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SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

ANNUAL RESULTS HIGHLIGHTS OF 2021

- The Group's revenue for the year ended 31 December 2021 was approximately RMB33,932.6 million, representing a decrease of approximately 46.72% as compared to the corresponding period of last year;
- The Group's loss of the year for the year ended 31 December 2021 was approximately RMB229.5 million, representing a decrease of approximately 110.19% as compared to profit for the corresponding period of last year;
- Loss for the year attributable to holders of equity instruments of the Company for the year ended 31 December 2021 amounted to approximately RMB221.3 million, as compared to profit for the corresponding period of last year;
- Basic loss per share of the Company for the year ended 31 December 2021 was RMB0.1, as compared to earnings per share for the corresponding period of last year;
- The Board proposed the payment of a final dividend of RMB0.05 per share (tax inclusive) for the year ended 2021.

The Board of Directors is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2021, which is an extract of the audited consolidated financial statements of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

		For the year ended	
		31 December	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
			(restated)
Revenue	3	33,932,646	63,689,514
Cost of sales		(31,557,552)	(56,956,948)
Gross profit		2,375,094	6,732,566
Selling expenses		(361,149)	(107,147)
General and administrative expenses		(2,409,669)	(2,831,702)
Research and development expenses		(345,606)	(390,492)
Other income		21,104	27,183
Other gains and losses, net		1,347,506	143,773
Finance income		71,645	73,714
Finance costs		(732,639)	(832,827)
Share of results of associates		21,820	10,669
(Loss)/profit before tax		(11,894)	2,825,737
Income tax expenses	5	(217,620)	(574,202)
(Loss)/profit for the year		(229,514)	2,251,535
(Loss)/profit for the year attributable to:			
Holder of equity instruments of the Company			
– Ordinary shares		(426,348)	1,998,918
– Perpetual bonds		205,047	–
		(221,301)	1,998,918
– Non-controlling interests		(8,213)	252,617
		(229,514)	2,251,535
(Loss)/earnings per share			
– Basic and diluted (RMB)	6	(0.10)	0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
		(restated)
(Loss)/profit for the year	(229,514)	2,251,535
Other comprehensive expense:		
<i>Item that will not be reclassified subsequent to profit or loss:</i>		
Fair value loss on equity investment designated at fair value through other comprehensive income, net of tax	–	(425)
<i>Item that will be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(116,256)	(306,489)
Other comprehensive expense	(116,256)	(306,914)
Total comprehensive (expense)/income for the year	(345,770)	1,944,621
Total comprehensive (expense)/income for the year attributable to:		
Holder of equity instruments of the Company		
– Ordinary shares	(542,604)	1,692,171
– Perpetual bonds	205,047	–
	(337,557)	1,692,171
– Non-controlling interests	(8,213)	252,450
	(345,770)	1,944,621

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	As at 31 December 2021	As at 31 December 2020	As at 1 January 2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> (restated)	<i>RMB'000</i> (restated)
Non-current assets			
Property, plant and equipment	31,597,991	29,191,157	26,565,437
Investment properties	185,341	250,992	264,276
Right-of-use assets	743,670	614,785	612,440
Intangible assets	20,733,033	15,447,476	13,607,478
Goodwill	1,582,526	1,597,425	1,327,478
Investments in associates	1,953,628	1,931,808	1,042,259
Financial assets at fair value through other comprehensive income	7,900	2,600	3,100
Financial assets at fair value through profit or loss	5,653,317	5,568,568	5,688,098
Inventories	1,240,310	1,227,314	500,992
Deferred income tax assets	475,874	172,841	130,000
Other non-current assets	594,612	592,615	566,974
	<u>64,768,202</u>	<u>56,597,581</u>	<u>50,308,532</u>
Current assets			
Inventories	2,983,757	2,550,927	3,646,460
Prepayment, trade and other receivables	3,579,403	4,405,929	1,918,540
Prepaid income tax	15,850	33,217	14,134
Financial assets at fair value through profit or loss	2,681,620	3,058,213	1,528,785
Restricted bank deposits	482,353	277,638	258,860
Bank balances and cash	4,525,365	3,182,468	3,031,759
	<u>14,268,348</u>	<u>13,508,392</u>	<u>10,398,538</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2021

		As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000 (restated)	As at 1 January 2020 RMB'000 (restated)
	<i>Notes</i>			
Current liabilities				
Trade and other payables	8	15,249,378	7,842,563	6,026,841
Lease liabilities		40,685	36,655	42,043
Current income tax liabilities		224,667	383,802	239,667
Borrowings		9,805,312	9,727,870	5,974,299
Financial liabilities at fair value through profit or loss		9,587,259	8,672,590	13,145,643
Current portion of other non-current liabilities		104,835	72,383	65,911
		<u>35,012,136</u>	<u>26,735,863</u>	<u>25,494,404</u>
Net current liabilities		<u>(20,743,788)</u>	<u>(13,227,471)</u>	<u>(15,095,866)</u>
Total assets less current liabilities		<u>44,024,414</u>	<u>43,370,110</u>	<u>35,212,666</u>
Non-current liabilities				
Borrowings		5,339,636	1,677,098	2,199,267
Lease liabilities		90,781	63,427	65,940
Deferred income tax liabilities		4,793,109	4,544,301	4,427,122
Deferred revenue		13,164	15,406	12,444
Provision for asset retirement obligations		875,111	862,090	923,325
Other non-current liabilities		951,734	539,465	424,495
		<u>12,063,535</u>	<u>7,701,787</u>	<u>8,052,593</u>
Net assets		<u>31,960,879</u>	<u>35,668,323</u>	<u>27,160,073</u>
Capital and reserves				
Share capital	9	4,473,430	4,313,947	3,099,612
Treasury shares		(6,293)	(6,385)	(6,385)
Reserves		18,612,130	22,717,139	21,180,453
		<u>23,079,267</u>	<u>27,024,701</u>	<u>24,273,680</u>
Perpetual bonds		6,249,387	3,999,387	–
Non-controlling interests		2,632,225	4,644,235	2,886,393
Total equity		<u>31,960,879</u>	<u>35,668,323</u>	<u>27,160,073</u>

NOTES

1 GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the “**Company**”) was established in the People’s Republic of China (the “**PRC**” or “**China**”) on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (“**H shares**”) since 28 September 2018, and the Shanghai Stock Exchange (“**A shares**”) since 28 August 2003.

The principal activities of the Company and its subsidiaries (collectively referred to as 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) investments in equity funds, trading of gold bullion and provision of futures contracts trading services. The address of the Company’s registered office is No. 2503 Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC.

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

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

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”). IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance (Cap.622).

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

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

2.1.1 Going concern

As at 31 December 2021, the Group's recorded a net loss before tax of approximately RMB11,894,000 and current liabilities exceeded its current assets by approximately RMB20,743,788,000. The directors of the Company are of the opinion that the Group will have adequate funds to finance its future financing requirements and working capital based on the following considerations:

- (a) The Group's mines are mainly located in Shandong Province have been subject to safety inspections since early February 2021, resulting in a significant impact on production capacity, which caused a decline in the profit accordingly. The Company strengthened the guidance of strategic planning to set up a special task force and resume production and operation. From the second half of 2021, the gold production of the Company's mines has gradually increased, and the aggregated gold production from November to December 2021 exceeded the gold production of the Company in the same period of 2020. The Group is expected to be profitable and hence continue to generate operation cash inflows from its future business operations.
- (b) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide banking facilities of not less than approximately RMB57,794,000,000 as at 31 December 2021 and available at least next twelve months from 31 December 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 31 December 2021. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.1.2 Restatement of prior year's consolidated financial statements due to business combination involving entities under common control

On 5 August 2021, various sale and purchase agreements were entered into by the Company with Shandong Gold Group (in relation to (i) the acquisition of 100% equity interests in Shandong Dikuang Laijin Holdings Co., Ltd. ("**Dikuang Laijin**") (which directly holds 55% equity interests of Laizhou Hongsheng Mining Investment Co., Ltd. ("**Hongsheng Mining**")) and 45% equity interests in Hongsheng Mining at a cash consideration of approximately RMB4,667,014,000, (ii) the acquisition of 100% equity interests in Shandong Laizhou Ludi Gold Mine Company Limited ("**Ludi Gold Mine**") at a cash consideration of approximately RMB2,034,195,000 and (iii) the acquisition of 100% equity interests in Shandong Tiancheng Mining Co., Ltd. ("**Tiancheng Mining**") at a cash consideration of approximately RMB431,032,000. The transactions have been approved on the extraordinary general meeting convened on 24 September 2021 and have been completed during the year.

Upon the completion, the Tiancheng Mining, Ludi Gold Mine, Dikuang Laijin and Hongsheng Mining (collectively "**Various Mining Companies**") became subsidiaries of the Company. As Various Mining Companies and the Company are commonly controlled by the Shandong Gold Group, the acquisition of Various Mining Companies were considered as business combination involving entities under common control. Accordingly, the Company applied the principles of merger accounting to account for the acquisition of business in preparing these consolidated financial statements.

The adjustments to eliminate paid-up registered capital of the combining entities against the related investment costs have been made to capital reserve in the consolidated statement of changes in equity. The consolidated statement of profit or loss, consolidated statement of comprehensive

income, the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the prior periods have been restated to include the operating results of the Various Mining Companies as if this acquisition had been completed on 1 January 2020.

2.1.3 Changes in the principal accounting policies and disclosures

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

In the current year, the Group has applied, for the first time the following amendments to standards to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2021:

Amendment 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 year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New or amendments to standards, including IFRSs, IAS, amendments and interpretations which are not yet effective for the financial year commencing on 1 January 2021 and have not been applied in preparing these consolidated financial statements are listed below:

IFRS 17	Insurance Contracts and related Amendments ³
Amendments to IFRS 3	Reference to Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 cycle ²
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 1 and IFRS Practice Statements 2	Disclosure of Accounting Policies ³
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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

3 REVENUE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (restated)
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	33,501,995	63,592,415
Brokerage and other fees earned from trading of futures contracts	416,420	83,777
	<u>33,918,415</u>	<u>63,676,192</u>
Revenue from other sources		
Rental income from investment properties	14,231	13,322
	<u>33,932,646</u>	<u>63,689,514</u>
Disaggregation of revenue from contracts with customers by timing of recognition		
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (restated)
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	<u>33,918,415</u>	<u>63,676,192</u>

4 SEGMENT INFORMATION

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

During the year ended 31 December 2021, the Group completed the acquisition of entire equity interest in Various Mining Companies as business combination involving entities under common control. Various Mining Companies was principally engaged in Gold mining. Accordingly, the comparative figures of the reportable segments have been restated for the purpose of presenting segment information.

During the year ended 31 December 2021, the Group acquired entire equity interest in Cardinal Resources Limited ("Cardinal"), Hengxing Gold Holding Company Limited ("Hengxing Gold") and Laizhou Zhangjian Investment Co., Ltd (萊州章鑿投資有限公司) ("Laizhou Zhangjian"). Cardinal and its subsidiaries ("Cardinal Group") was principally engaged in mineral exploration in Ghana. Hengxing Gold and its subsidiaries ("Hengxing Gold Group") was principally engaged in mining and processing of gold, sales of processed gold products in the PRC. Laizhou Zhangjian was principally engaged in gold exploration.

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

- Gold mining – Mining and sales of gold ore;
- Gold refining – Production and sales of gold; and
- Investment management – Investments in equity funds, trading of gold bullion and provision of futures contracts trading services.

	For the year ended 31 December 2021				
	Gold Mining <i>RMB'000</i>	Gold Refining <i>RMB'000</i>	Investment Management <i>RMB'000</i>	Inter-segment Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	10,105,039	23,886,864	7,322,243	(7,381,500)	33,932,646
Inter-segment revenue	<u>(6,910,092)</u>	<u>(468,428)</u>	<u>(2,980)</u>	<u>7,381,500</u>	<u>–</u>
Revenue from external customers	<u>3,194,947</u>	<u>23,418,436</u>	<u>7,319,263</u>	<u>–</u>	<u>33,932,646</u>
Operating (loss)/profit	(473,209)	51,353	1,051,668	(2,532)	627,280
Finance income	89,251	2,501	31,334	(51,441)	71,645
Finance costs	(567,084)	(7,986)	(209,010)	51,441	(732,639)
Share of results of associates	<u>21,798</u>	<u>–</u>	<u>22</u>	<u>–</u>	<u>21,820</u>
(Loss)/profit before tax	(929,244)	45,868	874,014	(2,532)	(11,894)
Income tax expenses	<u>(57,526)</u>	<u>(11,525)</u>	<u>(148,569)</u>	<u>–</u>	<u>(217,620)</u>
(Loss)/profit for the year	<u>(986,770)</u>	<u>34,343</u>	<u>725,445</u>	<u>(2,532)</u>	<u>(229,514)</u>

	As at 31 December 2021				
	Gold Mining <i>RMB'000</i>	Gold Refining <i>RMB'000</i>	Investment Management <i>RMB'000</i>	Inter-segment Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Total assets	<u>68,256,093</u>	<u>2,570,688</u>	<u>12,419,370</u>	<u>(4,209,601)</u>	<u>79,036,550</u>
Total liabilities	<u>39,839,825</u>	<u>1,747,337</u>	<u>9,700,642</u>	<u>(4,212,133)</u>	<u>47,075,671</u>

For the year ended 31 December 2020 (restated)

	Gold Mining <i>RMB'000</i>	Gold Refining <i>RMB'000</i>	Investment Management <i>RMB'000</i>	Inter- segment Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	14,667,930	58,632,707	2,669,103	(12,280,226)	63,689,514
Inter-segment revenue	(11,880,622)	(396,943)	(2,661)	12,280,226	–
Revenue from external customers	<u>2,787,308</u>	<u>58,235,764</u>	<u>2,666,442</u>	<u>–</u>	<u>63,689,514</u>
Operating profit	3,203,770	85,773	284,311	327	3,574,181
Finance income	70,353	4,697	36,787	(38,123)	73,714
Finance costs	(657,625)	(4,039)	(209,286)	38,123	(832,827)
Share of results of associates	<u>10,507</u>	<u>–</u>	<u>162</u>	<u>–</u>	<u>10,669</u>
Profit before tax	2,627,005	86,431	111,974	327	2,825,737
Income tax expenses	<u>(516,400)</u>	<u>(16,832)</u>	<u>(40,970)</u>	<u>–</u>	<u>(574,202)</u>
Profit for the year	<u>2,110,605</u>	<u>69,599</u>	<u>71,004</u>	<u>327</u>	<u>2,251,535</u>

As at 31 December 2020 (restated)

	Gold Mining <i>RMB'000</i>	Gold Refining <i>RMB'000</i>	Investment Management <i>RMB'000</i>	Inter- segment Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Total assets	<u>61,028,003</u>	<u>2,749,074</u>	<u>10,141,491</u>	<u>(3,812,595)</u>	<u>70,105,973</u>
Total liabilities	<u>28,183,198</u>	<u>1,957,556</u>	<u>8,109,164</u>	<u>(3,812,268)</u>	<u>34,437,650</u>

5 INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (restated)
Current income tax:		
– The PRC	168,643	670,252
– Outside the PRC	222,675	245,699
	391,318	915,951
Deferred income tax	(173,698)	(341,749)
	217,620	574,202

6 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the consolidated (loss)/profit attributable to ordinary shareholders of the Company by the weighted average number of the Company's outstanding ordinary shares during the year:

	2021	2020 (restated)
(Loss)/profit attributable to ordinary shareholders of the Company (RMB'000)	(426,348)	1,998,918
Weighted average number of shares in issue (thousands of shares)	4,456,346	4,333,387
Basic (loss)/earnings per share (RMB per share)	<u>(0.10)</u>	<u>0.46</u>

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 years ended 31 December 2020 has been adjusted for the bonus issue on 19 August 2020.

