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SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

INTERIM RESULTS HIGHLIGHTS OF 2022

- Revenue increased to approximately RMB29,825.1 million, representing an increase of approximately 151.4% as compared to the same period of last year;
- Gain for the period was approximately RMB577.1 million, as compared to loss for the period of RMB1,492.5 million for the same period of last year;
- The gain attributable to owners of the Company amounted to approximately RMB531.3 million, as compared to the loss attributable to owners of the Company of RMB1,420.6 million for the same period of last year;
- The basic earnings per share attributable to owners of the Company was approximately RMB0.09, as compared to the basic loss per share attributable to owners of the Company of RMB0.32 for the same period of last year; and
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

The Board of Shandong Gold Mining Co., Ltd. is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022 prepared in accordance with IFRSs.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
			(Restated)
Revenue	3	29,825,146	11,865,618
Cost of sales		(26,791,906)	(11,576,495)
Gross profit		3,033,240	289,123
Selling expenses		(100,805)	(111,615)
General and administrative expenses		(1,182,804)	(1,465,280)
Research and development expenses		(173,467)	(119,293)
Other income		5,221	5,571
Other gains and losses, net		(183,140)	324,474
Finance income		40,040	29,677
Finance costs		(510,164)	(334,899)
Share of results of associates		19,496	8,855
Profit (loss) before tax		947,617	(1,373,387)
Income tax expenses	5	(370,531)	(119,133)
Profit (loss) for the period		577,086	(1,492,520)
Profit (loss) for the period attributable to:			
– Owners of the Company		531,285	(1,420,603)
– Non-controlling interests		45,801	(71,917)
		577,086	(1,492,520)
EARNINGS (LOSS) PER SHARE			
– Basic and diluted (RMB)	7	0.09	(0.32)

During the Reporting Period, the profit for the period attributable to the holders of the Company's equity instruments included the interest attributable to the holders of the perpetual bonds of RMB148,151,000. After deducting the perpetual bond interest, the profit for the period attributable to ordinary shareholders of the listed company during the Reporting Period was RMB383,134,000. The effect of interest on perpetual bonds is deducted in the calculation of basic and diluted earnings per share.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Profit (loss) for the period	<u>577,086</u>	<u>(1,492,520)</u>
Other comprehensive income (expense):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>238,320</u>	<u>(4,017)</u>
Other comprehensive income (expense) for the period	<u>238,320</u>	<u>(4,017)</u>
Total comprehensive income (expense) for the period	<u>815,406</u>	<u>(1,496,537)</u>
Total comprehensive income (expense)		
for the period attributable to:		
– Owners of the Company	<u>769,605</u>	<u>(1,424,620)</u>
– Non-controlling interests	<u>45,801</u>	<u>(71,917)</u>
	<u>815,406</u>	<u>(1,496,537)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	8	33,241,321	31,597,991
Investment properties		181,761	185,341
Right-of-use assets		790,803	743,670
Intangible assets		20,742,363	20,733,033
Goodwill		1,634,209	1,582,526
Investments in associates		1,973,124	1,953,628
Financial assets at fair value through other comprehensive income		7,900	7,900
Financial assets at fair value through profit or loss	9	5,750,787	5,653,317
Inventories		1,308,723	1,240,310
Deferred income tax assets		523,239	475,874
Other non-current assets		602,553	594,612
		66,756,783	64,768,202
Current assets			
Inventories		4,946,026	2,983,757
Prepayments, trade and other receivables	10	4,662,106	3,579,403
Prepaid income tax		24,557	15,850
Financial assets at fair value through profit or loss	9	2,647,352	2,681,620
Restricted bank deposits		821,893	482,353
Bank balances and cash		4,366,356	4,525,365
		17,468,290	14,268,348
Current liabilities			
Trade and other payables	11	12,939,853	15,249,378
Lease liabilities		24,532	40,685
Current income tax liabilities		880,045	224,667
Borrowings	12	7,629,402	9,805,312
Financial liabilities at fair value through profit or loss	13	9,790,479	9,587,259
Current portion of other non-current liabilities		54,582	104,835
		31,318,893	35,012,136
Net current liabilities		(13,850,603)	(20,743,788)
Total assets less current liabilities		52,906,180	44,024,414

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
AS AT 30 JUNE 2022

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current liabilities			
Borrowings	12	11,669,136	5,339,636
Lease liabilities		168,889	90,781
Deferred income tax liabilities		4,292,255	4,793,109
Deferred revenue		14,392	13,164
Provision for asset retirement obligations		884,689	875,111
Other non-current liabilities		1,374,954	951,734
		18,404,315	12,063,535
Net assets		34,501,865	31,960,879
Capital and reserves			
Share capital		4,473,430	4,473,430
Treasury shares		–	(6,293)
Reserves		19,080,563	18,612,130
		23,553,993	23,079,267
Perpetual bonds		6,358,577	6,249,387
Non-controlling interests		4,589,295	2,632,225
Total equity		34,501,865	31,960,879

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2022

1. GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the “**Company**”) was established in the PRC on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC. The A shares of the Company have been listed on the Shanghai Stock Exchange since 28 August 2003. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 September 2018.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

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

2.2 Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the Amendments to Reference to the Conceptual Framework in IFRSs and the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2022:

Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to Conceptual Framework
Amendment to IFRSs	Annual Improvements to IFRSs 2018-2020 cycle

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

2.3 Going concern

As at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately RMB13,850,603.05 thousand. The directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- (i) The Group is expected to remain profitable and hence continue to generate operating cash inflows from its future business operations; and
- (ii) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide sufficient banking facilities as at 30 June 2022 and available at least next twelve months from 30 June 2022.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 30 June 2022. Accordingly, the directors of the Company have prepared the interim condensed consolidated financial information on a going concern basis. The interim condensed consolidated financial information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.4 Restatement of the consolidated financial statements for the same period last year due to business combination involving entities under common control

On 31 October 2021, Shandong Gold Mining (Laizhou) Co., Ltd., a controlling subsidiary of the Company, completed the acquisition of 100% equity interest of Shandong Laizhou Ludi Gold Mine Company Limited, 100% equity interest of Shandong Tiancheng Mining Co., Ltd., 100% equity interest of Shandong Dikuang Laijin Holdings Co., Ltd. and 45% equity interest of Laizhou Hongsheng Mining Investment Co., Ltd. held by Shandong Gold Group Co., Ltd., which constituted a business combination under common control. Therefore, adjustments have been made to all relevant items in the consolidated income statement and consolidated cash flow statement for the same period last year.

