,614,443	2,599,967	2,599,967
H shares of RMB1.00 each	699,504	699,504	499,645	499,645
	4,313,947	4,313,947	3,099,612	3,099,612

On 19 August 2020, bonus shares have been issued on the basis of four bonus shares for every ten existing shares, totalling of additional 1,239,844,651 shares of the Company comprising 1,039,986,532 A shares and 199,858,119 H shares.

During the year ended 31 December 2020, the Company repurchased 25,509,517 of its own A shares.

On 20 August 2019, bonus issues have been issued on the basis of four bonus shares for every ten existing shares of the Company, resulting additional 885,603,323 shares of the Company, comprising 742,847,523 A shares and 142,755,800 H shares.

Subsequent to the end of the period on 29 January 2021, the Company issued additional 159,482,759 H shares for the acquisition of Hengxing Gold Holding Company Limited.

#### 10 DIVIDENDS

	2020 RMB'000	2019 RMB'000
Final dividend for the year ended 31 December 2018 of RMB0.1 per share Final dividend for the year ended 31 December 2019 of	-	219,850
RMB0.1 per share	307,790	
	307,790	219,850

On 16 April 2020, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2019 of RMB0.1 per share to the shareholders of the Company, except for 18,221,084 (2019: 13,015,060) A shares of the Company which are not subject to any dividend, and 3,488,674 (2019: 2,491,910) treasury shares held by the Company with the dividend of approximately RMB349,000 (2019: RMB249,000) which have been eliminated in the consolidated financial statements. Accordingly, the dividend paid during the year ended 31 December 2020 was approximately RMB307,790,000 (2019: RMB219,850,000). The payment of dividend has been resolved by the special resolution at the shareholders' meeting of the Company on 24 June 2020.

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

Dividends proposed after the end of the reporting period and not being recognised are as below:

	2020 RMB'000	2019 RMB'000
Proposed final dividend after the end of the reporting period: RMB0.05 (2019: RMB0.1) per share	223,427	307,790

On 30 March 2021, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2020 of RMB0.05 (2019: RMB0.1) per share to the shareholders of the Company, except for 4,884,143 treasury shares held by the Company with the proposed dividend of approximately RMB244,000 which would have been eliminated in the consolidated financial statements. Accordingly, the dividend proposed for the year ended 31 December 2020 was approximately RMB223,427,000 (2019: RMB307,790,000). The payment of dividend will be proposed at the annual general meeting of the Company.

#### DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

#### **Business Scope**

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

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

#### **Operating Model**

## Large-scale operating

The Company focuses on the development and utilization of gold mineral resources. By adopting the gold production model of scattered mining and centralized smelting, the Company has been able to enhance its scale advantage and modern production level of its gold resources in the Laizhou region of the Jiaodong Peninsula. The Company's Jiaojia Gold Mine, Linglong Gold Mine and Sanshandao Gold Mine were among the first in the country to achieve cumulative gold production of over 100 tonnes. Domestically, Shandong Gold Smelting Co., Ltd. ranked among the top in the industry in terms of both the refining volume and the trading volume. The Company aims to boost its large-scale operations by improving the level of mechanical operation and enhance corporate efficacy through the construction of the project of "world-class exemplary mine". At present, our mining enterprises firmly occupy the leading position in the domestic mining industry in terms of equipped production level and mechanization degree. Moreover, the underground trackless mining equipment configuration has always maintained an advanced level internationally. Currently, the Company is accelerating the construction of a world-class gold base and has set up the construction plan of a world-class gold base leveraging on the mining rights resources covering "Sanshandao Resource Belt, Jiaojia Resource Belt and Xincheng Resource Belt" and relying on the six major segments of mining, refining, circular economy, intelligent mine, ecological mine and industrial synergies, setting its mind upon becoming the first domestic 10,000 - tonnes gold production base.

## Technology and innovation-driven model

The Company always places its emphasis on technological innovation with the aim of building core competitiveness in the era of corporate digitalization to accelerate in-depth integration of the new generation of information technology and industrial automation. The three laboratories of the Company, namely the deep underground mining laboratory, filling laboratory and beneficiation laboratory, have gradually played a leading role in science and technology, with significant enhancement in innovation and technology capability, and outstanding performance in technology innovation. The national key research and development plan project undertaken and participated by the Company has achieved remarkable results, and continuous improvement has been made in the innovation platform and system. A series of key technologies has achieved significant breakthroughs along with promotion and application of advanced information technology. Some of the scientific research results are playing or will play a key supporting role in the Company's technology innovation development. Shandong Gold Mining Science and Technology Co., Ltd. obtained the approval for the registration of provincial-level new type of research and development institution. The Company jointly established the "Mining Technology and Innovation Institution" with Northeastern University, and took the lead in undertaking the "R&D and Exemplary Project of Key Technologies for Green Mining of Deep Metal Mines" (深部金屬礦綠色開採關鍵技 術研發與示範), which passed the mid-term inspection. The Company stressed the importance on reform and innovation and gathered resource on transformation and upgrade, accomplished the construction of "a world-class exemplary mine" for the Sanshandao Mine, realized the first remote control and transformation of imported drilling jumbos and the application of 5G technology in the PRC, completed the transformation of backfilling automation and the construction of a ramp comprehensive management system, and became a leader in "smart mines" and "ecological mining".

## Safe and green development

The Company consciously placed the green development model into practice, and proactively promoted construction of green mines. The Company insisted on placing green development on the same level of importance as its strategy, and further strengthened the brand image of Shandong Gold. The Company adhered to the "double zero" goal in respect of safety and environmental protection, endeavored to build a world-class intrinsically safe mines, formed a new model of tailings-free and waste-free mining development that meets the requirements of ecological civilization construction, and strived to achieve scale intensification of mine production models, clean and environmentally friendly production processes, energy saving and consumption reduction of production equipment. The Company focused on efficient development and comprehensive utilization of mineral resources, comprehensive treatment of mine wastes, so as to maximize the protection of the geological environment and implement the reclamation of the mine land accordingly. It also achieved a harmonious, mutually beneficial and win-win situation between mines and the surrounding communities. For instance, the Company made a significant breakthrough in the construction of tailings-free and waste-free mine. Shandong Gold Mining (Xinhui) Co., Ltd. implemented a pilot program to establish a new model of gold mine production with fine tailings high-density filling and coarse tailings being exported as mine products, which generally reached the international leading level and became a tailings-free and waste-free mine. In addition, the dry discharge capacity of tailings of Jiaojia Gold Mine and Xincheng Gold Mine achieved 11,000 tonnes, and Linglong Gold Mine realized zero discharge. As of the end of 2020, all domestic mine enterprises of the Company met the national or provincial green mine standard, and further enhanced the brand of "Shandong Gold, Ecological Mining".

#### Industry Development and the Position of the Company in the Industry

Since the beginning of 2020, the COVID-19 epidemic has been spreading across the world. In response to the epidemic, countries have generally taken measures such as strengthening quarantine measures and suspending work and production. Consumption and investment have declined, international trade scaled down sharply and global industrial and supply chains have been disrupted, resulting in a severe recession of the world economy.

Domestically, the Chinese government took the lead in taking strong measures to bring the COVID-19 epidemic under control within a short period of time, and economic activities resumed in an orderly manner. Key economic indicators improved markedly, with the macro economy experiencing a temporary downturn in the first quarter, before rebounding at an accelerated pace in the next three quarters. GDP grew by 2.3% year-on-year in 2020, making China the only major economy in the world to achieve positive growth. Internationally, the global epidemic is still developing and major economies such as those in Europe, the United States and Japan continues its downturn. At the same time, protectionism and unilateralism are on the rise and the international economic, technological, cultural, security and political landscapes are undergoing profound adjustments. The world is in a period of turbulence and change, and the uncertainty of the international economic and political landscape is driving gold prices to rise continuously.

Since 2020, the domestic gold industry has put the new development concept into the whole process of reform and development of the industry, and the concentration of the industry has been enhanced through increased resource integration and enterprise mergers and acquisitions. The key projects have achieved breakthrough results in scientific and technological research, and innovation has become a new engine for the development of the gold industry. The "going global" strategy has frequently yielded good results, with overseas investment and overseas resources of key gold enterprises increasing significantly. The gold industry is changing from its previous development mode of being small and fragmented, resource intensive and high consumption to one of resource integration and comprehensive utilization, energy saving and emission reduction, and green environmental protection. In 2020, the gold produced with domestic raw materials was 365.34 tonnes, representing a decrease of 14.88 tonnes or 3.91% as compared with the same period of 2019. In particular, the gold mine production volume was 301.69 tonnes, representing a decrease of 12.68 tonnes or 4.03% year-on-year.

The Company has been making efforts both domestically and internationally. Domestically, driven by technological innovation and targeting the world's top industry standards, it has accelerated its transformation and upgrading, and improved the quality and efficiency of its operations. Internationally, the Company has set standards which are comparable with those of the world's leading gold enterprises, accelerated the pace of "going global" and further expanded its global presence. In 2020, the Company's gold mine production volume was 37.80 tonnes, representing a decrease of 2.32 tonnes or 5.78% year-on-year, maintaining the leading position in the industry.

The year 2021 is the opening year of the Fourteenth Five-year Plan and the achievement of the Second Centenary Goal. It is also a crucial year for the Company to accelerate the pace of transformation and upgrading, deepen corporate reform and achieve development of higher quality. The Company will fully tap the production capacity of its in-production enterprises, accelerate the pace of "going global" and further expand its global presence, with a view to laying a solid foundation for realizing the Fourteenth Five-year Plan strategy.

# ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

#### Strategic Advantage

On top of ensuring the successful completion of the Thirteenth Five-year Plan, the Company has been maintaining its strategic focus with the strengthening, improving and expanding of its main gold industry as the core and attaching great importance to the strategic objective of the Fourteenth Five-year Plan of "striving for global leading position and becoming one of the world's top five". With systematic consideration and preparation, the Company's Fourteenth Five-year strategic plan focuses on building itself into a global leading gold mining company in terms of assets, technology, management and culture, and ranking itself among the top five gold mining companies in the world. In 2020, the Company accelerated the project of "world-class gold production base" in Laizhou and stepped up efforts to improve the production capacity of in-production mines. It accelerated the pace of digital transformation, focused on digital mines and intelligent production, gradually promoted the application of 5G technology in mines, and steadily improved the mechanization and automation level. The Company deepened the integration of industry and finance, stressing the gold industry chain finance with profit output and industry synergy as the core. The Company adhered to the "double zero" goal in respect of safety and environmental protection, and realized green and ecological development. It expedited the transformation from old growth drivers to new ones, transformed and upgraded the traditional growth drivers through management improvement and digital transformation so as to build stronger development dynamics for promoting the continuous and high quality development of the Company.

## Advantage in Resource Superiority

In 2020, the Company firmly established the concept of "resource first" and, in accordance with the development idea of "strengthening and expanding through domestic exploration and external acquisition", it stepped up exploration efforts domestically while actively pursuing resource mergers and acquisitions internationally. It commenced the resource integration of Sanshandao metallogenic belt and Jiaojia – Xincheng metallogenic belt, advanced the resource optimization and integration in Laizhou region, and consolidated and enhanced the Company's resource reserves, which laid a solid resource foundation for building a world-class gold production base in Jiaodong region. It unswervingly implemented the "going global" strategy, actively participated in global resources allocation with an open and inclusive attitude. The Company has further expanded its global resource deployment by acquiring Cardinal Resources Limited and Hengxing Gold Holding Company Limited.

#### 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 mine construction of large and medium-sized mines. A number of enterprises, such as Xincheng Gold Mine and Jiaojia Gold Mine have gradually improved the level of mechanization and automation, with the mechanization rate of mining operations reaching over 50% and the automation control rate of auxiliary production systems in mines reaching 80%. Shandong Gold Smelting Co., Ltd. enjoys a leading position in terms of national mine-produced gold processing and trading volume etc. As of now, the cumulative gold production of Jiaojia Gold Mine, Linglong Gold Mine and Sanshandao Gold Mine all exceeded 100 tonnes, making the Company the only domestic listed company which owns three mine enterprises each with cumulative gold production exceeding 100 tonnes. Jiaojia Gold Mine, Sanshandao Gold Mine, Xincheng Gold Mine and Linglong Gold Mine have been on the list of "China Top Ten Gold Production Mines" and "Top Ten Cost Efficient Gold Mines in the PRC" for several consecutive years.

#### Advantage in Technological Innovation

Upholding the principle that "science and technology are the primary productive forces, and innovation is the primary driving force for development", the Company reinforced the construction of independent innovation platform and stuck to the path of independent innovation by focusing on mastering cutting-edge and core mining technologies and basing on increasing investment in research and development as well as undertaking and participating in national key research and development projects. The Company is committed to the research of core technologies for gold mining and beneficiation, including deep exploration, submarine mining, deep underground mining, intelligent mining, fine tailings filling, and cyanide residue detoxification, and maintained a leading position in the industry. Pursuant to the Company's development strategy, the three laboratories of the Company have been working on rock mechanics testing and analysis, deep mining method research, filling process optimization, filling equipment and material development, non-ferrous metal processing and precious metal smelting, etc., and have achieved a number of independent innovative scientific and

technological results with industrial application value. They were successfully filed as a new type of research and development institution in Shandong Province in 2020. The Company paid high attention to intellectual property protection and emphasized converting independent innovation into the driving forces for corporate development. In 2020, applications of 188 patents were submitted and accepted and 115 patents were granted. Up to now, the Company has a total of 347 valid patents, including 68 invention patents.

#### Talent Advantage

Shandong Gold promotes the core values of "openness, inclusiveness, loyalty and responsibility", aiming to achieve the ideal goal of "bringing as much benefits as possible to as many individuals as possible from the existence of Shandong Gold". It advocates the idea of seeking for both talent and virtue and promoting those with competence and merits. The Company established and strengthened three talent teams in management, technology and skill, stuck to the direction of "accumulating experience through working in primarylevel units and getting stronger through working at positions requiring arduous efforts" and the construction of "learning organization" and "professional team", and actively cultivated professional talents with "great theoretical accomplishment, strong professional ability and extensive practical experience". The Company vigorously selects a number of young cadres under 40, further optimizing the Company's talent echelon construction. At the same time, the Company actively launched an all-round in-depth cooperation between schools and enterprises and established the "Shandong Gold – Mining Technology Innovation Institute of Northeastern University" (山東黃金-東北大學礦業技術創新研究院) to promote the cultivation of high-end talents. It utilized the market mechanism to vigorously implement the project of introducing high-end talents and broaden the channels of introducing talents.

#### **Brand Advantage**

Based in China, Shandong Gold will optimize and expand its main gold business with international vision. By focusing on the three dimensions of brand positioning, brand connotation and brand communication, it will actively build a world-class mining brand, and strive to communicate China's voice and demonstrate China's strength in the international gold mining field. The Company was successively included into the three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices, and as a sample stock of the Shanghai Stock Exchange 50 Index. In 2020, the Company was granted the "China Top 100 Enterprises Award", the "China Top 100 20 Years Special Contribution Enterprise Award", the "Evergreen Awards – Sustainable Development Inclusion Award", the sixteenth "Gold Prize of Round Table - Best Board of Directors" of Chinese Boards of Listed Company and other awards, and was rated A Grade for Information Disclosure for 2019-2020 by the SSE. The Company was committed to the construction of ecological mining, and strived to build a harmonious mining area and establish a corporate brand image of "Shandong Gold, Ecological Mining". The major responsibility for work safety and environmental protection was continuously enforced, and five enterprises, including Jiaojia Gold Mine and Gold Metallurgical Plant (黃金冶煉廠), became national safety culture exemplary enterprises. Ecological environment management and special rectification of the three wastes were fully promoted, and at of the end of 2020, all of the Company's in-production mines entered the national or provincial green mine list, securing a successful completion of construction of green mines.

## **Discussion and Analysis on Operating Performance**

In 2020, the Board upheld the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strictly implemented the decision and deployment of the Shandong Provincial Party Committee and the provincial government, and adhered to the leadership of Party building, in an effort to focus on reform, accelerate the transformation of old growth drivers with new ones, establish global business presence and coordinate the epidemic prevention and control and social and economic development. The Company improved its operating results against the adverse trend and achieved new breakthroughs in various aspects, which opened up a new situation of high quality development, and achieved a perfect conclusion of the Thirteenth Five-year Plan strategy.

In 2020, the Company recorded a gold mine production volume of 37.8 tonnes, a decrease of 2.32 tonnes or 5.78% year on year due to the impact of the COVID-19 epidemic. Great efforts were exerted to the following work:

Firstly, the combat against the COVID-19 epidemic demonstrated our responsibility. In accordance with the requirements of the Party Central Committee to coordinate the prevention and control of the COVID-19 epidemic and socio-economic development, the Company has established a joint prevention and control mechanism to implement preventive and control measures comprehensively by imposing responsibilities to all levels. Through advance planning and deployment, formulation of special assessment and incentive policies, in-depth investigation and supervision by team members, and allocation of second – and third-line staff to the production line, the Company was the first in the national gold industry to achieve fully loaded production. The Company and its affiliated enterprises and employees made donations to charity organizations and local governments, including a donation of RMB6 million to Shandong Charity Federation, which has provided strong support for the prevention and control of the COVID-19 epidemic.

Secondly, the globalization layout has been further expanded. The Company insisted on the principle of openness and steadfastly implemented the "going out" strategy, making full use of both domestic and international resources. The Company established its first project in Africa region by acquiring 100% equity interest in Cardinal Resources Limited in Ghana through an off-market offer. By taking advantage of the convenience as a company listed on the Hong Kong Stock Exchange, the Company acquired 100% shares of Hengxing Gold Holding Company Limited through the issuance of additional H Shares, acquiring Gold Mountain Mine, the largest individual gold mine in Xinjiang and one of the top ten economically efficient mines in China, opening up a new path for capital operation and mergers and acquisitions. At the same time, the Company has completed the planning for and is in the process of advancing the construction of "a world-class gold production base" with the objective of integrating and developing resources and upgrading the production chain, which will provide strong support for the Company's leapfrog development in the future.

Thirdly, the leading power of scientific and technological innovation has been significantly enhanced. The Company has cooperated with Northeastern University to establish the Mining Technology Innovation Institute (礦業技術創新研究院), and has fully utilized the three key laboratories, being the deep underground mining laboratory, filling laboratory and beneficiation laboratory, and gave substantial credit to the filling laboratory team that has made outstanding contributions to the construction of a tailing-free mine, which helped to enhance the awareness of innovation and the burst of creative energy. In particular, the project of "5G Cloud-network Integration to Empower the New Ecology of the Mine Park" (5G雲網融合賦能礦山園區新生態) won the second prize in the national "Blooming Cup" 5G Application Competition; "Application of 5G Technology in Unmanned Underground Mining of Laixi Company" (5G技術在萊西公司井下無人開採中的應用) was selected as one of the top ten promotion cases in the 2020 World Industrial Internet Industry Conference (2020世界工業互聯網產業大會); and the "world-class exemplary mine" of Sanshandao has been basically completed, leading to the rapid development of "intelligent mine" and "ecological mining".

Fourthly, the momentum of organic development has been strengthened. The Company actively adapted to the new requirements of strategic management and control, integrated the functions of the headquarters and business departments, reformed the management structure, and established a large project and certificate and permit management center, a resource management center, an international first-class exemplary mine promotion center and an investment and development business department, with continuous improvement in organizational efficiency. With a focus on promoting the younger cadre, the Company formulated a plan for the cultivation and selection of outstanding young cadres which specifies the proportion of young cadres to be selected, so as to improve the age gradient of the cadre. It established the self-assessment system for engineering professional and technical post system and professional workers with specialized skills in gold mining industry, which fills the gap of the provincial specialized skill assessment for professional workers in gold mining industry. The Company continued to promote "quality improvement and efficiency enhancement", improve the quality development index system, optimize the mining and filling process, reduce ore impoverishment and enhance efficiency creation. It strengthened cost control on all fronts and tap the potential of cost saving and consumption reduction in an all-out effort.

Fifthly, the influence of corporate brand has been increasingly stronger. With the goal of "double zero" in safety and environmental protection, the Company increased investment in safety and environmental protection, strengthened the investigation and treatment of hidden dangers, and eliminated accident hazards. It organized a three-year campaign to replace workers with machineries, striving to improve the level of science and technology innovation. The Company vigorously promoted the construction of green mines, and all its mines in production have entered the national or provincial green mine list, and continuously improved the ecological and environmental protection level. The brand image of "Shandong Gold, Ecological Mining" has become more and more impressive.

Sixthly, Party construction was strengthened with a high standard. The Company strengthened the Party's political construction and studied the latest important speeches of and instructions from General Secretary Xi Jinping in a timely manner. With the innovation and enhancement of Party building as the main line, the Company rolled out activities such as creating demonstration sites of excellent Party branches (創建過硬黨支部示範點), created Party branch brands (創建支部品牌) and "giving lessons on the Party" (我來講黨課), and revised the "Party Building Work Assessment Method" (《黨的建設工作考核辦法》) to include Party building at the primary level, ideology and Party conduct and clean government building into the unified assessment, so as to build the "Big Party Building" (大黨建) assessment system.

#### Major operations during the Reporting Period

In 2020, the gold mine production volume of the Company amounted to 37.80 tonnes (1,215.2 koz), representing a year-on-year decrease of 2.32 tonnes or 5.78% due to the impact of the COVID-19 epidemic. The Company completed processing (leaching) of 29.45 million tonnes, representing a year-on-year increase of 730,000 tonnes or 2.54%. Among which, processing amount in the PRC reached 17.43 million tonnes, representing a year-on-year increase of 2.30 million tonnes or 15.19%; leaching amount of Veladero Mine in Argentina amounted to 12.01 million tonnes, representing a year-on-year decrease of 1.57 million tonnes or 11.55%. The raw ore grade was 1.48g/t, representing a year-on-year decrease of 0.05g/t or 3.05%. The decrease in the raw ore grade was mainly attributable to the lower raw ore grade selected by the domestic enterprise, which has lowered the overall grade; the gold beneficiation recovery rate of domestic mines of the Company was 91.45%, representing a year-on-year increase of 0.38 percentage point or 0.42%, while the gold beneficiation recovery rate of Veladero Mine in Argentina Mine was 73.26%, representing a year-on-year decrease of 4.45 percentage points or 5.73%.

# **Annual Production Data and Analysis**

The following table sets forth the ore mined volume, ore processed volume and gold production volume of our mines for the periods indicated:

			Year ended 31	December	•	
Projects		2019			2020	
	Ore	Ore	Gold	Ore	Ore	Gold
	mined	processed	production	mined	processed	production
	volume	volume	volume	volume	volume	volume
	(Mt)	(Mt)	$(koz)^{(5)}$	(Mt)	(Mt)	$(koz)^{(5)}$
<b>Shandong Province</b>						
Sanshandao Gold Mine	3.6	4.0	232.2	3.8	4.0	229.4
Jiaojia Gold Mine	3.8	3.6	238.6	4.5	4.7	240.2
Xincheng Gold Mine	1.3	2.0	139.5	1.0	2.3	145.2
Linglong Gold Mine	2.1	1.9	130.9	2.1	2.6	122.6
Guilaizhuang Gold Mine	0.3	0.3	41.3	0.1	0.2	24.1
Jinzhou Gold Mine	0.4	0.4	26.5	0.3	0.4	42.2
Qingdao Gold Mine(2)	0.9	1.0	53.6	1.1	1.2	46.1
Penglai Gold Mine	0.4	0.4	44.4	0.4	0.4	27.2
Yinan Gold Mine	0.5	0.5	11.7	0.4	0.5	11.5
Other Provinces						
Chifengchai Gold Mine	0.5	0.5	40.5	0.6	0.6	45.0
Fujian Yuanxin Gold						
Mine	0.3	0.3	19.1	0.2	0.3	16.0
Xihe Zhongbao Gold	0.2	0.2	20.0	0.2	0.2	25.0
Mine –	0.2	0.2		0.3	0.3	25.9
Sub-total <sup>(1)</sup>	14.3	15.1	1,000.1	14.9	17.4	989.4
Attributable to the						
Company	12.9	13.6	889.9	13.4	15.7	878.4
Argentina						
Veladero Mine <sup>(3)</sup>	16.1	13.6	274.5	13.7	12.0	225.8
Total	30.4	28.7	1,289.9(4)	28.6	29.4	1,215.2

#### Notes:

- 1. Includes the ore mined volume, ore processed volume and gold production volume of each PRC Mine on a 100% basis.
- 2. Qingdao Gold Mine includes Xinhui Gold Mine and Laixi Gold Mine.
- 3. Includes the ore mined volume, ore processed volume and gold production volume of the Veladero Gold Mine on a 50% basis. As of 31 December 2020, the Company owned 50% interest in the Veladero Gold Mine.
- 4. Total gold production in 2019 includes the gold production of 1,274.6 koz from mining enterprises and gold production from smelting of 15.3 koz from smelting enterprises.
- 5. 1 ounce = 31.1035 grams.

## **Analysis of Main Business**

## Operating results

Analysis of changes of related items in consolidated statement of profit or loss

Unit: RMB'000

Item	Amount of control this Reporting Period	Amount of orresponding period in prior year	Increase/ (Decrease) (%)
Revenue	63,645,351	62,613,141	2%
Cost of sales	(57,088,914)	(57,601,794)	-1%
Selling expenses	(107,147)	(188, 120)	-43%
General and administrative expenses	(2,319,331)	(1,768,667)	31%
Research and development costs	(387,558)	(333,050)	16%
Finance costs	(811,872)	(866,894)	-6%

## Analysis on revenue and costs

The increase in revenue of the Company was mainly due to the increase in selling price of gold. The decrease in the cost of sales was mainly due to the lower costs as a result of a reduction in the procurement volume of the externally procured gold.

Information on major suppliers and customers

The sales to the top five customers amounted to RMB59,290.9 million, representing 93.16% of the total sales of the year, out of which there were no sales amount from connected persons among the top five customers.

The procurement amount from the top five suppliers amounted to RMB36,366.7 million, and the total procurement amount accounted for 63.70% of the cost of sales of the year, out of which there were no procurement amount from connected persons among the top five suppliers.

#### Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 31 December 2020, the Group's consolidated total debt (including lease liabilities and borrowings) was approximately RMB11,505,050,000 (RMB8,271,537,000 as at 31 December 2019), and the Group's consolidated total equity was approximately RMB31,858,185,000 (RMB26,068,325,000 as at 31 December 2019). As at 31 December 2020, the Group's gearing ratio was 36.1% (31.7% as at 31 December 2019).

Unit: *RMB* '000

·	Carrying amount as at the end of the Reporting	
Item	Period	Reasons for restrictions
Monetary funds	88,895	Security deposits for bank acceptance
Monetary funds	2,700	Reserves for gold trading
Monetary funds	166,225	Security deposits for land reclamation and environmental governance
Monetary funds	100	Performance bond
Monetary funds	992	Fund frozen by court
Total	258,912	

#### Analysis on business information of the industry

Due to its scarcity and perfect natural properties, gold has, for a long period of time, assumed a monetary function as a symbol of personal wealth and social status. As society develops, gold's economic status changes, but it still occupies a position in the international reserves of all countries. As a special commodity with commodity, monetary and financial attributes at the same time, gold is also an important hedging instrument for countries, and is often a good value preservation and appreciation tool, especially in times of global economic and financial turmoil. Gold is also of great importance to the internationalization of RMB, helping to strengthen the confidence of the global market in RMB.

In 2020, the global economy contracted sharply due to the impact of the COVID-19 epidemic. Western economies, represented by the United States, adopted extremely easy monetary policies and large-scale fiscal stimulus: on the one hand, they injected liquidity into the financial markets and provided loans to small and medium-sized enterprises; on the other hand, they provided relief to the unemployed, assisted small and medium-sized enterprises and relieved the real economy. The abundant liquidity in the market and the demand for hedging triggered by the economic recession pushed the gold price to rise sharply, reaching a record high of US\$2,075.14/ounce in early August. Subsequently, as progress was made in the development of COVID-19 vaccine, market risk aversion subsided and the gold price fell back from the highs. In 2020, London spot gold reported an opening price of US\$1,517.18/ounce with the highest and lowest prices of US\$2,075.14/ounce and US\$1,451.13/ounce, respectively, and closed at US\$1,897.53/ounce, representing an annual increase of 25.07%. The average London spot gold price for 2020, as calculated based on the afternoon fixing price of London Bullion Market Association, was US\$1,769.59/ounce, representing a year-on-year increase of 27.07%. In 2020, the Shanghai Gold Exchange gold Au9999 reported an opening price of RMB341.95/g with the highest and lowest prices of RMB449.00/g and RMB278.39/g, respectively, and closed at RMB390.00/g, representing an annual increase of 14.44%. The weighted average price for the year was RMB388.10/g, representing a year-on-year increase of 25.72%.

In terms of supply and demand, the latest statistics of the China Gold Association shows that, the gold produced with domestic raw materials in 2020 was 365.34 tonnes, representing a year-on-year decrease of 14.88 tonnes or 3.91% as compared with the same period in 2019. Among them, gold mine-produced gold was 301.69 tonnes, and the non-ferrous byproducts was 63.65 tonnes. In 2020, the actual national gold consumption was 820.98 tonnes, representing a year-on-year decrease of 18.13%. In 2020, the accumulated trading volume of all gold products on the Shanghai Gold Exchange was 58,700 tonnes (bilateral), representing a year-on-year decrease of 14.44%, with a turnover of RMB22.55 trillion (bilateral), representing a year-on-year increase of 4.91%. The accumulated trading volume of all gold products on the Shanghai Futures Exchange was 54,800 tonnes (unilateral), representing a year-on-year increase of 18.39%, with a turnover of RMB20.73 trillion (unilateral), representing a year-on-year increase of 38.26%.

#### Analysis on business information of the industry

#### Operations of respective region during the Operating Period

Unit: *RMB* '000

	Revenue	amount	% to total re	evenue
	2020	2019	2020	2019
Revenue from contracts with customers within the scope of IFRS 15				
The PRC	61,339,722	59,920,478	96.3%	95.7%
Outside the PRC	2,293,251	2,673,997	3.6%	4.2%
Revenue from other sources	63,632,973	62,594,475		
The PRC	12,378	18,666	0.1%	0.1%
	63,645,351	62,613,141		

## **Reserves and Resources of Self-owned Mines**

The following table sets forth resources and reserves of Shandong Gold under the NI43–101 Code, as of 31 December 2020:

					Resources <sup>(1)(2)</sup>	:es <sup>(1)(2)</sup>		Gold	Gold			Reserves <sup>(3)(4)</sup>	S(3)(4)	Gold	Gold		
Name of mine	Major type	Measured Indicated (Mt)		Measured and Indicated (Mt)	Inferred $(Mt)$	Total (Mt)	Grade (g/t)	content (100% basis) (koz)	content (equity basis) (koz)	Proven (Mt)	Probable (Mt)	Total $(Mt)$	Grade (g/t)	content (100% basis) (koz)	content (equity basis)	Remaining resources mining year (year)	Validity period of permits/mining rights
Sanshandao Gold Mine	Gold	ı	21.96	21.96	41.24	63.20	3.09	6,275.73	5,981.40	1	19.35	19.35	3.03	1,887.83	1,799.29	7.0	Mining right (2023.11.11); Mining right (2022.11.11); Mining right (2022.06.01); Exploration right (2021.03.31)
Jiaojia Gold Mine	Gold	ı	11.52	11.52	20.27	31.78	3.16	3,224.32	3,073.10	1	6.53	6.53	3.03	634.87	605.10	4.0	Mining right (2025.09.01); Mining right (2021.05.25); Mining right (2035.08.18); Exploration right (2020.06.30);
Xincheng Gold Mine	Gold	1	30.10	30.10	48.06	78.16	3.11	7,812.10	7,812.10	I	25.46	25.46	3.13	2,566.15	2,566.15	7.5	Mining right (2021.02.01); Exploration right (2021.06.28); Exploration right (2022.10.16)
Linglong Gold Mine	Gold	1	7.14	7.14	47.82	54.96	2.85	5,037.00	3,756.09	1	19.9	9.61	2.28	484.28	361.13	4.0	Mining right (2018.06.02) in the process of renewal; Mining right (2030.01.20); Mining right (2021.11.10); Exploration right (2018.05.06) in the process of renewal; Exploration right (2018.03.31) in the process of renewal

	Validity period of permits/mining rights	Mining right (2023.12.31); Exploration right (2022.03.31)	Mining right (2021.12.14); Mining right (2021.02.10.30); Mining right (2022.05.17); Mining right (2022.09.25); Mining right (2027.09.25); Mining right (2017.07.05) in the process of renewal; Exploration right (2017.03.16) in the process of renewal; Exploration right (2017.03.13) in the process of renewal;	Mining right (2034.09.30); Mining right (2021.11.11);	Mining right (2022.07.11); Mining right (2018.04.07) in the process of renewal; Mining right (2022.04.28); Exploration right (2017.12.31) in the process of renewal
	Remaining resources mining year (year)	2.0	8	21.0	2.0
	Gold content (equity basis)	35.88	78.20	539.87	195.40
	Gold content (100% basis) (koz)	50.79	127.36	705.44	195.40
(eS <sup>(3)(4)</sup>	Grade (g/t)	3.62	3.21	4.65	5.09
Reserves <sup>(3)(4)</sup>	Total (Mt)	0.44	1.23	4.72	1.19
	Probable (Mt)	0.44	1.23	4.72	1.19
	Proven (Mt)	I	T	ı	1
	Gold content (equity basis) (koz)	193.52	224.89	907.79	454.94
	Gold content (100% basis) (koz)	273.92	364.10	1,223.13	454.94
	Grade (g/t)	3.50	3.57	5.27	7.03
ces <sup>(1)(2)</sup>	Total $(Mt)$	2.43	3.17	7.22	2.01
Resources <sup>(1)(2)</sup>	Inferred (Mt)	1.78	1.74	2.55	0.88
	Measured and Indicated (Mt)	0.65	1.43	4.67	1.13
	Indicated (Mt)	0.65	1.43	4.67	1.13
	Measured and and Measured and Measured (Mt) (Mt) (Mt)	I	T.	ı	ı
	Major type	Gold	Gold	Gold	Gold
	Name of mine	Guilaizhuang Gold Mine	Jinzhou Gold Mine	Qingdao Gold Mine	Penglai Gold Mine

					Resources <sup>(1)(2)</sup>	ces <sup>(1)(2)</sup>						Reserves (3)(4)	S(3)(4)				
Name of mine	Major type	Measured Indicated	Indicated	Measured and Indicated	Inferred	Total	Grade	Gold content (100% basis)	Gold content (equity basis)		Probable	Total	Grade	Gold content (100% basis)		Remaining resources mining year	Validity period of permits/mining rights
Yinan Gold Mine	Gold	(MI) -	(Mt) 1.84	(Mt) 1.84	(Mt) 4.38	(Mt) 6.21	(8/t)	( <i>k</i> 0 <i>z</i> ) 314.56	( <i>koz</i> ) 314.56	(Mt) _	(MT) 1.73	(Mt) 1.73	(8/1)	(koz) 75.52	(koz) 75.52	(year) 9.0	Mining right (2021.11.11);
																	Mining right (2031.07.15); Exploration right (2022.08.19)
Shandong Province		I	80.43	80.43	168.72	249.15	3.12	24,979.79	22,718.38	ı	67.27	67.27	3.11	6,727.64	6,256.53		
Chifengchai Gold Mine	Gold	1	0.45	0.45	0.63	1.08	5.04	174.81	128.52	I	0.46	0.46	5.83	86.52	63.61	2.0	Mining right (2025,12.08); Exploration right (2021,11.01); Exploration right (2021,02.14); Exploration right (2022,12.09); Exploration right (2023,04.06)
Fujian Yuanxin Gold Mine	Gold	1	0.50	0.50	0.24	0.75	4.41	106.03	95.76	ı	0.46	0.46	3.55	52.52	47.44	5.0	Mining right (2029.06.21); Exploration right (2020.02.13)
Xihe Zhongbao Gold Mine	Gold	1	6.72	6.72	6.33	13.05	2.44	1,023.22	716.25	ı	5.85	5.85	2.26	425.06	297.54	13.0	Mining right (2034.04.28); Exploration right (2022.02.11);
Total of other provinces		I	7.67	7.67	7.20	14.88	2.73	1,304.06	940.53	I	6.77	6.77	2.59	564.10	408.58		
China sub – total		I	88.11	88.11	175.92	264.03	3.10	26,283.86	23,658.91	I	74.04	74.04	3.06	7,291.74	6,665.12		
Veladero Gold Mine	Gold	24.89	268.48	293.36	64.30	357.67	0.64	7,377.28	3,688.64	21.32	194.57	215.89	0.75	5,184.59	2,592.30	14.0	
Total		24.89	356.59	381.47	240.22	621.70	1.68	33,661.14	27,347.55	21.32	268.61	289.93	1.34	12,476.33	9,257.41		

#### Notes:

- 1. Mineral resources are reported as in-place tonnes and do not take into account mining losses and dilution.
- 2. Mineral resources are inclusive of mineral reserves.
- 3. Due to the rounding of numbers, the total may not be equal to the sum of the numbers.
- 4. Mt = million tonnes; Koz = thousand ounces.
- 5. As of 31 December 2020, the Company owned 95.31%, 95.31%, 74.57%, 70.65%, 73.52%, 90.31% and 70% of Sanshandao Gold Mine, Jiaojia Gold Mine, Linglong Gold Mine, Guilaizhuang Gold Mine, Chifengchai Gold Mine, Fujian Yuanxin Gold Mine and Xihe Zhongbao Gold Mine, respectively. In view of the interest of the Company in Jinzhou Group, Fuling Mining and Qianling Mining, the resource of Jinzhou Gold Mine is also included. Jinzhou Gold Mine consists of mining rights owned by Jinzhou Group and its 100% and 90% owned subsidiaries, Fuling Mining and Qianling Mining, respectively. As of 31 December 2020, the Company beneficially owned 60.78% and 54.70% of Fuling Mining and Qianling Mining through its 60.78% interest in Jinzhou Group. The Company also owned 100% interests of the remaining four PRC mines companies as of the same date.
- 6. Mineral reserves: price is assumed to be US\$1,231.0 per ounce at an exchange rate of US\$1: RMB6.571.

Reserves in Sanshandao Gold Mine were based on a cut-off grade of 0.99 g/t.

Reserves in Jiaojia Gold Mine were based on a cut-off grade of 1.24 g/t.

Reserves in Linglong Gold Mine were based on a cut-off grade of 1.37 g/t.

Reserves in Xincheng Gold Mine were based on a cut-off grade of 1.01 g/t.

Reserves in Yinan Gold Mine were based on a cut-off grades of 1.71 g/t.

Reserves in Qingdao Gold Mine were based on a cut-off grade of 1.38 g/t.

Reserves in Jinzhou Gold Mine were based on the following cut-off grade: 2.99 g/t for Jinqingding mine area, Hubazhuang mine area and Songjiazhuang mine area, 1.19 g/t for Yinggezhuang mine area, Xipo mine area and Yinggezhuang exploration area, and 1.31 g/t for Sanjia mine area and Sanjia exploration area.

Reserves in Guilaizhuang Gold Mine were based on the cut-off grade of 2.70 g/t.

Reserves in Penglai Gold Mine were based on a cut-off grade of 1.33 g/t.

Reserves in Chifengchai Gold Mine were based on a cut-off grade of 1.34 g/t.

Reserves in Fujian Yuanxin Gold Mine were based on a cut-off grade of 1.40 g/t.

Reserves in Xihe Zhongbao Gold Mine were based on a cut-off grade of 2.15 g/t.

7. Mineral reserve in Veladero Gold Mine was estimated based on a gold price of US\$1,200/oz and a silver price of US\$16.5/oz; cut-off grade: 0.3g/t for Type 1 ore and 0.37g/t for Type 2 ore; exchange rate: US\$/ Argentine peso = 154.

Mineral resource was estimated based on a gold price of US\$1,500/oz and a silver price of US\$20/oz; cut-off grade: 0.173g/t for Type 1 ore and 0.297g/t for Type 2 ore; exchange rate: US\$/Argentine peso = 154.

#### **ANALYSIS ON INVESTMENT STATUS**

#### Overall analysis on external equity investment

In accordance with the development idea of "strengthening and expanding through domestic exploration and external acquisition", the Company actively conducted resource acquisitions externally, firmly implemented the "going global" strategy, and actively participated in global resource allocation with a more open and accommodating attitude, further expanding its global resource deployment.

Resources") and Hengxing Gold Holding Company Limited ("HXG"); the Company issued additional H Shares on 29 January 2021 which have been listed on the Hong Kong Stock Exchange since 5 February 2020; Streamers Gold Mining Corporation Limited ("Streamers Gold") was incorporated in Canada by SDG Hong Kong, an overseas wholly-owned subsidiary of the Company, for the purpose of completing the acquisition of TMAC Resources Inc., ("TMAC") and the acquisition project of TMAC was subsequently terminated; SDG Capital Management, a wholly-owned subsidiary of the Company, and its wholly-owned subsidiary, Shandong Gold Futures Co., Ltd. jointly invested in the establishment of Shandong Gold Risk Management Co., Ltd. (山金風險管理有限公司); the share capital of Minera Andina del Sol SRL. ("MAS"), a company jointly operated by the Company and Barrick Gold Corporation, was increased by 15.709 billion Argentine pesos (equivalent to RMB1.234 billion) by way of capitalization of capital reserve and was subsequently reduced.

## Key equity investments

#### ① Acquisition of TMAC Resources Inc.

The 33rd meeting of the fifth session of the Board held on 8 May 2020 considered and approved the Resolution on the Acquisition of TMAC Resources Inc. and the Signing of Documents related to the Acquisition under the Arrangement Agreement and the Resolution on the Subscription of Additional Shares of TMAC Resources Inc. by a Wholly-owned Subsidiary. On 8 May 2020, the Company, SDG Hong Kong, an overseas wholly-owned subsidiary of the Company, and TMAC entered into an Arrangement Agreement. The Company, through a subsidiary newly established by SDG Hong Kong in Canada, proposed an acquisition arrangement to TMAC Resources Inc. to acquire all shares in issue and to-be-diluted shares of TMAC Resources Inc. in cash at a price of CAD1.75 per share, and the Company will provide guarantee for SDG Hong Kong for its performance of the Arrangement Agreement. At the same time, SDG Hong Kong and TMAC entered into the Concurrent Non-public Placement and Subscription Agreement to subscribe for ordinary shares additionally issued by TMAC at a price of CAD1.75 per share with the total subscription price of USD15 million. TMAC is a gold mining company in Canada, headquartered in Canada and listed on the Toronto Stock Exchange of Canada (stock code: TMR). It is principally engaged in the exploration, mining and production of gold resources in Canada. Upon completion of all the above transactions, SDG Hong Kong will hold 100% equity interests in TMAC in aggregate through direct and indirect ways.

On 18 December 2020, Investment Review Bureau Canada (加拿大投資審查局), for the purpose of safeguarding national security, ordered Streamers Gold not to proceed with the arrangement plan pursuant to the Arrangement Agreement. The 2nd meeting of the sixth session of the Board held on 5 January 2021 considered and approved the Resolution on the Transfer of Arrangement Agreement under the TMAC Project. The Company, SDG Hong Kong and Streamers Gold jointly as the transferors entered into the Assignment, Assumption and Novation Agreement (《轉讓、受讓和約務更替協議》) with Agnico Eagle Mines Limited and TMAC on 5 January 2021, pursuant to which, the Company, SDG Hong Kong and Streamers Gold transferred all rights and obligations under the Arrangement Agreement and the relevant agreements to Agnico Eagle Mines Limited. Agnico Eagle Mines Limited will acquire all outstanding shares of TMAC at a price of CAD2.2 per share. The agreement came into effect officially on 20 January 2021 and is being performed. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 8 May 2020, 27 November 2020, 22 December 2020, 24 December 2020 and 5 January 2021.

#### 2 Establishment of Canada subsidiary

The 34th meeting of the fifth session of the Board held on 25 May 2020 considered and approved the Resolution on the Establishment of a Canadian Company by a Whollyowned Subsidiary, Streamers Gold Mining Corporation Limited was incorporated as a wholly-owned subsidiary in Toronto, Canada by SDG Hong Kong, a wholly-owned subsidiary of the Company with an investment of CAD210 million. Streamers Gold is principally engaged in the exploration, development and sales of gold resources, and was incorporated mainly for completing the acquisition of TMAC. As of the end of the Reporting Period, the registration has been completed. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 25 May 2020.

#### 3 Establishment of Shandong Gold Risk Management Co., Ltd.

The 36th meeting of the fifth session of the Board held on 18 June 2020 considered and approved the Resolution on the Establishment of a Risk Management Company by a Wholly-owned Subsidiary, SDG Capital Management, a wholly-owned subsidiary of the Company, and its wholly-owned subsidiary Shandong Gold Futures Co., Ltd. jointly invested in the establishment of Shandong Gold Risk Management Co., Ltd., of which the registered capital is RMB100 million with RMB51 million (51%) contributed by Shandong Gold Futures Co., Ltd. and RMB49 million (49%) contributed by SDG Capital Management. The scope of business of Shandong Gold Risk Management Co., Ltd. is: basis difference trading; warehouse order services; cooperative hedging; overthe-counter derivatives business; market-making business; consulting business; other business related to risk management services, etc. (for business activities which require approval by law, they can only be commenced after approval by the relevant authorities). For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 18 June 2020. As of the end of the Reporting Period, the company registration of Shandong Gold Risk Management Co., Ltd. has not been completed.

## **4** Offer to acquire Cardinal Resources Limited

The 36th meeting of the fifth session of the Board considered and approved the Resolutions in relation to the Acquisition of Cardinal Resources and the Signing of Relevant Documents. SDG Hong Kong, an overseas wholly-owned subsidiary of the Company, and Cardinal Resources entered into a bid implementation agreement on 18 June 2020, pursuant to which, SDG Hong Kong proposed an off-market conditional takeover offer to shareholders holding all shares in issue of Cardinal Resources Limited at a price of AUD0.60 per share by way of off-market takeover offer, and subscribed for 26 million ordinary shares newly issued by Cardinal Resources Limited at a price of AUD0.46 per share, with a total subscription price of AUD12 million. The Company provided guarantee for SDG Hong Kong for its performance of the bid implementation agreement. Cardinal Resources is a gold exploration and development company founded in 2010 and headquartered in Perth, Australia. The shares of Cardinal Resources are listed on the Australian Securities Exchange (stock code: CDV.AX) and Toronto Stock Exchange (stock code: CDV.TO). The major assets of Cardinal Resources are three gold projects in Ghana, Africa, namely Namdini development project and Bolgatanga exploration project in the Bole-Nangodi metallogenic belt in the northeast of Ghana, and Subranum exploration project in the Sefwi metallogenic belt in the southwest of Ghana.

The subscription of SDG Hong Kong for 26 million new ordinary shares of Cardinal Resources was completed on 7 July 2020 with the total subscription price of AUD11.96 million. In view of the fact that during the offer period, Nord Gold S.E., the largest shareholder of Cardinal Resources, and Engineers & Planners Company Limited, a Ghanaian company, had made offers to Cardinal Resources, in order to facilitate the acquisition, as considered and approved at the 38th meeting, 40th meeting, 42nd meeting, 44th meeting, 45th meeting, 47th meeting, 49th meeting, 50th meeting and 51st meeting of the fifth session of the Board, the Company eventually increased the offer price from AUD0.66 per share originally to AUD1.075 per share, extended the offer period, and amended relevant terms of the bid implementation agreement. As of the date of this announcement, the Company has completed the acquisition of 100% shares of Cardinal Resources. Cardinal Resources has become a wholly-owned subsidiary of SDG Hong Kong. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange during the period from 18 June 2020 to 15 March 2021.

#### (5) Acquisition of Hengxing Gold Holding Company Limited

The 43rd meeting of the fifth session of the Board held on 30 September 2020 considered and approved the Resolution on the Acquisition of Hengxing Gold Holding Company Limited and the Resolution on Issue of and the Listing of the New H Shares on the Hong Kong Stock Exchange. The Company privatized HXG by way of a scheme of arrangement and acquired all the shares of HXG. The consideration of the acquisition was settled fully by the issue of H Shares of the Company. The share exchange ratio for the acquisition was determined as follows: 5/29 H Shares of the Company will be issued for each scheme share cancelled. All the new H Shares issued by the Company were used to pay the consideration of acquisition of HXD, and the total number of H Shares issued did not exceed 159,482,759 Shares (inclusive) with a nominal value of RMB1 each. The

issue was made to the shareholders of HXG under the scheme of arrangement (subject to the joint announcement issued on the same day by the Company and HXG). HXG is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 02303). It is principally engaged in gold mining and production, and its core asset is the mining right project of Gold Mountain Mine located in Yining County, Kazakh Autonomous Prefecture, Xinjiang Uyghur Autonomous Region. As of 30 June 2020, HXG had 925,000,000 shares in issue. Ke Xiping and his son Ke Jiaqi indirectly controlled 75% of the shares of HXG and other shareholders held 25% of the shares of HXG, and Ke Xiping, the chairman, was the de facto controller of HXG.

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

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

# © Capital increase and decrease to MAS

The 51st meeting of the fifth session of the Board held on 25 December 2020 considered and approved the Resolution on the Capitalization of Capital Reserve and the Capital Reduction of Andes Sun Mining. MAS is a company jointly operated by the Company and Barrick Gold Corporation and the entity that is responsible for the operation of the Veladero Mine in Argentina. The Company directly and indirectly holds an aggregate of 50% interest in it through the overseas wholly-owned subsidiary SDG Hong Kong. To better safeguard the shareholder interests of both parties, MAS capitalized the capital reserve by adopting 31 December 2019 as the base date and subsequently reduced the capital on the same basis. Through the transfer of capital reserve, the capital was increased by Argentine Peso 15.709 billion (equivalent to RMB1.234 billion), and reduced after the relevant local legal procedures have been fulfilled. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 26 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

#### FINANCIAL REVIEW

For the year ended 31 December 2020, the Group's:

- **revenue** increased slightly by 1.6% to approximately RMB63,645.4 million from approximately RMB62,613.1 million for the same period in 2019.
- **cost of sales** decreased slightly by 0.9% to approximately RMB57,088.9 million from approximately RMB57,601.8 million for the same period in 2019.
- **gross profit** increased by 30.8% to approximately RMB6,556.4 million from approximately RMB5,011.3 million for the same period in 2019, which was mainly due to the increase in the gross profit from sales of the Company's self-produced gold.
- **selling expenses** decreased by 43.0% to approximately RMB107.1 million from approximately RMB188.1 million for the same period in 2019, which was mainly due to the decrease in sales commission of Shanjin Futures Co., Ltd.
- **general and administrative expenses** increased by 31.1% to approximately RMB2,319.3 million from approximately RMB1,768.7 million for the same period in 2019, which was mainly due to the significant increase in intermediary agency fees, consultation fees and insurance costs as compared with last year.

## LIQUIDITY AND CAPITAL RESOURCES

The Group operates in a capital-intensive industry. The Group requires liquidity for expansion of its mining and processing businesses, exploration activities and acquisition of exploration and mining permits. Major sources of capital of the Group are, including but 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 31 December 2020, the Group's reserves amounted to approximately RMB20,520.9 million and short-term borrowings amounted to approximately RMB9,727.9 million. The bank balances and cash of the Group as at 31 December 2020 were approximately RMB3,032.2 million. Based on the following factors for consideration, the Directors were of the opinions 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; (b) the Group has been maintaining long-term business relationships with its principal bankers.

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Group include short-term loans due to related parties in an aggregate amount of approximately RMB445.9 million from SDG Group Finance at an interest rate ranging from 3.3% to 4.35% per annum.

Borrowings of the Group also include corporate bonds (the second tranche). 13,000,000 units of corporate bonds at par value of RMB100.0 each, interest rate of 4.80% per annum and repayable on 30 March 2020 were issued on 30 March 2015, generating total proceeds of RMB1,300.0 million. Interest payments would be due for payment on 30 March each year for the subsequent five years. Interest rate was increased to 5.30% in 2018. The current outstanding balance of the Group's corporate bonds (the second tranche) is approximately RMB2,512.9 million. Meanwhile, the Group had arranged bank loans of approximately RMB8,446.2 million through a number of banks with interest rates ranging from 0.92925% to 4.5% per annum. The Company has issued two tranches of corporate renewable bonds. Please refer to "Information of Corporate Bonds" below for details.

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, out of the proceeds from the bonds after deducting the issuance expenses, the sum of RMB981 million have been used for the operation of the comprehensive recycling project of gold concentrate and the Group's green mines, with approximately RMB18 million remained unutilised.

Moreover, the Group utilized the following sources of capital to finance the Veladero Acquisition: (i) obtaining the Syndicated Term Loan of US\$740.0 million; and (ii) obtaining a term loan of US\$300.0 million from the China Development Bank Corporation, Hong Kong Branch ("China Development Bank"). The interest rate of the Syndicated Term Loan was LIBOR plus 1.25%, and the interest rate of the term loan from China Development Bank was LIBOR plus 1.23%. As at 31 December 2020, approximately RMB4,506.1 million of the proceeds raised from the listing of our H Shares on the Hong Kong Stock Exchange have been utilized to fully repay the three-year Syndicated Term Loan.

#### **CASH FLOWS**

The Group's bank balances and cash have increased from approximately RMB3,019.0 million as at 31 December 2019 to approximately RMB3,032.2 million as at 31 December 2020.

#### ASSETS AND LIABILITIES

As at 31 December 2020, the Group's:

- **trade, prepayment and other receivables** increased by 121.4% to approximately RMB4,244.7 million from approximately RMB1,916.8 million as at 31 December 2019, which was mainly due to the increase in prepayment for acquisition and payment for deposits by subsidiaries.
- **trade and other payables** increased by 22.2% to approximately RMB6,658.4 million from approximately RMB5,448.0 million as at 31 December 2019, which was mainly due to the increase in accrued and unpaid staff remuneration and corporate income tax payable during the period.
- **borrowings** (including current and non-current liabilities) increased by 39.7% to approximately RMB11,405.0 million from approximately RMB8,163.6 million as at 31 December 2019, which was mainly due to the increase in short-term borrowings and the issue of ultra short-term financing bonds during the period.
- **non-current portion of other non-current liabilities** increased by 27.1% to approximately RMB539.5 million from approximately RMB424.5 million as at 31 December 2019, which was mainly due to the increase in payment for mining rights by subsidiaries.
- **financial liabilities at fair value through profit or loss** decreased by 34.0% to approximately RMB8,672.6 million from approximately RMB13,145.6 million as at 31 December 2019, which was mainly due to the decrease in the financings through gold leasing of the Company.

#### **CAPITAL EXPENDITURE**

The capital expenditure of the Group mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. For the year ended 31 December 2020, 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 RMB645.9 million.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2020, the Group recorded financial assets at fair value through profit or loss ("FVTPL") amounting to approximately RMB8,626.8 million (31 December 2019: approximately RMB7,216.9 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits. As at 31 December 2020, the Group, through its subsidiaries and two investment funds, held securities of Donghai Securities Co., Ltd. ("Donghai Securities"), a company listed on national equities exchange and quotations of the PRC which conducts principal business of brokerage business, online trading and investment consultation. The Group held 262,065,000 shares of Donghai Securities in aggregate, representing 15.7% of the total issued shares of Donghai Securities. According to the evaluation report issued by Beijing Zhongfeng Assets Appraisal Company Limited (北京中鋒資產評估有限責任公司), an independent valuer engaged by the Group, the fair value loss of the investment in Donghai Securities as at 31 December 2020 was approximately RMB3,598.2 million, which was approximately 5.6% of the Group's total assets as at 31 December 2020. For the year ended 31 December 2020, there is a fair value loss of RMB169.3 million from the securities of Donghai Securities held by the Group and Donghai Securities did not distribute any dividend. We are optimistic about the on-going performance of Donghai Securities. Nevertheless, we will closely monitor the performance of Donghai Securities on an on-going basis.

The Group considers that, save for the investments in Donghai Securities, no other single investment that was designated as financial assets at FVTPL in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2020.

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 sufficient working capital will remain for the Group's business, operating activities and capital expenditures.

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

Save as disclosed in this announcement, for the year ended 31 December 2020, 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 continuous growth of the Group.

The Company did not offer any financial assistance or guarantee with the total amount exceeding 8% of its assets for its subsidiaries during the Reporting Period.

#### DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

## Landscape and development trend in the industry

# Competitive landscape in the industry

The world today is going through changes of a kind unseen in a century, and the international landscape is in the midst of profound and complex changes, which underscores the gold's strategic importance and role.

As to the international supply and demand, according to the data released by the World Gold Council, the total global gold demand was 3,759.6 tonnes in 2020, representing a decrease of 14% as compared with 2019. According to segment information, the demand of the gold jewelry was 1,411.6 tonnes, representing a year-on-year decrease of 34%; the demand of the technology sector was 301.9 tonnes, representing a year-on-year decrease of 7%; the demand of the investment industry was 1,773.2 tonnes, representing a year-on-year increase of 40%; the significant increase in the demand of the investment industry partially offset the decrease in the demands of the gold jewelry and the technology sector. The global central banks purchased a total of 272.9 tonnes of gold, representing a year-on-year decrease of 59%. The total global gold supply was 4,633.1 tonnes in 2020, representing a year-on-year decrease of 4% and marking the greatest annual decrease since 2013. The decrease in supply was mainly attributable to the shock of COVID-19 to the production of gold mines. In respect of domestic supply and demand, according to the data released by China Gold Association, in 2020, the gold produced with domestic raw materials was 365.34 tonnes; the gold produced from imported raw materials was 114.16 tonnes. The aggregate was 479.50 tonnes, representing a year-on-year decrease of 4.18%. The nationwide actual gold consumption was 820.98 tonnes in 2020, representing a decrease of 18.13% as compared with the same period of 2019, which included: gold jewelry of 490.58 tonnes, representing a year-on-year decrease of 27.45%; gold bars and gold coins of 246.59 tonnes, representing a year-on-year increase of 9.21%; industrial and other gold products of 83.81 tonnes, representing a year-on-year decrease of 16.81%.

As the COVID-19 pandemic cast greater uncertainty on the economic outlook of countries across the world, central banks continued to increase their gold reserves in 2020, but the overweight scale was smaller than that of the previous two years. China maintained its gold reserve unchanged since November 2019. Data as at December 2020 showed that China's official gold reserve was 1,948.32 tonnes and ranked 7th in the world.

In terms of economic structure, the pandemic is still raging in the world, and some countries are still extending the lockdown measures. Despite the availability of vaccines, the vaccination is subject to uncertainties due to the production capacity and distribution, and it still takes a longer time to realize community immunity. As to the monetary policy, given that the negative impact of COVID-19 to the economy will last for a longer period, it is expected that the short-term monetary policy will maintain the current state of quantitative easing and the market will continue to see ample liquidity. From the perspective of risk hedging, the outlook of Sino-US, US-Iraq, US-Russia and US-DPRK relations are still uncertain after Biden takes office; on top of that, the Middle East geopolitics may also escalate in the future. In the backdrop of increasing uncertainties the world's economy and politics are facing, gold has a relatively higher value in asset allocation.

## Industry development trend

In recent year, China's gold industry actively responds to the requirement of high-quality development for the new era, deepens the supply-side reform, improves the industry structure, closes down backward production facilities, continuously pursues technology innovation, expedites the "going global" strategy, promotes the green mine construction, and puts forth efforts to build large bases and cultivate large groups, and the pattern that large enterprises lead the industry development has taken shape.

The new development pattern raises new requirements to technology innovation. Large gold enterprises play a key role in scientific research, increase the technology input to boost the productivity, and becomes the driving force of the industry's sustainable development. Under the new pattern, the State encourages enterprises to cooperate with "Belt and Road Initiative" countries and achieve high-level opening up. The gold industry will continue to promote the "going global" strategy, reinforce the "Belt and Road" construction for gold, leverage both domestic and international resources and participate in both domestic and international markets, improve the level of guarantee to gold resource security, optimize the productivity distribution and strengthen the industry chain advantage to enhance the risk-resistance capability and the international competitiveness of the industry.

Currently, the global gold market is in the upward cycle; the global mineral resource pattern is reshaping itself at a faster pace; digital intelligence and green ecology has become the development focus of the gold industry; win-win cooperation is even an inevitable trend. As a leader of China's gold industry, Shandong Gold has been following this development trend, puts forth efforts to construct "world-class demonstration mines" and world-class gold production bases and build the brand image "Shandong Gold, Ecological Mining" in all-round manner, steadfastly implements the "going global" strategy, actively develops in-depth cooperation with global gold companies, and comprehensively deepens the communication and cooperation in all fields and regions of the global mining market, building on the past achievements, breaking through with pioneering spirit, and contributing to the post-pandemic era with a new layout of high-quality development for the gold industry.

# **Development Strategies of the Company**

# Strategic goal for 14th Five-Year Plan period: becoming a global leader, and ranking among the world's top five

Strategic initiatives: The Company will adhere to the core business principle that "mining is fundamental and gold is the root", and further strengthen, focus on and improve the core business. It will concentrate on the gold business, gather resources to enable improvement, and cultivate globally leading advantages, trying to ascend to the world's top five as soon as possible.

The first stage (from 2021 to 2023)

The Company will complete one or two overseas mining takeovers with an increase in annual production volume of approximately 13 tonnes and steadily promote the construction of Laizhou world-class gold production base. It will increase the resource volume by approximately 300 tonnes via independent exploration activities, and add approximately 350 tonnes of resource volume to the total by resource acquisition.

The second stage (from 2024 to 2025)

The Company will complete one or two overseas mining takeovers with an increase in annual production volume of approximately 10 tonnes, increase the output of Laizhou world-class gold production base by more than 12 to 13 tonnes, acquire 400 tonnes of additional resource volume each by joint exploration and resource acquisition, and expand the scale of one or two mines to the level of the world's top 30.

In the meantime, it will strengthen the industry chain finance business, focus on both industry cooperation and profit generation, improve the risk control system and the risk management capability, expand further to businesses related to the gold and non-ferrous metal segments, including industry investment, asset management and exploration funds. While moderately developing derivative trading and gold lease that will generate better synergy, the Company will steadily promote internal financial services including metal sales and fund settlement, with prudence on the development of supply chain finance and finance lease that generate less synergy. It will appropriately adjust the businesses of metal trading, non-standard transactions and gold brokerage.

The above future plans, development goals and other forward-looking statements do not constitute the Company's profit forecast or actual commitments to investors. The realization depends on macroeconomic environment, policy environment, market conditions, operating conditions of the Company and other factors and is therefore uncertain. The Company may make adjustments accordingly depending on future developments.

#### **Business Plans**

As a result of the safety accidents occurred in early 2021 in Qixia Wushan Gold Mine (栖霞市笏山金礦) of Shandong Wucailong Investment Company Limited (山東五彩龍投資有限公司) and Caojiawa Gold Mine (曹家窪金礦) of Shandong Zhaoyuan (山東招遠), two local enterprises which are not owned by the Company, the mines in Shandong Province owned by the Company have started to carry out safety inspections since February 2021 in accordance with the requirements of the local authorities. As of 29 March 2021 Shandong Gold Mining (Laixi) Co., Ltd. and Shandong Jinzhou Mining Group Co., Ltd. of the Company in Shandong Province have resumed normal production, the main mining areas of Sanshandao Gold Mine,

Dongfeng mining area of Linglong Gold Mine, Xincheng Gold Mine and Jiaojia Gold Mine, have passed the inspection and acceptance of the resumption of work and gradually resumed production. The four enterprises, namely Yinan Gold Mine, Penglai Gold Mine, Guilaizhuang Gold Mine and Xinhui Gold Mine, and the other mining areas of Linglong Gold Mine in the province are planning to promote the resumption of work and production, and the specific schedule of resumption has not yet been confirmed.

The four mines, namely Sanshandao Gold Mine, Jiaojia Gold Mine, Xincheng Gold Mine, Linglong Gold Mine are the Company's domestic main gold mines, the aggregate gold production volume of these mines over the total gold production volume for the year 2020 is 61%. The following four entities which have not received resumption acceptance, namely Yinan Gold Mine, Penglai Gold Mine, Guilaizhuang Gold Mine and Xinhui Gold Mine, the aggregate gold production volume of these mines over the total gold production volume for the year 2020 is 9%. The Company's production capacity was greatly affected due to the above-mentioned shutdown safety inspection, the Company has not yet determined the gold production capacity for the year 2021. The Company will closely monitor the resumption of mine's gold production and timely follow-up on determining the production plan.

Key measures adopted in 2021:

- (i) Converge of the organization of production and proactively respond to new circumstances. In light of the Company's production halt of the mines in Shandong Province for safety inspection, the Company will continue to be aware of the production and operation trends in a timely manner and create all conditions to help entities resume work and production as soon as possible. At the same time, for the enterprises which have returned to production, the Company further organized the production system, acknowledged and managed the "shortcomings" in management, and supervised them to forcefully eliminate the "bottleneck" in the development, to achieve production target as soon as possible on the basis of work and production resumption. Various forms of production incentives have been adopted to stimulate the enthusiasm of various entities in production and operation. The management of the newly acquired Xinjiang Jinshan Gold mine shall be properly controlled in order to form a new growth point. With the continuous promotion on merger and acquisition work by the resource within and outside the country, the ability of resource reserve shall enhance in all aspects.
- Focus on innovation-driven development and cultivate stronger driving forces. The Company will vigorously promote the innovation-driven development strategy, and further cultivate new driving forces and develop new spaces via world-class exemplary mine, digitalization transition and technology innovation, so as to further improve the overall construction level of mines. In accordance with the construction principles of "overall planning, step-by-step implementation, continuous improvement", the Company will expedite the ERP project phase I construction, and accelerate the data standardization project, to build the unified data standard and management system. It will fully leverage the innovation platforms, the innovation institute, the three laboratories and the postdoctoral center, to develop key technologies of deep resource exploration and exploitation, green mines and intelligent mining, and actively promote the application of research achievements. The Company will steadily advance the supply chain finance business, moderately develop the business of emerging industry investment, and focus on investment in new technologies, to provide support to the digitalization and intelligence of mines. It will facilitate the corporatization of transaction center, improve the gold market research level, and maximize sales profits.

- (iii) Emphasis on tapping into the inner potential to make up for the shortcomings, and make breakthroughs and upgrades in improving quality and efficiency. Fully benchmarking international well-known mining companies, accurately tapping into the internal potential in production management and base construction, and achieving quality upgrades in technical management, material equipment, and remote control. Actively promote the full coverage of underground 5G networks, speed up underground transportation, drainage and power supply system automation, and intelligent construction, vigorously improve the level of mechanized operations, and promote mining efficiency and productivity. In accordance with the construction planning and arrangement of the "world-class gold production base", coordinate the preliminary work of the development and utilization of relevant resources and the construction of Sanshandao Gold Mine, Jiaojia Gold Mine, Xincheng Gold Mine and Shandong Gold Smelting Company, and focus efforts to advance the process of warrant processing and strive to be included as key projects of Shandong Province's "14th Five-Year Plan". Highlight risk prevention and control, focus on the unification of pre-event, during events, and post-event audits, strengthen the intensity and depth of auditing of important business links, and promote enterprises at all levels to establish a full-process internal audit and supervision mechanism for business.
- (iv) Focusing on supply-side structural reforms, and make breakthroughs and upgrades in improving the quality of development. Firmly grasp the main line of supply-side structural reform, highlight "quality first, efficiency first", and promote the realization of a new improvement in the quality of development. It is necessary to firmly establish the idea of "all costs are controllable", continue to deepen the special activity of "Anatomy Sparrow", and promote the systemic cost control of "all staff, all foundations, all-round, and all-process", and strengthen the use of funds, material and energy consumption, material procurement, tax planning and management, actively revitalizing idle assets, optimizing production indicators, strengthening capital budgeting and capital management and control, etc., to comprehensively increase the overall cost and profit margin. Vigorously broaden financing channels, scientifically formulate and implement a diversified financing model that matches the long-term and short-term.
- (v) Centering on the reform of state-owned enterprises, and make breakthroughs and upgrades in stimulating the vitality of the main body. Vigorously optimize the organizational structure, reduce the management level, and comprehensively build a streamlined and efficient management and control system. Strengthen the application of assessment results, reasonably widen the income distribution gap, and emphasizing on leaning income distribution to outstanding talents, backbone talents, and front-line positions. Vigorously promote the tenure system and contract management of corporate managers, and accelerate the establishment of a sound professional manager system and market-based compensation incentive mechanism. Further clear up the employment channels for market-oriented personnel, and vigorously introduce high-end international talents in the fields of technology and mining.

- (vi) Focus on open cooperation and make greater achievement in building the world-class enterprise. With the international vision and the international standard, the Company will comprehensively improve resource integration, capital operation, corporate management and safety and environmental protection level, and endeavor to build a world-class gold enterprise with global competitiveness. Applying the model of "small steps but faster pace", the Company will focus on West Africa, North and South America, Central Asia and domestic important mature mines when conducting resource acquisitions, and strive for greater achievement in the year. It will make use of the platform of international mining acquisition funds to diversify financing channels, improve the capital structure and the financial strength, thereby providing support to overseas resource acquisitions. After the comprehensive analysis of excellent practices of the world's top-rank gold enterprises and the in-depth examination of the current corporate management weaknesses, the Company will develop corresponding improvement actions and implementation plans that accord with its actual conditions, to improve the management capability and level in all-round manner.
- (vii) Strengthen the safety foundation, focus on environmental protection construction, and strengthen the brand image. The Company will take this year's comprehensive safety inspection as an opportunity to firmly adhere to "double zero" safety and environmental goal, further advance the three-year special rectification action, increase safety and environmental investment, urge every level to fulfill the responsibility fully and faithfully, strengthen, improve and perfect the construction of risk hierarchy control and hidden danger investigation and management system, improve the overall level of safety, and resolutely curb all kinds of accidents. It will consciously practice the concept of green development, vigorously promote the experience of green mine construction, continuously consolidate and enhance the achievements of green mining construction, and build a dynamic and long-term management mechanism for green development. It will always uphold the environmental protection concept of "lucid waters and lush mountains are invaluable assets", and further enhance the brand of "Shandong Gold, Ecological Mining".

#### **Possible Risks**

The year of 2021 is a critical year for the Company to accelerate the transformation and upgrading, deepen the reform and realize high-quality development, in which, we will be faced with severe challenges of economic slowdown and complex conflicts and will embrace development opportunities to release vitality and enhance momentum.

## Risks in gold prices fluctuation

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

Countermeasures: Firstly, further enhance the study and judgment on domestic and international economic development and commence research on professional areas. Secondly, implement the gold transaction decision-making procedure, rely on the transaction decision-making committee and the transaction center, accurately follow the price trend and conduct centralized sales of gold. Thirdly, use gold forward and futures contracts or other instruments to avoid risks in price fluctuation.

#### Safety management risks

Currently, the Company has established a complete "three-in-one" safety accountability system, improved the safety management system, formed a professional safety management team and shaped an effective safety management model, which contributes to the continuous improvement of work safety management level. However, if compared to the Company's development requirements, the work safety management still has some weaknesses and improvement points. For instance, the work safety mechanism lacks innovation; there is a gap between the relevant requirements and the actual mine safety standardization work; the safety education and training methods need to be improved, etc. These weaknesses have an impact on the achievement of the mine's essential safety objectives, and the occurrence of personal injury and property damage would have a profound impact on the Company's brand and social reputation.

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

## Environmental management risk

Currently, the Company has established the environmental protection accountability system and improved the environmental management system, and the ecological and environmental management level witnesses continuous improvement. However, if compared to the Company's development requirements, the ecological and environmental management still needs further improvement. Various international and domestic environmental pollution accidents send all mines and smelting enterprises the warning message that the inadequate and ineffective ecological and environmental management can lead to significant environmental pollution accidents. Major environmental risk factors include hazardous chemical leakage, non-compliant and excessive discharge of mine shaft water/tailings waste water and other production waste water, non-compliant and excessive emissions of waste gas, irregular disposal of hazardous wastes and tailings and destruction of the ecological environment.

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

## Risk of mining enterprise shutdown

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

Countermeasures: Firstly, draw lessons from the accidents that have happened on other enterprises in the industry, organize comprehensive inspection and improvement for eliminating potential safety risks and work safety and special inspection of explosive items management, offer advice to the safety management of outsourced construction teams and the underground fire operation management of mines. Secondly, increase safety input to ensure the smooth progress of safety technology upgrading of each unit and the implementation of special safety improvement actions. Thirdly, strengthen the research and development of safety technologies, and address safety issues in the process of production with technology innovation. Fourthly, enhance safety inspections, launch special improvement actions, strengthen inspection and improvement for eliminating potential risks, and reduce safety and environmental risks of mining enterprises. Fifthly, improve the six major systems for mines, and strengthen emergency response drills to improve the safety management level and the accident response capability. Sixthly, intensify the training for outsourced construction teams, strengthen the safety management of outsourced construction teams, to prevent the safety risk. Seventhly, urge construction projects to complete the safety and environmental protection "three simultaneous" procedures and the application of other certificates, to prevent the safety legal risk to the greatest extent. Eighthly, conduct environmental monitoring, and strengthen hazardous waste management. Ninthly, take prompt actions in response to national work safety policies and principles, and strengthen communication with local authorities.

#### **EXCHANGE RATE VOLATILITY RISK**

Most of the Group's revenue, operating costs and expenses are denominated in Renminbi and are expected to continue in the future. Revenue generated by our Argentina operations is denominated in U.S. dollars while 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 historically the Argentine Peso has experienced significant fluctuations, the revenue of the Group may be affected if there is any significant changes in the exchange rate of Renminbi vs U.S. dollar and Argentine Peso vs U.S. dollar. Therefore, the consolidated financial results of the Group may be affected. The management has been monitoring foreign exchange risk and may promptly hedge against foreign exchange risk if necessary.

## LISTING EXPENSES

The Group has paid listing expenses of RMB136.6 million during the year ended 31 December 2020 in relation to the Group's listing on the Main Board of the Hong Kong Stock Exchange on 28 September 2018.

## 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 amounted to approximately HK\$5,245.7 million (approximately RMB4,618.8 million) after deducting transaction fees and other expenses. As of the date of this results announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 31 December 2020, approximately RMB4,602.6 million have been utilized, namely:

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

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

## INFORMATION OF CORPORATE BONDS

# Overview of corporate bonds

Unit: RMB

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Maturity	Outstanding Balance	Interest Rate (%)	Payment of Principal and Interest	Place of Listing
The 2013 Corporate Bond (the Second Tranche)	13 Lujin 02	122284	2015.3.30	2020.3.30	0.00	5.30	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange
The 2019 Public Issuance of Green Corporate Bonds	G19 Lujin 1	155270	2019.3.22	2022.3.22	1,000,000,000.00	3.85	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the First Tranche)	20 Lujin Y1	175514	2020.12.3	2023.12.3	2,700,000,000.00	4.80	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the Second Tranche)	20 Lujin Y2	175566	2020.12.21	2023.12.21	1,300,000,000.00	4.69	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange

# Settlement of interests and principals of the corporate bonds

On 30 March 2020, the Company paid the interest for the final annual period from 30 March 2019 to 29 March 2020 and principal of the 2013 Corporate Bond (the Second Tranche) of Shandong Gold Mining Co., Ltd. issued by the Company on 30 March 2015 and the said corporate bond was delisted. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 20 March 2020.

On 23 March 2020, the Company paid the interest for the period from 22 March 2019 to 21 March 2020 of the 2019 Green Corporate Bonds of Shandong Gold Mining Co., Ltd. issued by the Company on 22 March 2019; and on 22 March 2021, the Company paid the interest for the period from 22 March 2020 to 21 March 2021 of the said corporate bond. For details, please refer to the Announcement on the 2020 Settlement of Interests and Principals of the 2019 Public Issuance of Green Corporate Bonds of Shandong Gold Mining Co., Ltd. (LIN 2020-012) and the Announcement on the 2021 Settlement of Interests and Principals of the 2019 Public Issuance of Green Corporate Bonds of Shandong Gold Mining Co., Ltd. (LIN 2021-015) published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange at http://www.sse.com.cn on 13 March 2020 and 12 March 2021, respectively.

There was no interest payment date due for "20 Lujin Y1" during the Reporting Period.

There was no interest payment date due for "20 Lujin Y2" during the Reporting Period.

## SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

During the year ended 31 December 2020, the Company held seven general meetings (including 2020 annual general meeting) and four class general meetings. The Company shall convene and hold general meeting of Shareholders in strict compliance with the regulations and requirements of the Articles of Association and the procedures of the Shareholders' general meeting of the Company to ensure that all Shareholders (especially minority Shareholders) can enjoy equal rights and fully exercise their voting rights.

#### FINAL DIVIDEND AND ANNUAL GENERAL MEETING

A payment of cash dividend of RMB0.5 per 10 Share (inclusive of taxes) is proposed to be paid to all Shareholders. As at 31 December 2020, the Company has a total share capital of 4,313,946,766 Shares. The Company issued additional 159,482,759 H Shares on 29 January 2021, the Company's total share capital increased to 4,473,429,525 Shares. As at the date of this board meeting, the Company has a total share capital of 4,473,429,525 Shares, and the proposed payment of cash dividends in the amount of approximately RMB223.7 million is calculated on such basis. The remaining undistributed profits are carried forward for the subsequent annual distribution. The above proposal will be put forward at the forthcoming annual general meeting of the Company for consideration and approval. The specific arrangements regarding the final dividend and its distribution and the time and arrangement of the closure of register of members of H Shares will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the Company shall distribute the dividend within two months after the date of the annual general meeting. The Company shall announce separately the exact expected dividend payment date.

#### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 15 December 2020, the Company repurchased and cancelled 25,509,517 A Shares at a total consideration of RMB1 pursuant to the authorization granted by the 2020 second extraordinary general meeting, 2020 third class meeting of A Shares and H Shares held on 25 August 2020. For details of the share buy-back, please refer to the announcement of the Company dated 14 December 2020 and the circular of the Company dated 31 July 2020.

Save as disclosed above, the Board confirmed that neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities during the year ended 31 December 2020.

## **CORPORATE GOVERNANCE**

The Company, being a company listed in Hong Kong and Shanghai, manages its operation in strict compliance with the laws, regulations and regulative 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 Securities and Futures Commission 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 maintaining of good corporate governance practices, with reference to the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (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 year ended 31 December 2020.

#### SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules as the model code for the trading of securities by the Directors and Supervisors. Having made specific reasonable enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have complied with the provisions of the Model Code during the year ended 31 December 2020.

#### **AUDIT COMMITTEE**

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

The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2020 and further discussed the auditing, internal control and financial reporting matters. The audit committee considers that the annual results of the Group for the year ended 31 December 2020, which have been agreed by the Company's auditors, are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

#### **AUDITORS**

TianYuanQuan Certified Public Accountants (Special General Partnership) ("**Tianyuanquan**") and SHINEWING (HK) CPA Limited ("**Shinewing**") have been acting as domestic and international auditor of the Company during the year ended 31 December 2020, respectively.

Tianyuanguan and Shinewing shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. Due to the Company's acquisition of SDG Capital Management, which increased the scope and business volume of the domestic auditor, and increased the scope and workload of the internal control audit, the audit fee for annual report of the accounting firm for 2020 increased from RMB3 million to RMB3.4 million. Internal control audit fees for 2020 increased from RMB1.4 million to RMB1.55 million. If there will be no change in the scope and business volume of auditing, as well as the scope and business volume of internal control audit in 2021, the annual report audit fee for 2021 will continue to be implemented at RMB3.4 million; and the internal control audit service fee for 2021 will continue to be implemented at RMB1.55 million. Shinewing's financial report verification fee for 2020 was RMB4.28 million, and the financial report verification fee for 2021 is estimated be remained at RMB4.28 million. If the asset scale and audit business volume change, the Company will determine the financial report verification fee for 2021 based on the change. A resolution for the re-appointment of Tianyuanguan and Shinewing as domestic and international auditor of the Company, respectively will be proposed at the forthcoming annual general meeting.

#### EVENTS DURING THE REPORTING PERIOD

## Provision of Guarantee for Financing of SDG Hong Kong

On 18 September 2020, the Shareholders approved a loan of the Company with a term of one year and the provision of guarantee of no more than US\$1,100 million. As of 31 December 2020, the Company has provided counter-guarantee for SDG Hong Kong in a sum of US\$935 million. For details, please refer to the circulars of the Company dated 23 January 2020 and 28 August 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

## **Completion of Compulsory Acquisition of Cardinal Resources Limited**

On 15 March 2021, the Company announced that SDG Hong Kong has conducted and completed the compulsory acquisition on the shares of Cardinal in accordance with the Corporations Act 2001. For details, please refer to the announcement of the Company dated 15 March 2021.

# PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This audited annual 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 2020 annual 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;

"AGB II" Argentina Gold (Bermuda) II Ltd., a company incorporated

in Bermuda on 6 October 1994 and registered by way of continuation into the Cayman Islands on 25 November 2015 which is owned as to 50% by SDG Hong Kong and 50% by

Barrick Cayman;

"Articles of Association" the articles of association of the Company;

"Barrick Cayman" Barrick Cayman (V) Ltd., an exempted company incorporated

in the Cayman Islands on 29 March 2016 and holder as to 50%

equity interest in AGB II;

"Barrick Gold" Barrick Gold Corporation, a corporation incorporated in

Ontario, Canada on 14 July 1984 and holder as to 100%

equity interest in Barrick Cayman (V) Ltd.;

"BAW Report" the 2020 annual resources and reserves update report

prepared by BAW (Beijing) Technical Consultancy Co., Ltd. (寶萬(北京) 技術諮詢有限責任公司) ("BAW"), an

independent third party qualified as a competent person;

"Board" or "Board

of Directors"

the board of directors of the Company;

"China" or the "PRC" the People's Republic of China but for the purpose of this

results announcement, excludes Hong Kong, Macau Special

Administrative Region and Taiwan;

"CSRC" China Securities Regulatory Commission;

"Director(s)" or

"our Directors"

the director(s) of the Company;

"Group", "the Group", "our

Group", "we" or "us"

the Company and all of our subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present 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;

"Prospectus"

the prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;

"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:

"Reporting Period"

from 1 January 2020 to 31 December 2020;

"RMB"

Renminbi, the lawful currency of China;

"SDG Capital Management"

SDG Capital Management Co., Ltd. (山金金控資本管理有限公司), a limited liability company incorporated in the PRC on 14 November 2012 and a wholly-owned subsidiary of the Company;

"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;

"SDG Group"

SDG Group Co. and all of its subsidiaries;

"SDG Group Finance"

Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a limited liability company incorporated in the PRC on 17 July 2013, which was held as to 30% by the Company and 70% by SDG Group Co.;

"SDG Group Co."

Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling Shareholder of the Company, and was held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會):

"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;

"Shanghai Stock Exchange"

Shanghai Stock Exchange (上海證券交易所);

or "SSE"

shares in the share capital of the Company, with a nominal

value of RMB1.0 each, comprising our A Shares and our H

Shares:

"Shareholders"

"Share(s)"

holder(s) of our Share(s);

"Supervisor(s)"

the supervisor(s) of the Company;

"Syndicated Term Loan(s)"

the loan available under the US\$960 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.

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

Jinan, the PRC, 30 March 2021

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