As the Company did not have any dilutive instruments during the years ended 31 December 2021 and 2020, the Group's diluted earnings per share was the same as its basic earnings per share.

7 PREPAYMENT, TRADE AND OTHER RECEIVABLES

Ageing analysis of trade receivables included in prepayment, trade and other receivables at the end of each reporting period based on invoice dates which approximated the respective revenue recognition dates were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000 (restated)
Within 1 year	99,344	141,578
1–2 years	4,170	11,036
2–3 years	10,727	15,855
Over 3 years	21,478	18,686
	<u>135,719</u>	<u>187,155</u>
Less: Impairment of trade receivables	<u>(17,481)</u>	<u>(17,251)</u>
	<u>118,238</u>	<u>169,904</u>

8 TRADE AND OTHER PAYABLES

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000 (restated)
Less than 1 year	1,249,667	867,044
1–2 years	18,584	33,857
2–3 years	4,462	13,089
Over 3 years	8,655	1,682
	1,281,368	915,672

9 SHARE CAPITAL

Shares, issued and fully paid:

	As at 31 December 2021		As at 31 December 2020	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
Domestic shares (“A shares”) of RMB1.00 each				
– directly held by Shandong Gold Group	1,687,091	1,687,091	1,671,709	1,671,709
– held by other shareholders	1,927,353	1,927,353	1,942,734	1,942,734
	3,614,444	3,614,444	3,614,443	3,614,443
H shares of RMB1.00 each	858,986	858,986	699,504	699,504
	4,473,430	4,473,430	4,313,947	4,313,947

On 29 January 2021, the Company issued additional 159,482,759 H shares for the acquisition of Hengxing Gold Holding Company Limited.

On 15 December 2020, the Company repurchased 25,509,517 A shares at total consideration of RMB1. The shares repurchased have been cancelled on the same date. The issued share capital of the Company was reduced by approximately RMB25,510,000. The difference between total consideration and the total value of the repurchased shares of approximately RMB25,510,000 was transferred to capital reserve.

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

10 DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend for the year ended 31 December 2019 of RMB0.1 per share	–	307,790
Final dividend for the year ended 31 December 2020 of RMB0.05 per share	<u>223,427</u>	–
	<u>223,427</u>	<u>307,790</u>

On 30 March 2021, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2020 of RMB0.05 per share to the shareholders of the Company, except for 4,884,143 treasury shares held by the Company (2020: 18,221,084 A shares of the Company which are not subject to any dividend and 3,488,674 treasury shares held by the Company) with the dividend of approximately RMB244,000 (2020: RMB349,000) which has been eliminated in the consolidated financial statements. Accordingly, the dividend paid during the year ended 31 December 2021 was approximately RMB223,427,000 (2020: RMB307,790,000). The payment of dividend has been resolved by the special resolution in the shareholders' meeting of the Company on 10 June 2021.

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final dividend after the end of the reporting period: RMB0.05 (2020: RMB0.05) per share	<u>223,431</u>	<u>223,427</u>

On 28 March 2022, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2021 of RMB0.05 per share to the shareholders of the Company, except for 4,814,144 treasury shares held by the Company with the proposed dividend of approximately RMB241,000 which would have been eliminated in the consolidated financial statements. Accordingly, the dividend proposed for the year ended 31 December 2021 was approximately RMB223,431,000. The payment of dividend will be proposed at the annual general meeting of the Company.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

Business Scope

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

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

Operating Model

Large-scale production and operation

The Company focuses on the development and utilization of gold mineral resources. By adopting the gold production model of scattered mining and beneficiation and centralized smelting, the Company has been able to enhance its scale advantage and modern production level of its gold resources in the Laizhou region of the Jiaodong Peninsula. The Company's Linglong Gold Mine, Jiaojia Gold Mine, Sanshandao Gold Mine and Xincheng Gold Mine achieved cumulative gold production of over 100 tonnes in the PRC, making the Company the only enterprise which owns four mines with cumulative gold production exceeding 100 tonnes in the PRC. The Company aims to boost its large-scale operations by improving the level of mechanical operation and enhancing corporate efficacy through the construction and promotion of the project of world-class exemplary mine. At present, our mining enterprises occupy the leading position in the domestic mining industry in terms of equipped production level and mechanization degree. Moreover, the underground trackless mining equipment configuration has maintained an advanced level internationally. Currently, the Company is accelerating the construction of a world-class gold base and has set up the construction plan of a world-class gold base leveraging on the mining rights resources covering "Sanshandao Resource Belt, Jiaojia Resource Belt and Xincheng Resource Belt" and relying on the six major segments of mining, refining, circular economy, intelligent mine, ecological mine and industrial synergies, which provides strong resource support for the Company's large-scale production, operation and growth.

Technology and innovation-driven model

The Company always place its emphasis on technological innovation with the aim of building core competitiveness in the era of corporate digitalization to accelerate in-depth integration of the new generation of information technology and industrial automation. The three laboratories of the Company, namely the deep underground mining laboratory, filling engineering laboratory and beneficiation laboratory, have gradually played a leading role in science and technology, with significant enhancement in innovation and technology capability, and outstanding performance in technology innovation. The national key research and development plan projects undertaken and participated by the Company have achieved remarkable results, and continuous improvement has been made in the innovation platform and system. In 2021, certain advanced information technologies such as the ERP project, underground Internet of Things, production big data and artificial intelligence for equipment operation were further promoted and applied. Some of the scientific research results are playing or will play a key supporting role in the Company's technology innovation development. In 2021, 26 achievements obtained the awards at the provincial and ministerial level or above, and 24 scientific and technological achievements with strong practicality, outstanding innovation and wide application were promoted and applied in the Company. The Company launched a three-year special improvement action "to replace workers with machineries and to reduce workers with automation", resulting in a significant year-on-year increase in the total amount of mechanised mining.

Safe and green development

The Company insists on respecting life and safety first, and increases the scale of investment in safety and environmental protection year on year. The Company has continued to improve environmental management, deepened energy conservation and emission reduction, consciously placed the green and low-carbon development model into practice, and further strengthened the construction of green mines. The "thorough" investigation of the "carbon emission" base of the affiliated enterprises was successfully completed in 2021. Under the leadership of tailings-free and waste-free mines represented by Shandong Gold Mining Industry (Xinhui) Co., Ltd., the construction projects for the comprehensive utilisation of tailings in the core mining enterprises in Zhaoyuan and Laizhou areas have been accelerated. The projects have been pushed forward to achieve no external discharge of tailings by the end of 2022, thus continuously enhancing and enlarging the international influence and reputation of "Shandong Gold, Ecological Mining".

Industry Development and the Position of the Company in the Industry

From the perspective of the international environment, as the pandemic is still raging and the international situation is volatile, the global economic outlook is still subject to great uncertainty. The world has entered a new period of turbulence and change in the midst of the tremendous reform and pandemic of the century. In terms of domestic economic performance, China's national economy continued to recover steadily in 2021, with the national gross domestic product (“GDP”) growth year-on-year ranking among the top of the world's economies. However, it was faced with a significant increase in uncertainties and a more complex and severe external environment.

From a macro policy perspective, in 2021, with the popularization of vaccines, the global economy gradually emerged from the gloom of the pandemic. At the same time, the loose fiscal and monetary policies introduced in response to the pandemic were also under pressure to gradually withdraw, and the foundation for economic recovery was still unstable. The global economy and the supply and demand pattern of mineral resources underwent in-depth adjustments, and the challenge of a stable global supply of mineral resources became prominent, with prices of major mineral products fluctuating significantly, which brought both opportunities and challenges for the development of the mining industry. As the pandemic was first fully contained in the PRC, the domestic rapid and stable socio-economic recovery boosted the demand for mineral products, becoming an important force in promoting the global rebound of the mining industry and driving the global economic recovery.

In terms of gold price performance, the overall gold prices were fluctuating at high levels with slightly weak trend in 2021. On the one hand, the recovering demand, tight supply chains and rising commodity prices led to a marked rise in global inflation, with the combination of the contest of big powers and intensified geopolitical risks providing some support to gold prices. However, on the other hand, the excessively high inflation caused the intensifying expectations on monetary policy tightening in Western developed countries, which became a major drag on gold prices. In 2021, the London spot gold reported an opening price of US\$1,903.71/ounce with the highest and lowest prices of US\$1,959.33/ounce and US\$1,676.10/ounce, respectively, and closed at US\$1,829.24/ounce, representing an annual decrease of approximately 3.6%. The average London spot gold price, as calculated based on the afternoon fixing price, was US\$1,798.61/ounce, representing a year-on-year increase of approximately 1.6%. The Shanghai Gold Exchange gold Au9999 reported an opening price of RMB397.48/g with the highest and lowest prices of RMB402.48/g and RMB260.88/g, respectively, and closed at RMB373.85/g, representing an annual decrease of approximately 4.1%. The weighted average price for the year was RMB373.67/g, representing a year-on-year decrease of approximately 3.7%.

In terms of supply and demand, domestic gold production declined volume while consumption rebounded significantly in 2021. The latest statistics of the China Gold Association shows that, the gold produced with domestic raw materials in 2021 was 328.98 tonnes, representing a year-on-year decrease of 36.36 tonnes or 9.95% as compared with that of 2020. Among them, the gold mine-produced gold was 258.09 tonnes, and the non-ferrous by-products was 70.89 tonnes. In addition, the gold produced from imported raw materials was 114.58 tonnes in 2021. If this part was added, the nationwide gold production was 443.56 tonnes in total, representing a year-on-year decrease of 7.50%. The nationwide actual gold consumption was 1,120.90 tonnes in 2021, representing an increase of 36.53% as compared with the same period of 2020, which included: gold jewelry of 711.29 tonnes, representing an increase of 44.99% as compared with the same period of 2020; gold bars and gold coins of 312.86 tonnes, representing an increase of 26.87% as compared with the same period of 2020; industrial and other gold products of 96.75 tonnes, representing a year-on-year increase of 15.44%.

In terms of market transactions, the domestic trading volume and turnover of gold both declined in 2021. Among them, the accumulated bilateral trading volume of all gold products on the Shanghai Gold Exchange was 34,800 tonnes (unilateral: 17,400 tonnes), representing a year-on-year decrease of 40.62%, with a bilateral turnover of RMB13.08 trillion (unilateral: RMB6.54 trillion), representing a year-on-year decrease of 41.99%. The accumulated bilateral trading volume of all gold products on the Shanghai Futures Exchange was 97,100 tonnes (unilateral: 48,500 tonnes), representing a year-on-year decrease of 11.33%, with a bilateral turnover of RMB34.19 trillion (unilateral: RMB17.10 trillion), representing a year-on-year decrease of 17.54%.

In 2021, domestic gold production declined, but the concentration of the industry increased, and some large gold enterprises accelerated the pace of “going global”. At the beginning of the year, two gold mine safety accidents occurred in Yantai area, Shandong Province, which led to a decision by the government of Shandong Province to conduct safety inspections on all underground non-coal mines in the province. According to the China Gold Association, gold production in Shandong Province dropped by more than 50% year-on-year in 2021, while in Lingbao, the main gold-producing region of Henan Province, small and medium-sized gold enterprises carried out rectification, resulting in a significant drop in mine-produced gold production. The phased suspension of production in Shandong and Henan, two major gold-producing provinces, resulted in a decline in the nationwide gold production in 2021.

Meanwhile, the domestic gold industry has been increasing its efforts in resource consolidation and mergers and acquisitions, further increasing the concentration of the industry. According to the China Gold Association, in 2021, large gold enterprises produced 121.68 tonnes of gold from their domestic mines, accounting for 47.14% of the national output. In addition, large gold enterprises have been actively developing overseas mining resources and have frequently yielded good results. According to the China Gold Association, in 2021, major gold-producing enterprises, such as Shandong Gold, Zijin Mining and Chifeng Gold, produced 38.63 tonnes of gold from their overseas mines, representing a year-on-year increase of 19.86%.

Shandong Province is the largest gold producing province in the PRC, and Shandong Gold is one of the major producers of mine-produced gold in the PRC, ranking among the top in gold production volume for many consecutive years. In 2021, in line with the development concept of “strengthening the foundation and starting from the bottom”, Shandong Gold strived to resolve various risks and challenges such as safety inspection on underground non-coal mines in the province, significant decline in production efficiency and increasingly stringent supervision of certificates, and focused on solving difficult issues such as improvement of certificates, management of blasting operations and regulation of safety production, with a view to minimising and eliminating various risks, promptly restoring normal production and operation order, thus making a major breakthrough in the integration of resources in the province, and comprehensively improving the basic management level and operation quality of the enterprises. In 2021, the gold mine production volume of the Company amounted to 24,781 tonnes (796.70 koz), representing a decrease of 13.98 tonnes or 36.06% as compared with the same period last year. In 2021, the gold mine production volume of the Company accounted for 9.6% of the total production volume in the PRC.