3. REVENUE

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	29,698,948	11,732,392
Brokerage and other fees earned from trading of futures contracts	123,759	129,090
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Revenue from other sources	29,822,707	11,861,482
Rental income from investment properties	2,439	4,136
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	29,825,146	11,865,618
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Disaggregation of revenue from contracts with customers by timing of recognition:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	29,822,707	11,861,482
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Set out below is the disaggregation of the Group's revenue from contracts with customers by (i) timing of revenue recognition; and (ii) geographical markets, arising from different reporting segments:

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

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
<i>Revenue from contracts with customers within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	2,330,743	21,286,909	6,081,296	29,698,948
Brokerage and other fees earned from trading of futures contracts	—	—	123,759	123,759
	<u>2,330,743</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,822,707</u>
<i>Revenue from other sources:</i>				
Rental income from investment properties	2,439	—	—	2,439
	<u>2,333,182</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,825,146</u>
Geographical markets:				
The PRC, excluding the Hong Kong Special Administrative Region ("Hong Kong")	593,793	21,286,909	6,205,055	28,085,757
Outside the PRC	1,736,950	—	—	1,736,950
	<u>2,330,743</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,822,707</u>
Timing of revenue recognition:				
At a point in time	<u>2,330,743</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>29,822,707</u>

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

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
<i>Revenue from contracts with customers within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	1,255,682	8,587,180	1,889,530	11,732,392
Brokerage and other fees earned from trading of futures contracts	–	–	129,090	129,090
	<u>1,255,682</u>	<u>8,587,180</u>	<u>2,018,620</u>	<u>11,861,482</u>
<i>Revenue from other sources:</i>				
Rental income from investment properties	3,699	–	437	4,136
	<u>1,259,381</u>	<u>8,587,180</u>	<u>2,019,057</u>	<u>11,865,618</u>
Geographical markets:				
The PRC, excluding Hong Kong	302,126	8,587,180	2,018,620	10,907,926
Outside the PRC	953,556	–	–	953,556
	<u>1,255,682</u>	<u>8,587,180</u>	<u>2,018,620</u>	<u>11,861,482</u>
Timing of revenue recognition:				
At a point in time	<u>1,255,682</u>	<u>8,587,180</u>	<u>2,018,620</u>	<u>11,861,482</u>

4. SEGMENT INFORMATION

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

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

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

Segment revenue and results

For the six months ended 30 June 2022 (unaudited)

	Gold Mining RMB'000 (Unaudited)	Gold Refining RMB'000 (Unaudited)	Investment Management RMB'000 (Unaudited)	Inter-segment elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	8,614,771	21,459,816	6,205,055	(6,454,496)	29,825,146
Less: inter-segment revenue	(6,281,589)	(172,907)	–	6,454,496	–
Revenue from external customers	<u>2,333,182</u>	<u>21,286,909</u>	<u>6,205,055</u>	<u>–</u>	<u>29,825,146</u>
Operating profit	2,240,811	19,395	(47,919)	(814,043)	1,398,244
Finance income	25,625	2,407	12,008	–	40,040
Finance costs	(408,830)	(732)	(100,602)	–	(510,164)
Share of results of associates	19,497	–	–	–	19,497
Profit (loss) before tax	<u>1,877,103</u>	<u>21,070</u>	<u>(136,513)</u>	<u>(814,043)</u>	<u>947,617</u>
Income tax expenses	(363,964)	(1,691)	(4,876)	–	(370,531)
Profit (loss) for the period	<u>1,513,139</u>	<u>19,379</u>	<u>(141,389)</u>	<u>(814,043)</u>	<u>577,086</u>

For the six months ended 30 June 2021 (unaudited)

	Gold Mining RMB'000 (Unaudited)	Gold Refining RMB'000 (Unaudited)	Investment Management RMB'000 (Unaudited)	Inter-segment elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	3,776,764	8,823,445	2,019,779	(2,754,370)	11,865,618
Less: inter-segment revenue	(2,517,383)	(236,265)	(722)	2,754,370	–
Revenue from external customers	<u>1,259,381</u>	<u>8,587,180</u>	<u>2,019,057</u>	<u>–</u>	<u>11,865,618</u>
Operating profit	(1,192,607)	(11,816)	143,869	(16,466)	(1,077,020)
Finance income	12,140	1,259	16,278	–	29,677
Finance costs	(234,982)	(2,939)	(96,978)	–	(334,899)
Share of results of associates	8,855	–	–	–	8,855
Profit before tax	<u>(1,406,594)</u>	<u>(13,496)</u>	<u>63,169</u>	<u>(16,466)</u>	<u>(1,373,387)</u>
Income tax expenses	(97,554)	(60)	(21,519)	–	(119,133)
Profit for the period	<u>(1,504,148)</u>	<u>(13,556)</u>	<u>41,650</u>	<u>(16,466)</u>	<u>(1,492,520)</u>

5. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	<i>RMB'000</i>
		(Restated)
Current income tax:		
– In the PRC	947,646	39,441
– Outside the PRC	87,770	119,184
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	1,035,416	158,625
Deferred income tax	(664,885)	(39,492)
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	370,531	119,133
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Notes:

- (a) The provision for PRC enterprise income tax (“EIT”) is calculated based on the statutory income tax rate of 25% (2021: 25%). The EIT is calculated based on the applicable income tax rate of 25% and the estimated tax assessable profit of each of the companies comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for the Company and certain subsidiaries which are taxed at preferential tax rate of 15% (2021: 15%) based on the relevant PRC tax laws and regulations.
- (b) The estimated tax assessable profit of the Group’s overseas joint operation is calculated at the statutory income tax rate in Argentina of 35% (2021: 35%) in accordance with the Argentina income tax law.

In addition, the joint operation has paid withholding tax of approximately RMB2,842,000 (2021: RMB9,883,000) during the six months ended 30 June 2022 on certain inter-company interest expenses paid to Shandong Gold Mining (Hong Kong) Co., Limited (“SDG Hong Kong”) (a wholly-owned subsidiary of the Company) which were eliminated upon the proportional consolidation.

6. DIVIDENDS

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

On 30 March 2021, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2020 of RMB0.05 per share (except 4,884,143 treasury shares held by the Company) to the shareholders of the Company. The dividends of approximately RMB244,000 have been eliminated. Therefore, the dividend declared during the six months ended 30 June 2021 was approximately RMB223,671,000. The payment of dividend was resolved by a special resolution at the annual general meeting of the Company on 10 June 2021, and the dividend was paid in July and August 2021.

The Board does not recommend the payment of a dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

7. EARNINGS (LOSS) PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Profit (loss) attributable to owners of the Company (<i>RMB'000</i>)	383,134	(1,420,603)
Weighted average number of shares in issues (<i>thousands of shares</i>)	4,473,430	4,442,993
Basic earnings (loss) per share (<i>RMB per share</i>)	0.09	(0.32)

As the Company did not have any dilutive instruments during the six months ended 30 June 2022 and 2021, the Group's diluted earnings (loss) per share was the same as its basic earnings (loss) per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB716,397,000 (six months ended 30 June 2021: RMB514,932,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB14,046,000 (six months ended 30 June 2021: approximately RMB5,934,000) for cash proceeds of approximately RMB152,000 (six months ended 30 June 2021: RMB5,281,000), resulting in a loss on disposal of approximately RMB13,894,000 (six months ended 30 June 2021: RMB653,000).

In addition, the Group incurred cost for construction in progress of approximately RMB1,760,691,000 (six months ended 30 June 2021: RMB1,558,979,000).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets at FVTPL include the following:		
– listed equity investments	5,423,831	5,520,603
– investments in equity funds	2,748,701	2,479,484
– structured deposits	224,337	334,850
– derivative financial assets	1,270	–
	8,398,139	8,334,937
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analyzed as:		
– listed in the PRC	5,423,831	4,970,070
– unlisted	2,974,308	3,364,867
	8,398,139	8,334,937
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analyzed for reporting purpose as:		
– current assets	2,647,352	2,681,620
– non-current assets	5,750,787	5,653,317
	8,398,139	8,334,937

10. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	335,125	99,344
1-2 years	2,829	2,518
2-3 years	1,923	5,859
Over 3 years	23,927	27,998
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	363,804	135,719
Less: impairment of trade receivables	(18,608)	(17,481)
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	345,196	118,238

In addition, included in the trade and other receivables was deposits with exchanges and non-bank financial institutions of approximately RMB1,749,706,000 (31 December 2021: RMB1,844,344,000).

