



山東黃金礦業股份有限公司 SHANDONG GOLD MINING CO., LTD.

Stock Code 股份代號 : 1787

(A joint stock company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立的股份有限公司)



2021

INTERIM REPORT

中期報告

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Other Information	27
Interim Condensed Consolidated Statement of Profit or Loss	33
Interim Condensed Consolidated Statement of Comprehensive Income	34
Interim Condensed Consolidated Statement of Financial Position	35
Interim Condensed Consolidated Statement of Changes in Equity	37
Interim Condensed Consolidated Statement of Cash Flows	39
Notes to the Interim Condensed Consolidated Financial Statements	41
Definitions	66

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Mr. Wang Shuhai
Mr. Tang Qi

NON-EXECUTIVE DIRECTORS

Mr. Li Guohong
Mr. Wang Lijun
Ms. Wang Xiaoling

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yunmin
Mr. Liew Fui Kiang
Ms. Zhao Feng

SUPERVISORS

Mr. Li Xiaoping
Ms. Liu Yanfen
Mr. Luan Bo

AUDIT COMMITTEE

Ms. Zhao Feng (*Chairman*)
Mr. Li Guohong
Ms. Wang Xiaoling
Mr. Wang Yunmin
Mr. Liew Fui Kiang

NOMINATION COMMITTEE

Mr. Wang Yunmin (*Chairman*)
Mr. Wang Lijun
Mr. Liu Qin
Mr. Liew Fui Kiang
Ms. Zhao Feng

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Liew Fui Kiang (*Chairman*)
Mr. Wang Shuhai
Mr. Tang Qi
Mr. Wang Yunmin
Ms. Zhao Feng

STRATEGY COMMITTEE

Mr. Li Guohong (*Chairman*)
Mr. Wang Lijun
Ms. Wang Xiaoling
Mr. Wang Yunmin
Mr. Liew Fui Kiang

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Industry and Principal Business of the Company during the Reporting Period

Business Scope

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

Operating Model

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

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

Changes in Key Performance Drivers

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Description of the Company's Industry during the Reporting Period

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on the Core Competitiveness during the Reporting Period

Strategic Advantage

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

Resources Advantage

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

Advantage in the Company’s Scale

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

MANAGEMENT DISCUSSION AND ANALYSIS

Advantage in Technological Innovation

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

Talent Advantage

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

Brand Advantage

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

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

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

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

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

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

Major Work Conducted

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group's:

- **revenue** decreased by approximately 64.1% to approximately RMB11,849.0 million from approximately RMB33,039.9 million for the same period of 2020, which was mainly due to the decrease in sales volume of purchased-gold and self-produced gold of subsidiaries.
- **cost of sales** decreased by approximately 61.3% to approximately RMB11,559.7 million from approximately RMB29,892.2 million for the same period of 2020, which was mainly due to the decrease in sales volume of purchased-gold and self-produced gold of subsidiaries.
- **gross profit** decreased by approximately 90.8% to approximately RMB289.2 million from approximately RMB3,147.7 million for the same period of 2020, which was mainly due to decrease in the gross profit of self-produced gold.
- **general and administrative expenses** increased by approximately 56.8% to approximately RMB1,430.8 million from approximately RMB912.3 million for the same period of 2020, which was mainly due to inclusion of expenses previously charged to cost in general and administrative expenses during the shutdown period.
- **other gains and losses, net** increased to gain of approximately RMB324.3 million from loss of approximately RMB55.0 million for the same period of 2020, which was mainly due to the increase in dividend and bonus, bid-ask spreads and changes in the fair value of financial assets during the holding period as compared to the same period of last year.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

Unit: RMB

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Basic Information on Debt Financing Instruments of Non-Financial Enterprises

Unit: RMB'00,000,000

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

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOWS

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

ASSETS AND LIABILITIES

As at 30 June 2021, the Group's:

- **prepayments, trade and other receivables** decreased by approximately 27.0% to approximately RMB3,099.7 million from approximately RMB4,244.7 million as at 31 December 2020, which was mainly due to the transfer of the prepayment for acquisition to long-term equity investment.
- **trade and other payables** increased by approximately 56.1% to approximately RMB10,394.1 million from approximately RMB6,658.4 million as at 31 December 2020, which was mainly due to the increase in gold leasing and cash held on behalf of customers of the subsidiary, and the increase in the amount of accrued but unpaid employee compensation payable as compared to that at the beginning of the year.
- **financial liabilities at fair value through profit or loss** increased by 19.0% to approximately RMB10,324.7 million from approximately RMB8,672.6 million as at 31 December 2020, which was mainly due to the decrease in the financing through gold leasing of the Company.
- **intangible assets** increased by approximately 39.9% to approximately RMB16,935.8 million from approximately RMB12,105.2 million as at 31 December 2020, which was mainly due to the increase in mining rights as a result of acquisition of subsidiaries by the Company.
- **inventories** increased by approximately 22.1% to approximately RMB4,610.7 million from approximately RMB3,777.0 million as at 31 December 2020, which was mainly due to acquisition of subsidiaries by the Company.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

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

CAPITAL EXPENDITURE

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

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

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

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

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

PLEDGE OF ASSETS

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENCIES

Details of contingencies and commitments are set out in Note 21 to the interim condensed consolidated financial statements.

ANALYSIS ON INVESTMENT STATUS

Overall Analysis on External Equity Investment

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

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

Key Equity Investments

① Acquisition of TMAC Resources Inc.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

② Offer to acquire Cardinal Resources

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

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

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

③ Acquisition of Hengxing Gold Holding Company Limited

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

POSSIBLE RISKS

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

Risk of Mining Enterprise Shutdown

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

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

Safety Management Risks

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Management Risk

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

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

Risks in Gold Prices Fluctuation

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Exchange Rate Volatility Risk

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND CONNECTED TRANSACTIONS

As at 30 June 2021, SDG Group directly and indirectly held 45.08% of the issued Shares.

SDG Group (excluding our Group) engages in gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialized equipment and supplies and construction materials for gold mines. The gold resources of SDG Group (excluding our Group) are mainly located in the PRC. As at 30 June 2021, it owned 29 gold mine exploration permits in the PRC with an aggregate of approximately 586.32 tonnes of gold resources initially measured with reference to PRC mining permit appraisal methods and filed with relevant authorities; and 18 gold mine mining permits in the PRC with an aggregate of approximately 225.12 tonnes of measured gold resources. Except a few exploration permits under which the gold mines are either with insignificant resources detected or subject to government approval for consolidation, all the exploration and mining permits held by SDG Group (excluding our Group) have been under entrustment arrangement pursuant to the Equity Entrustment Framework Agreement between our Company and SDG Group Co. The Company will continue to disclose the status of the transfer of the exploration and mining permits in its interim and annual reports after listing, including but not limited to, any change in the list of entrusted targets, whether the relevant permits granted to the Company under the non-competition undertaking have been exercised, the status of boundary and capacity expansion (if applicable). For details of the relevant permits held by SDG Group, please refer to the paragraph headed "Exploration and Mining Permits Held by SDG Group (excluding our Group) in the PRC as of the Date of This Interim Report" below. On 25 June 2021, a Board meeting was convened by the Board to consider and approve the cash acquisition by SDG Mining (Laizhou), a subsidiary of the Company, of the No. 1 exploration permit in the statistics of the resources under the exploration permits of SDG Group below, and the transaction is now in progress. On 5 August 2021, SDG Group Co. has entered into various agreements with SDG Mining (Laizhou) (a subsidiary of the Company) on transferring the No. 2, No. 3 and No. 9 exploration permits in the statistics of the resources under the exploration permits of SDG Group below, as well as the No. 1, No. 2, No. 3, No. 4 and No. 18 mining permits in the statistics of the resources under the mining permits of SDG Group below to the Group, and such transactions are subject to the approval of the Shareholders at general meetings of the Company. For details, please refer to the section headed "Significant Events after Reporting Period" below.

In addition, SDG Group holds a controlling interest in Focus Minerals Limited (an Australian listed company principally engaged in gold exploration and production, stock code: FML) through SDG International. Focus Minerals Limited is owned as to approximately 49.53% by SDG International, and SDG International is owned as to approximately 65% by SDG Group Co.

On 23 January 2017 and 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares respectively to Industrial and Commercial Bank of China, Shandong Branch (中國工商銀行山東省分行). As of 30 June 2021, the pledged Shares mentioned above had been adjusted to 196,000,000 Shares and 313,600,000 Shares respectively, after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 and 2019 equity distribution plan. Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use, which accounted for approximately 11.39% of total number of the Shares as at 30 June 2021. Industrial and Commercial Bank of China is an authorized institution under the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

The Company has not entered into any loan contract to establish the obligation terms of the SDG Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPLORATION AND MINING PERMITS HELD BY SDG GROUP (EXCLUDING OUR GROUP) IN THE PRC AS OF THE DATE OF THIS INTERIM REPORT

Statistics of the resources under the exploration permits of SDG Group

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
1	The gold mine at deep level and outer rim of southern Jiaojia mine area in Laizhou, Shandong Province (general exploration) (山東省萊州市焦家礦區深部及外圍金礦南部詳查)	SDG Group Co. Ltd.	Laizhou, Shandong Province	0.972	In the process of exploration	No (to be transferred to the Company together with Jiaojia mining right)
2	The gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province (exploration) (山東省萊州市紅布礦區深部及外圍金礦勘探)	Shandong Tiancheng Mining Co., Ltd.	East of Hongbu Village in Jincheng Town, Laizhou, Shandong Province	19.37	In the process of exploration	Yes
3	The gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province (exploration) (山東省萊州市馬塘二礦區深部及外圍金礦勘探)	Shandong Tiancheng Mining Co., Ltd.	East of Matang Village in Jincheng Town, Laizhou, Shandong Province	Not detected yet	The general prospecting report was submitted in April 2019	Yes
4	The gold mine at Cangshang-Panjiauzi District in Laizhou, Shandong Province (exploration) (山東省萊州市倉上-潘家屋子地區金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Jincang Street, Laizhou City, Shandong Province	0.39	The general prospecting report was submitted in April 2019	Yes
5	The middle and deep level of Luicun gold mine at Laizhou, Shandong Province (general exploration) (山東省萊州市留村金礦中深部詳查)	Shandong Gold Geological Mine Exploration Co., Ltd.	Hutouya Town, Laizhou, Shandong Province	2.00	The resource reserves report was submitted in April 2016	Yes
6	Zhaojie gold mine in Laizhou, Shandong Province (exploration) (山東省萊州市趙家金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Pinglidian Town, Laizhou, Shandong Province	Not detected yet	The geological report was submitted in March 2019	Yes
7	Shangmajia gold mine in Laizhou, Shandong Province (exploration) (山東省萊州市上馬家金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Zhacun Town, Laizhou, Shandong Province	0.22	The general prospecting report was submitted in November 2017	Yes

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
8	Xiling Village gold mine in Laizhou City, Shandong Province (exploration) (山東省萊州市西嶺村金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Sanshandao, Laizhou, Shandong Province	382.58	The general exploration report was submitted in December 2016 and in the process of exploration	Yes
9	The gold mine at Nanlv - Xinmu District in Laizhou City, Shandong Province (exploration) (山東省萊州市南呂-欣木地區金礦勘探)	Shandong Gold Laizhou Ludi Gold Mine Co., Ltd.	Jincheng Town, Zhuoqiao Town, Laizhou, Shandong Province	133.14	The exploration report was filed	Yes
10	The gold mine at Dayinjia mine area in Laizhou City, Shandong Province (exploration) (山東省萊州市大尹家礦區金礦勘探)	Shandong Jindi Mining Co., Ltd.	Pingliadian Town, Zhuoqiao Town, Laizhou, Shandong Province	Not detected yet	The summary report was submitted in November 2017	Yes
11	The gold mine at Cistan mine area in Penglai, Shandong Province (exploration) (山東省蓬萊市磁山礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	East of Tuwu Village, Daluhang Town, Laizhou, Shandong Province	3.86	The general exploration report was submitted in July 2017	Yes
12	The gold mine at Shanglarzi mine area in Penglai, Shandong Province (exploration) (山東省蓬萊市上嵐子礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	Yanzikuang Village, Daluhang Town, Penglai, Shandong Province	3.6	The general exploration report was submitted in January 2015	Yes
13	The gold mine at the deep level of Tuwu gold mine area in Penglai, Shandong Province (general exploration) (山東省蓬萊市土屋金礦區深部金礦詳查)	Shandong Gold Jinchuang Group Co., Ltd.	West of Tuwu Village, Penglai, Shandong Province	0.57	The general exploration report was submitted in April 2013	Yes
14	The gold mine at the deep level and outer rim of Qigou I branch mine in Penglai City, Shandong Province (exploration) (山東省蓬萊市齊溝一分礦區深部及外圍金礦勘探)	Shandong Jinchuang Co., Ltd.	Xiaomenjia Town, Penglai, Shandong Province	0.87	The resource reserves report was submitted in December 2019	Yes
15	The deep level and outer rim of Heliangou gold mine in Penglai City, Shandong Province (general exploration) (山東省蓬萊市黑嵐溝金礦深部及外圍詳查)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1.48	The resource reserves report was submitted in July 2018	Yes
16	Baolun gold mine in Ledong County, Hainan Province (general exploration) (海南省樂東縣抱倫金礦詳查)	Hainan Shanjin Mining Co., Ltd.	Qianjia Town, Ledong County, Hainan Province	10.04	The general exploration report was submitted in March 2017	Yes

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
17	The silver (gold) mine in Xiangluping mine area, Zhenghe, Fujian Province (general exploration) (福建省政和縣香爐坪礦區銀(金)礦詳查)	Fujian Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	Au: 0.77 tonne	The general exploration report was submitted in August 2020	Yes
18	The gold mine at the peripheral rim of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦外圍地質詳查)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Not detected yet	N/A	Yes
19	The gold mine at the deep level of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦深部詳查)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Au: 0.89 tonne Ag: 21.09 tonnes	The report was submitted in November 2020	Yes
20	The gold mine at Asilha (Kere) District in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣阿斯哈(可熱)地區金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	2.27	The general prospecting report was submitted in December 2017	Yes
21	Walega gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣瓦勒尕金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	8.085	The general exploration report was submitted in July 2021	Yes
22	The gold mine at Daligigetang District in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣達裏古格塘地區金礦普查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	In the process of prospecting physical workload	Yes
23	Guoluogwaga gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣果洛龍窪金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	12.94	The general exploration report was submitted in March 2010	Yes
24	Anage gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣安納格金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.67	The general prospecting report was submitted in December 2017	Yes
25	Dachaidan Hangwei Shengligou gold mine in Qinghai Province (general exploration) (青海省大柴旦行委勝利溝金礦詳查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Dachaidan Hangwei, Haxi Prefecture, Qinghai Province	0.56	The general prospecting report was submitted in December 2012	Yes

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
26	Dachaidan Hangwei Hongdenggou west gold mine in Qinghai Province (general exploration) (青海省大柴旦行委紅燈溝西金礦詳查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Dachaidan Hangwei, Haxi Prefecture, Qinghai Province	0.04	The general prospecting report was submitted in August 2019	Yes
27	The gold mine at south Asha in Dulan County, Qinghai Province (pre-prospecting) (青海省都蘭縣阿斯哈南金礦預查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	N/A	Yes
28	The gold mine at south Walega in Dulan County, Qinghai Province (pre-prospecting) (青海省都蘭縣瓦勒尕南金礦預查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	Not detected yet	N/A	Yes
29	The gold mine at Hongqidian, Tuoli County, Xinjiang (general prospecting) (新疆托裏縣紅旗點金礦普查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Tuoli County, Tacheng District, Xinjiang	Not detected yet	N/A	Yes
Total				586.32		

MANAGEMENT DISCUSSION AND ANALYSIS

Statistics of the resources under the mining permits of SDG Group

No.	Name of mining permit	Holder of mining permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
1	Shandong Tiancheng Mining Co., Ltd. Honggou mine area (山東天承礦業有限公司紅溝礦區)	Shandong Tiancheng Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	1.163	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
2	Shandong Tiancheng Mining Co., Ltd. Dongji mine area (山東天承礦業有限公司東季礦區)	Shandong Tiancheng Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	1.358	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
3	Shandong Tiancheng Mining Co., Ltd. Matang mine area (山東天承礦業有限公司馬塘礦區)	Shandong Tiancheng Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	0.879	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
4	Shandong Tiancheng Mining Co., Ltd. Matang II mine area (山東天承礦業有限公司馬塘二礦區)	Shandong Tiancheng Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	0.795	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
5	Laizhou Ludi Mining Investment and Development Co., Ltd. Jincheng Gold Mine (萊州魯地礦業投資開發有限公司金城金礦)	Laizhou Ludi Mining Investment and Development Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	73.414 (excluding low-grade gold)	Under construction	Yes
6	Shandong Gold Jinchuang Group Co., Ltd. Yanshan mine area (山東黃金集團有限公司燕山礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yanshan area, Daluhang Town, Penglai, Shandong Province	3.48	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
7	Shandong Gold Jinchuang Group Co., Ltd. Yankou mine area (山東黃金集團有限公司煙口礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yankou area, Daluhang Town, Penglai, Shandong Province	6.25	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
8	Shandong Jinchuang Co., Ltd. Shangkouwangji gold mine area (山東金創股份有限公司上口王李金礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	3.879	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
9	Shandong Jinchuang Co., Ltd. Heijinding mine area (山東金創股份有限公司黑金頂礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1.538	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
10	Shandong Jinchuang Co., Ltd. Heilangou mine area (山東金創股份有限公司黑崗溝礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	6.721	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of mining permit	Holder of mining permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether trusted under the Equity Entrustment Framework Agreement
11	Shandong Jinchuang Co., Ltd. Qigou I branch mine (山東金創股份有限公司齊溝一分礦)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Pengtai, Shandong Province	1.645	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
12	Qingdao Jinxing Mining Co., Ltd. (青島金星礦業股份有限公司)	Qingdao Jinxing Mining Co., Ltd.	Jiudian Town, Pingdu, Shandong Province	4.36	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
13	Hainan Shanjin Mining Co., Ltd. Baolun gold mine in Ledong County (海南山金礦業有限公司樂東縣抱倫金礦)	Hainan Shanjin Mining Co., Ltd.	Ledong County, Hainan Province	5.3	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
14	Songxian Shanjin Mining Co., Ltd. (嵩縣山金礦業有限公司)	Songxian Shanjin Mining Co., Ltd.	Shuigou Village, Dazhang Town, Song County, Luoyang	5.3	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
15	Fujian Province Zhenghe Hongkun Mining Co., Ltd. Dayaokeng gold mine (福建省政和縣宏坤礦業有限公司大藥坑金礦)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	0.97	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
16	Qinghai Shanjin Mining Co., Ltd. Guoluolongwa gold mine in Dulan County (青海山金礦業有限公司都蘭縣果洛龍窪金礦)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.70	In the commercial production stage. The estimate is based on the resource reserves report of 2021	Yes
17	Fujian Province Zhenghe Xiangluping Mining Co., Ltd. Xiangluping silver mine (福建省政和縣香爐坪礦業有限公司香爐坪銀礦)	Fujian Province Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	Au: 0.04 Ag: 5.19	The estimate is based on the resource reserves report of 2021	Yes
18	Laizhou Jinsheng Mining Investment Co., Ltd. Zhuoqilija gold mine (萊州金盛礦業投資有限公司朱郭李家金礦)	Laizhou Jinsheng Mining Investment Co., Ltd.	Zhuqiao Town, Laizhou City, Shandong Province	106.34	Under construction	Please refer to the disclosure on page 20
Total				225.12		

Note: SDG Group is in the process of sorting out the resources and perfecting the certificates and permits of the above-mentioned mineral rights and will actively promote the transfer of eligible mineral rights to the Company and disclose them in due course.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 June 2021, so far as the Directors, Supervisors and chief executive of the Company are aware, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests and long/short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of the SFO, to be entered into the register to be kept by the Company referred to therein, or required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Nature of interest	Class of Shares	Number of Shares or underlying Shares interested	Long/ Short positions	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital
SDG Group Co.	Beneficial owner ⁽¹⁾	A Shares	1,671,709,197	Long	46.25%	37.37%
	Interest held by controlled corporation ⁽²⁾	A Shares	345,073,733	Long	9.55%	7.71%
Shandong Gold Geological Mine Exploration Co., Ltd. ("SDG Exploration")	Beneficial owner ⁽³⁾	A Shares	194,872,049	Long	5.39%	4.36%
Shandong Gold Resources Development Co., Ltd. ("SDG Resources Development")	Beneficial owner ⁽³⁾	A Shares	194,872,049	Long	5.39%	4.36%
Schroders PLC	Investment manager	H Shares	129,187,500	Long	15.04%	2.89%
Gold Virtue Limited	Beneficial owner	H Shares	95,689,655	Long	11.14%	2.14%
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)	Beneficial owner	H Shares	76,639,270	Long	8.92%	1.71%
CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 (廣發資管一國調基金1號定向資產管理計劃)	Trustee	H Shares	76,639,270	Long	8.92%	1.71%

OTHER INFORMATION

Notes:

- (1) On 23 January 2017 and 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares to Industrial and Commercial Bank of China, Shandong Branch (中國工商銀行山東省分行) respectively. As of 30 June 2021, the pledged Shares mentioned above had been adjusted to 196,000,000 Shares and 313,600,000 Shares respectively, after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 and 2019 equity distribution plan. Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use, which accounted for approximately 11.39% of total number of the Shares. Industrial and Commercial Bank of China is an authorized institution under the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).
- (2) These 345,073,733 A Shares comprise 194,872,049 A Shares held by SDG Exploration, 115,477,482 A Shares held by SDG Non-ferrous, 31,467,157 A Shares held by Shandong Gold Group Qingdao Gold Co., Ltd. ("**Qingdao Gold**") and 3,257,045 A Shares held by SDG (Beijing) Industry Investment Co., Ltd. ("**SDG Beijing**"). SDG Exploration is wholly-owned by SDG Resources Development. Each of SDG Resources Development, SDG Capital Management, Qingdao Gold and SDG Beijing is wholly-owned by SDG Group Co.. SDG Group Co. holds 95.65% interest of SDG Non-ferrous. As such, SDG Group Co. is deemed to be interested in the Shares held by SDG Exploration, SDG Non-ferrous, SDG Capital Management, Qingdao Gold and SDG Beijing for the purpose of the SFO.
- (3) SDG Exploration is wholly-owned by SDG Resources Development, and therefore SDG Resources Development is deemed to be interested in all the Shares held by SDG Exploration for the purpose of the SFO.

Save as disclosed above, as at 30 June 2021, the Directors, Supervisors and chief executive of the Company are not aware of any person (who are not Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or would be interested in 10% or more of the nominal value of any class of the share capital carrying the rights to vote in all circumstances at general meetings of our Company or would be required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at 30 June 2021, the interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) owned by Directors, Supervisors and chief executive of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken, or deemed to have, under such provisions of the SFO; or were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Hong Kong Listing Rules are set out below:

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Long/Short positions	Approximate percentage of shareholding in the relevant class Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Tang Qi	Executive Director	Beneficial owner ⁽¹⁾	A Shares	149,056	Long	0.0041%	0.0033%

Note:

(1) Mr. Tang Qi is interested in 149,056 Shares as a participant under the Employee Shareholding Scheme.

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors and chief executive of the Company or their associates has any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

USE OF PROCEEDS

Use of Proceeds from Global Offering

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

Item	Net proceeds (RMB million)				Expected timeline for the use of the unutilized proceeds
	Percentage	Available to utilize	Utilized	Unutilized	
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	0.0%	1.0	1.0	–	–
Construction Bank 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.

OTHER INFORMATION

STAFF OF THE GROUP

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

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

DETAILS OF SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

In May 2015, the Company obtained approval from the Shareholders' general meeting of our Company to establish the Phase One Employee Shareholding Scheme of Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司第一期員工持股計劃) (the "**Employee Shareholding Scheme**") for the purpose of enhancing the cohesiveness of employees and vitality of the Company's development, and improving corporate governance, so as to better promote the Company's long-term, sustainable and healthy development. The Employee Shareholding Scheme is adopted with a duration of 84 months. The eligible participants of the Employee Shareholding Scheme include certain then management members of our Company, our subsidiaries and target companies in connection with the private placement in 2016.

On 17 October 2016, our Company completed registration and custody procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) of 11,645,629 Shares (adjusted to 16,303,881 Shares after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 equity distribution plan) to 128 individuals at the price of RMB14.30 per Share under the Employee Shareholding Scheme for a subscription amount of RMB166,532,494.70. The relevant Shares were subject to a lockup period of 36 months and were unlocked and vested to the said participants. As of 26 August 2021 (being the date of interim results announcement of the Company), there were 11,424,214 unsold shares under the Employee Shareholding Scheme (inclusive of the bonus shares issued in accordance with the 2018 and 2019 equity distribution plans). These Shares accounted for approximately 0.26% of the total number of our Shares. Certain Directors and senior management of the Company are currently interested in our Shares under the Employee Shareholding Scheme. For details of their shareholding, please see the section headed "Disclosure of Interests and Short Positions of the Directors, Supervisors and Chief Executive of the Company" in this interim report. The Employee Shareholding Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules.

Other than those as disclosed above, the Group does not have any share incentive scheme, employee stock ownership scheme or other employee incentive measures which may result in a significant loss to the Group.

CORPORATE GOVERNANCE

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

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

OTHER INFORMATION

MATERIAL CHANGE

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

DISCLOSURE OF INFORMATION OF DIRECTORS AND SUPERVISORS PURSUANT TO RULE 13.51B(1) OF THE HONG KONG LISTING RULES

During the Reporting Period, there were no changes to information of Directors and Supervisors which are required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by Directors and Supervisors. Having made specific enquiries with all the Directors and Supervisors, each of the Directors and Supervisors has confirmed that he/she has complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the interim report of the Group for the six months ended 30 June 2021 and further discussed the auditing, internal control and financial reporting matters. The Audit Committee considers that the interim report of the Group for the six months ended 30 June 2021, which has been agreed by the Company's auditors, is in compliance with the applicable accounting standards and relevant laws and regulations and has made sufficient disclosure.

SIGNIFICANT EVENTS DURING REPORTING PERIOD

Connected Transaction – Acquisition of Target Assets

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

Amendments to the Articles

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

OTHER INFORMATION

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Dividends

Based on the Company's total number of issued shares of 4,473,429,525 Shares as at 30 March 2021, being the date of the Board meeting, a cash dividend of RMB0.5 (tax inclusive) per ten (10) Shares was distributed to all Shareholders for the profit distribution, and the total cash dividend paid (after eliminating the dividends to treasury shares of approximately RMB0.2 million) was approximately RMB223.4 million. The above-mentioned profit distribution plan was considered and approved at the 2020 annual general meeting of the Company held on 10 June 2021, and the implementation of cash dividend of A Shares and H Shares were completed on 27 July 2021 and 10 August 2021, respectively.

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

On 5 August 2021, SDG Mining (Laizhou) has entered into acquisition agreements with SDG Group Co. to acquire Shandong Dikuang Laijin Holdings Co., Ltd. (山東地礦來金控股有限公司), Laizhou Hongsheng Mining Investment Co., Ltd. (萊州鴻昇礦業投資有限公司), Shandong Laizhou Ludi Gold Mine Company Limited (山東萊州魯地金礦有限公司) and Shandong Tiancheng Mining Co., Ltd. (山東天承礦業有限公司) at an aggregate amount of approximately RMB7,132.2 million (the "**Acquisitions**"). An extraordinary general meeting of the Company will be convened on 24 September 2021 for the independent Shareholders to consider and approve the Acquisitions. For details, please refer to the circular of the Company dated 8 September 2021 published on the website of the Hong Kong Stock Exchange.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and Shareholders for their continuous support to the Group. I would also like to extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

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

Jinan, the PRC, 26 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	3	11,848,956	33,039,934
Cost of sales		(11,559,713)	(29,892,246)
Gross profit		289,243	3,147,688
Selling expenses		(111,615)	(46,473)
General and administrative expenses		(1,430,802)	(912,390)
Research and development expenses		(119,293)	(155,775)
Other income		5,526	11,714
Other gains and losses, net		324,332	(55,025)
Finance income		43,563	33,501
Finance costs	5	(335,777)	(384,088)
Share of results of associates		8,855	7,830
(Loss) profit before tax		(1,325,968)	1,646,982
Income tax expenses	6	(117,988)	(378,399)
(Loss) profit for the period	7	(1,443,956)	1,268,583
(Loss) profit for the period attributable to:			
– Owners of the Company		(1,372,039)	1,122,253
– Non-controlling interests		(71,917)	146,330
		(1,443,956)	1,268,583
(LOSS) EARNINGS PER SHARE	9		
– Basic and diluted (RMB)		(0.31)	0.26

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	30,172,046	28,616,211
Investment properties		212,596	219,739
Right-of-use assets	11	544,138	508,996
Intangible assets	12	16,935,752	12,105,172
Goodwill		1,335,243	1,257,998
Investments in associates		1,036,826	1,027,971
Financial assets at fair value through other comprehensive income		1,500	1,500
Financial assets at fair value through profit or loss	13	5,646,421	5,568,568
Inventories		1,201,372	1,227,314
Deferred income tax assets		165,598	170,877
Other non-current assets		614,671	580,445
		57,866,163	51,284,791
Current assets			
Inventories		3,409,320	2,549,714
Prepayments, trade and other receivables	14	3,099,719	4,244,700
Prepaid income tax		30,243	33,205
Financial assets at fair value through profit or loss	13	1,744,984	3,058,213
Restricted bank deposits		270,890	258,912
Bank balances and cash	15	4,054,921	3,032,156
		12,610,077	13,176,900
Current liabilities			
Trade and other payables	16	10,394,106	6,658,366
Lease liabilities	11	22,862	36,655
Current income tax liabilities		131,178	366,274
Borrowings	17	9,192,067	9,727,870
Financial liabilities at fair value through profit or loss	18	10,324,675	8,672,590
Current portion of other non-current liabilities		48,645	72,383
		30,113,533	25,534,138
Net current liabilities		(17,503,456)	(12,357,238)
Total assets less current liabilities		40,362,707	38,927,553

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Borrowings	17	2,323,944	1,677,098
Lease liabilities	11	79,021	63,427
Deferred income tax liabilities		4,118,487	3,928,100
Deferred revenue		16,399	15,406
Provision for asset retirement obligations	19	872,449	845,872
Other non-current liabilities		696,833	539,465
		8,107,133	7,069,368
Net assets			
		32,255,574	31,858,185
Capital and reserves			
Share capital	20	4,473,430	4,313,947
Treasury shares	20	(6,385)	(6,385)
Reserves		20,953,319	20,520,882
		25,420,364	24,828,444
Perpetual bonds		3,999,387	3,999,387
Non-controlling interests		2,835,823	3,030,354
		32,255,574	31,858,185
Total equity			
		32,255,574	31,858,185

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company											
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000 (note (i))	Statutory and other reserve funds RMB'000 (note (ii))	Transactions with non-controlling interests RMB'000 (note (iii))	Foreign currency translation reserve RMB'000	Others RMB'000	Retained profits RMB'000	Sub-total RMB'000	Perpetual Bonds RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	4,313,947	(6,385)	6,665,176	868,631	(225,182)	(262,472)	4,826	13,469,903	24,828,444	3,999,387	3,030,354	31,858,185
Loss for the period	-	-	-	-	-	-	-	(1,372,039)	(1,372,039)	-	(71,917)	(1,443,956)
Other comprehensive expense:												
Currency translation differences	-	-	-	-	-	(4,017)	-	-	(4,017)	-	-	(4,017)
Total comprehensive expense for the period	-	-	-	-	-	(4,017)	-	(1,372,039)	(1,376,056)	-	(71,917)	(1,447,973)
Issue of shares for the acquisition of subsidiaries (note 20)	159,483	-	2,018,156	-	-	-	-	-	2,177,639	-	-	2,177,639
Dividends to shareholders of the Company (note 8)	-	-	-	-	-	-	-	(223,427)	(223,427)	-	-	(223,427)
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(123,000)	(123,000)
Others	-	-	-	-	-	-	13,764	-	13,764	-	386	14,150
At 30 June 2021 (unaudited)	4,473,430	(6,385)	8,683,332	868,631	(225,182)	(266,489)	18,590	11,874,437	25,420,364	3,999,387	2,835,823	32,255,574

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000 (note (i))	Statutory and other reserve funds RMB'000 (note (ii))	Transactions with non-controlling interests RMB'000 (note (iii))	Foreign currency translation reserve RMB'000	Others RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	3,099,612	(6,385)	7,879,511	831,219	(225,182)	44,017	1,548	11,583,572	23,207,912	2,860,413	26,068,325
Profit for the period	-	-	-	-	-	-	-	1,122,253	1,122,253	146,330	1,268,583
Other comprehensive income:											
Currency translation differences	-	-	-	-	-	66,115	-	-	66,115	-	66,115
Total comprehensive income for the period	-	-	-	-	-	66,115	-	1,122,253	1,188,368	146,330	1,334,698
Dividends to shareholders of the Company (note 8)	-	-	-	-	-	-	-	(307,790)	(307,790)	-	(307,790)
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	(67,175)	(67,175)
Others	-	-	-	-	-	-	116	-	116	182	298
At 30 June 2020 (unaudited)	3,099,612	(6,385)	7,879,511	831,219	(225,182)	110,132	1,664	12,398,035	24,088,606	2,939,750	27,028,356

Notes:

(i) Capital reserve

The capital reserve represented the sum of:

- the excess of net proceeds received from issuance of the shares of the Company and the nominal value of the shares issued;
- the difference between the amounts of capital injection from non-controlling shareholders and the net assets attributable to the non-controlling shareholders;
- capitalisation upon the bonus issue; and
- consideration paid for the acquisition of SDG Capital Management Co., Ltd. (山金金控資本管理有限公司) ("SDG Capital Management") and its subsidiaries under business combination involving entities under common control and completed in August 2019.

(ii) Statutory and other reserve funds

In accordance with the People's Republic of China (the "PRC") Company Law and the articles of association of the PRC subsidiaries of the Company, the PRC subsidiaries are required to set aside 10% of its profit after tax, as determined in accordance with relevant accounting principles and financial regulations applicable to the PRC companies and regulations applicable to the PRC subsidiaries, to the statutory reserve funds until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders before reaching 50% threshold as mentioned above. The statutory reserve funds can be used to offset previous years' loss, if any, and part of the statutory reserve funds can be capitalised as the share capital of the PRC subsidiaries provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the PRC subsidiaries.

(iii) Transactions with non-controlling interests

The amount represented the difference between considerations paid for the acquisition of additional equity interests in non-wholly owned subsidiaries of the Company and the carrying amount of the non-controlling interests to be acquired.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Cash generated from operations	919,430	2,117,263
Income tax paid	(345,377)	(376,007)
NET CASH FROM OPERATING ACTIVITIES	574,053	1,741,256
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	(1,473,218)	(1,940,033)
Proceeds from disposal of property, plant and equipment	5,934	790
Payments for land use rights	(31,028)	–
Payments for purchase of intangible assets	(74,389)	(115,598)
Withdrawals of restricted bank deposits	97,569	131,390
Placement of restricted bank deposits	(109,547)	(134,653)
Purchase of equity interest in an associate	–	(106,193)
Net cash outflows from acquisition of subsidiaries	(26,686)	–
Payments for settlement of gold futures/forward contracts	51,183	(16,002)
Withdrawals of excess deposits for general offer upon the completion of acquisition of subsidiaries	139,316	–
Payments for purchase of financial assets at fair value through profit or loss	(3,167,318)	(2,799,629)
Proceeds from disposal of financial assets at fair value through profit or loss	2,983,173	2,883,089
NET CASH USED IN INVESTING ACTIVITIES	(1,605,011)	(2,096,839)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Repayments of lease liabilities	(7,972)	(19,115)
New bank borrowings raised	5,363,353	6,878,571
Repayments of bank borrowings	(3,913,855)	(3,512,988)
New borrowings from related parties raised	786,200	844,640
Repayments of borrowings from related parties	(656,000)	(803,440)
Repayment of corporate bonds	–	(688,996)
Interests paid	(234,414)	(289,712)
Dividends paid to the original shareholders of SDG Capital Management	–	(87,624)
Dividends paid to non-controlling shareholders	(127,200)	(67,175)
Government grants received	6,234	14,762
Proceeds from gold leasing arrangements	4,366,051	4,489,101
Settlement of gold leasing arrangements	(4,137,410)	(5,713,162)
Payments for finance costs associated with gold leasing contracts	(111,539)	(173,671)
Payments of guarantee and arrangement fee for borrowings	–	(2,184)
NET CASH FROM FINANCING ACTIVITIES	1,333,448	869,007
NET INCREASE IN CASH AND CASH EQUIVALENTS	302,490	513,424
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,336,287	2,576,753
Effect of foreign exchange rate changes	(2,409)	10,660
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,636,368	3,100,837
Analysis of cash and cash equivalents:		
Bank balances and cash	4,054,921	3,791,803
Less: cash held on behalf of customers for futures contracts trading	1,418,553	690,966
	2,636,368	3,100,837

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the “Company”) was established in the PRC on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC. The A shares of the Company have been listed on the Shanghai Stock Exchange (“A shares”) 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 the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會), respectively.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Application of new and amendments to International Financial Reporting Standards (“IFRSs”)

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

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

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

2.3 Going concern

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

- (i) The Group is expected to remain profitable and hence continue to generate operating cash inflows from its future business operations; and
- (ii) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide sufficient banking facilities as at 30 June 2021 and available at least next twelve months from 30 June 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE (Continued)

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

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the six months ended 30 June 2021 (unaudited)				
<i>Revenue from contracts with customers within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	1,239,020	8,587,180	1,889,530	11,715,730
Brokerage and other fees earned from trading of futures contracts	–	–	129,090	129,090
	1,239,020	8,587,180	2,018,620	11,844,820
<i>Revenue from other sources:</i>				
Rental income from investment properties	3,699	–	437	4,136
	1,242,719	8,587,180	2,019,057	11,848,956
Geographical markets:				
The PRC, excluding the Hong Kong Special Administrative Region ("Hong Kong")	285,464	8,587,180	2,018,620	10,891,264
Outside the PRC	953,556	–	–	953,556
	1,239,020	8,587,180	2,018,620	11,844,820
Timing of revenue recognition:				
At a point in time	1,239,020	8,587,180	2,018,620	11,844,820
For the six months ended 30 June 2020 (unaudited)				
<i>Revenue from contracts with customers within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	1,252,103	30,928,762	812,288	32,993,153
Brokerage and other fees earned from trading of futures contracts	–	–	40,774	40,774
	1,252,103	30,928,762	853,062	33,033,927
<i>Revenue from other sources:</i>				
Rental income from investment properties	5,490	–	517	6,007
	1,257,593	30,928,762	853,579	33,039,934
Geographical markets:				
The PRC, excluding Hong Kong	180,530	30,928,762	853,062	31,962,354
Outside the PRC	1,071,573	–	–	1,071,573
	1,252,103	30,928,762	853,062	33,033,927
Timing of revenue recognition:				
At a point in time	1,252,103	30,928,762	853,062	33,033,927

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. SEGMENT INFORMATION

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

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

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

Segment revenue and results

For the six months ended 30 June 2021 (unaudited)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2020 (unaudited)

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

Segment assets and liabilities

As at 30 June 2021

	Gold Mining RMB'000 (Unaudited)	Gold Refining RMB'000 (Unaudited)	Investment Management RMB'000 (Unaudited)	Inter-segment elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Total assets	58,074,806	2,673,829	12,306,791	(2,579,186)	70,476,240
Including: Investments in associates	1,032,822	–	4,004	–	1,036,826
Total liabilities	28,668,135	1,895,744	10,219,507	(2,562,720)	38,220,666

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2020

	Gold Mining	Gold Refining	Investment Management	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Total assets	55,327,458	2,749,074	10,141,491	(3,756,332)	64,461,691
Including:					
Investments in associates	1,023,967	–	4,004	–	1,027,971
Total liabilities	26,292,791	1,957,556	8,109,164	(3,756,005)	32,603,506

5. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest expenses from:		
– bank borrowings	161,484	115,146
– borrowings from related parties	9,745	8,150
– corporate bonds	19,421	28,777
– interest charge on unwinding of discounts from provision for asset retirement obligations (note 19)	4,451	5,513
– lease liabilities	2,430	2,464
Finance costs for arranging gold leasing contracts	132,520	173,671
Realised and unrealised fair value losses on gold leasing contracts	5,795	49,587
Guarantee and arrangement fees for borrowings	–	2,184
	335,846	385,492
Less: amounts capitalised on qualifying assets	(69)	(1,404)
	335,777	384,088

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. INCOME TAX EXPENSES

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

Notes:

- (a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25% (2020: 25%). The EIT is calculated based on the applicable income tax rate of 25% (2020: 25%) and the estimated tax assessable profit of each of the companies comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for the Company and certain subsidiaries which are taxed at preferential tax rate of 15% (2020: 15%) based on the relevant PRC tax laws and regulations.
- (b) The estimated tax assessable profit of the Group's overseas joint operation is calculated at the statutory income tax rate in Argentina of 35% (2020: 30%) in accordance with the Argentina income tax law.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Amortisation of intangible assets	164,113	268,419
Depreciation of property, plant and equipment	875,050	1,033,921
Depreciation of investment properties	7,329	6,129
Depreciation of right-of-use assets	30,469	29,149
Loss on disposals/retirement of property, plant and equipment	3,979	2,865
Provision for impairment of trade and other receivables, net	3,180	1,651
Government grants	5,526	11,714
Foreign exchange loss, net	14,096	44,511
Fair value gains (losses) of financial assets at FVTPL	99,032	(29,724)
Amount of inventories recognised as expenses	11,387,259	29,588,029

8. DIVIDENDS

On 30 March 2021, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2020 of RMB0.05 per share (except 4,884,143 treasury shares held by the Company) to the shareholders of the Company. Dividends of approximately RMB244,000 have been eliminated. Therefore, the dividend declared during the six months ended 30 June 2021 was approximately RMB223,427,000. The payment of dividend was resolved by a special resolution at the shareholders' meeting of the Company on 10 June 2021, and the cash dividend of A Shares and H Shares of the Company were paid on 27 July 2021 and 10 August 2021 respectively.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. (LOSS) EARNINGS PER SHARE

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

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

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

In addition, the Group incurred cost for construction in progress of approximately RMB1,558,979,000 (six months ended 30 June 2020: RMB1,449,340,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) Right-of-use assets/lease liabilities

Additions to right-of-use assets of approximately RMB15,215,000 (six months ended 30 June 2020: RMB18,941,000) and lease liabilities of approximately RMB15,215,000 (six months ended 30 June 2020: RMB18,941,000) represented the new leases entered into by the Group during the six months ended 30 June 2021.

(b) Amounts recognised in profit or loss

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation expenses on right-of-use assets:		
– leasehold land	22,417	14,318
– buildings	2,710	5,475
– machinery and others	5,342	9,356
	30,469	29,149
Interest expense on lease liabilities	2,430	2,464
Expense relating to short-term leases	43,964	23,215

12. INTANGIBLE ASSETS

During the current interim period, the Group acquired intangible assets of approximately RMB249,352,000 (six months ended 30 June 2020: RMB149,392,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

Prepayments, trade and other receivables mainly include trade receivables, notes receivable, value-added tax recoverable, prepayments and other receivables.

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

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

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

15. BANK BALANCES AND CASH

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash on hand	412	463
Short-term deposits of original maturity within 3 months in the banks and other financial institutions	1,053,577	1,225,851
Short-term deposits in the associate, Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司) ("SDG Group Finance")	1,582,379	1,109,973
Cash held on behalf of customers for futures contracts trading (note)	1,418,553	695,869
	4,054,921	3,032,156

Note: The Group maintains accounts with banks to hold customers' deposits arising from brokerage services for futures contracts trading.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. TRADE AND OTHER PAYABLES

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

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

17. BORROWINGS

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

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

18. FINANCIAL LIABILITIES AT FVTPL

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At the beginning of the period/year	845,872	909,958
Acquired on acquisition of subsidiaries	25,627	–
Interest charge on unwinding of discounts	4,451	43,223
Additional provision	8	66,427
Payments	(1,469)	(3,988)
Change in discount rate	3,305	(131,575)
Currency translation differences	(5,345)	(38,173)
At the end of the period/year	872,449	845,872

Provision for asset retirement obligations represented the estimated amount and timing of future closure and restoration projects.

20. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

Shares, issued and fully paid:

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Number of shares thousands	Share capital RMB'000	Number of shares thousands	Share capital RMB'000
Domestic shares ("A shares") of RMB1.00 each				
– Held by Shandong Gold Group	1,671,709	1,671,709	1,671,709	1,671,709
– Held by other shareholders	1,942,734	1,942,734	1,942,734	1,942,734
H shares of RMB1.00 each	3,614,443	3,614,443	3,614,443	3,614,443
	858,987	858,987	699,504	699,504
	4,473,430	4,473,430	4,313,947	4,313,947

Note: On 29 January 2021, 159,482,759 H shares of the Company were issued for the acquisition of entire equity interest in Hengxing Gold Holding Company Limited, a company incorporated in the Cayman Islands with limited liability with principal activities of mining and processing of gold and sales of gold products in the PRC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. SHARE CAPITAL AND TREASURY SHARES (Continued)

(b) Treasury shares

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Number of shares thousands	Share capital RMB'000	Number of shares thousands	Share capital RMB'000
At the beginning of the period/year and the end of the period/year	4,884	6,385	4,884	6,385

21. CONTINGENCIES AND COMMITMENTS

The Veladero Mine held by Minera Andina del Sol. SRL. ("MAS"), the joint operation of the Company, experienced several environmental incidents as set out below:

- Release of cyanide-bearing process solution incident in 2015 – the failure of a valve on a leach pad pipeline at the Veladero Mine resulted in the release of cyanide-bearing process solution into a nearby waterway through a diversion channel gate that was open at the time of the incident;
- Release of crushed-ore saturated with process solution incident in 2016 – ice rolled down the slope of the leach pad damaged a pipe carrying process solution, and caused some material to leave the leach pad; and
- Release of gold-bearing process solution incident in 2017 – the monitoring system at the Veladero Mine detected a rupture of a pipe carrying gold-bearing process solution on the leach pad.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. RELATED PARTY TRANSACTIONS

The directors of the Company consider that Shandong Gold Group, a company registered in the PRC, as the immediate holding company of the Company. The State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government is the ultimate controlling party of the Company. The Group has extensive transactions with the related parties. For the purpose of disclosure of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties.

Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed below. Sales of goods and provision of services to related parties are at state-prescribed prices or prices that are also available to other customers. The Group considers that these sales are activities in the ordinary course of business. In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions and balances with related parties.

(a) Transactions with Shandong Gold Group and its fellow subsidiaries

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Purchases of electricity	177,495	205,565
Purchases of construction services	11,435	26,526
Purchases of processing services	5,863	12,123
Purchases of gold	531,132	783,173
Purchases of other services	32,504	77,229
Total purchases	758,429	1,104,616
Interest expenses from borrowings	9,745	8,150
Payment for leasing of mining and exploration rights	19,135	19,135
Sales of gold and other metals	18,151	2,172
Sales of other materials and services	10,932	3,261
Total sales	29,083	5,433
Interest income from deposits	6,894	7,931

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Property and land leasing

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Additions to right-of-use assets	4,524	2,660
Interest on lease liabilities paid	964	943
Rental fees paid to Shandong Gold Group and its fellow subsidiaries	19,628	6,887
Rental fees received from Shandong Gold Group and its fellow subsidiaries	17	3,656

(c) Borrowings obtained from related parties

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Borrowings obtained from SDG Group Finance:		
At the beginning of the year	445,800	253,520
Drawdown during the period	786,200	844,640
Repayment during the period	(656,000)	(803,440)
At the end of the period	576,000	294,720

The borrowings obtained from related parties are denominated in RMB and due within one period. The average interest rates as charged by the related parties are as below:

	Unaudited	
	Six months ended 30 June	
	2021	2020
Interest rates	3.5%-4.0%	3.5%-4.35%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. RELATED PARTY TRANSACTIONS (Continued)

(d) Period-end balances

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Receivables from related parties		
Trade receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	58,830	51,670
Less: provision for impairment	(6,281)	(9,062)
Trade receivables, net	52,549	42,608
Prepayments		
– Shandong Gold Group and its fellow subsidiaries	11,522	2,502
Other receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	4,259	13,580
Less: provision for impairment	(393)	(5,480)
Other receivables, net	3,866	8,100
Balance with a financial institution		
– SDG Group Finance	1,582,379	1,109,973
Right-of-use assets		
– Shandong Gold Group and its fellow subsidiaries	56,128	51,604
Prepayments for mining and exploration rights included in other non-current assets		
– Shandong Gold Group	56,000	56,000
Others included in other non-current assets		
– Shandong Gold Group and its fellow subsidiaries	4,302	6,922
	1,766,746	1,277,709
Payables to related parties		
Payables to related parties		
– Shandong Gold Group and its fellow subsidiaries	243,205	190,729
Notes payables		
– Shandong Gold Group and its fellow subsidiaries	7,799	33,359
Contract liabilities		
– Shandong Gold Group and its fellow subsidiaries	1,582	–
Other payables		
– Shandong Gold Group and its fellow subsidiaries	142,753	120,106
Dividend payables		
– Shandong Gold Group and its fellow subsidiaries	123,345	22,506
Lease liabilities	1,184	–
Payables for mining rights included in non-current liabilities		
– Shandong Gold Group and its fellow subsidiaries	–	72,207
	519,868	438,907

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. RELATED PARTY TRANSACTIONS (Continued)

(e) Key management personnel compensation

Key management personnel includes directors (executive and non-executive) of the Company, members of the executive committee and respective department heads. The compensation paid or payable to key management for employee services is shown below:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries and other short-term employee benefits		
– directors and supervisors of the Company	2,775	2,428
– other key management personnel	1,071	1,712
	3,846	4,140

(f) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (the “State-controlled Entities”). In addition, the Group is significant influenced indirectly by Shandong Gold Group, a state-owned enterprise established in the PRC.

The Group also conducts business with other State-controlled Entities. The directors of the Company consider those State-controlled Entities to be third parties so far as the Group’s businesses with them are concerned.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks which are the State-controlled Entities in its ordinary course of business.

The directors of the Company are of the opinion that the transactions with other State-controlled Entities are not significant to the Group’s operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. CAPITAL COMMITMENTS

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

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

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair values (in particular, the valuation technique(s) and inputs used) of these financial assets and financial liabilities are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

	Fair value hierarchy	Fair value as at		Valuation technique(s) and key input(s)
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	
Financial assets at FVTPL				
- Listed equity investments	Level 1	767,348	2,314,557	Quoted price in an active market
- Listed equity investments	Level 2	3,655,807	3,598,152	Market approach – price to book ratio
- Investments in equity funds	Level 2	1,361,974	1,123,604	Quoted price in the fund's statements
- Investments in other equity funds	Level 3	1,287,565	1,444,405	Combined approach – market comparison approach for unlisted shares and income approach for other assets held by equity funds
- Structured deposits	Level 2	318,425	146,063	Quoted rate of return by issuing bank
- Derivative financial assets – Investments in options	Level 1	286	–	Quoted price in an active market
		7,391,405	8,626,781	
Financial liabilities at FVTPL				
- Gold leasing contracts and gold forward/futures contracts	Level 2	10,323,562	8,672,590	Market approach – reference to the similar contracts
- Derivative financial liabilities – Investments in options	Level 1	1,113	–	Quoted price in an active market
		10,324,675	8,672,590	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Financial assets at FVTPL – investments in other equity funds RMB'000
At 1 January 2020 (audited)	1,703,760
Purchases	100,003
Disposals	(190,662)
Realised gains in profit or loss	4,541
Unrealised gains	18,885
At 30 June 2020 (unaudited)	1,636,527
At 1 January 2021 (audited)	1,444,405
Purchases	211,338
Disposals	(309,765)
Realised losses in profit or loss	(8,193)
Unrealised losses	(50,220)
At 30 June 2021 (unaudited)	1,287,565

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company considered that the carrying amounts of other current financial assets and financial liabilities recorded at amortised cost in the interim condensed consolidated financial statements do not materially differ from their fair values due to their immediate or short-term maturity or the interest rates used approximate to the discount rates of relevant financial assets or financial liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25. EVENTS AFTER REPORTING PERIOD

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

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

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

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

(ii) Impact of safety inspections on principal business

As a result of the safety accidents occurred in early 2021 in Qixia Hushan Gold Mine (栖霞市笄山金礦) 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 shut down production to carry out safety inspections since February 2021 in accordance with the requirements of the local authorities.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

25. EVENTS AFTER REPORTING PERIOD (Continued)

(iii) Proposed Acquisition of equity interests

On 5 August 2021, SDG Mining (Laizhou) and SDG Group Co. entered into the acquisition agreements on the acquisitions of 100% equity interests in Shandong Dikuang Lajin Holdings Co., Ltd. (山東地礦來金控股有限公司) (which directly holds 55% equity interests of Hongsheng Mining) and 45% equity interests in Hongsheng Mining, at an aggregate consideration of RMB4,667,014,358;

On 5 August 2021, SDG Mining (Laizhou) and SDG Group Co. entered into the acquisition agreement on the acquisition of 100% equity interests in Shandong Laizhou Ludi Gold Mine Company Limited (山東萊州魯地金礦有限公司), at a consideration of RMB2,034,195,072;

On 5 August 2021, SDG Mining (Laizhou) and SDG Group Co. entered into the acquisition agreement on the acquisition of 100% equity interests in Shandong Tiancheng Mining Co., Ltd. (山東天承礦業有限公司), at a consideration of RMB431,031,818.

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

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

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

DEFINITIONS

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

“A Share(s)”	The domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
“Articles”	The articles of association of the Company;
“Board” or “Board of Directors”	The board of directors of the Company;
“CAD”	Canadian dollar, the lawful currency of Canada;
“Cardinal Resources” or “Cardinal”	Cardinal Resources Limited, a company incorporated in Australia with limited liability with its shares listed on the Australian Securities Exchange (stock code: CDV.AX) and the Toronto Stock Exchange (stock code: CDV.TO);
“CG Code”	The Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules;
“China” or the “PRC” or “State”	The People’s Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	The director(s) of the Company;
“Group”	The Company and all of our subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its existing subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
“H Share(s)”	The overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HXG”	Hengxing Gold Holding Company Limited (恒興黃金控股有限公司), a company incorporated in the Cayman Islands with limited liability and owned by the Company;
“IFRS”	The International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB);

DEFINITIONS

“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;
“PRC Company Law”	The Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time;
“Prospectus”	The prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;
“Reporting Period”	From 1 January 2021 to 30 June 2021;
“RMB”	Renminbi, the lawful currency of China;
“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a company incorporated in the PRC with limited liability on 16 July 1996, the controlling Shareholder of the Company, and is held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“SDG Group Finance”	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a company incorporated in the PRC with limited liability on 17 July 2013, which is held as to 30% by the Company and as to 70% by SDG Group Co.;
“SDG Hong Kong”	Shandong Gold Mining (HongKong) Co., Limited (山東黃金礦業(香港)有限公司), a company incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
“SDG Mining (Laizhou)”	Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a subsidiary of the Company incorporated in the PRC on 27 May 2003;
“SFC”	The Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shandong Gold” or “Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 1787) and the Shanghai Stock Exchange (stock code: 600547) respectively;
“Shanghai Gold Exchange”	Shanghai Gold Exchange (上海黃金交易所);
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所);
“Share(s)”	Shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
“Shareholders”	Holder(s) of the Share(s);

DEFINITIONS

“Syndicated Term Loan”	The loan available under the US\$960.0 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent;
“TMAC”	TMAC Resources Inc., a company incorporated in Canada on 30 October 2012, the shares of which are listed on the Toronto Stock Exchange (stock code: TMR);
“USD”	United States dollar, the lawful currency of the United States; and
“Veladero Mine”	The Veladero Mine located in the high Andes Cordillera of central western Argentina. Details of which are set out in “Appendix IV – Competent Person’s Report – RPA Report” to the Prospectus.