In 2022, the Company will position itself for “overseas stabilisation and domestic expansion”. In addition to steadily improving the operational management and gold production of overseas enterprises, the Company will focus on merging and restructuring high-quality domestic resources projects to further enhance the domestic gold resources reserve. The Company will strive to achieve new breakthroughs and improvements in various areas by comprehensively optimising and enhancing production and operation, project construction, state-owned enterprise reform, livelihood improvement and safety and environmental protection.

ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Strategic Advantage

The Company was committed to strategy-leading development, 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”, the Company regarded “Technology Development, Resource Exploration, M&A Integration and Industrial Chain Extension” as its four key business areas. In Shandong Province, we firmly grasped the strategic opportunity period of gold resource integration, actively participated in the integration of gold resources in Shandong Province and vigorously promoted the construction of major projects. Outside the province, we closely focused on our existing mines and important mineralization zones to accelerate the merger and reorganization of high-quality resource projects and fully utilize the synergy of local mines. We steadily improved the operational management of overseas enterprises, paid close attention to the exploration of mines for increasing reserves, and optimised technical improvements and measures to ensure the output of overseas mines. The Company fully optimised and enhanced its project construction, operational management, state-owned enterprise reform, technological innovation, livelihood improvement and safety and environmental protection to build a world-class mining enterprise with global competitiveness.

Advantage in Resource Superiority

The Company adhered to the concept of “resource first” and strived to enhance its resource reserves. In line with the direction of “internal and external expansion to grow strong and wider”, the Company continuously increased our exploration efforts, and actively carried out external resource mergers and acquisitions. It firmly grasped the strategic opportunity period of gold resource integration, and actively participated in the integration of gold resources in Shandong Province, so as to optimise the industrial layout. Through the acquisition of 100% equity interests in Shandong Laizhou Ludi Gold Mine and Shandong Dikuang Laijin, 45% equity interests in Laizhou Hongsheng Mining and 100% equity interests in Shandong Tiancheng Mining, which were under SDG Group, the Company completed the merger and acquisition of high-quality resources such as Nanlv-Xinmu and ZhuguoLijia mineral rights in Laizhou area, which strongly promoted the integration of resources in the Jiaojia-Xincheng metallogenic belt in the province, effectively consolidated and enhanced the Company’s resource reserves and laid a solid resource foundation for building a world-class gold production base in Jiaodong region. Outside of the province, we closely focused on the surrounding and deep parts of in-production mines, and accelerated the prospecting and re-mining of resources, effectively transforming the resource advantages into economic advantages. We unswervingly implemented the “going global” strategy, actively participated in global resources allocation with an open and inclusive attitude. The Company has further expanded its global resource deployment by successfully acquiring Cardinal Resources Limited and Hengxing Gold Holding Company Limited.

Advantage in the Company’s Scale

The Company is mainly engaged in the development and utilization of gold mineral resources, and has always been in a leading position in the domestic mining industry in terms of equipment level and degree of mechanization of mines through implementing the key project “to replace workers with machineries and to reduce workers with automation” and rapidly improving the mechanization and automation level of “production, excavation, loading, support and transportation”. The construction of an international first-class exemplary mine at Sanshandao Gold Mine has led the pace of mechanization, automation and intelligent mine construction of large and medium-sized mines. The mechanization rate of mining operations of a number of enterprises, such as Xincheng Gold Mine and Jiaojia Gold Mine, has reached over 50% and the automation control rate of auxiliary production systems in mines has reached 80%. Shandong Gold Smelting Co., Ltd. has enjoyed a leading position in terms of national mine-produced gold processing and trading volume etc. As of now, the cumulative gold production of Jiaojia Gold Mine, Linglong Gold Mine, Sanshandao Gold Mine and Xincheng Gold Mine all exceeded 100 tonnes, making the Company the only domestic listed company which owns four 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 Mines”, and Jiaojia Gold Mine, Sanshandao Gold Mine and Xincheng Gold Mine have been on the list of “Top Ten Cost Efficient Gold Mines in the PRC” for several consecutive years.

Advantage in Technological Innovation

The Company thoroughly implements the new development concept of “innovation, coordination, green, openness and sharing”, closely follows the theme of ecological protection and high-quality development, and conforms to the development direction of “intelligent mine” and “ecological mining”, striving to build a “1,000-tonne gold resource base” in Jiaodong region based on its resource strategy and technology-driven green exploration. The Company, by focusing on mastering cutting-edge and core mining technologies, increased investment in scientific and technological research and development, and actively participated in and undertook key research and development projects at provincial and ministerial levels. The three laboratories of the Company, namely the deep underground mining laboratory, filling engineering laboratory and beneficiation laboratory, have been working on the construction of deep shafts, paste filling technology, construction of tailing-free mines, non-ferrous metal processing and precious metal smelting, etc., the independent innovation results from which have increasingly supported the quality development of the Company. The Company paid high attention to intellectual property protection and emphasized converting independent innovation into the driving forces for corporate development. In 2021, applications of 222 patents were submitted and accepted, 249 patents were granted, including 14 invention patents, and 26 science and technology awards at the provincial and ministerial levels were obtained throughout the year.

Talent Advantage

The Company has established a clear staffing direction of “morality first, equal stress on integrity and ability, emphasis on actual performance and public recognition”, continuously optimised the candidate selection and appointment mechanism, broadened the channels of talent introduction and cultivation, and coordinated the construction of the three talent teams in “management, technology and skill”. The Company vigorously selected and appointed young cadres to optimize the its talent echelon construction, with the number of post-80s middle-level cadres accounting for an increasing proportion. The Company constantly improved the professional and technical post ranking system to offer a smooth career development channel for professional and technical personnel. It established the self-assessment system for professional workers with specialized skills in gold mining industry as the Company’s vocational skills appraisal platform, which filled the gap of the national specialized skill assessment for professional workers in the gold mining industry. In 2021, a total of 255 individuals passed the assessment and obtained vocational qualifications. The Company signed strategic cooperation agreements with Shandong Talent Development Group and Shandong University of Science and Technology, and it was invited to join the Shandong Talent Development Alliance to develop close cooperation in the cultivation and introduction of talents.

Brand Advantage

The Company puts safety production in the position of “prioritizing everything, prior to everything, above everything, and overriding everything”, and firmly changes the concept of safety production from “zero accidents” to “zero hidden dangers”, strengthens the investigation and rectification of hidden dangers, and strengthens prevention and control at source, building a solid foundation for safety production. Centering on the construction of “ecological mining”, the Company further promoted pollution prevention and control, implemented carbon peaking and carbon neutrality actions, advanced synergy effects of pollution reduction and carbon reduction, improved the level of green and low-carbon development, and continuously enhanced the brand image of “Safe Shandong Gold, Ecological Shandong Gold”. The Company was successively included into the three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices, as well as the Shanghai Stock Exchange 50 Index. In 2021, the Company was granted the twelfth Tianma Award for the PRC Listed Companies with Best Investor Relationship Forum– “Best Investor Relationship Award” and “Best Board of Directors Award”, the fifteenth Value Selection of the PRC Listed Companies – Social Responsibility Award for A-share Listed Companies, the third New Fortune – Best Listed Companies, the eleventh China Securities Golden Bauhinia Award – Best ESG Practice for Listed Companies and other awards. The Company was selected as one of the “ESG Practice Cases for Listed Companies” by the China Association for Public Companies, and was rated A Grade for Information Disclosure for 2020-2021 by the SSE, which has been awarded for four consecutive years.

Discussion and Analysis on Operating Performance

The year 2021 was the opening year of the Fourteenth Five-year Plan, and also a very special and challenging year in the Company’s development history. As a result of the safety accidents occurred in early 2021 in Qixia Hushan Gold Mine (栖霞市笏山金礦) of Shandong Wucailong Investment Company Limited (山東五彩龍投資有限公司) and Caojiawa Gold Mine (曹家窪金礦) of Shandong Zhaoyuan (山東招遠), two local enterprises in Shandong Province not owned by the Company, underground non-coal mines in Shandong Province conducted safety inspection as required by the government, therefore the Company experienced a significant decline in key production and operation indicators in the first half of the year. In the face of these severe challenges, the Company tackled the difficulties, took various measures and made every effort to resume production, reduce costs and increase efficiency through a multi-pronged approach, deepened reform and stimulated vitality, as well as paid strict attention to safety and environmental protection to ensure stability. Since the second half of 2021, gold production at the Company’s mines has been gradually increasing, with greater growth in profitability in the second half of the year. As various tasks have been carried out in an orderly manner, the overall situation has shown strong momentum and continued positive development, laying a good foundation for the realisation of the 14th Five-Year Plan.

In 2021, the Company recorded a gold mine production volume of 24.781 tonnes, representing a decrease of 13.98 tonnes or 36.06% as compared to the corresponding period of last year. Great efforts were exerted to the following work:

- (I) ***The direction of development has become clearer.*** Scientifically adjust the 14th Five-Year Plan strategic plan to establish the Company's strategic positioning of "accelerating to become a world-class gold mining enterprise with global competitiveness by virtue of its prominent advantages, excellent corporate governance, and outstanding value creation capabilities". The Company has determined that on the basis of "consolidating the fundamentals, bottoming up", and striving to resolve various risks and challenges in 2021, it will stabilize externally and expand internally to steadily improve the operation and management level and gold production of overseas enterprises, with focus on mergers and acquisitions of domestic high-quality resource and projects in 2022. In 2023, the Company will have internal and external coordination to promote leap-forward improvement of the Company's work, and comprehensively implement the Company's industry-leading "three-year" rolling development plan. It will make every effort to build "Safe Shandong Gold, Ecological Shandong Gold, Vibrant Shandong Gold and Humanistic Shandong Gold". By holding a half-year work meeting and a decisive fourth-quarter work conference, the Company will strengthen publicity and propaganda at all levels, and vigorously advocate the concept of "confidence is as important as gold" and work requirements of "emphasizing politics, learning, development, solidarity, style, and discipline", so as to widely build up a consensus and synergy to fight and win the decisive battle in the second half of the year.
- (II) ***Resumption of work and production were vigorously pushed forward.*** The Company adhered to problem-oriented and targeted treatment, summarized and sorted out six major types of problems, and set up 12 task forces led by the leadership team to "take command of the battle". We insisted on weekly scheduling, weekly summing up and weekly deployment, reversed work schedule and operated on the basis of wall chart. The Company resumed production in the province in an orderly manner, while the mines outside the province strengthened operational control and took the initiative to exert their efforts. As a result, the Company's production capacity increased month-on-month, with gold production in a single month rising from 1.629 tonnes in June to 2.811 tonnes in December 2021. The Company achieved profit for the month from August 2021 onwards, with a greater increase in profit in the third and fourth quarters.
- (III) ***A major breakthrough in resource integration was achieved.*** The acquisition of 100% equity interests in Hengxing Gold Holding Company Limited was completed, and the Gold Mountain Mine, the largest single gold mine in Xinjiang region, was acquired, with the gold production of 2.35 tonnes in 2021, exceeding its gold production throughout the year of 2020. The acquisition of 100% shares in Cardinal Resources Limited in Ghana was completed, becoming the Company's first project in Africa, which is now steadily advancing the preliminary work of construction. The Company completed the acquisition of 100% equity interests in Laizhou Zhangjian Investment Co., Ltd. (萊州章鑿投資有限公司), 100% equity interests in Shandong Tiancheng Mining, Shandong Laizhou Ludi Gold Mine, Shandong Dikuang Laijin and 45% equity interests in Laizhou Hongsheng Mining, which were under SDG Group, as well as Jiaojia mining rights, which promoted the integration of gold resources in Laizhou region and further increased the Company's gold resources reserves. After the completion of the resource integration, the Company's production scale will be expanded, and the overall synergy of resource development and utilization will be brought into play, thus enhancing the Company's core competitiveness.

- (IV) ***The development quality continued to improve.*** The Company insisted on practising strict economy, operating a diligent and frugal business, and comprehensively implemented a full range of cost reduction and efficiency improvement measures for all staff, all processes, all nodes and all aspects. We strengthened project construction management and implemented a dynamic supervision and assessment mechanism for the entire project process; conducted a comprehensive inventory of idle assets and significantly reduced management expenses; actively expanded financing channels and financing methods, reasonably optimised the financing structure and continuously reduced financial costs. A centralised procurement centre was set up to manage and centralise the procurement of materials and equipment, thereby reducing procurement costs. The Company steadily advanced the scientific and technological innovation, and received 26 awards at the provincial and ministerial levels or above; promoted the application of 24 technological achievements with strong practicality, outstanding innovation points and wide application. The innovation among staff has achieved remarkable results, which brought more than 400 technological innovation achievements; in response to the common problem of utilizing bulk tailings resources, a joint innovation research base for the utilization of gold tailings resources has been established. The Company strengthened the construction of mechanized, automated and intelligent mines, and launched a three-year special improvement action “to replace workers with machineries and to reduce workers with automation”, resulting in a significant year-on-year increase in the total amount of mechanised mining.
- (V) ***The corporate vitality was fully released.*** The Company insisted on deepening reform and promoting innovation, and sorted out the management hierarchy and the boundaries of authority and responsibility. In accordance with the general idea of “strengthening the strategic management and control functions of the headquarters, enhancing the service capability of the headquarters, clarifying the professional management boundary of the second-tier units and optimising the ownership of the third-tier enterprises”, the four former mining divisions in Yantai, Qingdao, Greater China and overseas were merged and integrated to establish the Mining Management Branch of Shandong Gold Mining Co., Ltd., building a professional and synergistic, scientific and standardised organisational structure with efficient operation as the production organisation centre, safety and environmental protection centre, technology innovation centre and cost control centre of the mining enterprises.
- (VI) ***The situation of safety and environmental protection remained stable.*** The Company insisted on putting safety production in the position of “prioritizing everything, prior to everything, above everything, and overriding everything”. Despite the significant reduction in various management costs, safety investment increased rather than decreased, with the safety investment in tonnage mines in 2021 reaching about three times of the national requirement. We strengthened the daily management of the “double base” construction of safety and environmental protection and the safety education and training of all employees, increased the efforts to investigate and rectify the risks of hidden dangers, and improved the safety reward and punishment methods. We continued to consolidate and enhance the achievements of green mine construction, completed the “thorough” investigation of the “carbon emission” base of the affiliated enterprises, and continuously enhanced the brand image of “Safe Shandong Gold, Ecological Shandong Gold”.