11. TRADE AND OTHER PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	1,822,813	1,249,667
1-2 years	162,314	18,584
2-3 years	10,095	4,462
Over 3 years	11,532	8,655
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	2,006,754	1,281,368

12. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately RMB10,168,496,000 (six months ended 30 June 2021: RMB5,363,353,000). These loans carry interests at fixed market rates of 2.20% to 3.80% per annum, or floating interest rates of People's Bank of China's Benchmark Lending Rate multiplied by 10% per annum and are repayable in instalments over a period of three years.

Included in new bank loans as at 30 June 2022 was the issue of ultra short-term financing bonds by the Group of approximately RMB1,700,000,000 (six months ended 30 June 2021: RMB1,000,000,000). These ultra short-term financing bonds carry interests at a rate ranging from 2.20% to 2.21% and are repayable within one year.

13. FINANCIAL LIABILITIES AT FVTPL

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

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

14. CONTINGENCIES AND COMMITMENTS

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

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

As at 30 June 2022, MAS was involved in several ongoing administrative and civil proceedings with respect to the abovementioned environmental incidents.

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

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

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

15. CAPITAL COMMITMENTS

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	544,464	502,614
Mining and exploration rights	657,901	328,953
	<u>1,202,365</u>	<u>831,567</u>

16. EVENTS AFTER REPORTING PERIOD

(i) Repurchase of part of equity interest in controlling subsidiaries

On 6 July 2022, the twenty-fifth meeting of the sixth session of the Board of Directors considered and approved the Resolution on Early Repurchase of Market-oriented Debt-to-Equity Swap of Subsidiaries, intending to repurchase the 25.43% equity interest of Shandong Gold Mining (Linglong) Co., Ltd. held by ICBC Financial Asset Investment Co., Ltd., the 4.6903% equity interest of Shandong Gold Mining (Laizhou) Co., Ltd. held by Bank of China Financial Asset Investment Co., Ltd., and the 16.6005% equity interest of Shandong Gold Mining (Xinhui) Co., Ltd. each held by Bank of China Financial Asset Investment Co., Ltd. and CCB Financial Asset Investment Co., Ltd., respectively.

(ii) Issuance of the third tranche of ultra short-term financing bonds in 2022

On 1 December 2021, the Resolution on the Proposed Issuance of Ultra Short-term Financing Bonds was passed by the Board of the Company, approving the Company's application to the National Association of Financial Market Institutional Investors for registration and issuance of ultra short-term financing bonds of no more than RMB10 billion. On 9 March 2022, the National Association of Financial Market Institutional Investors issued the Notice of Registration Acceptance (Zhong Shi Xie Zhu [2022] No. SCP58), approving the Company's issuance of ultra short-term financing bonds with an issue size of RMB10 billion, within an effective period of two years and in tranches.

On 7 July 2022, the Company issued the third tranche of ultra short-term financing bonds of RMB500 million at the coupon rate of 1.72% and with a term of 168 days.

17. COMPARATIVE FIGURES

Certain comparative figures in the condensed consolidated financial statements have been reclassified to conform to the current year's presentation.

BUSINESS REVIEW

Industry and Principal Business of the Company during the Reporting Period

Business Scope

The Company's approved business scope is mainly: mining and beneficiation of gold, production and sales of specialized equipment for gold mines and construction decoration materials (excluding products restricted by national laws and regulations). The 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

Centralized and large-scale production and operation

The Company focuses on the development and utilization of gold mineral resources. By adopting the gold production and operation 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 Zhaoyuan and Laizhou regions 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 mining enterprise which owns four mines with cumulative gold production exceeding 100 tonnes in the PRC. The Company aims to boost its large-scale production and operation by improving the level of mechanical operation and enhancing corporate efficacy through the construction and promotion of the project of Sanshandao "world-class exemplary mine". At present, our part of 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.

Scientific research and innovation dually-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 further demonstration of innovation and technology capabilities, and conducting of technology innovation in various aspects. In the first half of 2022, the investment in R&D increased significantly; two national key R&D projects successfully passed the final performance evaluation; for the first time, the Company took the lead in undertaking major basic research projects of Shandong Provincial Natural Science Foundation; and made some key breakthrough achievements in deep mining, filling and beneficiation and smelting. The construction of the “Shandong Gold Cloud” command and control platform and intelligent and smart mines have achieved phased results; and the production level through improvement action “to replace workers with machineries, to reduce workers with automation and to achieve intelligent unmanned operation” has jumped to a new level.

Safe, environmental and green development

The Company insists on respecting life and safety first, and its safety production has been raised to an unprecedented height. The Company put forward the new concept of “safety production prioritizing everything, prior to everything, above everything, and overriding everything”, and mapped out new targets shifting from “one falls, all lost” to “nothing falls”, and from “zero accident” to “zero hidden danger”. 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. In the first half of the year, in order to make science and technology better “empower” environmental protection, the Company newly established a technology environmental protection center, organically combining technology with environmental protection for the first time, and continuously strengthened the unique role of technology in environmental protection. The construction projects for the comprehensive utilisation of tailings in the four core mining enterprises in Zhaoyuan and Laizhou areas have been accelerated, and some enterprises have made phased breakthrough achievements, thus continuously enlarging the international influence and reputation of “Shandong Gold, Ecological Mining”.

Description of the Company's Industry during the Reporting Period

The first half of 2022 saw profound changes in the international political and economic landscape. Politically, the tension between Russia and Ukraine has continued since the beginning of the year. On 24 February 2022, the outbreak of Russia-Ukraine conflict reshaped the global geopolitical landscape to a certain extent, and the world entered a new period of turbulence and change. Economically, the combination of various factors such as loose fiscal and monetary policies, supply bottlenecks and tight labour markets in the aftermath of the pandemic has led to a rapid rise in inflationary pressure, particularly in developed economies. As Russia is the world's major exporter of oil, natural gas, metals and agricultural products, the conflict between Russia and Ukraine has exacerbated the existing severe inflationary situation. In response to inflation, central banks in major economies have ended quantitative easing and implemented significant interest rate hikes. The tightening monetary environment and financial conditions have restrained household consumption and corporate investment, with some leading economic indicators continuing to decline and the risks of economic slowdown or even recession continuing to accumulate. Many international organizations have significantly lowered their forecasts for global and US economic growth in 2022.

In the first half of 2022, the gold prices rose and then fell in general. From the beginning of January to early March, with the outbreak of the Russia-Ukraine conflict and the surge in commodity prices, risk aversion and inflationary concerns pushed international gold prices up dramatically, approaching the historic high set in August 2020. Since mid-March, as the tension between Russia and Ukraine has not further escalated, the risk aversion has fallen. At the same time, commodity prices fell sharply and gold prices continued to weaken as major central banks, represented by the Federal Reserve, tightened monetary policy rapidly in response to inflation, which strengthened the economic recession expectations. As of 30 June 2022, the London spot gold afternoon fixing price was US\$1,817.00/ounce, representing a slight increase of 0.3% from the beginning of the year. The average price for the first half of 2022 was US\$1,873.95/ounce, representing an increase of 3.8% as compared to the same period of last year. The Shanghai Gold Exchange Au9999 reported an opening price of RMB373.00/g in 2022, and closed at RMB391.70/g on 30 June 2022, representing an increase of 5% from the beginning of the year. The average trading price in the first half of 2022 was RMB389.54/g, representing an increase of 3.5% as compared to the same period of last year.

Looking forward to the second half of 2022, due to the weakened demand and base effect, inflation growth is expected to gradually peak and fall, and the economic recession expectations will continue to strengthen. As a result, the pace of monetary policy tightening is also expected to slow down, and the negative impact on gold prices will be marginally weakened. In addition, the conflict between Russia and Ukraine has a long-term trend, and there is still great uncertainty about how it will evolve in the future, and the risk aversion may still pick up at any time. Considering all the above, the continuous decline of gold prices in the second half of 2022 is relatively limited, but there is some uncertainty as to the extent of the specific upside. In general, gold still has a high allocation value.

According to the China Gold Association, in the first half of 2022, the gold produced with domestic raw materials was 174.687 tonnes, representing a year-on-year increase of 21.934 tonnes or 14.36% as compared to the first half of 2021. Among them, the gold mine-produced gold was 139.154 tonnes, and the non-ferrous by-products was 35.533 tonnes. In addition, the gold produced from imported raw materials was 55.658 tonnes in the first half of 2022, representing a year-on-year increase of 6.65%. If the gold produced from such imported raw materials was added, the nationwide gold production in 2022 was 230.345 tonnes in total, representing a year-on-year increase of 12.40%. The nationwide gold consumption was 476.82 tonnes in the first half of 2022, representing a decrease of 12.84% as compared with the same period of 2021.

In the first half of 2022, the resumption of work and production of gold production enterprises in Shandong Province achieved remarkable results, with the sharp rebound of mine-produced gold production by 123.64% from the same period of 2021. The resumption of production in the main gold-producing regions in Shandong Province led to a significant increase in gold production nationwide. In the first half of 2022, large domestic gold enterprises (groups) produced 73.546 tonnes of gold from their mines in the PRC, accounting for 52.85% of the national output, representing an increase of 3.54 percentage points over the same period of 2021. In the first half of 2022, Shandong Gold overcame the difficulties arising from the non-implementation of the ecological red line delineation policy, the failure of some enterprises to resume production and the pandemic outbreaks, so as to maximise its gold production by strengthening the management and control of production and operation, optimising the production layout and continuously improving the management level of overseas operations. In the first half of 2022, Shandong Gold recorded a gold mine production volume of 21.148 tonnes, representing a year-on-year increase of 11.285 tonnes or 114.42% as compared to 2021.

Analysis on the Core Competitiveness during the Reporting Period

Strategic Advantage

The Company was committed to strategy-leading development, and continued to put strategy into practice. 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. We strived to accelerate the construction of mechanization, automation, informatization and intelligence, improve the modern governance level of mining enterprises in an all-round manner, and promote the comprehensive upgrading of management reform, technological innovation and process optimisation in mining enterprises. We adhered to the development concept of “Eco-mining”, integrated ecological and environmental protection into the whole process of corporate development, and followed the path of ecological priority and green development. We focused on increasing the allocation of domestic resources and capacity enhancement, stabilizing the operational management of existing overseas enterprises, and further improving the Company’s ability and level of resilience to risks.

Advantage in Resource Superiority

The Company adhered to the concept of “resource first”, continued to build up its core competitive advantage in the upstream and continuously enhanced 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. We firmly grasped the strategic opportunity period of gold resource integration in Shandong Province. Through the successful acquisition of 100% equity interests in Shandong Laizhou Ludi Gold Mine, 100% equity interests in Shandong Dikuang Laijin, 45% equity interests in Laizhou Hongsheng Mining and 100% equity interests in Shandong Tiancheng Mining, the Company realised the integration and development of high-quality resources such as Nanlv-Xinmu and ZhuguoLijia mineral rights in Laizhou area, which effectively expanded the Company’s resource reserves and laid a solid resource foundation for building a world-class gold production base in Jiaodong region. We closely focused on the deep and surrounding parts of mines, explored the edges and all parts, speeded up the exploration process and ramped up the pace of operation, effectively transforming the resource advantages into economic advantages.

Advantage in the Company’s Scale

The Company is mainly engaged in the development and utilization of gold mineral resources, and has always been in a leading position in the domestic mining industry in terms of equipment level and degree of mechanization of mines. The construction of an “international first-class exemplary mine” at Sanshandao Gold Mine has led the pace of mechanization, automation and intelligent mine construction of large and medium-sized mines. Through solidly promoting the project of replacing workers with machineries, 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%, gradually improving the level of mechanization and automation. Shandong Gold Smelting Co., Ltd. has enjoyed a leading position in terms of national mine-produced gold processing and trading volume. 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 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” for several consecutive years.

Advantage in Technological Innovation

The Company thoroughly implemented the new development concept of “innovation, coordination, green, openness and sharing”, closely followed the theme of ecological protection and high-quality development, and conformed to the development direction of “intelligent mine” and “ecological mining”. The Company, by focusing on mastering cutting-edge and core mining technologies, increased investment in scientific and technological research and development, actively undertook and participated in key research and

development projects at provincial and ministerial levels and strengthened the resource utilization of gold tailings. In response to the current common technical problems such as flotation tailings and cyanide residue resource utilization, the Company gathered internal and external innovation resources to concentrate efforts on tackling technical problems. 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, deep ground pressure control, intelligent mining, paste filling technology, non-ferrous metal processing and precious metal smelting, etc., the independent innovation results from which have increasingly supported the quality development of the Company.

Talent Advantage

Shandong Gold has established the candidate selection and appointment 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 scientifically planned the team construction of young cadres, determined the allocation and improvement plan for young cadres, and increased efforts on the selection and training of young cadres, therefore the proportion of young cadres has been rising. The Company gradually improved the system of professional and technical engineering positions, and selected and assigned professional and technical personnel with high overall quality and strong technical and business capabilities. The Company continued to give full play to the role of its vocational skills appraisal platform and strengthened the recommendation and cultivation of high-level talents, with three individuals passing the assessment of the Qilu Chief Technician and one individual receiving the “National May Day Labour Medal”. The Company actively participated in the recruitment activity of “Talents Gathering in Qilu for the Future”, and continued to strengthen the recruitment of university graduates.

Brand Advantage

Based in China, Shandong Gold optimized and expanded its principal gold business with an international vision. The Company was selected as a sample stock of SSE 50, SSE 180 and CSI 300 indices, as well as the three major international indices, namely the MSCI Indices, FTSE Russell and S&P Dow Jones Indices for several times. The Company thoroughly implemented the development concept of “lucid waters and lush mountains are invaluable assets”, and deeply advanced the pollution prevention and control and green mine construction. Focusing on the orderly promotion of “carbon peaking and carbon neutrality” work, the Company continued to facilitate clean energy utilization and energy conservation and carbon reduction management, and developed circular economy, thereby continuously enhancing the level of green, low-carbon and high-quality development, which has consolidated and strengthened the construction of “Safe Shandong Gold, Ecological Shandong Gold”. In the first half of 2022, the Company was granted the Golden Round Table – “Outstanding Contribution in Corporate Governance Award” at the 17th Session of Board of Directors of China Listed Companies, and the GoldenBee CSR China Honour Roll 2022 – “Influential and Leading Enterprise”.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

Since 2022, the Company has resolutely implemented the instructions and requirements of General Secretary Xi Jinping's "Preventing the Covid-19 Outbreak, Stabilizing the Economy, and Realizing Development Security", and thoroughly implemented the spirit of the 12th Party Congress of Shandong Province and the arrangement and deployment of the provincial party committee and the provincial government, anchored the annual goal to forge ahead under pressure and make precise efforts, and continued to consolidate the upward sound development trend.