(VII) ***The leadership of Party building was strengthened.*** The Company gave full play to the leading and safeguarding role of comprehensive and strict Party management, meticulously organised group studies, guidance reports, grassroots lectures and special training, and solidly promoted the learning and education of Party history. The CCTV reported on “130,000 taels of gold sent to Yan’an” from Linglong Gold Mine. We comprehensively improved the quality of Party building at the grassroots level, pressed ahead with the creation of excellent Party branches, fully launched star-rating management for Party branches, and assessed 28 five-star Party branches. The Company established a clear staffing direction of selecting and appointing talented candidates, encouraged cadres to take up their roles and distinguished skilled talents. We strengthened the supervision and disciplinary accountability, and launched special inspections and “looking-back” inspection and rectification on the Party organisations of our affiliated enterprises to create a clear and upright atmosphere for officers in business operation.

Major operations during the Reporting Period

As a result of two gold mine safety accidents in Shandong Province in early 2021, the Company's affiliated enterprises in Shandong Province conducted safety inspection and rectification, which materially impacted and affected the Company's production and operation. In the face of the severe situation, the Company immediately took the establishment of a special task team to expand production capacity as the starting point and seriously implemented the requirements of the work plan. With the solution of insufficient production capacity as the guide, and with the capacity expansion, production improvement and continuous production as the breakthrough points, the Company took the initiative to face difficulties, achieving remarkable results in production and operation. In particular, the gold mine production volume of the Company amounted to 24.781 tonnes (796.70 koz), representing a year-on-year decrease of 13.98 tonnes or 36.06%.

The Company completed processing (leaching) of 29.16 million tonnes, representing a year-on-year decrease of 728,200 tonnes or 2.44%. Among which, the mine processing (leaching) amount in the PRC reached 18.04 million tonnes, representing a year-on-year increase of 180,000 tonnes or 1.00%. The increase was due to the new acquisition of Gold Mountain Mine under Hengxing Gold Holdings Limited (“**HXG**”) by the Company in 2021, resulting in a year-on-year increase in processing (leaching) volume. The leaching amount of Veladero Mine in Argentina overseas amounted to 11.11 million tonnes, representing a year-on-year decrease of 900,000 tonnes or 7.51%. The decrease was due to the impact of the pandemic in 2021, which resulted in labour shortage and affected the ore mining, thus the leaching amount reduced year-on-year.

The raw ore grade was 1.12g/t, representing a year-on-year decrease of 0.37g/t or 24.95%. The decrease in the raw ore grade was mainly attributable to the recovery of some low grade resources by domestic underground mining companies, resulting in a 0.19g/t decrease in the raw ore grade selected, which in turn lowered the overall raw ore grade of the Company.

The gold beneficiation recovery rate of domestic underground mining companies was 91.25%, representing a year-on-year decrease of 0.55 percentage point or 0.60%, while the gold beneficiation recovery rate of Veladero Mine in Argentina was 72.62%, representing a year-on-year decrease of 0.64 percentage point or 0.87%.

Annual Production Data and Analysis

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

Projects	Year ended 31 December					
	2020			2021		
	Ore mined volume (Mt)	Ore processed volume (Mt)	Gold production volume (koz) ⁽⁵⁾	Ore mined volume (Mt)	Ore processed volume (Mt)	Gold production volume (koz) ⁽⁵⁾
Shandong Province						
Sanshandao Gold Mine	3.80	4.05	229.40	2.08	2.32	85.87
Jiaojia Gold Mine	4.50	4.68	240.23	2.69	2.75	146.67
Xincheng Gold Mine	2.20	2.32	145.23	0.93	1.23	71.27
Tiancheng Mining ⁽⁴⁾	0.18	0.44	30.88	–	–	–
Linglong Gold Mine	2.13	2.60	122.59	0.61	0.96	32.15
Guilaizhuang Gold Mine	0.14	0.20	24.11	0.02	0.04	5.37
Jinzhou Gold Mine	0.30	0.39	42.25	0.30	0.36	32.54
Qingdao Gold Mine ⁽²⁾	1.12	1.18	59.99	1.25	1.36	64.78
Penglai Gold Mine	0.43	0.38	27.17	0.03	0.06	3.47
Yinan Gold Mine	0.43	0.50	11.51	0.25	0.34	9.20
Other Provinces						
Chifengchai Gold Mine	0.60	0.60	45.04	0.65	0.67	49.71
Fujian Yuanxin	0.23	0.26	15.98	0.25	0.30	14.31
Xihe Zhongbao	0.26	0.26	25.88	0.30	0.30	32.38
Xinjiang Jinchuan	–	–	0.00	5.35	7.35	75.65
Sub-total ⁽¹⁾	<u>16.31</u>	<u>17.86</u>	<u>1,020.26</u>	<u>14.71</u>	<u>18.04</u>	<u>623.36</u>
Attributable to the Company	14.75	16.08	906.85	13.69	16.84	550.49
Argentina Veladero Mine ⁽³⁾	<u>13.67</u>	<u>12.02</u>	<u>225.80</u>	<u>10.63</u>	<u>11.11</u>	<u>173.34</u>
Total	<u>29.98</u>	<u>29.88</u>	<u>1,246.06</u>	<u>25.34</u>	<u>29.16</u>	<u>796.70</u>

Notes:

1. Includes the ore mined volume, ore processed volume and gold production volume of each PRC Mine on a 100% basis.
2. Qingdao Gold Mine includes Xinhui Gold Mine and Laixi Gold Mine.
3. Includes the ore mined volume, ore processed volume and gold production volume of the Veladero Gold Mine on a 50% basis. As of 31 December 2021, the Company owned 50% interest in the Veladero Gold Mine.
4. The Company had a business combination involving entities under common control (including Tiancheng Mining) in 2021. In the statistical table above, the gold production in 2020 (including Tiancheng Mining) was 960.5 kg. Tiancheng Mining includes Matang mining area and Hongbu mining area. In 2021, the Matang mining area and Hongbu mining area of Tiancheng Mining have been integrated into Jiaojia Gold Mine and Xincheng Gold Mine, respectively, with their annual output in 2021 included in Jiaojia Gold Mine and Xincheng Gold Mine.
5. 1 ounce = 31.1035 grams.
6. Due to the rounding of numbers, the total may not equal the sum of the numbers.

Analysis of Main Business

Operating results

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

Unit: RMB'000

Item	Amount of this Reporting Period	Amount of corresponding period in prior year	Increase/ (Decrease) (%)
Revenue	33,932,646	63,689,514	(46.72%)
Cost of sales	(31,557,552)	(56,956,948)	(44.59%)
Selling expenses	(361,149)	(107,147)	237.06%
General and administrative expenses	(2,409,669)	(2,831,702)	(14.90%)
Research and development costs	(345,606)	(390,492)	(11.49%)
Finance costs	(732,639)	(832,827)	(12.03%)

Analysis on revenue and costs

The decrease in revenue of the Company was mainly due to the decrease in the sales volume of self-produced gold and externally procured gold of subsidiaries and the decrease in sales price during the year. The decrease in operating costs was mainly due to the decrease in the purchase amount of externally procured gold during the year.

Information on major suppliers and customers

The sales to the top five customers amounted to RMB23,679 million, representing 69.78% of the total sales of the year, out of which there were no sales amount from connected persons among the top five customers.

The procurement amount from the top five suppliers amounted to RMB22,990 million, and the total procurement amount accounted for 72.85% of the cost of sales of the year, out of which there were no procurement amount from connected persons among the top five suppliers.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 31 December 2021, the Group's consolidated total debt (including lease liabilities, borrowings and Financial liabilities at fair value through profit or loss) was approximately RMB24,864 million (31 December 2020 restated: RMB20,178 million), and the Group's consolidated total equity was approximately RMB31,961 million (31 December 2020 restated: RMB35,668 million). As at 31 December 2021, the Group's gearing ratio was 77.79% (31 December 2020 restated: 56.57%).

Restrictions on main assets as at the end of the Reporting Period

Unit: RMB'000

Item	Carrying amount as at the end of the Reporting Period	Reasons for restrictions
Monetary funds	238,604	Security deposits for issuance of notes payable
Monetary funds	233,633	Security deposits for environmental restoration and governance
Monetary funds	10,116	Security deposits for gold trading account and others
	<hr/>	
Total	<u>482,353</u>	

Analysis on business information of the industry

1. Major industry policy changes in 2021

- (1) On 25 November 2020, the Ministry of Ecology and Environment, the National Development and Reform Commission, the Ministry of Public Security, the Ministry of Transport and the National Health Commission jointly issued the National Catalogue of Hazardous Waste (2021 Edition), which was officially implemented on 1 January 2021. A total of 467 types of hazardous wastes are included in the newly revised catalogue, and 16 types of hazardous wastes are newly exempted, bringing the total number of exempted hazardous wastes to 32 types. According to the newly revised catalogue, the cyanide tailings and cyanide-containing wastewater treatment sludge produced in the gold beneficiation process using cyanide are listed in the catalogue of hazardous wastes. However, in the Hazardous Waste Exemption Management List, if the cyanide tailings meet the requirements of the “Technical Specification for Pollution Control of Cyanide Leaching Residue in Gold Industry” (《黃金行業氰渣污染控制技術規範》) and enter the tailings depot for disposal or enter the cement kiln for co-disposal, the disposal process will not be managed as hazardous waste.
- (2) On 12 May 2021, the National Mine Safety Administration issued and implemented the “Implementation Rules for Mine Safety Production Reporting Rewards (Trial)” (《礦山安全生產舉報獎勵實施細則(試行)》). The Rules provided that the mine safety supervision and administration departments at the provincial level and below should follow the principles of “legal reporting, territorial management, and hierarchical responsibility”, “whoever accepts, whoever rewards” and

“whoever reports, whoever is rewarded” in carrying out the work of reward for reporting. According to the regulations, whistleblowers can report in real name or anonymously. In the case of real-name reporting, the whistleblower should provide both his real name and real and valid contact information. For anonymous reporting, the whistleblowers should also provide a mobile phone number with smooth communication. The acceptance, verification and reward of anonymous reports are subject to password agreement and “three special interlocking” management.

- (3) On 18 June 2021, the Ministry of Natural Resources issued the “Specifications for Green Geological Exploration” (《綠色地質勘查工作規範》), which officially raised green exploration to the national level. It is mainly applicable to geological surveys and mineral exploration activities in land areas, and reflects environmental protection requirements in the entire process and each link of geological exploration, advocates the use of advanced and applicable technologies, methods, processes and equipment to effectively reduce the scope, degree and duration of the impact of geological exploration on the ecological environment.
- (4) On 5 July 2021, the National Mine Safety Administration issued and implemented “Certain Regulations on Enhancing the Safety Management of Outsourcing Projects in Metal and Non-metal Underground Mines” (《關於加強金屬非金屬地下礦山外包工程安全管理的若干規定》). Based on the “Interim Measures for Safety Management of Outsourcing Projects in Non-Coal Mines” (《非煤礦山外包工程安全管理暫行辦法》), the Regulations has further raised the safety entry threshold for outsourcing projects in metal and non-metal underground mines by clearly specifying the number of outsourcing units of different mine sizes, the provision of safety management and professional and technical personnel, daily supervision and inspection and performance assessment, and clarified the main responsibility for safety production and the responsibility for safety supervision, providing a basis and support for the effective regulation of safety management of outsourcing projects and the targeted implementation of safety supervision. According to the Regulations, there shall be no more than two large and medium-sized mine contractors, and no more than one small mine contractor, and subcontracting of mining works shall be strictly prohibited. The metal and non-metal underground mining enterprises are encouraged to set up their own mining and construction teams and gradually cancel the external contracting of mining works, or to implement overall trusteeship.
- (5) On 22 September 2021, the Central Committee of the Communist Party of China and the State Council issued the “Opinions of the Central Committee of the Communist Party of China and the State Council on the Complete and Accurate Implementation of the New Development Concept to Perform Carbon Peaking and Carbon Neutrality” (《中共中央、國務院關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》). The Opinions put forward five main objectives, including building a green, low-carbon and circular development economic system, improving energy utilizing efficiency, increasing the proportion of non-fossil energy consumption, reducing carbon dioxide emission levels and enhancing the carbon sink capacity of ecosystems, so as to ensure that carbon peaking and

carbon neutrality will be achieved on schedule. The Opinions clarify the key tasks of carbon peaking and carbon neutral work: firstly, to promote the comprehensive green transformation of economic and social development; secondly, to deeply adjust the industrial structure; thirdly, to accelerate the construction of a clean, low-carbon, safe and efficient energy system; fourthly, to accelerate the construction of a low-carbon transportation system; fifthly, to improve the development quality of green and low-carbon urban and rural construction; sixthly, to strengthen major green and low-carbon scientific and technological research and promotion and application; seventhly, to continuously consolidate and enhance the carbon sink capacity; eighthly, to improve the level of green and low-carbon development in opening up to the outside world; ninthly, to perfect laws, regulations, standards and statistical monitoring systems; and tenthly, to improve policy mechanisms.

- (6) On 2 November 2021, the Central Committee of the Communist Party of China and the State Council issued the “Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Battle of Pollution Prevention and Control” (《中共中央、國務院關於深入打好污染防治攻堅戰的意見》). The Opinions made specific deployments in accelerating the promotion of green and low-carbon development, and deepening the battle for defending the blue sky, green water and clean earth. The Opinions clearly put forward that by 2025 the ecological environment will continue to improve, heavy polluted weather and urban black smelly water bodies will be basically eliminated, the risk of soil pollution will be effectively controlled, ect. By 2035 a green way of production and life will be widely formed, carbon emissions will be steadily reduced after reaching the peak, the ecological environment will be fundamentally improved, and the main goal of building a beautiful China will be basically achieved.

2. Resource tax and environmental protection tax

The amount of tax payable for resource by the Company’s domestic subsidiaries in 2021 was RMB373,961,900, of which RMB400,047,400 was paid in; the amount of tax payable for environmental protection was RMB746,600, of which RMB727,000 was paid in.

3. Resource tax rate and tax incentives

According to the “Resource Tax Law of the People’s Republic of China” (《中華人民共和國資源稅法》), the resource tax rate for gold metal in domestic mines is 2%-6%; among which, mines in Shandong Province are subject to a resource tax rate of 4.2%, and Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司) and Shandong Gold Guilaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司) enjoy a preferential policy of 30% reduction in resource tax.

Analysis on business information of the industry

Operations of respective region during the Reporting Period

Unit: RMB'000

	Revenue amount		% to total revenue	
	2021	2020	2021	2020
Revenue from contracts with customers within the scope of IFRS 15				
The PRC	31,470,320	61,382,941	92.75%	96.38%
Outside the PRC	2,448,095	2,293,251	7.21%	3.60%
	33,918,415	63,676,192		
Revenue from other sources				
The PRC	14,231	13,322	0.04%	0.02%
	33,932,646	63,689,514		

Reserves and Resources of Self-owned Mines

In March 2020, the state released a new national standard for the Classification of Solid Mineral Resources and Reserves (GB/T 17766-2020), which is basically the same as the resource/reserve classification standard of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO). However, it is slightly different in the estimation method of resources and reserves, the application of 3D ore body model, and the application of mining analysis and simulation software. The 2020 classification standard is applicable to the statistics and release of domestic solid mineral resources, the formulation of relevant technical standards for mineral resource exploration and development, the estimation, evaluation and information disclosure of resources and reserves. NI43-101 and JORC code are internationally accepted codes and standards for resource reserve and project disclosure.

In order to promote the international level of the Company's mineral resources management, according to the internationally accepted NI43-101 standard, the Company's mineral resources reserves and mineral reserves as of 31 December 2021 are summarized as below:

Name of mine	Major type	Resources ⁽¹²⁾				Reserves ⁽¹⁴⁾				Remaining resources mining year (year)	Validity period of permits/ mining rights	Risk warning					
		Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)				Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)
Sanshandao Gold Mine	Gold	-	24.30	24.30	26.73	51.03	3.03	154.73	147.47	-	20.77	2.68	55.60	52.99	8.0	Mining right (2043.09.01) Mining right (2022.11.11) Mining right (2022.06.01) Exploration right (2023.03.31)	
Jiaojia Gold Mine	Gold	-	53.09	53.09	53.11	106.19	3.43	364.51	347.41	-	22.98	3.87	89.02	84.85	4.0	Mining right (2025.09.01) Mining right (2035.8.18) Mining right (2025.5.25) Exploration right (2025.06.30) Mining right (2022.6.30) Mining right (2025.9.30) Mining right (2025.9.30) Mining right (2035.12.02) Exploration right (2022.12.31) Exploration right (2023.9.30) Exploration right (2024.6.30) Exploration right (2022.9.30)	
Xincheng Gold Mine	Gold	-	18.90	18.90	44.02	62.92	3.27	205.45	205.45	-	17.89	3.33	59.59	59.59	7.0	Mining right (2031.12.24) Exploration right (2023.06.28) Exploration right (2022.10.16) Mining right (2022.6.28) Exploration right (2023.9.30)	
Linglong Gold Mine	Gold	-	7.13	7.13	47.81	54.95	2.85	156.70	116.85	-	6.61	2.28	15.05	11.22	5.0	Mining right (2018.6.2) in the process of renewal Mining right (2030.01.20) Mining right (2021.11.10) in the process of renewal Exploration right (2018.5.6) in the process of renewal Exploration right (2018.3.31) in the process of renewal Mining right (2023.12.31) Exploration right (2022.3.31) in the process of renewal	Due to the ecological red line involved, the renewal of mineral rights is in progress.
Guilazhuang Gold Mine	Gold	-	0.77	0.77	1.81	2.58	3.52	9.10	6.43	-	0.56	3.64	2.03	1.44	9.0		

Name of mine	Major type	Resources ⁽¹²⁾					Reserves ⁽¹⁴⁾					Remaining mining year (year)	Validity period of permits/mining rights	Risk warning				
		Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)	Proven (Mt)	Probable (Mt)				Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)
Jinzhou Gold Mine	Gold	-	2.14	2.14	2.07	4.21	3.13	13.17	8.12	-	2.14	2.14	2.90	6.20	3.79	7.0	Mining right (2021.12.14) in the process of renewal Mining right (2021.9.30) in the process of renewal Mining right (2022.5.17) Mining right (2025.10.14) Mining right (2022.9.25) Mining right (2017.7.5) in the process of renewal Exploration right (2017.3.16) in the process of renewal Exploration right (2016.12.31) in the process of renewal	Due to the ecological red line involved, the renewal of mineral rights is in progress.
Qingdao Gold Mine	Gold	-	4.19	4.19	2.52	6.71	5.41	36.32	26.84	-	4.22	4.22	4.99	21.05	16.15	21.0	Mining right (2034.9.30) Mining right (2031.11.29)	
Penglat Gold Mine	Gold	-	1.13	1.13	0.88	2.01	7.03	14.15	14.15	-	1.19	1.19	5.09	6.08	6.08	3.0	Mining right (2022.7.11) Mining right (2018.4.7) in the process of renewal Mining right (2022.4.28) Exploration right (2017.12.31) in the process of renewal	Due to the ecological red line involved, the renewal of mineral rights is in progress.
Yinan Gold Mine	Gold	-	1.83	1.83	4.33	6.16	1.57	9.70	9.70	-	1.73	1.73	1.36	2.34	2.34	6.0	Mining right (2023.11.11) Mining right (2031.7.15) Exploration right (2022.8.19)	
Shandong Province	Gold	-	113.5	113.5	183.3	296.8	3.25	963.82	882.42	78.09	78.09	3.29	256.96	238.44	238.44			
Chifengchai Gold Mine	Gold	-	0.30	0.30	0.57	0.87	4.60	4.00	2.94	-	0.30	0.30	5.11	1.55	1.14	1.0	Mining right (2025.12.8) Exploration right (2026.2.14) Exploration right (2022.12.9) Exploration right (2026.10.30)	
Fujian Yuanxin Gold Mine	Gold	-	0.46	0.46	0.24	0.70	4.42	3.11	2.80	-	0.42	0.42	3.51	1.46	1.31	5.0	Mining right (2029.6.21) Exploration right (2026.4.16)	

Name of mine	Major type	Resources ⁽¹⁾⁽²⁾					Reserves ⁽³⁾⁽⁴⁾					Remaining resources mining year (year)	Validity period of permits/ mining rights	Risk warning			
		Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)	Gold content (equity basis) (t)	Proven (Mt)	Probable (Mt)				Total (Mt)	Grade (g/t)	Gold content (100% basis) (t)
Xihe Zhongbao Gold Mine	Gold	-	6.57	6.57	7.23	13.80	2.25	31.06	21.74	-	5.70	2.24	12.75	8.93	12.0	Mining right (2034.4.28)	
																Mining right (2039.8.30)	
Xinjiang Jinchuan	Gold	6.78	37.17	43.95	8.21	52.16	0.88	46.10	46.10	3.11	23.85	0.84	22.71	22.71	5.0	Mining right (2024.6.27)	
Total of other provinces	Gold	6.78	44.50	51.28	16.25	67.53	1.25	84.27	73.59	3.11	30.27	1.15	38.47	34.09			
China sub - total	Gold	6.78	157.97	164.75	199.53	364.28	2.88	1048.09	956.01	3.11	108.36	2.65	295.43	272.53			
Veladero Gold Mine	Gold	11.04	126.96	138.00	18.17	156.16	0.68	213.06	106.53	9.76	80.37	0.78	139.78	69.89	9.0	8 Mining rights are leased until 2028, and self-owned 5 mining rights are indefinite	
Cardinal	Gold	7.48	174.20	181.68	12.45	194.13	1.12	218.11	218.11	7.38	131.21	1.13	157.20	157.20	13.0	Mining right (2035.2.8)	Normal renewal
																Exploration right (2023.01.14)	
																Exploration right (2022.01.22) in the process of renewal;	
																Exploration right (2022.01.22) in the process of renewal	
																Exploration right (2023.01.14)	
																Exploration right (2022.02.11) in the process of renewal	
																Exploration right (2023.01.14)	
																Exploration right (2023.01.14)	
																Exploration right (2023.06.30)	
Total	Gold	25.29	459.13	484.42	230.15	714.57	1.91	1,479.26	1,280.65	20.25	319.93	1.54	592.41	499.62			

Notes:

1. Mineral resources are reported as in-place tonnes and do not take into account mining losses and dilution.
2. Mineral resources are inclusive of mineral reserves.
3. Due to the rounding of numbers, the total may not be equal to the sum of the numbers.
4. Mt = million tonnes.
5. As of 31 December 2021, the Company owned 95.31%, 95.31%, 74.57%, 70.65%, 73.52%, 90.31% and 70% of equity interest of Sanshandao Gold Mine, Jiaojia Gold Mine, Linglong Gold Mine, Guilaizhuang Gold Mine, Chifengchai Gold Mine, Fujian Yuanxin Gold Mine and Xihe Zhongbao Gold Mine. In view of the interest of the Company in Jinzhou Group, Fuling Mining and Qianling Mining, the resource of Jinzhou Gold Mine is also included. Jinzhou Gold Mine consists of mining rights owned by Jinzhou Group and its 100% and 90% owned subsidiaries, Fuling Mining and Qianling Mining, respectively. The Company beneficially owned 60.78% and 54.70% of Fuling Mining and Qianling Mining through its 60.78% interest in Jinzhou Group. The Company also owned 100% interests of the remaining five PRC mines companies as of the same date.
6. Qingdao Gold Mine includes Xinhui Gold Mine and Laixi Gold Mine.
7. Mineral reserves: price is assumed to be US\$1,231.0 per ounce at an exchange rate of US\$1: RMB6.571. Reserves in Sanshandao Gold Mine were based on a cut-off grade of 0.99 g/t. Reserves in Jiaojia Gold Mine were based on a cut-off grade of 1.24 g/t. Reserves in Linglong Gold Mine were based on a cut-off grade of 1.37 g/t. Reserves in Xincheng Gold Mine were based on a cut-off grade of 1.01 g/t. Reserves in Yinan Gold Mine were based on a cut-off grades of 1.71 g/t. Reserves in Qingdao Gold Mine were based on a cut-off grade of 1.38 g/t. Reserves in Jinzhou Gold Mine were based on the following cut-off grade: 2.99 g/t for Jinqingding mine area, Hubazhuang mine area and Songjiazhuang mine area, 1.19 g/t for Yinggezhuang mine area, Xipo mine area and Yinggezhuang exploration area, and 1.31 g/t for Sanjia mine area and Sanjia exploration area. Reserves in Guilaizhuang Gold Mine were based on the cut-off grade of 2.70 g/t. Reserves in Penglai Gold Mine were based on a cut-off grade of 1.33 g/t. Reserves in Chifengchai Gold Mine were based on a cut-off grade of 1.34 g/t. Reserves in Fujian Yuanxin Gold Mine were based on a cut-off grade of 1.40 g/t. Reserves in Xihe Zhongbao Gold Mine were based on a cut-off grade of 2.15 g/t. Reserves in Xinjiang Jinchuan Gold Mine were based on a cut-off grade: 0.5 g/t open pit and 0.9 g/t underground.
8. The amount of ore in Veladero Gold Mine was calculated at 50%. Mineral reserve was estimated based on a gold price of US\$1,200/oz and a silver price of US\$16.5/oz; cut-off grade: 0.33 g/t for Type 1 ore and 0.55 g/t for Type 2 ore; Mineral resource was estimated based on cut-off grade: 0.29 g/t for Type 1 ore and 0.44 g/t for Type 2 ore;
9. Mineral reserve in Cardinal Namdini Gold Mine was estimated based on a gold price of US\$1,300/oz and a cut-off grade of 0.5 g/t; mineral resource was estimated based on a gold price of US\$1,950/oz and a cut-off grade of 0.5 g/t.
In addition, Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司) participated in Laizhou Huijin Mining Investment Co., Ltd. (萊州匯金礦業投資有限公司) Shaling gold mine project, with an amount of 145 tonnes of attributable metals (according to the Mineral Resources Reserves Review Record Certificate set out in the Report on the Verification of Gold Mine Resources Reserves in the Shaling Mining Area of Laizhou City, Shandong Province in 2018).

ANALYSIS ON INVESTMENT STATUS

Overall analysis on external equity investment

The Company firmly established the concept of “resource first”, and based on the actual situation of the Company, giving priority to ensuring its stable development, and actively carried out mergers and acquisitions by identifying key opportunities and challenges to further consolidate its resource advantages. During the Reporting Period, the Company completed the acquisition of 100% equity interest in Hengxing Gold Holdings Limited, Cardinal Resources Limited and Laizhou Zhangjian Investment Co., Ltd., as well as main gold business assets and other projects of the controlling shareholder, SDG Group, located in the Laizhou area.

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 (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 acquired 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 Assignment, Assumption and Novation Agreement came into effect officially on 20 January 2021 and has been completed on 1 April 2021.

② *Offer to acquire Cardinal Resources Limited*

The 36th meeting of the fifth session of the Board considered and approved the Resolutions in relation to the Acquisition of Cardinal Resources and the Signing of Relevant Documents. SDG Hong Kong, an overseas wholly-owned subsidiary of the Company, and Cardinal 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.

As of the end of the Reporting Period, Cardinal was actively carrying out the preliminary work of the project construction.

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 will be issued for each scheme share cancelled. All the new H Shares issued by the Company were used to pay the consideration of acquisition of 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 issued 925,000,000 shares. 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 31 January 2021, HXG has become a wholly-owned subsidiary of the Company. The shares of HXG had been delisted on the Hong Kong Stock Exchange since 2 February 2021. The 159,482,759 new H Shares issued by the Company have 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.

Xinjiang Jinchuan Mining, a wholly-owned subsidiary of HXG, produced 2.35 tonnes of gold in 2021, exceeding its production for the corresponding period of last year.

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. 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 the amount of RMB48,000,000. Laizhou Zhangjian Investment Co., Ltd. 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.

According to the Approval of the People's Government of Shandong Province on the Gold Mineral Resources Consolidation Plan for the Eight Districts (Cities) of Yantai City (《山東省人民政府關於煙臺市8個區(市)金礦礦產資源整合方案的批覆》) and the requirements of the Laizhou Gold Mineral Resources Consolidation Plan, the prospecting right and the exploration right of the gold mine in the northern area of Houzhao of Laizhou City, Shandong Province were in the process of consolidation with the Jiaojia integration area of Laizhou Company.

⑤ *Establishment of Shanghai Shanjin Industrial Development Co., Ltd. (上海山金實業發展有限公司)*

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).

For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 18 June 2020. On 22 June 2021, the registration of that company was completed and the name of that company was approved by the local market supervision authority as Shanghai Shanjin Industrial Development Co., Ltd. (上海山金實業發展有限公司).

The warehouse order services business of Shanghai Shanjin Industrial Development Co., Ltd. completed the filing with the CFA on 7 September 2021 and the basis difference trading business, and the cooperative hedging business completed the filing with the CFA on 13 October 2021.

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 SDG Sinking and Driving Engineering (Shandong) Co., Ltd. (山金井巷工程(山東)有限公司) was completed on 11 June 2021. Scope of business: permitted items: all kinds of engineering construction activities; mining of mineral resources (non-coal mines); geological exploration of metal and non-metal mineral resources; construction engineering survey; construction engineering design; building demolition operation (except blasting operation); professional construction operation; general contracting of housing construction and municipal infrastructure projects; subcontracting of construction labour; installation, remolding and repair of special equipment; installation, repair and testing of electrical facilities; surveying and mapping services; occupational intermediary activities (items subject to approval shall be approved by the relevant departments before commencing business activities, the specific business items are subject to approval documents or permits of the relevant departments). General items: earthwork construction; machinery and equipment leasing; sales of 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.

As of the end of the Reporting Period, SDG Sinking and Driving Engineering (Shandong) Co., Ltd. has not yet carried out specific business.

⑦ *Acquisition of part of the controlling shareholder's principal gold business assets*

The 10th meeting of the sixth session of the Board of the Company held on 5 August 2021 and the Second Extraordinary General Meeting of the Company of the year held on 24 September 2021 considered and approved the Resolution Regarding the Cash Acquisition and Connected Transaction of 100% Equity Interest in Shandong Tiancheng Mining Co., Ltd. by Controlling Subsidiary, the Resolution Regarding the Cash Acquisition and Connected Transaction of 100% Equity Interest in Shandong Laizhou Ludi Gold Mine Company Limited by Controlling Subsidiary, the Resolution Regarding the Cash Acquisition and Connected Transaction of 100% Equity Interest in Shandong Dikuang Laijin Holdings Co., Ltd. and 45% Equity Interest in Laizhou Hongsheng Mining Investment Co., Ltd. by Controlling Subsidiary, and the Resolution on the Estimate of New Daily Connected Transactions after the controlling subsidiary Acquires the Equity of Shandong Tiancheng Mining Co., Ltd. The controlling subsidiary of the Company, Laizhou Company, acquired 100% equity interest in Shandong Tiancheng Mining, 100% equity interest in Shandong Laizhou Ludi Gold Mine, 100% equity interest in Shandong Dikuang Laijin and 45% equity interest in Laizhou Hongsheng Mining to acquire part of the mineral rights assets of Jiaojia and Xincheng metallogenic belts of SDG Group Co.. The transfer price was based on the appraisal report of the above-mentioned assets, and the total price was RMB7,132,241,300.

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 5 August 2021 and 24 September 2021.

As of 31 October 2021, the closing of the subject equity interest was completed for the above transactions and the above four companies became wholly-owned subsidiaries of Laizhou Company, a controlling subsidiary of the Company. Through this transaction, the Company has realised the acquisition of mining rights assets of SDG Group located in Jiaojia-Xincheng metallogenic belt in Laizhou area to implement the overall approval of the Shandong Provincial People's Government on the integration of gold mining resources. This transaction will expand the production scale and resource reserves of the Company and enhance the scale of assets and profitability of the Company with its synergy effect. It is also conducive to further reducing the competition between SDG Group, helping to realise the overall listing of high-quality gold resources within SDG Group. As of the end of the Reporting Period, Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司) was promoting the integration of the above-mentioned acquired mineral rights with the mineral rights of Jiaojia integration area and Xincheng integration area.

⑧ *Participation in Donghai Securities by SDG Capital Management*

The eleventh meeting of the sixth session of the Board of the Company held on 12 August 2021 considered and approved the Resolution on the Capital Increase of Donghai Securities by SDG Capital Management, a wholly-owned subsidiary. SDG Capital Management subscribed for 65,104,166 shares privately issued by Donghai Securities at an issue price of RMB7.68 per share, representing an investment amount of not more than RMB500 million and 35.09% of the shares privately issued by Donghai Securities this time and 3.51% of its total share capital after the issue. The Company participated in the issue with its own funds.

Investee: Donghai Securities Co., Ltd. Main business: securities brokerage; securities investment consultation; financial consultations in relation to securities trading and securities investment; securities underwriting and sponsorship; proprietary securities trading; securities asset management; agency sale of securities investment funds; intermediary business for futures companies; margin financing and securities lending business; agency sale of financial products.

For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 12 August 2021.

After participating in the capital increase, the total shareholding of SDG Capital Management and its subsidiaries in Donghai Securities Co., Ltd. was 17.63%. The above-mentioned shares to be privately issued are still in the lock-up period and there is uncertainty regarding future investment returns.

Significant non-equity investment

1. Acquisition of the controlling shareholder's Jiaojia mining rights and related assets

On 25 June 2021, the 8th meeting of the 6th session of the Board of the Company considered and approved the Resolution on a Controlling Subsidiary's Acquisition of Mining Rights and Related Assets of Jiaojia Gold Mine held by Shandong Gold Group Co., Ltd. and Cancellation of the Mining Right Lease Agreement, where Laizhou Company acquired the mining rights, exploration rights and related land assets of Jiaojia Gold Mine held by SDG Group, at a transfer price which was determined to be RMB169,317,000 based on the appraised value deducting the amount of unpaid royalties for mining rights.

For details of the above, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 25 June 2021. Laizhou Company is in the process of integrating the above-mentioned mining rights and exploration rights of Jiaojia Gold Mine with mining rights in the Jiaojia integration zone.

2. *Establishment of the Company's Mining Management Branch*

The eighteenth meeting of the sixth session of the Board of the Company held on 30 December 2021 considered and approved the Resolution on Establishment of the Mining Management Branch of Shandong Gold Mining Co., Ltd. Mining Management Branch has taken over the mines and related enterprises under the jurisdiction of former Yantai, Qingdao, Zhonghua and overseas mining divisions, as well as the three laboratories of dressing and metallurgy, deep well mining, and filling engineering. Mining Management Branch has Yantai office and Qingdao office.

For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 30 December 2021.

On 30 December 2021, the registration of the Mining Management Branch of Shandong Gold Mining Co., Ltd. was completed. Its registered office is Room 208, 2nd floor, secondary building, 2503 Jingshi Road, Licheng District, Jinan, Shandong Province. The scope of business is to carry out business activities with the authorization of the head office (Except for items subject to approval in accordance with the law, business activities shall be carried out legally and independently according to the business license) (To engage in business activities within the scope of business of the head office).

Significant Sale of Assets and Equity interests

1. *Sale of idle fixed assets of the Company*

On 25 June 2021, the eighth meeting of the sixth session of the Board of the Company considered and approved the Resolution on the Sale of Idle Fixed Assets of the Company, and agreed to transfer No. 3 Building, Shuntai Square, No. 2000 Shunhua Road, Jinan City (the “**Asset**”), through public tender process on the property right exchange center. The floor purchase price for the transfer is the appraised value of the Asset of RMB414,612,552.33. Shandong Guoxin Yiyang Group Investment and Development Limited* (山東國欣頤養集團投資發展有限公司) (“**Guoxin Yiyang Investment**”) finally won the bid at the floor purchase price. On 22 December 2021, the Company signed the Asset Transfer Contract with Guoxin Yiyang Investment, and the transaction price was RMB414.6126 million. For details, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 22 December 2021.

The Company received the first payment of RMB207,307,600 from Guoxin Yiyang Investment on 23 December 2021. The remaining payment is provided with legal and valid guarantees, and the interest during the deferred payment period shall be paid according to the bank's loan interest rate for the same period, and the payment period shall not exceed 1 year. On 24 December 2021, the two parties went through the asset handover procedures, and the transfer procedures for the Asset are currently being processed.

The impact of sale of the Asset on the Company's 2021 financial statements is: the net book value of the Asset sold is RMB149.4947 million, the transaction income is RMB380.3785 million (tax exclusive), and the provision for various taxes affecting profit and loss from the sale of the Asset is RMB18.9376 million, which led to an increase in profit and loss for the current period of RMB211.9462 million. The proceeds from transfer of the Asset will be mainly used to supplement the Company's general working capital.

2. *Transfer 100% equity of Shanghai Shengju Asset Management Co., Ltd.*

On 29 September 2021, the thirteenth meeting of the sixth session of the Board of the Company considered and approved the Resolution on the Transfer of Assets by Wholly-owned Subsidiary SDG Capital Management, and agreed to transfer 100% equity of Shanghai Shengju Asset Management Co., Ltd. by SDG Capital Management at the appraised value of RMB673,523,158.70 as the floor purchase price through the property right exchange center. For details, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 29 September 2021.

Huatai Securities Co., Ltd. won the bid at the floor purchase price. On 16 December 2021, the two parties signed a property right transaction contract. On 24 December 2021, SDG Capital Management received the equity transfer price of RMB668,523,100, and the other RMB5 million was kept in the property right trading center account as a closing deposit. So far, the relevant asset transfer procedures were still in process.

The impact of sale of the equity on the Company's 2021 consolidated financial statements is: the net book value of the sale of equity is RMB432.6999 million, the transaction income is RMB731.6148 million, and the provision for various taxes affecting profit and loss from the sale of the equity is RMB341,300, which led to an increase in profit and loss for the current period of RMB298.5736 million. The proceeds from transfer of the equity will be mainly used to supplement the Company's general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's:

- **revenue** decreased by 46.72% to approximately RMB33,932.6 million from approximately RMB63,689.5 million for the same period in 2020, which was mainly due to the decrease in the sales volume of self-produced gold and externally procured gold of the Group and the decrease in sales price during the period.
- **cost of sales** decreased by 44.59% to approximately RMB31,557.6 million from approximately RMB56,956.9 million for the same period in 2020, which was mainly due to the decrease in the purchase volume of externally procured gold during the period.
- **gross profit** decreased by 64.72% to approximately RMB2,375.1 million from approximately RMB6,732.6 million for the same period in 2020, which was mainly due to the decrease in the sales volume of self-produced gold and externally procured gold of the Group and the decrease in sales price during the period.
- **selling expenses** increased by 237.06% to approximately RMB361.1 million from approximately RMB107.1 million for the same period in 2020, which was mainly due to the increase in sales commission of a subsidiary of the Company, Shandong Gold Futures Co., Ltd. during the period.
- **other gains and losses, net** increased by 837.07% to approximately RMB1,347.5 million from approximately RMB143.8 million for the same period in 2020, which was mainly due to the gains from disposal of subsidiaries and gains from financial products.
- **general and administrative expenses** decreased by 14.90% to approximately RMB2,409.7 million from approximately RMB2,831.7 million for the same period in 2020, which was mainly due to a decrease in the Group's provision for intangible assets, property, plant and equipment during the period.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 December 2021, the Group's reserves amounted to approximately RMB18,612.13 million and short-term borrowings amounted to approximately RMB9,805.31 million. The bank balances and cash of the Group as at 31 December 2021 were approximately RMB4,525.4 million. Based on the following factors for consideration, the Directors were of the opinions that the Group will be able to have sufficient working capital to provide capital sources for future needs of financing and working capital: (a) the Group is expected to be profitable, and thus will continue to generate operating cash flows from future business operations; (b) the Group has been maintaining long-term business relationships with its principal bankers.

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Group include short-term loans due to related parties in an aggregate amount of approximately RMB577.54 million from SDG Group Finance at an interest rate ranging from 3.4% to 4.0% per annum. The Company has issued two tranches of renewable corporate bonds. Please refer to “Information of Corporate Bonds” below for details.

On 13 August 2018, the Shareholders approved our proposal to issue green bonds in accordance with the relevant CSRC laws and regulations. The fixed-rate (3.85%) green bonds with a term of three years totally amounting to RMB1.0 billion were issued on 22 March 2019. For further details, please refer to the Company’s announcements published on 4, 19, 21 and 22 March 2019. As at the date of this announcement, such bonds were fully repaid by the Company.

CASH FLOWS

The Group’s bank balances and cash have increased from approximately RMB3,182.5 million as at 31 December 2020 to approximately RMB4,525.4 million as at 31 December 2021.

ASSETS AND LIABILITIES

As at 31 December 2021, the Group’s:

- **prepayment, trade and other receivables** decreased by 18.76% to approximately RMB3,579.4 million from approximately RMB4,405.9 million as at 31 December 2020, which was mainly due to the increase in customer deposits transferred to the futures exchange by Shandong Gold Futures Co., Ltd., a subsidiary of the Company.
- **trade and other payables** increased by 94.44% to approximately RMB15,249.4 million from approximately RMB7,842.6 million as at 31 December 2020, which was mainly due to the construction payment and equity purchase payment payable by the Company's subsidiaries.
- **borrowings (including current and non-current liabilities)** increased by 32.79% to approximately RMB15,144.95 million from approximately RMB11,405.0 million as at 31 December 2020, which was mainly due to the increase in borrowing and financing of the Company and its subsidiaries and the issuance of ultra-short-term financing bonds.
- **non-current portion of other non-current liabilities** increased by 76.42% to approximately RMB951.7 million from approximately RMB539.5 million as at 31 December 2020, which was mainly due to the increase in the royalty of mining rights of subsidiaries.
- **financial liabilities at fair value through profit or loss** increased by 10.55% to approximately RMB9,587.3 million from approximately RMB8,672.6 million as at 31 December 2020, which was mainly due to the increase in gold leasing business during the year.

CAPITAL EXPENDITURE

The capital expenditure of the Group mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. For the year ended 31 December 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 RMB831.6 million.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2021, the Group recorded financial assets at fair value through profit or loss (“FVTPL”) amounting to approximately RMB8,334.94 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 31 December 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 which conducts principal business of brokerage business, online trading and investment consultation. The Group held 327,169,166 shares of Donghai Securities in aggregate, representing 17.6% of the total issued shares of Donghai Securities. According to the evaluation report issued by Shangdong Zhongxin Assets Appraisal Company Limited, an independent valuer engaged by the Group, the fair value of the investment in Donghai Securities as at 31 December 2021 was approximately RMB4,774.2 million, which was approximately 6.1% of the Group’s total assets as at 31 December 2021. For the year ended 31 December 2021, there is a fair value gain of RMB1,034.4 million from the securities of Donghai Securities held by the Group and Donghai Securities did not distribute any dividend. We are optimistic about the on-going performance of Donghai Securities. Nevertheless, we will closely monitor the performance of Donghai Securities on an on-going basis. The Group considers that, save for the investments in Donghai Securities, no other single investment that was designated as financial assets at FVTPL in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 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 sufficient working capital will remain for the Group’s business, operating activities and capital expenditures.

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

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

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

DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

Landscape and development trend in the industry

Competitive landscape in the industry

Under the impact of the epidemic of the 21st century, the great changes not seen in a century have accelerated the evolution, the game between big countries has intensified significantly, and the global political and economic pattern is undergoing profound changes. The current gold price is still in an upward cycle in general. With the increasingly fierce competition for global mineral resources, the pattern of mineral resources is being reshaped at an accelerated rate. The gold industry will play a big role in terms of ensuring national financial security, and the status and value of gold will be further highlighted. The global central bank's interest in gold has also continued unabated. Interest in gold by central banks around the world has also increased unabated, with central banks adding a total of 463.1 tonnes of gold reserves in 2021, 82% higher than in 2020, raising the world's central bank gold reserves to their highest level in nearly 30 years.

Judging from the trend of gold prices in 2022, it is expected that gold may continue its high and volatile trend and still have a high allocation value. First of all, from the perspective of economic performance, the current global economy is still in the weak recovery stage of the economic downturn. Considering the repeated epidemics and the withdrawal of stimulus policies, the global economy in 2022 may face a further slowdown. At the same time, subject to the constraints of supply bottlenecks, even if the inflation level falls, it may be significantly higher than that before the epidemic. Secondly, from the perspective of monetary policy, although the monetary policies of major economies may be tightened in 2022, considering the uncertain situation of the epidemic and the possibility of the slowdown in economic growth, it is expected that the tightening may be relatively limited. Finally, from the perspective of risk avoidance, there is great uncertainty in China US relations, the conflict between Russia and Ukraine and the situation in the Middle East, and there is a certain demand for risk avoidance in the market.

Industry development trend

In 2020, China announced to the world the goal of peaking carbon dioxide emissions before 2030 and achieving carbon neutrality by 2060. This is not only an energy revolution, but also an extremely broad and profound green industrial revolution. For the gold industry, the proposal of this goal will surely bring about a new round of industrial transformation and bring new opportunities for the development of the gold industry.

In the final analysis, achieving the goal of “dual-carbon” depends on innovation driven and fundamentally changing the mode of production. In recent years, China’s gold industry has actively responded to the national requirements for high-quality development, carefully planned and vigorously promoted system innovation, scientific and technological innovation, management innovation and development model innovation, and promoted the high-quality development of the industry through dynamic change and growth mode transformation. At the same time, it is also actively integrated into the “Belt and Road” national strategy, speeding up the pace of “going global”, giving full play to its own advantages, realizing transnational development through joint ventures and cooperation of various modes, and leading the gold industry into a new era with high-quality development.

As one of the leading enterprises in the domestic gold industry, Shandong Gold has been in the forefront in exploring the road of high-quality development of the industry. On the one hand, through the reform of mining technology and the upgrading of mining equipment, the production efficiency has been greatly improved. On the other hand, we promoted digital empowerment and constantly promoted the application of new technologies such as intelligent mines, digital factories, artificial intelligence, big data, Internet of Things, industrial robots, 5G communications, and so on, to improve the level of green technology in mining, production and processing and other important links. In addition, Shandong Gold has also accurately grasped the opportunity of in-depth adjustment of the global industrial structure. While focusing on the merger and acquisition and integration of domestic resources and building a world-class gold production base, Shandong Gold unswervingly implemented the “going global” strategy, reserved large-scale high-quality mineral resources, consolidated overseas resource production and reserve base, constantly expanded the financing and development space in the international capital market, and created a high-quality development path with unique Shandong Gold characteristics.

Development Strategies of the Company

1. Corporate vision

To become a world-class gold mining enterprise with excellent technology and management and sustainable development.

2. Strategic positioning

Making full use of the Company’s industry advantages in gold resources, economic benefits, technical talents, safety and environmental protection, giving full play to the leading role of large gold enterprises, we will adhere to the green, innovative and lean development model, speed up the promotion of major projects for the conversion of new and old kinetic energy, actively respond to the national “Belt and Road” construction, firmly grasp the strategic opportunity period of gold resources integration, and actively participate in the integration of gold resources in Shandong Province. We will strive to build a world-class gold production base and accelerate to become a world-class mining enterprise with global competitiveness with outstanding main business advantages, excellent corporate governance and excellent value creation ability.

3. *Three-year development pathway*

Solidifying foundation *in 2021*. Efforts were made to resolve various risks and challenges currently faced, seeking to solve problems such as the improvement of warrants, blasting operation management, and safety production remediation. The normal production and operation order has been quickly restored. A breakthrough has been made in the integration of resources in the province, and the basic management level and operation quality of the Company have been comprehensively improved.

Stabilizing outward expansion and inward expansion *in 2022*. While steadily improving the operation and management level of overseas enterprises and gold production, we will focus on the merger and reorganization of domestic high-quality resource projects, and further improve the domestic gold resource reserves. We will comprehensively optimize and enhance production and operation, project construction, reform of state-owned enterprises, improvement of people's livelihood, safety and environmental protection, and make efforts to achieve new breakthroughs and improvements in various fields.

Interconnecting internally and externally *in 2023*. Based on the development pattern of domestic and international double loops, the output of domestic mines has grown steadily, and the performance of foreign mines has gradually emerged, promoting the leap forward of the Company's various work, truly achieving both improvements in quality and efficiency and production expansion, and becoming stronger and longstanding on the basis of strengthening and excellence. We will comprehensively consolidate the Company's industry-leading advantages, build industry benchmarks in an all-round way, and achieve higher-quality, more efficient, fairer, more sustainable and safer development.

The above forward-looking statements of the Company's plans and development goals do not constitute profit forecasts of the Company, nor do they constitute material commitments to investors, and their achievement depends on macroeconomic conditions, policy environment, market conditions, the Company's business situation and various factors, and are subject to uncertainty, and the Company may make corresponding adjustments depending on future developments.

Business Plans

In 2022, the production and operation plan determined by the Company is that the gold output is no less than 39.267 tonnes. The plan is based on the current economic situation, market conditions and operating situation of the Company. As this is a guiding indicator of the Company subject to uncertainty, it does not constitute a commitment to achieve production, and the Company will make corresponding adjustments in due course depending on the future development of the situation.

In 2022, our work will focus on the following areas:

- (1) ***Strengthen goal orientation and promote high-quality development to achieve new breakthroughs.*** According to the tasks indicators in the annual responsibility statement, we will decompose and implement them one by one, convey pressure layer by layer, formulate highly targeted assessment and incentive policies based on the actual situation, carry out labor competition activities in depth, to fully stimulate the enthusiasm, initiative and creativity of all employees. Under the guidance of strengthening dynamic assessment and incentive, we shall scientifically plan production organization, continuously optimize stope layout, strengthen the promotion of mining system engineering, tailings reservoir construction project and tailings comprehensive utilization project. We will accelerate the 600t/d mining and dressing project of Xihe Zhongbao Xiaodonggou Gold Mine, the –150m to –300m expansion project of Guilaizhuang Company, the development project of No. 6 well of Xinhui Company, and the seventh phase of loading ore on the leach pad of Veladero Mine and other key projects, turning resource advantages into production capacity advantages as soon as possible. We will speed up the expansion of heap leaching yard of Xinjiang Jinchuan Mining, the 2000t/d capacity expansion of Chifengchai Gold Mine, the second phase of Cangshang tailings pond in Sanshandao Gold Mine, and Gold Smelting Company’s gold concentrate comprehensive recycling and expansion and other project establishment work to enhance the development potential of the enterprise.
- (2) ***Strengthen problem orientation and promote new breakthroughs in weak areas.*** We will continue to give full play to the role of the special class work mechanism, strengthen the promotion of work, and promote key work to achieve greater breakthroughs. We are serious about summarizing the rules of geological mineralization 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 exploration of mines to increase reserves. We will improve the system engineering after resource integration, optimize the resource development plan, focus on the construction of resource bases such as the Sanshandao Belt, Jiaojia Belt, Xincheng Belt and Penglai Belt, and continue to expand production capacity and resource scale advantages to accelerate the promoting of resource merger and acquisition project, focusing on project in production which can quickly form production capacity.
- (3) ***Strengthen quality orientation and promote quality improvement and efficiency improvement to achieve new breakthroughs.*** We will establish the development concept of “profitable income and profit with positive cash flow”, deeply promote the improvement of quality and efficiency to ensure the healthy and sound development of the enterprise. We will make full use of all kinds of direct and indirect financing means, broaden low-cost financing channels to strengthen fund management, optimize capital structure and reduce financial costs. A lean management model will be implemented to reduce operating costs and improve operating quality. We will give full play to the role of the centralized procurement center, integrate and optimise the supply chain system, and fully implement centralized procurement of materials, equipment and services. We will optimize the capital operation plan, implement the “rolling” acquisition of the main gold business assets of the controlling shareholder, SDG Group to smooth the virtuous circle of “funds-resources-capital”, and improve the efficiency of capital operation.

- (4) ***Strengthen development orientation and promote reform and innovation to achieve new breakthroughs.*** We will continue to deepen the reform of the three systems, further sort out the positioning of post responsibilities, and clarify the scope of decentralization and the depth of management and control of the first-and second-tier functional lines to realize “cadres can take a lower as well as a higher post, employees can go in and out, and salaries can go up and down”. We will vigorously implement innovation-driven development, increase investment in research and development, focus on the innovation of key and core technologies in industries such as mining, beneficiation and filling, and strengthen technological research of tailings heavy medium beneficiation and cyanide slag wet treatment, as well as 1,000-meter mineral resources development, beneficiation pre-treatment, etc., striving to achieve technological breakthroughs in the reduction of floating tails and the recycling of cyanide residues within the year.
- (5) ***Strengthen safety orientation and promote safety and environmental protection to achieve new breakthroughs.*** The Company will strengthen the “double base” construction, implement hierarchical responsibilities, deepen the three-year action of safety regulation, further promote the treatment of tail waste, comprehensively build no-tail and no-waste mines, effectively carry out carbon peak, carbon neutralization, ensuring the realization of the “double zero” goal of safety and environmental protection. We will continue to consolidate and improve the achievements in the construction of intelligent mines in Sanshandao Gold Mine, speed up the construction of intelligent demonstration mines, strictly control the number of underground operators, and continue to implement unattended remote automatic control of mine lifting, drainage, power supply and ventilation systems, striving to achieve an automation rate of 100% for major fixed facilities and reduce the number of people working underground by more than 40% by the end of 2022.
- (6) ***Strengthen the leadership of party building, and promote party building to achieve new breakthroughs.*** We will deepen the evaluation of the quality and effectiveness of the construction of party branches and improve the management of star evaluation and grading of party branches, consolidate the establishment of “One Branch One Brand (一支部一品牌)”, focusing on building 3-5 brands of party building work. We will improve the “four-in-one (四位一體)” normalized supervision and assessment mechanism of responsibility, supervision, rectification and evaluation, and reinforce duty performance. We should strengthen the publicizing and implementation of corporate culture, enrich the construction of brand culture, do a good job in mass work under the new situation in depth and meticulously, and effectively enhance employees’ sense of gain, belonging and happiness.

Possible Risks

In recent years, it has been a critical period for the Company to deepen corporate reforms and achieve high-quality development. It faces both the severe challenges of economic downturn, superimposed contradictions, and tightening supervision, as well as development opportunities to release vitality and increase momentum. The Company and enterprises at all levels attach great importance to potential risks ideologically, pay attention to the hidden and deep-level risk points behind the appearance of problems, fully evaluate various possibilities, and scientifically and meticulously sort out various existing problems and risk points.

1. Risks in prices fluctuation

As the primary product of the Company, the fluctuation in gold prices determines the profit level of the Company to a certain degree. Political factors directly affect the trading sentiment in the financial market, thereby affecting the price of gold, which is extremely sensitive to market sentiment. On the other hand, political factors will have a long-term impact on fiscal policy and monetary policy, which will affect the allocation of financial assets. The adjustment of financial asset allocation by investment institutions will undoubtedly directly reflect the trend of gold prices. Therefore, policy changes will also have a greater impact on the price of gold. In addition, inflation expectations, the trend of US dollar, interest rates, the supply and demand in the gold market and many other factors also have a greater impact on the price of gold. Under the combined effect of these factors, there will be large fluctuations in the supply, demand and prices in the international commodity market. Due to the uncontrollable nature of the above factors, their changes may adversely affect the Company's operations.

Countermeasures: Firstly, implement the gold transaction decision-making procedure, rely on the transaction decision-making committee and the transaction center, expand the depth and breadth of price research, and regularly conduct in-depth exchanges with external institutions, improve its own price research and judgment capabilities comprehensively to grasp the price trend, and centrally sell gold. Secondly, use hedging tools to establish a set of hedging business operation system that matches the variety, scale, direction, and duration of physical goods, and is compatible with the Company's capital strength and transaction processing capabilities, so as to effectively avoid the impact caused by price fluctuations and maintain stable profitability. Thirdly, further reduce cost and increase efficiency, continue to promote lean management, strengthen cost and expense management and comprehensive budget management, deepen asset inventory, clear warehouses, fully revitalize idle assets, effectively improve cost control capabilities and level.

2. *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. However, in view of the current national safety regulatory requirements and the increased threshold for mine production and construction, the production safety still has some weaknesses and improvement points in management, equipment, system and personnel quality. These weaknesses have a restrictive impact on the achievement of the mine's essential safety objectives, and the occurrence of personal injury and property damage would have a profound impact on the Company's brand and social reputation.

Countermeasures: Firstly, sign the safety responsibility contract of all staff to urge the true fulfillment of responsibility at every level by promoting all staff production safety responsibility, risk management and control, identification of potential safety risks (safety confirmation) list management. Secondly, release the Opinions on Effectively Strengthening Safety Work in 2022 to guide the safety work of the year. Thirdly, strengthen safety precise investment and management to ensure significant investments in improvement for eliminating potential risks, system optimization, quality improvement, equipment upgrade, and emergency rescue in each entity. Fourthly, intensify professional safety technical support and technological research in safety, reward scientific and technological achievements in safety, build mechanized and intelligent mines, and achieve intrinsic safety. Fifthly, strengthen risk prevention at source, improve risk prevention and control system, enhance safety inspections to reinforce the identification of potential safety risks and the relevant improvements. Sixthly, strictly manage and control weaknesses, deepen special safety rectification activities, and gradually solve various safety and environmental protection problems existing in mining enterprises. Seventhly, improve the six major systems for mines, strengthen emergency response drills to improve the safety management level and the accident response capability. Eighthly, carry out safety training to improve the safety quality of safety management personnel and operators. Ninthly, strengthen the building of safety culture, and create a safe atmosphere.

3. *Environmental management risk*

Currently, the Company has established the environmental protection accountability system and improved the environmental management system and mechanism, and the ecological and environmental management level witnesses continuous improvement. However, if compared to the Company's developments and new environmental requirements, there still have some weaknesses and gaps. The situation of ecological and environmental protection is getting more and more severe. Especially under the influence of the "double carbon" policy, the pressure on ecological and environmental protection is still high, so that these weaknesses will limit the achievement by the Company of its green and low carbon development goals. If an environmental pollution incident occurs or is exposed as a typical case, it will have a profound impact on the Company's brand and social reputation.

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, "three wastes", the utilization and disposal of hazardous wastes, and the management of pollutant discharge permit, green mine construction and "three simultaneous" environmental protection, to reduce the environmental risk. Thirdly, establish and improve the inspection system and the assessment system for environmental protection, conduct environmental inspection and assessment on regular basis, and establish the long-term dynamic management mechanism. Fourthly, strengthen the construction of environmental expertise and management team, establish a database of environmental protection experts, enhance training on environmental protection, and effectively increase the level of environmental management and professional technology. Fifthly, intensify technology innovation and environmental protection input, continuously improve the pollution prevention level, further promote the synergy of pollution and carbon reduction, reduce pollution discharge, and continue to improve the ecological environment of mining areas (plants). Sixthly, speed up the construction of circular economy, expand the utilization and increase the comprehensive utilization rate of tailings, waste rocks and other solid wastes, and promote the construction of no-tail and no-waste mines. Seventhly, improve the dynamic management system of green mines, promote the construction of consolidating and upgrading projects, continue to improve, and increase the level of green mine construction. Eighthly, 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. Ninthly, strengthen the construction of emergency response system, organize enterprises to formulate (revise) emergency plans for unexpected environmental accidents in a timely manner, and improve the emergency response capability. Tenthly, strengthen environmental publicity and training and education, increase the environmental protection awareness of employees, make the concept of environmental protection deeply rooted in their hearts, and create a good atmosphere for ecological environmental protection.

4. *Risk of mining enterprise shutdown*

Mine accidents have repeatedly become the focus of public opinion, and the state has become more strict with industry supervision. It is possible that mines may be shut down and rectified due to safety and environmental protection accidents. Enterprises may be shut down due to problems such as procedures for safety, environmental protection, and occupational health lag simultaneously, and pace of approval mismatches with construction, or 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, as well as inability of extending mineral rights normally due to the ecological red line range involved, or shutdown due to a severe outbreak of epidemic in the area where the mines are located.

Countermeasures: Firstly, draw lessons from the accidents that have happened on other enterprises in the industry, organize comprehensive inspection and improvement for eliminating potential safety risks and work safety, and various special safety improvement actions, strengthen risk management and control and inspection and improvement for eliminating potential risks. Secondly, strengthen the safety management of outsourced construction team, and carry out standard remediation activities of the outsourced construction team to avoid safety risks. Thirdly, rely on the information system platform to control the status quo of mining rights in real time, including whether the certificates of rights are complete, the mining rights need to be renewed when expire, or the mining rights are subject to regular annual inspections; accelerate the progress of exploration to mining and mining right expansion to ensure that mining rights operate in a legal framework and avoid legal risks. Fourthly, conduct environmental monitoring, and strengthen hazardous waste management; focus on the possibility of major environmental pollution, and actively deal with the problems of mining production areas and exploration right areas within the ecological red line area. Fifthly, take prompt actions in response to national work safety policies and principles, and strengthen communication with local authorities. Sixthly, pay close attention to research on national and regional epidemic policies, and comprehensively improve the epidemic prevention and control and response capabilities to minimize the adverse impact of the epidemic on production and operations.

EXCHANGE RATE VOLATILITY RISK

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

Resumption of work and production of Linglong Gold Mine and Penglai Mining

After expiry of the mining rights of the Linglong mining area and the mining rights of the Dongfeng mining area of Linglong Gold Mine, the renewal of mining rights is being processed. A few areas of mineral rights mentioned above are involved in the Shandong Province Ecological Protection Red Line Plan (2016-2020), while the new round of ecological protection red line delineation in Shandong Province is being revised and improved, and has not yet been approved (expected to be approved in the second half of 2022). Therefore, as of the date of this announcement, the renewal of the above-mentioned mineral rights has not been completed. Affected by the uncompleted renewal of the above-mentioned mineral rights, some mining areas of Linglong Gold Mine have not been producing since January 2022. Penglai Mining conducted corresponding inspections in 2021 in accordance with Shandong Province's safety inspection requirements for underground non-coal mines. As of March 2022, the renewal of the safety production license has been completed. It is currently actively promoting the resumption of work and production and it is expected to resume work and production in April.

The Linglong mining area and Dongfeng mining area of Linglong Gold Mine and Penglai Mining in 2020 accounted for approximately 10% of the Company's annual gold production in 2020. The Company's planned production of gold in 2022 has taken into account the output of the above-mentioned mining areas since their resumption of work and production from July 2022. If their resumption of work and production is delayed, it will have a partial impact on the Company's production of gold in 2022. The Company is actively communicating with the relevant government authorities, and will complete the renewal of the involved mining rights as soon as possible following the new round of ecological red line delineation in Shandong Province, so as to resume work and production in the above-mentioned mining areas.

The impact of the epidemic on the Company's production and operation

Since the beginning of March 2022, there have been repeated outbreak of the pandemic in many parts of the country. Due to the impact of the epidemic, some of the Company's mines in Shandong Province have been partially restricted in material transportation and personnel flow, which has a certain impact on production and operation. In accordance with the relevant regulations of local government, subsidiaries of the Company strictly undertake work responsibilities, quickly and accurately implement epidemic prevention requirements, and minimize the impact of the epidemic on production and operation by reserving materials in advance and reducing the flow of personnel. The Company's Veladero Gold Mine in Argentina was less affected by the epidemic in 2022, and the mine is currently operating normally.

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

Unit: RMB in billion

Name of Bonds	Abbreviation	Code	Date of		Out- standing 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	
			Date of Initial Issuance	Interest Accrued								Date of Maturity
The 2019 Public Issuance of Green Corporate Bonds by Shandong Gold Mining Co., Ltd.	G19 Lujin 1	155270	2019.3.20	2019.3.22	2022.3.22	1.0	3.85	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the First Tranche)	20 Lujin Y1	175514	2020.12.1	2020.12.3	2023.12.3	2.7	4.80	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the Second Tranche)	20 Lujin Y2	175566	2020.12.17	2020.12.21	2023.12.21	1.3	4.69	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No

Settlement of interests and principals of the corporate bonds

Name of Bonds	Description of interest payment status
The 2019 Public Issuance of Green Corporate Bonds (for Qualified Investors) by Shandong Gold Mining Co., Ltd.	The Company paid interest on 22 March 2021 for the period from 22 March 2020 to 21 March 2021. For details, please refer to the announcement published on the website of the Hong Kong Stock Exchange on 11 March 2021.
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the First Tranche) by Shandong Gold Mining Co., Ltd.	The Company paid interest on 3 December 2021 for the period from 3 December 2020 to 2 December 2021. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 23 November 2021.
The 2020 Public Issuance of Renewable Corporate Bonds (for Professional Investors) (the Second Tranche) by Shandong Gold Mining Co., Ltd.	The Company paid interest on 21 December 2021 for the period from 21 December 2020 to 20 December 2021. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 9 December 2021.

SHAREHOLDERS' GENERAL MEETING

During the year ended 31 December 2021, the Company held four general meetings (including 2020 annual general meeting) and no class general meeting. The Company shall convene and hold general meeting of Shareholders in strict compliance with the regulations and requirements of the Articles of Association and the procedures of the Shareholders' general meeting of the Company to ensure that all Shareholders (especially minority Shareholders) can enjoy equal rights and fully exercise their voting rights.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

A payment of cash dividend of RMB0.5 per 10 Share (inclusive of taxes) is proposed to be paid to all Shareholders. As at 31 December 2021, the Company has a total share capital of 4,473,429,525 Shares (except for 4,814,144 treasury shares held by the Company), and the cash dividend of approximately RMB241,000 has been eliminated in these consolidated financial statements. Accordingly, the proposed cash dividend is approximately RMB223.4 million. The remaining undistributed profits are carried forward for the subsequent annual distribution. The above proposal will be put forward at the forthcoming annual general meeting of the Company for consideration and approval. The specific arrangements regarding the final dividend and its distribution and the time and arrangement of the closure of register of members of H Shares will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the Company shall distribute the dividend within two months after the date of the annual general meeting. The Company shall announce separately the exact expected dividend payment date.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities during the year ended 31 December 2021.

CORPORATE GOVERNANCE

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

The Company is committed to maintaining good corporate governance practices, with reference to the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (the “**CG Code**”). The Board is of the opinion that the Company had complied with all the applicable code provisions as set out in the CG Code during the year ended 31 December 2021.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules as the model code for the trading of securities by the Directors and Supervisors. Having made specific reasonable enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have complied with the provisions of the Model Code during the year ended 31 December 2021.

AUDIT COMMITTEE

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

The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2021 and further discussed the auditing, internal control and financial reporting matters. The audit committee considers that the annual results of the Group for the year ended 31 December 2021, which have been agreed by the Company's auditors, are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

AUDITORS

TianYuanQuan Certified Public Accountants (Special General Partnership) (“**Tianyuanquan**”) and SHINEWING (HK) CPA Limited (“**Shinewing**”) have been acting as domestic and international auditor of the Company during the year ended 31 December 2021, respectively.

In 2021, the annual report audit fee of TianYuanQuan Certified Public Accountants was RMB3.40 million, and the internal control audit fee was RMB1.55 million. The original 2021 financial report assurance fee of Shinewing was RMB4.28 million. Due to the change in the number of subsidiaries within the scope of the Company’s consolidation during the Reporting Period, especially the increase in the number of overseas subsidiaries, the scope of work and engagement of the financial report assurance agency increased. Therefore, the 2021 financial report assurance fee increased by RMB400,000 and to RMB4.68 million.

EVENTS DURING THE REPORTING PERIOD

Amendments to the Articles of Association

On 30 March 2021, the Company announced the amendments to the Articles of Association 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.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this announcement, the Group has no subsequent events after 31 December 2021 which are required to be disclosed.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

DEFINITIONS

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

“A Share(s)”	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
“Articles of Association”	the articles of association of the Company;
“Board” or “Board of Directors”	the board of directors of the Company;
“China” or the “PRC”	the People’s Republic of China but for the purpose of this results announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“CSRC”	China Securities Regulatory Commission;
“Director(s)” or “our Directors”	the director(s) of the Company;
“Group”, “the Group”, “our Group”, “we” or “us”	the Company and all of our subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time;

“Reporting Period”	from 1 January 2021 to 31 December 2021;
“RMB”	Renminbi, the lawful currency of China;
“SDG Capital Management”	SDG Capital Management Co., Ltd. (山金金控資本管理有限公司), a limited liability company incorporated in the PRC on 14 November 2012 and a wholly-owned subsidiary of the Company;
“SDG Hong Kong”	Shandong Gold Mining (Hong Kong) Co., Limited (山東黃金礦業(香港)有限公司), incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Finance”	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a limited liability company incorporated in the PRC on 17 July 2013, which was held as to 30% by the Company and 70% by SDG Group Co.;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling Shareholder of the Company, and was held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“Shandong Gold” or “Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000;
“Shanghai Stock Exchange” or “SSE”	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 RMB1.0 each, comprising our A Shares and our H Shares;

“Shareholders” holder(s) of our Share(s);

“Supervisor(s)” the supervisor(s) of the Company.

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

Jinan, the PRC, 28 March 2022

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