I. Major operations of the Company

On 30 June 2022, the Company's total assets reached RMB84.225 billion, representing an increase of RMB5.189 billion or 6.57% over the beginning of the Reporting Period; the Company's total liabilities were RMB49.723 billion, representing an increase of RMB2.647 billion or 5.62% over the beginning of the Reporting Period; the gearing ratio was 59.04%, representing a decrease of 0.52 percentage point over the beginning of the Reporting Period; the total equity attributable to owners of the Company reached RMB29.913 billion, representing an increase of RMB584 million or 1.99% over the beginning of the Reporting Period. During the Reporting Period, the Company achieved a revenue of RMB29.825 billion, representing a year-on-year increase of RMB17.96 billion or 151.37%; the profit before tax was RMB948 million, representing a year-on-year increase of RMB2.321 billion; the profit for the period attributable to owners of the Company was RMB531 million, representing a year-on-year increase of RMB1.952 billion; the weighted average return on net assets was 1.74%, representing a year-on-year increase of 6.62 percentage points; the basic earnings per share was RMB0.09, representing a year-on-year increase of RMB0.41 per share.

In the first half of 2022, among the Company's gold mine production of 21.148 tonnes, the output of domestic mines recorded a year-on-year increase of 128.00%; the overseas output recorded a year-on-year increase of 61.14%. The Company completed processing (leaching) of 16.38 million tonnes, representing a year-on-year increase of 4,698,500 tonnes or 40.21%, among which, the mine processing (leaching) amount in the PRC reached 9,399,200 tonnes, representing a year-on-year increase of 2,261,800 tonnes or 31.68%. The significant increase was due to that the production capacity of the Company's mines in Shandong Province has been greatly affected due to safety inspections in the first half of 2021. The Company has made every effort to resume work and reach production capacity, and the production capacity of its mines has gradually resumed from the second half of 2021. The leaching amount of Veladero Mine in Argentina overseas amounted to 3,983,300 tonnes, representing a year-on-year increase of 2,436,800 tonnes or 53.60%. The increase was due to the ore mined volume and leaching amount the Veladero Mine decreased in 2021, mainly due to the impact of the delayed commissioning of the Phase 6 leach pad, while in 2022, various measures were taken in the mine, achieving a significant year-on-year increase in production.

In the first half of 2022, the Company closely focused on the annual goal, insisted on deepening reform as a key measure, took technological innovation as the first driving force, and concentrated on expanding capacity, production, quality and efficiency. Jiaojia Gold Mine, Xincheng Gold Mine, Chifengchai Gold Mine, Xinhui Company, Xihe Zhongbao, and Laixi Company's mine gold production reached a new high. During the Reporting Period, the Company's mine gold production increased significantly year-on-year, however, the growth in the Company's net profit has been affected by the following reasons: (1) the Linglong mining area and Dongfeng mining area of Shandong Gold Mining (Linglong) Co., Ltd. have not resumed work and production so far, and Shandong Gold Group Penglai Mining Co., Ltd. has not resumed work and production by the end of April 2022, resulting in a decrease of RMB531 million in net profit of the two companies compared with the same period in 2020 (normal year of production); (2) SDG Capital Management Co., Ltd. suffered a decrease of RMB161 million in net profit compared with the same period in 2020 due to the impact of the outbreak of pandemic in Shanghai on the business development by and the fluctuation of the financial market in the first half of 2022.

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

- (I) Focused on production and operation, and made concerted efforts to promote the implementation.** The Company comprehensively considered the actual production and operation, scientifically calculated the annual operating indicators, made detailed decomposition according to the principle of equal pressure, and made dynamic adjustments according to the actual situation, fully mobilizing the enthusiasm, initiative and creativity of each enterprise to contribute and create new heights. The Company insisted on overall scheduling to go hand in hand with collaborative promotion. Regular on-site office meetings and special work meetings were held to focus on scheduling, strengthen supervision, ensure progress and promote implementation, and promote the enterprises under their jurisdiction to form a development situation of moving forward and rushing upward. The annual output of Jiaojia Gold Mine, Xincheng Gold Mine, Chifengchai Mine, Xinhui Company, Xihe Zhongbao and Laixi Company reached a record high in the first half of the year.
- (II) Focused on reform and innovation, and made precise efforts to achieve great results.** The Company solidly promoted the reform of the organizational structure. The mining management branch conducted unified and centralized management of the production organization, safety and environmental protection, cost control, and project construction of mining enterprises, and continuously improved the quality and efficiency of management, to build a new model of "Professional Management-Intensive Operation" from top to bottom. The Company steadily promoted scientific and technological innovation, and the national key research and development topic of "Large-scale and Unmanned Mining Technology for Underground Metal Mines" undertaken by it has successfully passed the final performance evaluation. The topic developed a high-precision fiber grating sensor and stope environment perception device, which realized the real-time visual supervision of stope environment changes during unmanned mining. The construction of "Shandong Cloud" project, intelligent management and control platform and intelligent and smart mine have achieved phased development results.

(III) Focused on resource acquisition, and made full efforts to improve steadily.

The Company steadily promoted exploration to increase reserves and mergers and acquisitions of high-quality resources, coordinating three regions in the province, domestic and overseas, accelerating resource acquisition and consolidating resource support. Exploration to increase reserves was steadily promoted, and Sanshandao Mine, Xincheng Gold Mine, Xinhui Company and Fujian Yuanxin achieved good exploration results. Due diligence on the target projects of mergers and acquisitions was continuously advanced. We have successfully obtained the detailed investigation right of the Anjiacha (安家岔) Gold Mine in Gansu Province, laying a resource foundation for solving the succession of resources in Xihe Zhongbao and building the Qinling resource base in Longnan. We have accelerated the procedures for the license. On 20 April 2022, Jiaojia Gold Mine and Xincheng Gold Mine successfully obtained new mining licenses after resource consolidation. The area of mining rights reaches 18.5 km² and 13.75 km² respectively, the mining depth is allowed to reach -1,880m and -1,835m respectively, and the production scale is increased from 1.65 million tonnes/year and 412,500 tonnes/year to 6.6 million tonnes/year and 2.64 million tonnes respectively, laying a solid foundation for sustainable development.

(IV) Focused on lean management, and flexibly exerted efforts to improve quality and efficiency.

The Company adhered to “all costs are controllable”, continued to promote lean and refined management, fully explored the costs reduction space, and strengthened the variable factor analysis and dynamic management of gold’s variable cost per gram, so as to control and reduce costs. The Company strengthened production management, basic management, operation management and planning management, and extensively mobilizes employees to carry out activities such as increasing production and saving, increasing revenue and reducing expenditure, and small reforms. It has continuously optimized the settlement method and reduced capital costs by using bill instruments. After the establishment of the centralized procurement center, it organized and completed about 170 public bidding projects, and the cost reduction efficiency of centralized procurement has been fully demonstrated. Through a full-staff, all-round, and whole-process cost reduction and efficiency enhancement system, we continued to further deepen and promote cost reduction and efficiency enhancement.

- (V) Focused on capital operation and concentrated efforts to accelerate the pace.** Based on the development plan of building a world-class gold production base in Jiaodong region, the Company deeply analyzed its capital operation needs and determined the plan to raise funds by non-public issuance of A shares. The Company held a Board meeting on 2 June 2022 to consider and pass a number of resolutions such as the Resolution on the Plan of Non-public Issuance of A Shares by the Company. It was proposed to issue no more than 624,427,935 A shares, and the total amount of raised funds was not more than RMB9.9 billion, which was mainly used for the Jiaojia mining area (integration) gold resources development project. After obtaining the approval of Shandong Provincial State-owned Assets Supervision and Administration Commission, the extraordinary general meeting, A Shares and H Shares class meetings were held on 29 July 2022 to consider and pass the aforesaid resolutions. At present, the Company is actively promoting various works, such as reporting the fundraising and investment projects to the Shandong Development and Reform Commission for approval, and strives to report to the China Securities Regulatory Commission as soon as possible when conditions are met.
- (VI) Focused on safety and environmental protection, and steadily made efforts to consolidate the foundation.** The Company strictly implemented the “5+1” work requirements, carefully implementing normalized epidemic prevention and control measures, and achieved the “Triple Zero” goals with zero confirmed, zero suspected and zero input cases. The Company strengthened employee safety education and training, carried out in-depth production safety inspections and risks and hidden dangers investigation and rectification, so that promoted production safety through a closed loop of work. The Company set up production safety divisions in mining enterprises, which were assigned branch mine safety directors and grass-roots safety management personnel, forming a horizontal and vertical supervision force and supervision system. Through follow-up and supervision, 2 enterprises successfully passed the central environmental protection inspection, and 14 mines cooperated to complete the “looking-back” field inspection of green mines, escorting the “achievement of new higher” goals.
- (VII) Focused on comprehensive and strict Party management, and made overall efforts to conserve the ecology.** With in-depth study of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company comprehensively publicized and implemented the spirit of the 12th Shandong Provincial Party Congress, continued to consolidate the effectiveness of Party history learning and education, strengthened political construction, ideological construction and cultural publicity, so as to enhance the cohesion of cadres and workers. Focusing on the leading and safeguarding role of comprehensive and strict Party management, the Company promoted to establish a “six-in-one” supervision system under which no one dares to or can be corrupted or thinks of committing corruption, thus creating a political ecology full of righteousness.

III. Miscellaneous

Upon expiry of the mining rights of Linglong mining area and Dongfeng mining area of Shandong Gold Mining (Linglong) Co., Ltd., a controlling subsidiary of the Company, the renewal of mining rights has not been completed due to the impact of a new round of ecological protection red line delineation in Shandong Province, which has not yet been finally approved, and it is still not possible for resumption of work and production. Due to a delay in the resumption of work and production from July 2022, which was planned at the beginning of the year, it will have a partial impact on the Company's gold production in 2022. The Company is closely monitoring the approval of the ecological red line delineation. Once the ecological red line is delineated, the Company will complete the renewal of mining rights involved, and resume work and production in the above-mentioned mining areas as soon as possible.

ANALYSIS ON INVESTMENT STATUS

Key equity investments

On 27 October 2021, the fifteenth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on Issue of Equity On-balance-sheet Partnership ABS, agreeing that the Company would register and issue securitization financing products of no more than RMB10 billion. On 24 December 2021, the Company was approved by the Beijing Financial Assets Exchange (“BFAE”) for an accounts receivable debt financing plan with a filing amount of RMB10 billion, which can be issued in installments, and the filing is valid for 2 years. On 29 April 2022, the Company received the “Notice of Acceptance of Filing” from Beijing Financial Assets Exchange, and Beijing Financial Assets Exchange decided to accept the filing of the Company's initial accounts receivable debt financing plan. It was clearly stated in the “Notice of Acceptance of Filing” that the filing amount of the Company's accounts receivable debt financing plan is RMB2 billion, and the filing limit is valid for 2 years from the date of signing off of the “Notice of Acceptance of Filing” issued by Beijing Financial Assets Exchange, which is underwritten by China CITIC Bank Corporation Limited.

In this accounts receivable financing plan, the Company contributed RMB500 million as a LP, Shandong Gold Jinquan (Shanghai) Investment Management Co., Ltd. (山金金泉(上海)投資管理有限公司) contributed RMB200,000 as a GP, and China Trade Union Bank Commercial Factoring Co., Ltd. (中貿聯銀商業保理有限公司) contributed RMB2 billion as a LP to jointly establish Jinan Jinying Investment Partnership (Limited Partnership)(濟南金盈投資合夥企業(有限合夥)). On 24 May 2022, the Company successfully issued the first tranche of the 2022 accounts receivable debt financing plan with a scale of RMB2 billion.

For details, please refer to the Company's overseas regulatory announcement dated 27 October 2021 and 24 May 2022 “Announcement on the Resolutions of the Fifteenth Meeting of the Sixth Session of the Board of Directors of Shandong Gold Mining Co., Ltd.” and the overseas regulatory announcement “Announcement in relation to the Issuance Results of the 2022 First Tranche Debt Financing Plan of Shandong Gold Mining Co., Ltd.”.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group's:

- **revenue** increased by approximately 151.4% to approximately RMB29,825.1 million from approximately RMB11,865.6 million for the same period of 2021, which was mainly due to the increase in sales volume of self-produced gold and externally procured gold and the rise in sales price during the period.
- **cost of sales** increased by approximately 131.4% to approximately RMB26,791.9 million from approximately RMB11,576.5 million for the same period of 2021, which was mainly due to the increase in the business volume of externally procured gold of subsidiaries and the rise in gold prices during the period, resulting in a corresponding increase in costs.
- **gross profit** increased by approximately 949.2% to approximately RMB3,033.2 million from approximately RMB289.1 million for the same period of 2021, which was mainly due to the resumption of the production scale and the rise in sales price.
- **general and administrative expenses** decreased by approximately 19.3% to approximately RMB1,182.8 million from approximately RMB1,465.3 million for the same period of 2021, which was mainly due to the fact that during the suspension of production in the previous period, the expenses originally included in the cost were included in the general and administrative expenses, and the production has resumed in the current period, and such expenses were re-included in the cost.
- **other gains and losses, net** decreased to loss of approximately RMB183.1 million from gain of approximately RMB324.5 million for the same period of 2021, which was mainly due to the changes in the fair value of financial assets held during the period.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 30 June 2022, the reserves of the Group amounted to approximately RMB19,080.6 million and short-term borrowings amounted to approximately RMB7,629.4 million. The bank balances and cash of the Group as at 30 June 2022 was approximately RMB4,366.4 million. Based on the following considering factors, the Directors were of the opinion that the Group will be able to have sufficient working capital to provide capital sources for future needs of financing and working capital: (a) the Group is expected to remain profitable, and thus will continue to generate operating cash flows from future business operations; and (b) the Group has been maintaining long-term business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide the Group with sufficient banking facilities as at 30 June 2022 and available at least next twelve months from 30 June 2022.

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Group include short term borrowings due to related parties in an aggregate amount of approximately RMB557 million from SDG Group Finance at an interest rate ranging from 2.65% to 3.6% per annum. The Company has issued two tranches of renewable corporate bonds. Please refer to “Information of Corporate Bonds” below for details.

Meanwhile, the Group had arrangements of bank borrowings of approximately RMB16,158 million through a number of banks in the PRC with interest rates ranging from 3.4% to 3.8% per annum.

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

Moreover, the Group utilized the following sources of capital to finance the Veladero Acquisition: (i) obtaining the Syndicated Term Loan of US\$740.0 million; and (ii) obtaining a term loan of US\$300.0 million from the China Development Bank Corporation, Hong Kong Branch (“**China Development Bank**”). The interest rate of the Syndicated Term Loan was LIBOR plus 1.25%, and the interest rate of the term loan from China Development Bank was LIBOR plus 1.23%.

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

Unit: RMB'00,000,000

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Initial Interest Accrued	Date of Maturity	Outstanding Balance of Bonds	Coupon Rate (%)	Payment of Principal and Interest	Place of Trading	Appropriate Arrangement of Investors (if any)	Mechanism of Trading	Whether There is a Risk of Termination of the Listing Transaction
The 2020 Public Issuance of Renewable Corporate Bonds by Shandong Gold Mining Co., Ltd. (for Professional Investors) (the First Tranche)	20 Lujin Y1	175514	2020.12.1	2020.12.3	2023.12.3	27	4.80	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
The 2020 Public Issuance of Renewable Corporate Bonds by Shandong Gold Mining Co., Ltd. (for Professional Investors) (the Second Tranche)	20 Lujin Y2	175566	2020.12.17	2020.12.21	2023.12.21	13	4.69	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange	Professional Investors	Public transaction	No
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	0.00	3.85	Interest to be paid annually, principal to be repaid at maturity, principal and interest had been settled on schedule and delisted	Shanghai Stock Exchange	Professional Investors	Public transaction	No

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

Basic Information on Debt Financing Instruments of Non-Financial Enterprises

Unit: RMB'00,000,000

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Initial Interest Accrued	Date of Maturity	Outstanding Balance of Bonds	Coupon Rate (%)	Payment of Principal and Interest	Place of Trading	Appropriate Arrangement of Investors (if any)	Mechanism of Trading	Whether There is a Risk of Termination of the Listing Transaction
The Third Tranche of 2022 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	22 Lujin SCP003	12282411	7 July 2022	8 July 2022	23 December 2022	5.00	1.72	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The second tranche of 2022 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	22 Lujin SCP002	12281547	20 April 2022	21 April 2022	13 January 2023	7.00	2.20	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The first tranche of 2022 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	22 Lujin SCP001	12281053	16 March 2022	17 March 2022	8 December 2022	10.00	2.21	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The seventh tranche of 2021 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP007	12105347	8 December 2021	10 December 2021	6 September 2022	5.00	2.70	Repayment of principal and interest in a lump sum at maturity	Interbank bond market		Agreement transaction	No
The sixth tranche of 2021 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP006	12105080	18 November 2021	22 November 2021	10 June 2022	0.00	2.67	Repayment of principal and interest in a lump sum at maturity, settled at maturity	Interbank bond market		Agreement transaction	No
The fifth tranche of 2021 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP005	12103737	14 October 2021	15 October 2021	12 July 2022	5.00	2.60	Repayment of principal and interest in a lump sum at maturity, settled at maturity	Interbank bond market		Agreement transaction	No

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Initial Interest	Date of Maturity	Outstanding Balance of Bonds	Coupon Rate (%)	Payment of Principal and Interest	Place of Trading	Appropriate Arrangement of Investors (if any)	Mechanism of Trading	Whether There is a Risk of Termination of the Listing Transaction
				Accrued								Whether There is a Risk of Termination of the Listing Transaction
The fourth tranche of 2021 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP004	12103075	19 August 2021	20 August 2021	17 May 2022	0.00	2.50	Repayment of principal and interest in a lump sum at maturity, settled at maturity	Interbank bond market		Agreement transaction	No
The third tranche of 2021 ultra short-term financing bonds of Shandong Gold Mining Co., Ltd.	21 Lujin SCP003	12102643	20 July 2021	21 July 2021	14 April 2022	0.00	2.73	Repayment of principal and interest in a lump sum at maturity, settled at maturity	Interbank bond market		Agreement transaction	No

CASH FLOWS

The Group's bank balances and cash decreased from approximately RMB4,525.4 million as at 31 December 2021 to approximately RMB4,366.4 million as at 30 June 2022.

ASSETS AND LIABILITIES

As at 30 June 2022, the Group's:

- **prepayments, trade and other receivables** increased by approximately 30.25% to approximately RMB4,662.1 million from approximately RMB3,579.4 million as at 31 December 2021, which was mainly due to the increase in receivables from sales of gold by subsidiaries and the increase in trade prepayments.
- **trade and other payables** decreased by approximately 15.1% to approximately RMB12,939.9 million from approximately RMB15,249.4 million as at 31 December 2021, which was mainly due to the payment for the acquisition of equity interest by a subsidiary during the period.
- **financial liabilities at fair value through profit or loss** increased by approximately 2.1% to approximately RMB9,790.5 million from approximately RMB9,587.3 million as at 31 December 2021, which was mainly due to the increase in the financing through gold leasing of the Company.
- **intangible assets** increased by approximately 0.1% to approximately RMB20,742.4 million from approximately RMB20,733.1 million as at 31 December 2021, which remained generally stable.

- **inventories** increased by approximately 48.1% to approximately RMB6,254.7 million from approximately RMB4,224.1 million as at 31 December 2021, which was mainly due to the increase in externally procured gold of subsidiaries and gold leases.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2022, the Group recorded non-current assets and current assets classified as financial assets at fair value through profit or loss (“**FVTPL**”) amounting to approximately RMB8,398.14 million (31 December 2021: approximately RMB8,334.94 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits.

As at 30 June 2022, the Group, through its subsidiaries, held securities of Donghai Securities Co., Ltd. (“**Donghai Securities**”), a company listed on national equities exchange and quotations of the PRC, the principal business of which include brokerage business, online trading and investment consultation. The Group held 327,169,166 shares of Donghai Securities in aggregate, representing approximately 17.63% of the total shares of Donghai Securities. The fair value of the investment in Donghai Securities as at 30 June 2022 was approximately RMB4,744.25 million, which was approximately 5.63% of the Group’s total assets as at 30 June 2022. For the six months ended 30 June 2022, there was no significant change in fair value gain on the securities of Donghai Securities held by the Group and Donghai Securities did not distribute any dividend. We are optimistic about the on-going performance of Donghai Securities. Nevertheless, we will closely monitor the performance of Donghai Securities on an on-going basis.

The Group considers that, save for the investments in Donghai Securities, no other single investment that was designated as financial assets at FVTPL in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 30 June 2022.

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

GEARING RATIO

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 30 June 2022, the Group’s consolidated total debt was approximately RMB29,282.0 million (approximately RMB24,864.0 million as at 31 December 2021), and the Group’s consolidated total equity was approximately RMB34,502.0 million (approximately RMB31,961.0 million as at 31 December 2021). As at 30 June 2022, the Group’s gearing ratio was approximately 84.87% (31 December 2021: approximately 77.79%).

CAPITAL EXPENDITURE

The capital expenditure of the Group mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. As of 30 June 2022, in the contracted but not incurred capital expenditure of the Group, the total amount for the acquisition of mining and exploration permits, property, plant and equipment was approximately RMB1,202.4 million (As of 30 June 2021: approximately RMB636.6 million).

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

Save as disclosed under “Key equity investments” in this announcement, for the six months ended 30 June 2022, the Group had no major investments (including investments with an asset ratio of more than 8% in any entities) nor major acquisitions or disposals of subsidiaries, associates and joint ventures.

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

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

PLEDGE OF ASSETS

Save as disclosed in other parts of Management Discussion and Analysis, the Company did not pledge any assets as at 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2022 (same period of 2021: Nil).

POSSIBLE RISKS

Risks in Gold Prices Fluctuation

As gold is the primary product of the Company, the fluctuation in gold prices determines the profit level of the Company to a large degree, and price fluctuations will have a great impact on revenue, finance and cash flow of the Company.

Countermeasures: We strictly implemented our decision-making process for sales of gold transactions, constantly expanded the depth and breadth of price research, so that comprehensively improved our ability of price research and judgment and kept abreast with the price trend. We practically established a set of hedging activities operating system that matches the type, scale, direction and maturity of physical commodities and that is adaptable to the financial strength and transaction processing capabilities of the enterprise, so as to effectively hedge the risk of price fluctuations. We continued to further promote a series of cost and expense control measures such as lean management, cost reduction and efficiency increase, and comprehensive budget management, carried out stock-taking work to fully revitalize idle assets, and effectively improved cost control capabilities and level.

Safety and Environmental Protection Management Risks

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

Countermeasures: We comprehensively consolidated the foundation of safe production, and by adhering to the bottom line of safety and environmental protection, paid close attention to key links such as system construction, education and training, responsibility implementation, and on-site management. We carried out in-depth investigation and rectification of potential dangers, strengthened precise investment in safety, and built mechanized and intelligent mines to ensure intrinsic safety. We continued to enhance environmental monitoring, enhanced the economic construction of recycling energy saving and consumption reduction, and by learning from the advanced experience of clean energy utilization, established a long-term management mechanism for green mines.

International Operation Risk

The political, economic, social and religious environments in different countries are complex and changeable, with legal systems not the same, which, combined with the continuous spread of the COVID-19 worldwide and other factors, may affect the overseas business of the Company.

Countermeasures: We carefully analyzed the political environment and investment environment of the target country of investment, strengthened the communication and exchanges with Chinese institutes located in foreign countries and Chinese as well as foreign-funded enterprises that have already started business in the target country, and continuously paid attention to and studied the documents issued by the National Development and Reform Commission, the Ministry of Natural Resources, the Ministry of Commerce and other ministries to prevent the risks of overseas investment from the political, policy, and legal aspects. We actively responded to the impact of the pandemic on overseas business and personnel safety, and strictly implemented relevant local requirements, so as to achieve win-win development for the Company and local community.

Financial risk

Under the shadow of the COVID-19 pandemic and at the turning point of the century when changes accelerate evolution, the domestic and international external environments have become more complex and uncertain. The external environment has a significant impact on the real economy and capital market, which brings severe challenges to the investment business of the Company.

Countermeasures: We focused on building a comprehensive risk management mechanism that integrates production and financing around core functions such as investment decision-making, transaction management, internal control and legal compliance; strengthened our research and interpretation of domestic and foreign macroeconomic situations and economic policies to adjust investment strategies in a timely manner; continued to enhance business risk management and control by strictly formulating and implementing risk prevention and control measures for key nodes and links such as pre-investment due diligence, review of investment, and post-investment management, so as to strictly control investment risks.

Exchange Rate Volatility Risk

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

Use of Proceeds from Global Offering

The H Shares were listed on 28 September 2018 on the Main Board of the Hong Kong Stock Exchange with net proceeds of approximately HK\$5,245.7 million (approximately RMB4,618.8 million) after deducting transaction fees and other expenses. As of the date of this results announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 30 June 2022, approximately RMB4,601.1 million have been utilized, namely:

Item	Percentage	Available to utilize	Net proceeds (RMB million)		As of 30 June 2022	Expected timeline for the use of the unutilized proceeds ⁽¹⁾
			From the listing date to 30 June 2022 utilized	For the six months ended 30 June 2022 utilized		
Repayment of Syndicated Term Loan	97.6%	4,506.1	4,506.1	-	-	-
Payment of listing expenses ⁽²⁾	2.4%	112.7	95.0	-	17.8	On or before 31 December 2022
Total	100%	4,618.8	4,601.1	-	17.8	

Notes:

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

STAFF OF THE GROUP

As of 30 June 2022, the Group had a total of 16,794 full-time employees (31 December 2021: 16,012 employees). For the six months ended 30 June 2022, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB2,083.5 million (six months ended 30 June 2021 after retrospective adjustments: RMB2,060.0 million).

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

MATERIAL CHANGE

Save as disclosed herein, there has been no material change in respect of the future developments in the business of the Group (including the Company's prospects for the current financial year) since the publication of the Company's 2021 Annual Report.

CORPORATE GOVERNANCE

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

The Company is committed to the maintenance of good corporate governance practices, with reference to the CG Code. The Board is of the opinion that the Company had complied with all the applicable code provisions as set out in the CG Code during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2022 and further discussed the auditing, internal control and financial reporting matters. The Audit Committee considers that the interim results of the Group for the six months ended 30 June 2022 are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

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

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

SIGNIFICANT EVENTS DURING REPORTING PERIOD

Dividends

Based on the Company's total number of issued shares of 4,473,429,525 Shares as at 31 December 2021, a cash dividend of RMB0.5 (tax inclusive) per ten (10) Shares was distributed to all Shareholders for the profit distribution, and the total cash dividend paid was approximately RMB223.671 million. The above-mentioned profit distribution plan was considered and approved at the 2021 annual general meeting of the Company held on 31 May 2022, and the implementation of cash dividend of A Shares and H Shares were completed on 8 July 2022 and 29 July 2022, respectively.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On 26 July 2022, the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government ("Shandong SASAC") issued the Shandong SASAC's Reply on the Non-public Issuance of Shares by Shandong Gold Mining Co., Ltd. (《山東省國資委關於山東黃金礦業股份有限公司非公開發行股票的批覆》) (Lu Guo Zi Shou Yi Zi [2022] No. 34), agreeing with the Company's plan of non-public issuance of no more than 624,427,935 A shares.

On 29 July 2022, the Company convened the second extraordinary general meeting and the first class meeting for holders of A Shares and H Shares on which the Shareholders approved, among other things, the resolutions in relation to the proposed non-public issuance of new A Shares under specific mandate. For details, please refer to the circular of the Company dated 12 July 2022.

The plan for the non-public issuance of shares is subject to approval by the China Securities Regulatory Commission before implementation.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sdhjgf.com.cn), and the 2022 interim report of the Company containing all the information required by the Hong Kong Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

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

“A Share(s)”	The domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
“Board” or “Board of Directors”	The board of directors of the Company;
“CG Code”	The Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules;
“China” or the “PRC” or “State”	The People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	The director(s) of the Company;
“Group”	The Company and all of its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its existing subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
“H Share(s)”	The overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“IFRS”	The International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB);
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;

“PRC Company Law”	The Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time;
“Prospectus”	The prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;
“Reporting Period”	From 1 January 2022 to 30 June 2022;
“RMB”	Renminbi, the lawful currency of China;
“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a company incorporated in the PRC with limited liability on 16 July 1996, the controlling Shareholder of the Company, and is held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“SDG Group Finance”	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a company incorporated in the PRC with limited liability on 17 July 2013, which is held as to 30% by the Company and as to 70% by SDG Group Co.;
“SDG Hong Kong”	Shandong Gold Mining (Hong Kong) Co., Limited (山東黃金礦業(香港)有限公司), incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
“SFC”	The Securities and Futures Commission of Hong Kong;
“Shandong Gold” or “Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 1787) and the Shanghai Stock Exchange (stock code: 600547) respectively;
“Shanghai Gold Exchange”	Shanghai Gold Exchange (上海黃金交易所);
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所);

“Share(s)”	Shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
“Shareholders”	Holder(s) of the Share(s);
“Syndicated Term Loan”	The loan available under the US\$960.0 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent;
“USD”	United States dollar, the lawful currency of the United States; and
“Veladero Mine”	The Veladero Mine located in the high Andes Cordillera of central western Argentina, details of which are set out in “Appendix IV – Competent Person’s Report – RPA Report” to the Prospectus.

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

Jinan, the PRC, 25 August 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 Hang, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive Directors are Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng.