



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

Stock Code 股份代號：1787

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

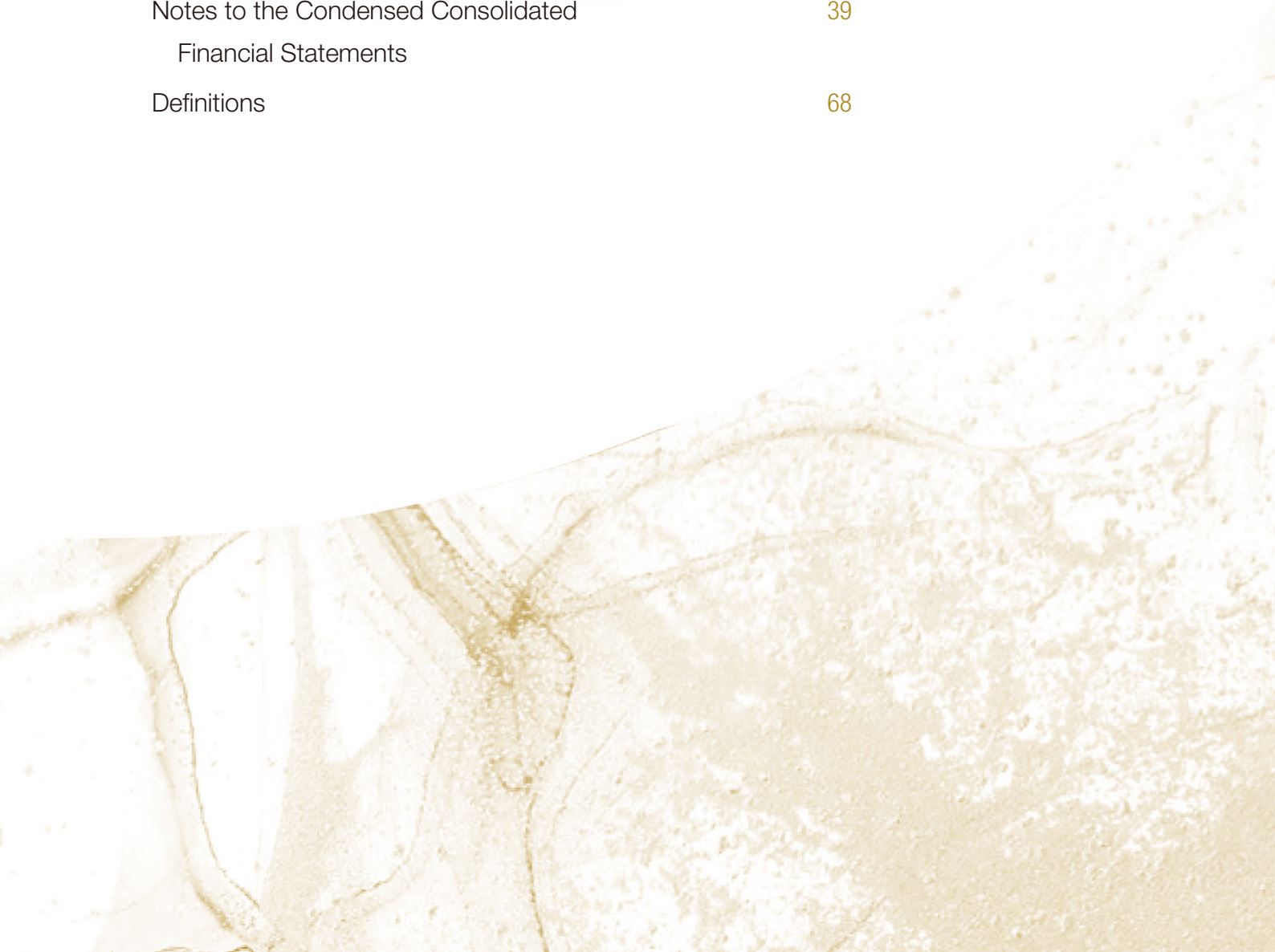
2019 INTERIM REPORT

中期報告

山東黃金

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wang Peiyue
Mr. Li Tao (appointed with effect from 14 January 2019)
Mr. Tang Qi

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Yongtao
Mr. Lu Bin
Ms. Hui Wing

SUPERVISORS

Mr. Li Xiaoping
Mr. Liu Rujun
Ms. Duan Huijie

AUDIT COMMITTEE

Mr. Lu Bin (*Chairman*)
Mr. Li Guohong
Ms. Wang Xiaoling
Mr. Gao Yongtao
Ms. Hui Wing

NOMINATION COMMITTEE

Mr. Gao Yongtao (*Chairman*)
Mr. Wang Lijun
Mr. Wang Peiyue
Mr. Lu Bin
Ms. Hui Wing

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Hui Wing (*Chairman*)
Ms. Wang Xiaoling
Mr. Tang Qi
Mr. Gao Yongtao
Mr. Lu Bin

STRATEGY COMMITTEE

Mr. Li Guohong (*Chairman*)
Mr. Li Tao (appointed with effect from 14 January 2019)
Mr. Wang Peiyue
Mr. Gao Yongtao
Mr. Lu Bin

JOINT COMPANY SECRETARIES

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Company's:

- **revenue** increased by 19.89% to approximately RMB31,194.7 million from approximately RMB26,018.6 million for the same period in 2018; which was mainly due to the increase in sales price of self-produced gold, as well as the increase in both sales price and sales volume of purchased gold.
- **cost of sales** increased by 20.77% to approximately RMB29,003.6 million from approximately RMB24,015.0 million for the same period in 2018, which was mainly due to the increase in the cost of purchased gold.
- **gross profit** increased by 9.36% to approximately RMB2,191.1 million from approximately RMB2,003.6 million for the same period in 2018, which was mainly due to the increase in the gross profit from sales of the Company's self-produced gold and purchased gold.
- **net current liabilities** increased to approximately RMB9,901.8 million from approximately RMB7,696.8 million as at 31 December 2018. The increase in net current liabilities was mainly due to (1) the long-term borrowings of SDG Hong Kong of approximately RMB2,062.4 million due within one year during the current period, which was reclassified to current liabilities; (2) the bonds payable by the Company of approximately RMB688.3 million due within one year at the end of the current period, which was reclassified to current liabilities; (3) the increase in cash and cash equivalents of approximately RMB953.5 million at the end of the period as a result of the issuance of green bonds and the smooth collection of receivables from operating activities during the current period.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 30 June 2019, the retained earnings of the Company amounted to approximately RMB10,834.8 million and current borrowings amounted to approximately RMB6,483.8 million. The cash balance of the Company as at 30 June 2019 was approximately RMB2,891.2 million. Based on the following considering factors, the Directors were of the opinions that the Group will be able to have sufficient working capital to provide capital sources for future needs of financing and working capital: (a) the Group is expected to remain profitable, and thus will continue to generate operating cash flows from future business operations; (b) the Group has been maintaining long-term business relationship with its principle bankers.

In the opinions of the management, the forecast operating cash flows will be sufficient for the operation of the Company for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Company include short term loans due to related parties in an aggregate amount of approximately RMB218.1 million from SDG Group Finance at an interest rate of 4.35% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings of the Company also include corporate bonds, of which include the Company's corporate bond (the second tranche). In relation to the Company's corporate bond (the second tranche), there were 13,000,000 units of corporate bonds at the par value of RMB100.0 each issued on 30 March 2015, generating total proceeds of RMB1,300.0 million. These corporate bonds carried an interest rate of 4.80% per annum, interest payments would be due on 30 March each year for the subsequent five years, the effective interest rate was 4.94% per annum, and these bonds will be due for full repayment on 30 March 2020. The current outstanding balance of the Company's corporate bond (the second tranche) is approximately RMB688.3 million. Meanwhile, the Company had arrangements of bank loans of approximately RMB5,609.4 million through a number of banks in the PRC with interest rates ranging from 3.64% to 4.79% 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 green bonds with a term of three years and the issuance size of RMB1.0 billion were issued in March 2019. The issuance of the bonds had been completed on 22 March 2019. The coupon rate of the bonds was determined at 3.85%. 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 report, the proceeds from the bonds after deducting the issuance expenses in the sum of RMB640 million has been used for the operation of the comprehensive recycling project of gold concentrate and the Company's green mines. The current idle capital in the sum of RMB360 million has been temporarily utilised to supplement working capital of the Company for not more than 12 months and shall in any event be promptly reallocated to the operation of the comprehensive recycling project of gold concentrate and the Company's green mines whenever such funds are required. For details, please refer to the board resolutions stated in the overseas regulatory announcement of the Company dated 21 June 2019.

Moreover, the Company utilised the following sources of capital to finance the Veladero Acquisition: (i) obtaining the Syndicated Term Loan of US\$740.0 million; and (ii) obtaining a term loan of US\$300.0 million from the China Development Bank Corporation, Hong Kong Branch ("China Development Bank"). The interest rate of the Syndicated Term Loan was LIBOR plus 1.25%, and the interest rate of the term loan from China Development Bank was LIBOR plus 1.23%. As at 30 June 2019, approximately RMB4,506.1 million of the proceeds raised from the listing of our H Shares on the Hong Kong Stock Exchange have been utilised to fully repay the three-year Syndicated Term Loan.

Based on the credit record of the Company, our relationship with the Company's principal lenders and the prevailing creditworthiness of the Company, the management believes that the Company will not encounter any material difficulties to obtain additional bank and other borrowings in future.

CASH FLOWS

The table below sets out selected cash flow information extracted from the consolidated cash flow statement for the six months ended 30 June 2019 and 30 June 2018:

| | For the six months ended 30 June 2019 (RMB million) | For the six months ended 30 June 2018 (RMB million) |
|--|---|---|
| Net cash generated from operating activities | 1,830.7 | 1,824.1 |
| Net cash (used in) investing activities | (2,097.0) | (1,417.2) |
| Net cash (used in)/generated from financing activities | 1,219.0 | (217.5) |
| Net increase in cash and cash equivalents | 952.7 | 189.4 |
| Exchange gains/(losses) on cash and cash equivalents | 0.7 | 1.4 |
| Cash and cash equivalents at the end of the period | 2,891.2 | 2,593.6 |

MANAGEMENT DISCUSSION AND ANALYSIS

Operating cash flows

For the six months ended 30 June 2019, the amount of net cash flow generated from operating activities was approximately RMB1,830.7 million, reflecting a cash amount of approximately RMB2,289.5 million was generated from operations, a tax amount of approximately RMB473.9 million was paid and an interest amount of approximately RMB15.1 million was received.

Investment cash flows

For the six months ended 30 June 2019, the amount of net cash used in investing activities by the Company was approximately RMB2,097.0 million, which mainly referred to the purchase of properties, plant and equipment of approximately RMB1,888.5 million and the payment for the settlement of gold future and forward contracts in the amount of approximately RMB53.4 million.

Financing cash flows

For the six months ended 30 June 2019, the amount of net cash generated in financing activities by the Company was approximately RMB1,219.0 million, mainly referred to the proceeds of bank borrowings in the amount of approximately RMB1,825.0 million, the proceeds of borrowings from related parties in the amount of approximately RMB178.7 million, and the proceeds from arrangement of gold leasing contracts in the amount of approximately RMB4,765.6 million. It was partially offset by repayment of bank borrowings in the amount of approximately RMB1,355.0 million, the settlement of gold leasing arrangements in the amount of approximately RMB4,251.9 million and repayment of borrowings from related parties in the amount of approximately RMB569.0 million.

ASSETS AND LIABILITIES

The table below sets out selected information extracted from the Company's balance sheets for the six months ended 30 June 2019 and 30 June 2018:

| | For the six months ended 30 June 2019 (RMB million) | For the six months ended 30 June 2018 (RMB million) |
|--|---|---|
| Non-current assets | 40,034.3 | 36,954.4 |
| Current assets | 8,202.1 | 6,775.6 |
| Equity attributable to owners of the Company | 22,131.0 | 16,967.4 |
| Non-controlling interest | 1,936.1 | 1,052.6 |
| Non-current liabilities | 6,065.5 | 11,885.1 |
| Current liabilities | 18,103.9 | 13,825.8 |
| Net current liabilities | 9,901.8 | 7,049.2 |
| Total assets less current liabilities | 30,132.5 | 29,905.2 |

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

The capital expenditure of the Company mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. For the six months ended 30 June 2019, in the contracted but not incurred capital expenditure of the Company, the total amount for the acquisition of mining and exploration permits, property, plant and equipment, was RMB566.0 million.

MAJOR INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2019, the Company had no major investments (including investments with an asset ratio of more than 8% in any entities) nor major acquisitions or disposals of subsidiaries, associates and joint ventures.

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

As at 30 June 2019, the Company has provided two counter-guarantees for SDG Hong Kong in a sum of US\$500.0 million in favour of China Development Bank for resolving the operating capital requirements for Veladero gold mine project in Argentina. Other than that, during the Reporting Period, there was no financial assistance to affiliated companies of the Company, or guarantee given for facilities granted to affiliated companies of the Company which together in aggregate exceeds 8% of the assets ratio as defined under Rule 14.07(1) of the Hong Kong Listing Rules.

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 2019.

INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2019 (corresponding period of 2018: Nil).

GEARING RATIO

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 30 June 2019, the Group's consolidated total debt was RMB7,514,905,000 (RMB6,432,174,000 as at 31 December 2018), and the Group's consolidated total equity was RMB24,067,076,000 (RMB23,636,678,000 as at 31 December 2018). As at 30 June 2019, the Group's gearing ratio was 31.2% (2018: 27.2%), or 60.3% if short-term financings through gold leasing were taken into account (2018: 54.5%). The movement of short-term financings through gold leasing is set out in the following table:

| | At beginning of the period | Proceeds received during the period | Settlement during the period | Unit: RMB'000 At end of the period |
|---|-------------------------------|--|------------------------------------|--|
| Short-term financings through gold leasing contracts | 6,438,726 | 4,827,670 | (4,265,882) | 7,000,514 |
| | 6,438,726 | 4,827,670 | (4,265,882) | 7,000,514 |

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENCIES

Details of contingency liabilities are set out in Note 18 to the condensed consolidated financial statements.

BUSINESS REVIEW

The Company's Main Business, Operating Model and Conditions of the Industry during the Reporting Period

The main business operations of the Company during the Reporting Period

During the Reporting Period, the Company's approved business scope was mainly mining, beneficiation of gold, production and sales of specialised equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations). The business scope covers geological prospecting, mining, beneficiation of gold, refining, processing, production and sales of precious metals, non-ferrous metal products, gold and jewelry accessories. The Company also engages in the production and sales of specialised equipment and materials for gold mines and construction materials. The Company mainly produces standard gold bullions and investment gold bars, silver ingots and other products of various specifications.

Operating Model

During the Reporting Period, the Company strictly adhered to the development philosophy of "resources are the unshakable fundamental interests of enterprises". Relying on the existing mines, the Company on the one hand further strives to improve the comprehensive utilisation rate of resources, continuously enhance the strength in the integration of mineral resources and on the other hand intensify our efforts in increasing gold reserves through exploration activities and conduct overseas resource mergers and acquisitions, make great efforts in safe production, enhance internal management and further improve the operational and control model of "the headquarters in charge of strategy, the business department in charge of coordination and the tertiary enterprises are responsible for implementation". The Company continues its work efforts in large-scale operation and technological innovation, with the level of production equipment and mechanisation of mining enterprises continues to maintain a high ranking position in the domestic mining industry. The underground trackless mining equipment configuration has also reached an advanced level in the world. The Company's existing production mines ranked the first in various aspects: including the accumulated production of 100 tonnes of gold in China – Jiaojia Gold Mine and Linglong Gold Mine; the first enterprise launching "World-class Exemplary Mine" in China – Sanshandao Gold Mine; the first digitalised mine in China – Jiaojia Gold Mine; the first mining company rated as the "National Environmental Friendly Enterprise" in China – Xincheng Gold Mine; a leading company in China in terms of mine gold trading volume – Shandong Gold Smelting Co., Ltd.

Relying on the three major laboratories namely, the deep underground mining laboratory, filling laboratory and beneficiation laboratory, the Company strengthens the construction of key laboratories, proactively promotes the key R&D programmes under the national "13th Five-Year Plan", improves the technological and innovative achievements transformation rate and provides strong technical supports for the Company's development. At present, the Company utilises its resource advantages in Zhaoyuan and Laizhou regions of Shandong Province to conduct overall planning, striving to become a domestic gold production giant. Meanwhile, a 10,000-tonne gold production base of the Company in Zhaoyuan and Laizhou regions is developing in an orderly and steady progress with the related R&D and planning programme under discussion and optimization.

The construction of high standards "World-class Exemplary Mine" has achieved phased results in terms of smart mines, intrinsically safe mines, green ecological mines, deep well mines and human mines construction. It has significantly improved the production cost and overall efficiency, promoted gold production and economic efficiency to a higher level, and to a certain extent created an exemplary effect for the whole gold industry. The Company made an all-out effort to promote its mining equipment company on the construction of Laizhou Industrial Park project, to build the most competitive high-end domestic mining equipment manufacturer under the "SDG Heavy Industry (山金重工)" brand, and accelerate the nurturing of new development drivers. We will consciously put our green development philosophy into practice through promoting the construction of green mines proactively, with an aim that all the mines of the Company can meet the national green mine standard by the end of the "13th Five-Year Plan", and persistently improve the international influence of "Shandong Gold, Ecological Mining".

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development and Position in the Industry

Since the beginning of 2019, the growth of the global economy has slowed down in general, the monetary policies of major economies have gradually been loosened, the trade dispute between China and the United States has escalated and the relationship between the United States and Iran has been in tension, all of which contributed to the significant rise of the international gold price. Under such circumstances, since the second half of last year, the globe has set off a new round of upsurge of mergers and acquisitions among the gold industry. From the mid and long-term perspective, the gold price will continue to demonstrate a volatile upward trend in the next few years. The global gold mining industry will experience another new era of prosperity.

In view of the weak global macro-economy and the domestic economy under structural adjustment, the gold industry has actively responded to the high-quality development requirements in new era and deepened the structural reform at the supply side, eliminated backward production capacity, optimized industrial structure, integrated high-quality gold resources and promoted technological innovation.

The China Gold Association statistics show that in the first half of 2019, the gold produced with domestic raw materials was 180.68 tonnes, which indicates a decrease of 9.60 tonnes as compared with the same period of 2018, representing a year-on-year decrease of 5.05%, among which, the gold produced from gold mines was 153.89 tonnes, representing a year-on-year decrease of 4.78%. Under the overall downward trend of the mine gold production in China, the total production of mine gold among major gold groups in gold industry was 73.11 tonnes, which maintains a year-on-year increase of 3.19%. The aforementioned statistics account for 47.51% of the national mine gold production, representing an increase of 3.67 percentage points as compared with the same period of 2018. Shandong Gold always takes “quality first and efficiency first (品質第一、效益優先)” as the key to achieve “high quality” development, constantly promotes technological innovation, optimize industrial structure and strengthen production management. The gold production of Shandong Gold maintained growth. In the first half of 2019, its gold production was 20.51 tonnes, an increase of 5.77% as compared with the same period of 2018, which continues to lead the gold industry in China.

Analysis on the Core Competitiveness during the Reporting Period

Strategic Advantage

The Company adheres to strategy-led development, continues to enhance strategic practice and maintain focus on its strategy. All the work has always been centered on the strategic goal of “optimising and expanding to become the top ten gold mining enterprises in the world in respect of comprehensive strength”. The Company shall actively facilitate and continue to optimise its stock, increase its resources, endeavor to increase the output capacity and output scale, actively cultivate differentiated competitive advantages and take the new development path with emphasis on high efficiency, energy saving and environmental protection. In 2019, the Company is committed to strengthen and expand its main business, to accelerate overseas mergers and acquisitions and proactively expand high-quality resources. The Company’s long-term production was guaranteed through tapping corporate internal potentials; promotion of precision management in a comprehensive way to enhance its production efficiency and cost competitiveness. The Company increased investment in research and development (“R&D”) to improve the level of technology contribution; adhered to the “double zero” goal of safety and environmental protection in order to achieve green and ecological development. In addition, the Company accelerated the transformation of old growth drivers with new ones and adhered to the improvement of traditional growth drivers through the management upgrading, and institutional innovation and transformation of system and mechanism, striving to build more powerful growth drivers to ensure the Company’s sustainable, efficient and stable development.

MANAGEMENT DISCUSSION AND ANALYSIS

Resources Advantage

Shandong is a large province in respect of gold resources and gold production. In terms of resources and reserves, the Jiaodong Peninsula gold mine concentrates 1/4 of the gold reserves in China, of which more than 90% are concentrated in Zhaoyuan and Laizhou regions. In addition, the regions have considerable prospective of resources/reserves. The Company has firmly established the concept of “resources first”, and in accordance with the “domestic exploration and outsourcing” principle, continuously increases its domestic exploration efforts and proactively carries out resource acquisitions. In 2019, the Company closely followed the construction progress of key projects, commenced the resources integration and development plan along the Jiaojia Gold Mining Belt and Sanshandao Gold Mining Belt, consolidated and enhanced the Company’s resource reserves in the Jiaodong area and built a solid resource foundation for the creation of a world-class gold production base in the Jiaodong area. At the same time, the project of 100% equity interests in SD Gold Capital Management Co., Ltd. (“SDG Capital Management”) was launched and acquired in cash, which further realized the Company’s gold industry chain, facilitated the integration of production and financing and enhanced the Company’s core competitiveness and market influence. The Company unwaveringly implemented the “going global” strategy, proactively participated in global resource allocation with an open and inclusive attitude, and completed preliminary investigations or due diligence for multiple projects, which provided strong backing for the Company’s comprehensive development, utilisation of mineral resources and sustainable development.

Advantage in the Company’s Structure and Scale

The Company is mainly engaged in the development and processing of gold mineral resources. The Company’s existing production mines ranked the first in the world in many aspects: including “Jiaojia Gold Mine”, the first digitalised underground mine in China, “Jiaojia Gold Mine” and “Linglong Gold Mine”, both are mines of domestical cumulative gold production of over 100 tonnes, “Sanshandao Gold Mine”, one of the mines with the highest equipment level and degree of mechanisation in China, “Xincheng Gold Mine”, the first mining company rated as the “National Environmental Friendly Enterprise” in China, “Shandong Gold Smelting Co., Ltd.”, a leading company in China in terms of mine gold trading volume etc. As of now, the Company is the only listed company with two mining enterprises with accumulated gold production exceeding 100 tonnes in China. Jiaojia Gold Mine, Sanshandao Gold Mine, Xincheng Gold Mine and Linglong Gold Mine have been on the list of “China Top Ten Gold Production Mines” for many consecutive years.

Advantage in Technological Innovation

The Company follows the policy of “science and technology are the primary productive forces” and the main focus of mastering the cutting-edge core technologies of mining industry, treats increasing the investment in R&D and undertaking or participating in the national key R&D projects as the stepping stone to facilitate the construction of its independent innovation platform while adhering to the direction of independent innovation. On the basis of integrating existing R&D institutions such as the original laboratories and the mining technology talent teams such as the “Deep Underground Mining Key Technology Research and Innovation Team”, the Company actively organized work activities with the Shandong Provincial Technology Innovation Center in order to further enhance its independent innovation capability and lay a solid foundation for new breakthroughs in key technology research and development. The Company has mastered underground exploration, deep mining, offshore seabed mining, smart mining, harmless treatment of cyanide residue, refining, all of which are leading technologies in the industry. As at the end of the first half of 2019, the Company had 206 valid patents, including 70 patents for invention. The Company proactively undertook and participated in the projects (topics) in relation to “deep resources exploration and mining”, which is a key project under the national “13th Five-Year Plan”, among which, the “R&D and Exemplary Project of Key Technologies for Green Mining of Deep Metal Mines” project will focus on developing a green mining model and evaluation system for deep metal mines, and establish a super large exemplary green mine with a depth of below 1,000 meters and 3.3 million tonnes per year in Sanshandao Gold Mine, which is expected to play an important role in effectively improving the overall recycling level of China’s resources, realizing the harmonious development of the deep metal mining and ecological environment and guiding the transformation and upgrading of the traditional mining industry in the right direction towards green mining industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Talent Advantage

Shandong Gold promotes the core values of “Fairness, Openness, Integrity, Responsibility, Accommodation and Harmony”, aiming to achieve the ideal goal of “benefiting as many individuals as possible and benefit as much as possible from the existence of Shandong Gold”. Shandong Gold advocates to be people-oriented and unleashing the full potential of its employees; its employment mechanism is composed of internal trainings, external recruitment, reflux of talent, and competitive recruitment to stimulate vitality. At the same time, the Company made full use of the market mechanism to vigorously implement talent project, innovative talent climbing project, high-end talent introduction project, skilled talent training project, talent counterpart assistance project, recruitment of talents through extensive channels, all-round training of talents, and motivation of talents through multiple initiatives, resulting in continuous improvement of the number, quality and structure of talent team. Through scientific methods to complete the establishment of the Company’s professional and technical post ranking system offers a smooth professional development channel for professional and technical personnel; vigorously select young cadres under 40 further optimizes the Company’s talent echelon construction.

Brand Advantage

In 2019, following the guidance of the mid-term adjustments of the “13th Five-Year Plan”, Shandong Gold dug deep into the scale of production capacity, seized the cost potential, expanding its gold business, optimized internal management and accelerated the penetration of overseas markets through leveraging its resource expansion. The Company received a number of honorary titles including the “10th Best Board of Directors in Investor Relations of China’s Listed Companies” and the “Best Investor Relations Award”. The Company was committed to green mining, and strove to build a harmonious mining area and promote its corporate brand image as “Shandong Gold, Ecological Mining”. At present, the subsidiaries of the Company including four major mines have met the standard of “Level 2 Mine Production Safety Standard” (安全生產標準化二級企業). Three of our enterprises were recognised by the National Safety Administration (國家安全總局) as “Exemplary Enterprises in Building National Safety Culture” (全國安全文化建設示範企業) and four of our enterprises were recognised as “Exemplary Enterprises in Building Safety Culture” at the provincial level. 13 mines under 10 enterprises owned by the Company have been listed on the national green mine selection and recommendation list.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

Since the beginning of the year, the Company actively respond to the complicated situation with intensifying internal and external challenges, comprehensively speeding up the pace of reform, expediting the conversion of new and old growth drivers, and striving to improve quality and efficiency. As a result, there is a good overall economic operation with the major targets well accomplished as expected or even performed better than expected. The overall development of the Company continues to grow in a stable and progressively good manner.

Overview of the Company’s Operations for the First Half of 2019

In the first half of 2019, the Company’s gold mine production volume reached 20.51 tonnes, representing a year-on-year increase of 5.77%; the Company’s total assets reached RMB48.236 billion, representing an increase of RMB2.625 billion or 5.76% as compared to the end of the previous year; the total liabilities amounted to RMB24.169 billion, representing an increase of RMB2.194 billion or 9.99% as compared to the end of the previous year; the asset-liability ratio (calculated as the ratio of total liability over total asset) was 50.10%, up by 1.92 percentage points as compared to the end of the previous year; the equity attributable to the owners of the parent company totaled RMB22.131 billion, representing an increase of RMB0.418 billion or 1.93% as compared to the end of the previous year. The revenue during the Reporting Period was RMB31.195 billion, representing a year-on-year increase of RMB5.176 billion, or 19.89%; the total gross profit was RMB2.191 billion, representing a year-on-year increase of RMB0.019 billion, or 9.36%; the basic earnings per share was RMB0.29 per Share, representing a decrease of approximately 6.45% as compared to the corresponding period of last year. The year-on-year decline in earnings per share is due to the increase in share equity from the Company’s H Share listing in September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Since the beginning of the year, we have focused on the high-quality development requirements, mainly in the following areas of work:

Constantly improving the quality of management. The Company actively benchmarked itself against the international first-class enterprises and launched a themed campaign known as “optimizing the mining process and reducing ore depletion” while fully implementing the high-quality development evaluation system for mining enterprises and promoting contests on key indicators, as a result of which the mining loss and ore depletion rate have been further optimized. The Company insisted on cost control for benefit and continuously optimized the assessment system, prioritising profit contribution, cost per unit, asset income, cash flow and other indicators, strengthening the special analysis of production, cost and profit, which effectively managed our cost level. Through in-depth analysis and exploration of the gold market, seizing the opportunities and adjusting its sales strategies accordingly, the Company had a better grasp of the trend of gold prices and achieved sales at favorable prices. The Company also actively carried out the basic management target-hitting campaign at the headquarters and laboratories and comprehensively sorted out its business processes, aiming to formulate a system of standards for compliance and further improve the standard and quality of basic management.

Continuously deepening internal reforms. The Company closely pivoted around the high-quality development requirements, unswervingly deepened its reform, and optimized its development mechanisms so as to enhance the vitality of development. It established and implemented a “three-in-one” assessment mechanism to integrate operation, party building, safety and environmental protection into the annual assessment system. It actively promoted the development of information technology as well as the application of collaborative office platform, which has significantly improved work efficiency and quality. It further established a good employment orientation and constantly improved its talent acquisition mechanism, which focused on “high-quality professionalization”, vigorously selecting and promoting young cadres, and optimizing the echelon of talent.

Constantly boosting the development momentum. The Company has been promoting the conversion of old and new growth drivers, and vigorously exploring the potential of each element. The construction of its world-class exemplary mine has taken a rough shape, with its industrial network renovation, ground pressure monitoring, unmanned driving of motor vehicle and smart plant construction all achieving phased success. The construction of the transportation lane between Xincheng deep mining areas and to ports has been completed, while the construction of production connection project in Sanshandao Gold Mine and Laizhou Industrial Park of the mining equipment company have been progressing at a high speed. The Company continued to focus on “resource acquisition” as its main target while actively studying the ore-developing laws to properly implement mine prospecting in the key targeted areas and identifying and selecting high-quality mineral rights projects through multiple channels.

Continuously to carry out capital operation. The Company has pushed on the business extension of the gold industry chain, promoted the combination of production and integration, and carried out cash acquisition to acquire 100% equity interests in SDG Capital Management. The procedures for delivery were in progress as at the date of this report. The Company focused on broadening exchanges with the domestic and foreign capital markets, and held roadshows successively in various countries and regions such as Beijing, Shanghai, Shenzhen, Hong Kong, Singapore, the United States and England. The Company was elected as the Vice President of the China Association of Public Companies, which further enhanced its industrial status and brand image in the capital market and international market.

Continuously strengthening safety management. The Company firmly adhered to the goal of “double zero” for safety and environmental protection while strengthening the “double-base” work, making arrangement and deployment for the 12 key tasks of safety and environmental protection, carrying out evaluation of the operation of the dual prevention system in its mining enterprises and dedicated rectification activities, which has further improved its essential safety management expertise. It also made significant efforts to preserve the ecological environment, with the construction of green mines in Linglong Gold Mine successfully passing the inspection and acceptance of the provincial natural resources administrative authorities, and the Sanshandao Gold Mine completing the second round of planning and revision for green mine construction.

MANAGEMENT DISCUSSION AND ANALYSIS

Constantly strengthening the Party building. The Company fully adhered to the new requirement on imposing strict party discipline and thoroughly studied and implemented Xi Jinping's Thoughts on Socialism with Chinese Characteristics for a New Era while solidly carrying out the education campaign themed "staying trues to our founding mission" and continuously facilitating the political construction, ideological construction, organisation construction, work style construction and discipline construction of the Party. It also actively explored ways and methods for effective connection between and development of the Party building responsibility and production management responsibility, and strove to improve the quality and effectiveness of Party building efforts, creating a good atmosphere for working and starting business, and converging powers for reform and development.

Major Operations during the Reporting Period

During the Reporting Period, the Company completed processing (leaching) of 13.82 million tonnes, representing a year-on-year decrease of 6,800 tonnes, or 0.05%. Among which, processing amount in the PRC reached 7.57 million tonnes, representing a year-on-year increase of 610,000 tonnes, or 8.74%; processing amount abroad amounted to 6.24 million tonnes, representing a year-on-year decrease of 620,000 tonnes, or 8.98%.

The raw ore grade was 1.55g/t, representing a year-on-year decrease of 0.07g/t, or 4.23%, among which, the raw ore grade of domestic mines was 2.21g/t, which is basically unchanged from the same period last year; the raw ore grade of overseas mines was 0.75g/t, representing a year-on-year decrease of 0.22g/t, mainly due to the lower raw ore grade used in the current period.

The gold beneficiation recovery rate of domestic mines of the Company was 91.88%, representing a year-on-year increase of 0.06 percentage point, or 0.06%, while the gold beneficiation recovery rate of overseas mines was 75.15%, representing a year-on-year increase of 2.62 percentage points or 3.59%.

POSSIBLE RISKS

Safety management risks

Mining is considered to have higher safety risks amongst other industries. Inadequate safety management may result in various accidents or injuries including roof falling and rib spalling and water leakage, which in turn caused certain losses to the Company.

Countermeasures: Firstly, we were fully aware of the situation, and placed increased emphasis on the responsibility and the imperative need for safety as we formulated and issued the Opinions on Well Conducting the Work in relation to Safety and Environmental Protection in 2019; secondly, we established a "three in one" responsibility assessment system for safety and environmental protection, and signed the certificate of responsibility for safety for all levels; thirdly, we reinforced the "double base" management through the promotion of fundamental management and on-site standardisation construction; fourthly, we implemented the construction of a dual prevention system at full speed and made a great effort in safety risk identification and hierarchical management and established a long-term operational mechanism; fifthly, safety inspection and supervision were conducted to identify the potential risks involved and to strengthen the implementation of control measures to eliminate latent dangers; sixthly, we increased investment in "promotion of safety through science and technology" to improve the intrinsic safety level.

Investment risks associated with the merger and acquisition of mining rights

The inconsistency between facts of the projects proposed to be acquired by the Company and the actual information obtained by the Company through due diligence, and the existence of unpredictable factors such as changes in market conditions may lead to deviations in project prospects and value assessments, resulting in the underachievement of expected return on the Company's investment, or even bring about economic losses which would result in risk of investment decision-making. The Company is currently reviewing its strategy on mining policies which brings about various uncertainties to mergers and acquisitions of mining rights.

MANAGEMENT DISCUSSION AND ANALYSIS

Countermeasures: Firstly, we developed a merger and acquisition plan for resources, established a database for merger and acquisition projects and a project screening mechanism to formulate detailed merger and acquisition business processes and supporting work systems; secondly, in accordance with the Company's merger and acquisition process, we conducted screening, preliminary investigation, due diligence, feasibility study and other work for the proposed acquisition project, and organised the implementation of acquisition and cooperation business of resource projects; thirdly, we speed up the establishment of merger and acquisition projects and conducted a comprehensive inspection of the resources of the target projects and its occurrence state and technical and economic conditions for development, and focused on verifying the reliability of project resources and reserves report information, to ensure the integrity of inspection and verification of sampling, the authenticity of the test results, the feasibility of the technical indicators of mining, beneficiation, and smelting, etc; fourthly, for projects with low potential, high risk and inconsistent with the Company's resource acquisition strategy, we have effectively avoided the same by removing such projects at the first instance.

International Operation Risk

With the increase in overseas merger and acquisition projects, the Company often faces risks and challenges from policy changes in the places where the overseas projects are located, investment and financing, laws and talents in the process of "going global".

Countermeasures: Firstly, we carefully analyzed the political environment and investment environment of the target country of investment, engaged and obtained consultation from reputable domestic and foreign investment experts and law firms in their respective countries, and in the meantime strengthened the communication and exchanges with Chinese institutes located in foreign countries, Chinese and foreign-funded enterprises that have already started business in the target country for investment, took the initiative to pay attention to and study the documents issued by the National Development and Reform Commission, the Ministry of Natural Resources, the Ministry of Commerce, the State Administration of Foreign Exchange and the laws and regulations, and other ministries to circumvent and control the risk of overseas investment from the political, policy, and legal aspects; secondly, we proactively expanded the financing channels, innovated financing methods and strengthened cooperation with financial institutions to obtain more financing support to avert the risks concerning overseas debt; thirdly, we analyzed the supply and demand and macroeconomic situation in the international market, track international price changes, and reduced the risk of price changes by adopting hedging strategy; we locked interest rates through interest rate swaps and other instrument at reasonable time to avoid the risk of foreign interest rate fluctuations; fourthly, we strictly implemented local environmental protection requirements, maintained good relations with local government and community, organically combined resource development with environmental protection and improve local infrastructure to achieve win-win development for the Company and local community.

Resource Reserve Risk

At present, the Company's exploration rights for high-quality gold mines are mainly concentrated in Shandong Province. The exploration stage has basically reached the detailed investigation and above. With the end of the exploration work, the exploration work base is increasingly insufficient. We are faced with the risk of insufficient reserves of high-quality exploration rights.

Countermeasures: Firstly, we formulated specific implementation plans for exploration and increased reserves in the next two years, increased exploration investment in existing and surrounding areas, and extended the average service lives of gold resource reserves within the Company's mining scope; secondly, we continued promoting the dynamic tracking and management of key projects and key areas; thirdly, we strengthened the integration of production, study and research, continuously increased investment in science and technology research and development, and strove to break through key technologies such as deep prospecting and exploration, in order to provide technical support for new breakthrough in deep geological prospecting.

MANAGEMENT DISCUSSION AND ANALYSIS

Exchange Rate Volatility Risk

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

ANALYSIS ON INVESTMENT STATUS

Key Equity Investments

On 28 March 2019, the 18th meeting of the fifth session of the Board reviewed and approved the Resolution Regarding Increase of Capital Contribution to Overseas Wholly-Owned Subsidiary. In order to further deepen the implementation of the Company's internationalisation development strategy and optimize the structure of assets and liabilities of Shandong Gold Mining (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company established in Hong Kong, the Company applied for an additional registered capital of HK\$5.12 billion or its equivalent in RMB (subject to actual registered exchange rate) to settle its partial debts. For more details, please refer to the overseas announcement of the Company "Announcement on the Resolutions of the 18th meeting of the Fifth Session of the Board of Directors of the Company" published on the website of the Hong Kong Stock Exchange on 28 March 2019.

Material Sales of Assets and Equity

On 24 January 2019, the 16th meeting of the fifth session of the Board reviewed and approved the Resolution Regarding the Separation and Handover of "Water/Electricity/Gas Supplies and Property Management" and Connected Transactions of Subordinated Enterprises of the Company. In accordance with the document spirit and related work deployment of Notice of the Ministry of the Finance Regarding the Issue of Enterprises Separation to Carry Out Social Functions Related to Financial Management (Cai Qi [2005] No. 62), Notice of the Office of the State Council on the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance Regarding the Guidelines Related to the Separation and Handover of "Water/Electricity/Gas Supply and Property Management" in the Employee Family Area of the State-owned Enterprises (Guo Ban Fa [2016] No. 45), Notice of Office of the People's Government of Shandong Province on Printing and Distributing the Work Plan for Further Solving the Social Functions and Historical Issues of Provincial Enterprises Office (Lu Zheng Ban Fa [2016] No. 35), Notice of the Office of the People's Government of Shandong Province on the Work Plan for the Separation and Handover of the "Water/Electricity/Gas Supply and Property Management" of the Employee Family Zone of the State-owned Enterprises in Shandong Province (Lu Zheng Ban Fa [2016] No. 76), Measures for the Administration of the "Water/Electricity/Gas Supplies and Property Management" Separation and Handover for Provincial Financial Subsidy Funds in the Employee Family Zone of Provincial Enterprises in Shandong Province (Lu Cai Zi [2017] No. 65) and other relevant documents, the enterprises owned by Shandong Gold Mining Co., Ltd. proposed to conduct the separation and handover of water, electricity, gas supplies and property management (the "Water/Electricity/Gas Supply and Property Management") in the residential areas for their employees (the "Separation and Handover"). Details are as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

The Separation and Handover of the “Water/Electricity/Gas Supply and Property Management” had an impact on 2018 financial statements, including a total of assets of net book value of approximately RMB42.4 million were transferred, including: unpaid transfer to the government designated state-owned receiving unit with the net asset book value of approximately RMB24.4 million and the assets with net asset book value of approximately RMB17.9 million transferred to SDG Property Management Co., Ltd. (山東黃金物業管理有限公司) according to the agreement. According to the document Cai Qi [2005] No. 62, the Company will reduce the undistributed profits by approximately RMB25.7 million (including tax payments of RMB1.3 million for transfer of assets gratis) according to the regulations. The maintenance and renovation fees of the Separation and Handover is approximately RMB6.4 million effecting a decrease of approximately RMB6.4 million in the current profit or loss; the financial subsidy funds obtained was approximately RMB14.7 million; the income of connected transactions involved in the Separation and Handover was approximately RMB17.7 million effecting a decrease of RMB0.2 million in the current profit or loss.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND CONNECTED TRANSACTIONS

As at the date of preparation of this interim report, SDG Group directly and indirectly held 47.06% of the issued Shares.

SDG Group (excluding our Group) engages in gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialized equipment and supplies and construction materials for gold mines. The gold resources of SDG Group (excluding our Group) are mainly located in the PRC. As of the date of preparation of this interim report, it owned 30 gold mine exploration permits in the PRC with an aggregate of approximately 676.7 tonnes of gold resources initially measured with reference to PRC mining permit appraisal methods and filed with relevant authorities; and 16 gold mine mining permits in the PRC with an aggregate of approximately 56.7 tonnes of measured gold resources (excluding one mining permit already leased to us). Except a few exploration permits under which the gold mines are either with insignificant resources detected or subject to government approval for consolidation, all the exploration and mining permits held by SDG Group (excluding our Group) have been under entrustment arrangement pursuant to the Equity Entrustment Framework Agreement between our Company and SDG Group Co. The Company will continue to disclose the status of the transfer of the exploration and mining permits in its interim and annual reports after listing, including but not limited to, any change in the list of entrusted targets, whether the relevant permits granted to the Company under the non-competition undertaking have been exercised, the status of boundary and capacity expansion (if applicable). Transfer of the exploration and mining permits from SDG Group to our Group is generally expected to commence by the end of 2020, however, due to insignificant resources detected in certain gold mines, decision on whether to transfer the corresponding permits attached to such gold mines is expected to be made by the end of 2023 based on the then exploration results. For details of the relevant permits held by SDG Group, please refer to the paragraph headed “Exploration and Mining Permits Held by SDG Group (excluding our Group) in the PRC as of the Date of This Interim Report” below.

In addition, SDG Group holds a controlling interest in Focus Minerals Limited (an Australian listed company principally engaged in gold exploration and production, stock code: FML) through SDG International. Focus Minerals Limited is owned as to approximately 49.53% by SDG International, and SDG International is owned as to approximately 65% by SDG Group Co. On 23 January 2017 and on 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares respectively to the Industrial and Commercial Bank of China, Shandong Branch (中國工商銀行山東省分行). Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use, which accounted for approximately 14.00% of total number of our Shares as at 30 June 2019. Industrial and Commercial Bank of China is an authorized institution under the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Statistics of the resources under the exploration permits of SDG Group

| No. | Name of exploration permit | Holder of exploration permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mineral exploration | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|-----|--|--|---|---|--|--|--|---|
| 1 | The gold mine at deep level and outer rim of northern Jiaojia mine area in Laizhou, Shandong Province (exploration) (山東省萊州市焦家礦區深部及外圍金礦北部勘探) | SDG Group Co. Ltd. | Laizhou, Shandong Province | 11.43 | Relevant materials for boundary and capacity expansion have been submitted to the authorities | No (under consolidation with the mining permit of Jiaojia Gold Mine) | Note 1 | Information on boundary and capacity expansion has been accepted by the Ministry of Natural Resources |
| 2 | The gold mine at deep level and outer rim of southern Jiaojia mine area in Laizhou, Shandong Province (general exploration) (山東省萊州市焦家礦區深部及外圍金礦南部詳查) | SDG Group Co. Ltd. | Laizhou, Shandong Province | 0.972 | Exploration right reserved | No (new exploration permit granted and to be consolidated with the mining permit of Jiaojia Gold Mine in the future) | Note 2 | N/A |
| 3 | The outer rim of western Sanstardao gold mine area in Laizhou, Shandong Province (exploration) (山東省萊州市三山島金礦區西部外圍勘探) | SDG Group Co. Ltd. | Sanstardao, Laizhou, Shandong Province | Not detected yet | The general exploration report has been submitted in January 2015 | No (no resource has been explored) | In the process of deregistration | N/A |
| 4 | The gold mine at Dongji - Nanlv District in Laizhou, Shandong Province (general prospecting) (山東省萊州市東季-南呂地區金礦普查) | Laizhou Ludi Mining Investment and Development Co., Ltd. | Jincheng Town, Laizhou, Shandong Province | 85.54 | Exploration has been completed, and the exploration permit is in the course of converting into a mining permit | Yes | To decide on whether to transfer by the end of 2023 upon transfer to the mining permit and receipt of other licenses | N/A |
| 5 | The gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province (exploration) (山東省萊州市紅布礦區深部及外圍金礦勘探) | Shandong Tiansheng Mining Co., Ltd. | East of Hongbu Village in Jincheng Town, Laizhou, Shandong Province | 19.37 | In the process of exploration | Yes | Note 1 | N/A |

MANAGEMENT DISCUSSION AND ANALYSIS

| No. | Name of exploration permit | Holder of exploration permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mineral exploration | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|-----|--|---|---|---|--|--|---|---|
| 6 | The gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province (exploration) (山東省萊州市馬塘二礦區深部及外圍金礦勘探) | Shandong Tancheng Mining Co., Ltd. | East of Matang Village in Jincheng Town, Laizhou, Shandong Province | Not detected yet | The general prospecting report has been submitted in April 2019 | Yes | Note 1 | N/A |
| 7 | The gold mine at Cangshang-Panjiawuzi District in Laizhou, Shandong Province (exploration) (山東省萊州市倉上-潘家屋子地區金礦勘探) | Shandong Gold Geological Mine Exploration Co., Ltd. | Sanshandao, Laizhou, Shandong Province | Not detected yet | The geological report has been submitted in March 2019 | Yes | Note 2 | N/A |
| 8 | The middle and deep level of Lucun gold mine at Laizhou, Shandong Province (general exploration) (山東省萊州市留村金礦中深部詳查) | Shandong Gold Geological Mine Exploration Co., Ltd. | Hutouya Town, Laizhou, Shandong Province | 2.00 | The resources reserves report has been submitted in April 2016 | Yes | Note 2 | N/A |
| 9 | Zhaojia gold mine in Laizhou, Shandong Province (general exploration) (山東省萊州市趙家金礦詳查) | Shandong Gold Geological Mine Exploration Co., Ltd. | Pingjidian Town, Laizhou, Shandong Province | Not detected yet | The geological report has been submitted in March 2019 | Yes | Note 2 | N/A |
| 10 | Shangmajia gold mine in Laizhou, Shandong Province (general exploration) (山東省萊州市上馬家金礦詳查) | Shandong Gold Geological Mine Exploration Co., Ltd. | Zhacun Town, Laizhou, Shandong Province | 0.22 | The general prospecting report has been submitted in November 2017 | Yes | Note 2 | N/A |
| 11 | Xiling Village gold mine in Laizhou City, Shandong Province (exploration) (山東省萊州市西嶺村金礦勘探) | Shandong Gold Geological Mine Exploration Co., Ltd. | Sanshandao, Laizhou, Shandong Province | 382.58 | The general exploration report has been submitted in December 2016 | Yes | Note 1 | N/A |

MANAGEMENT DISCUSSION AND ANALYSIS

| No. | Name of exploration permit | Holder of exploration permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mineral exploration | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|-----|---|--|--|---|---|--|---|--|
| 12 | The gold mine at Nanlv – Ximtu District in Laizhou City, Shandong Province (山東省萊州市南呂-欣木地區金礦勘探) | Shandong Gold Laizhou Ludu Gold Mine Co., Ltd. | Jincheng Town, Zhuqiao Town, Laizhou, Shandong Province | 133.14 | The exploration report has been filed | Yes | Note 1 | N/A |
| 13 | The gold mine at Dayinjia mine area in Laizhou City, Shandong Province (general exploration) (山東省萊州市大尹家礦區金礦詳查) | Shandong Jindi Mining Co., Ltd. | Pinglibian Town, Zhuqiao Town, Laizhou, Shandong Province | Not detected yet | The summary report has been submitted in November 2017 | Yes | Note 2 | N/A |
| 14 | The gold mine at Cishan mine area in Penglaji, Shandong Province (exploration) (山東省蓬萊市磁山礦區金礦勘探) | Shandong Gold Jinchuang Group Co., Ltd. | East Tuwu Village, Daluhang Town, Penglaji, Shandong Province | 3.86 | The general exploration report has been submitted in July 2017 | Yes | Note 1 | N/A |
| 15 | The gold mine at Shanglanzhi mine area in Penglaji, Shandong Province (exploration) (山東省蓬萊市上嵐子礦區金礦勘探) | Shandong Gold Jinchuang Group Co., Ltd. | Yanzikuang Village, Daluhang Town, Penglaji, Shandong Province | 3.6 | The general exploration report has been submitted in January 2015 | Yes | Note 1 | N/A |
| 16 | The gold mine at the deep level of Tuwu gold mine area in Penglaji, Shandong Province (general exploration) (山東省蓬萊市土屋金礦區深部金礦詳查) | Shandong Gold Jinchuang Group Co., Ltd. | West Tuwu Village, Penglaji, Shandong Province | 0.57 | The general exploration report has been submitted in April 2013 | Yes | Note 1 | N/A |
| 17 | The gold mine at the deep level and outer rim of Qigouyifen mine area in Penglaji City, Shandong Province (exploration) (山東省蓬萊市齊溝一分礦區深部及外圍金礦勘探) | Shandong Jinchuang Co., Ltd. | Xaomenjia Town, Penglaji, Shandong Province | 0.83 | The resources reserves report has been submitted in May 2016 | Yes | Note 2 | In the process of consolidation with the mining permit of the item. The expansion of boundary has been suspended due to overlapping with the coverage of environmental protection zones. |

MANAGEMENT DISCUSSION AND ANALYSIS

| No. | Name of exploration permit | Holder of exploration permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mineral exploration | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|-----|--|--|--|---|--|--|---|--|
| 18 | The deep level and outer rim of Heilangou gold mine in Penglai City, Shandong Province (general exploration) (山東省蓬萊市黑龍溝金礦深部及外圍詳查) | Shandong Jinchuang Co., Ltd. | Daxindian Town, Penglai, Shandong Province | 1.48 | In preparation of the general exploration report | Yes | Note 1 | N/A |
| 19 | Baolun gold mine in Ledong County, Hainan Province (general exploration) (海南省樂東縣抱倫金礦詳查) | Hainan Starjin Mining Co., Ltd. | Haogangying, Baoyou Town, Ledong County, Hainan Province | 10.04 | The general exploration report has been submitted in March 2017 | Yes | Note 1 | In the process of consolidation with the mining permit of the item |
| 20 | Yishan Forest Farm gold mine in Oroqen Autonomous Banner, Hulunbuir, Inner Mongolia (general exploration) (內蒙古呼倫貝爾盟倫著自治旗伊山林場金礦詳查) | Hulunbuir Starjin Mining Co., Ltd. | Alihe Town, Oroqen Autonomous Banner, Hulunbuir, Inner Mongolia | Not detected yet | The geological summary report has been prepared in 2013 | Yes | Note 2 | N/A |
| 21 | The silver (gold) mine in Xiangluping mine area, Zhenghe, Fujian Province (general exploration) (福建省政和縣香盧坪礦區香盧坪礦區銀(金)礦詳查) | Fujian Zhenghe Xiangluping Mining Co., Ltd. | Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province | 0.86 | The general exploration report has been submitted in July 2013 | Yes | Note 2 | N/A |
| 22 | The gold mine at the outer rim of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦邊地質詳查) | Fujian Province Zhenghe Hongkun Mining Co., Ltd. | Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province | Not detected yet | N/A | Yes | Note 1 | N/A |
| 23 | The gold mine at the deep level of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦深部詳查) | Fujian Province Zhenghe Hongkun Mining Co., Ltd. | Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province | Not detected yet | N/A | Yes | Note 1 | N/A |
| 24 | The gold mine at Asha (Kere) District in Duan County, Qinghai Province (general prospecting) (青海省都蘭縣阿斯哈(可熱)地區金礦普查) | Qinghai Starjin Mining Co., Ltd. | Gouli Town, Duan County, Qinghai Province | 2.27 | The general exploration report has been submitted in December 2017 | Yes | Note 2 | N/A |

MANAGEMENT DISCUSSION AND ANALYSIS

| No. | Name of exploration permit | Holder of exploration permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mineral exploration | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|--------------|---|---|---|---|---|--|---|---|
| 25 | Walaega gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣瓦勒格金礦普查) | Qinghai Shanjin Mining Co., Ltd. | Gouli Town, Dulan County, Qinghai Province | 2.78 | The general prospecting report has been submitted in December 2017 | Yes | Note 2 | N/A |
| 26 | The gold mine at Daigigeqiang District in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣達型古格塘地區金礦普查) | Qinghai Shanjin Mining Co., Ltd. | Gouli Town, Dulan County, Qinghai Province | Not detected yet | In the process of prospecting physical workload | Yes | Note 2 | N/A |
| 27 | Guoluobogwa gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣果洛龍窪金礦普查) | Qinghai Shanjin Mining Co., Ltd. | Gouli Town, Dulan County, Qinghai Province | 12.94 | The general exploration report has been submitted in March 2010 | Yes | Note 2 | N/A |
| 28 | Anmaga gold mine in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣安納格金礦普查) | Qinghai Shanjin Mining Co., Ltd. | Gouli Town, Dulan County, Qinghai Province | 1.67 | The general prospecting report has been submitted in December 2017 | Yes | Note 2 | N/A |
| 29 | Dachaidan Hangwei Shengligou gold mine in Qinghai Province (general exploration) (青海省大柴旦行委勝利溝金礦普查) | Shanjin Western Geological and Minerals Exploration Co., Ltd. | Dachaidan Hangwei, Haixi Prefecture, Qinghai Province | 0.56 | The general prospecting report has been submitted in December 2012 | Yes | Note 2 | N/A |
| 30 | Dachaidan Hangwei Hongdenggou west gold mine in Qinghai Province (general prospecting) (青海省大柴旦行委紅燈溝西金礦普查) | Shanjin Western Geological and Minerals Exploration Co., Ltd. | Dachaidan Hangwei, Haixi Prefecture, Qinghai Province | Not detected yet | The general prospecting report has been submitted in September 2017 | Yes | Note 2 | N/A |
| Total | | | | 676.7 | | | | |

Note 1: The transfer process is expected to commence in 2020.

Note 2: Due to insignificant resources detected based on the latest assessment, decision on whether to transfer such permits is expected to be made by the end of 2023 based on the then exploration results.

MANAGEMENT DISCUSSION AND ANALYSIS

Statistics of the resources under the mining permits of SDG Group

| No. | Name of mining permit | Holder of mining permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mine development | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|-----|---|---|--|---|--------------------------------|--|---|---|
| 1 | Shandong Tiancheng Mining Co., Ltd. Hongbu mine area (山東天承礦業有限公司紅布礦區) | Shandong Tiancheng Mining Co., Ltd. | Jincheng Town, Laizhou, Shandong Province | 1.58 | In commercial production stage | Yes | Note 1 | N/A |
| 2 | Shandong Tiancheng Mining Co., Ltd. Dongji mine area (山東天承礦業有限公司東季礦區) | Shandong Tiancheng Mining Co., Ltd. | Jincheng Town, Laizhou, Shandong Province | 1.49 | In commercial production stage | Yes | Note 1 | N/A |
| 3 | Shandong Shengda Mining Co., Ltd. Matang mine area (山東盛達礦業股份有限公司馬塘礦區) | Shandong Shengda Mining Co., Ltd. | Jincheng Town, Laizhou, Shandong Province | 0.75 | In commercial production stage | Yes | Note 1 | N/A |
| 4 | Shandong Shengda Mining Co., Ltd. Matang II mine area (山東盛達礦業股份有限公司馬塘二礦區) | Shandong Shengda Mining Co., Ltd. | Jincheng Town, Laizhou, Shandong Province | 0.92 | In commercial production stage | Yes | Note 1 | N/A |
| 5 | Shandong Gold Jinchuang Group Co., Ltd. Yanshan mine area (山東黃金創集團有限公司燕山礦區) | Shandong Gold Jinchuang Group Co., Ltd. | Yanshan area, Dalujiang Town, Penglai, Shandong Province | 4.64 | In commercial production stage | Yes | Note 1 | The infrastructure construction of boundary and capacity expansion is in progress, after which completion acceptance will be applied and the safety production license will be obtained |

MANAGEMENT DISCUSSION AND ANALYSIS

| No. | Name of mining permit | Holder of mining permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mine development | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|-----|--|---|--|---|--------------------------------|--|---|---|
| 6 | Shandong Gold Jinchuang Group Co., Ltd. Yankou mine area (山東黃金創集團有限公司奄口礦區) | Shandong Gold Jinchuang Group Co., Ltd. | Yankou area, Daluhang Town, Penglai, Shandong Province | 6.32 | In commercial production stage | Yes | Note 1 | The infrastructure construction of boundary and capacity expansion is in progress, after which completion acceptance will be applied and the safety production license will be obtained |
| 7 | Shandong Jinchuang Co., Ltd. Shangkouwangli gold mine area (山東金創股份有限公司上口王李金礦區) | Shandong Jinchuang Co., Ltd. | Daxindian Town, Penglai, Shandong Province | 3.94 | In commercial production stage | Yes | Note 1 | The infrastructure construction of boundary and capacity expansion is in progress, after which completion acceptance will be applied and the safety production license will be obtained |
| 8 | Shandong Jinchuang Co., Ltd. Heijinding mine area (山東金創股份有限公司黑金頂礦區) | Shandong Jinchuang Co., Ltd. | Daxindian Town, Penglai, Shandong Province | 1.71 | In commercial production stage | Yes | Note 1 | The infrastructure construction of boundary and capacity expansion is in progress, after which completion acceptance will be applied and the safety production license will be obtained |
| 9 | Shandong Jinchuang Co., Ltd. Heliangou mine area (山東金創股份有限公司黑崗礦區) | Shandong Jinchuang Co., Ltd. | Daxindian Town, Penglai, Shandong Province | 7.39 | In commercial production stage | Yes | Note 1 | N/A |

MANAGEMENT DISCUSSION AND ANALYSIS

| No. | Name of mining permit | Holder of mining permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mine development | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|-----|--|----------------------------------|--|---|--------------------------------|--|---|---|
| 10 | Shandong Jinchuang Co., Ltd. Qigouyifen mine area (山東金創股份有限公司齊溝一分礦區) | Shandong Jinchuang Co., Ltd. | Daxindian Town, Penglai, Shandong Province | 1.8 | In commercial production stage | Yes | Note 1 | The mining areas overlapped with the coverage of environmental protection zones. The mining areas have been adjusted to avoid overlapping with the environmental protection zones. However, as approval documents have not been obtained and environment reports have not been reviewed, the expansion of boundary has been suspended |
| 11 | Qingdao Jinxing Mining Co., Ltd. (青島金星礦業股份有限公司) | Qingdao Jinxing Mining Co., Ltd. | Jiudian Town, Pingdu, Shandong Province | 5.49 | In commercial production stage | Yes | Note 1 | The infrastructure construction of boundary and capacity expansion is in progress, after which completion acceptance will be applied and the safety production license will be obtained |

MANAGEMENT DISCUSSION AND ANALYSIS

| No. | Name of mining permit | Holder of mining permit | Location | Gold content (tonnes) based on the latest assessment date | Status of mine development | Whether under the Equity Entrustment Framework Agreement | Estimated time of transfer to the Company | Status of the boundary and capacity expansion |
|--------------|--|--|---|---|--------------------------------|--|---|--|
| 12 | Hainan Shanjin Mining Co., Ltd. Baolun gold mine in Ledong County (海南山金礦業有限公司樂東縣抱倫金礦) | Hainan Shanjin Mining Co., Ltd. | Ledong County, Hainan Province | 6.24 | In commercial production stage | Yes | Note 1 | In the process of boundary and capacity expansion |
| 13 | Songxian Shanjin Mining Co., Ltd. (嵩縣山金礦業有限公司) | Songxian Shanjin Mining Co., Ltd. | Shujigou Village, Dazhang Town, Song County, Luoyang | 9.83 | In commercial production stage | Yes | Note 1 | The boundary and capacity expansion has been completed |
| 14 | Fujian Province Zhenghe Hongkun Mining Co., Ltd. Dayaokeng gold mine (福建省政和縣宏坤礦業有限公司大藥坑金礦) | Fujian Province Zhenghe Hongkun Mining Co., Ltd. | Dayaokeng, Xingxi Town, Zhenghe County, Fujian Province | 1.55 | In commercial production stage | Yes | Note 1 | N/A |
| 15 | Qinghai Shanjin Mining Co., Ltd. Guoluogongwa gold mine in Dulan County (青海山金礦業有限公司都蘭縣郭格龍窪金礦) | Qinghai Shanjin Mining Co., Ltd. | Gouli Town, Dulan County, Qinghai Province | 2.15 | In commercial production stage | Yes | Note 2 | N/A |
| 16 | Fujian Province Zhenghe Xiangluping Mining Co., Ltd. Xiangluping silver mine (福建省政和縣香爐坪礦業有限公司香爐坪銀礦) | Fujian Province Zhenghe Xiangluping Mining Co., Ltd. | Zhenghe County, Fujian Province | Au: 0.126 Ag: 11.02 | In commercial production stage | Yes | Note 2 | N/A |
| Total | | | | 56.7 | | | | |

Note 1: The transfer process is expected to commence in 2020.

Note 2: Due to insignificant resources detected based on the latest assessment, decision on whether to transfer such permits is expected to be made by the end of 2023 based on the then exploration results.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

As at 30 June 2019, so far as the Directors, Supervisors and chief executive of the Company are aware, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests and long/short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of the SFO, to be entered into the register to be kept by the Company referred to therein, or required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Substantial Shareholder | Nature of interest | Class of Shares | Number of Shares or underlying Shares interested | Long/Short position | Approximate percentage of shareholding in the relevant class Shares | Approximate percentage of shareholding in the total issued share capital |
|---|--|-----------------|--|---------------------|---|--|
| SDG Group Co. | Beneficial owner ⁽¹⁾ | A Shares | 831,933,836 | Long | 44.80% | 37.58% |
| | Interest held by controlled corporation ⁽²⁾ | A Shares | 210,052,107 | Long | 11.31% | 9.49% |
| Shandong Gold Geological Mine Exploration Co., Ltd. ("SDG Exploration") | Beneficial owner | A Shares | 99,424,515 | Long | 5.35% | 4.49% |
| Shandong Gold Resources Development Co., Ltd. ("SDG Resources Development") | Interest held by controlled corporation ⁽³⁾ | A Shares | 99,424,515 | Long | 5.35% | 4.49% |
| Barrick Gold Corporation | Beneficial owner | H Shares | 63,942,000 | Long | 17.92% | 2.89% |
| CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 | Trustee ⁽⁴⁾ | H Shares | 60,637,000 | Long | 16.99% | 2.74% |
| China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) | Beneficial owner ⁽⁴⁾ | H Shares | 57,078,000 | Long | 15.99% | 2.58% |
| Postal Savings Bank of China Co., Ltd. | Beneficiary of a trust ⁽⁴⁾ | H Shares | 57,078,000 | Long | 15.99% | 2.58% |
| Jianxin Trust Co., Ltd. (建信信託有限責任公司) | Interest held by controlled corporation ⁽⁴⁾ | H Shares | 57,078,000 | Long | 15.99% | 2.58% |
| Jianxin (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司) | Interest held by controlled corporation ⁽⁴⁾ | H Shares | 57,078,000 | Long | 15.99% | 2.58% |

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| Name of Substantial Shareholder | Nature of interest | Class of Shares | Number of Shares or underlying Shares interested | Long/Short position | Approximate percentage of shareholding in the relevant class Shares | Approximate percentage of shareholding in the total issued share capital |
|---|--|-----------------|--|---------------------|---|--|
| Industrial and Commercial Bank of China Limited | Beneficial owner ⁽⁶⁾ | H Shares | 39,300,000 | Long | 11.01% | 1.78% |
| China Credit Trust Co., Ltd. | Interest held by controlled corporation ⁽⁶⁾ | H Shares | 20,407,250 | Long | 5.72% | 0.92% |
| Harvest Fund Management Co., Ltd. | Investment manager ⁽⁶⁾ | H Shares | 20,407,250 | Long | 5.72% | 0.92% |
| CCT China Merchant Buyout Fund | Beneficial owner ⁽⁶⁾ | H Shares | 20,407,250 | Long | 5.72% | 0.92% |

Notes:

- On 23 January 2017 and on 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares to the Industrial and Commercial Bank of China, Shandong Branch (中國工商銀行山東省分行) respectively. Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use, which accounted for approximately 11.74% of total number of our Shares. Industrial and Commercial Bank of China is an authorized institution under the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).
- These 210,052,107 A Shares comprise 99,424,515 A Shares held by SDG Exploration, 71,932,142 A Shares held by SDG Non-ferrous, 20,979,020 A Shares held by SDG Capital Management ("SDG Capital"), 16,054,672 A Shares held by Shandong Gold Group Qingdao Gold Co., Ltd. ("Qingdao Gold") and 1,661,758 A Shares held by SDG (Beijing) Industry Investment Co., Ltd. ("SDG Beijing"). SDG Exploration is wholly-owned by SDG Resources Development. Each of SDG Resources Development, SDG Capital, Qingdao Gold and SDG Beijing is wholly-owned by SDG Group Co.. SDG Group Co. holds 95.65% interest of SDG Non-ferrous. As such, SDG Group Co. is deemed to be interested in the Shares held by SDG Exploration, SDG Non-ferrous, SDG Capital, Qingdao Gold and SDG Beijing for the purpose of the SFO. On 24 July 2019, SDG Capital has by way of agreement, transferred all its Shares gratis to SDG Group Co. For details of the transfer gratis, please refer to the circular of the Company dated 7 August 2019.
- SDG Exploration is wholly-owned by SDG Resources Development, and therefore SDG Resources Development is deemed to be interested in all the Shares held by SDG Exploration for the purpose of the SFO.
- Each of Jianxin (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司, the largest shareholder of China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("China Structural Reform Fund") held as to 38.2% as at the end of the Reporting Period) and Jianxin Trust Co., Ltd. (建信信託有限責任公司, sole shareholder of Jianxin (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司) as at 30 June 2019) is deemed to be interested in the Shares held by China Structural Reform Fund for the propose of the SFO. The remaining approximately 58.0% of shares of China Structural Reform Fund were ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) ("SASAC"). The controlling person of Postal Savings Bank of China Co., Ltd. is the trust settlor who can influence the rights of Jianxin Trust Co., Ltd. and Jianxin (Beijing) Investment Fund Management Co., Ltd. to exercise its voting powers in China Structural Reform Fund. China Structural Reform Fund has engaged GF Securities Asset Management Guangdong Co., Ltd., an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, in the name of CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 to subscribe for and hold such Shares on a discretionary basis on behalf of the China Structural Reform Fund. Industrial and Commercial Bank of China Limited is a Chinese multinational banking company listed on both the Shanghai Stock Exchange (stock code: 601398) and the Hong Kong Stock Exchange (stock code: 1398).
- Each of Shenzhen China Merchant Huihe Equity Investment Fund Management Co., Ltd. (深圳市招商慧合股權投資基金管理有限公司), as the general partner of CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) and China Structural Reform Fund Corporation Limited (as a limited partner held as to 75.8% as at the end of the Reporting Period) is deemed to be interested in the Shares held by CCT China Merchant Buyout Fund for the purpose of the SFO. CCT China Merchant Buyout Fund has engaged Harvest Fund Management Co., Ltd. as the asset manager of the fund. China Credit Trust Co., Ltd. controlled Harvest Fund Management Co., Ltd., as to 40.0%.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any person (who were not Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be interested in 10% or more of the nominal value of any class of the share capital carrying the rights to vote in all circumstances at general meetings of our Company or required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO.

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

As at 30 June 2019, the interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) owned by Directors, Supervisors and chief executive of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or were deemed to have taken, under such provisions of the SFO; or were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Hong Kong Listing Rules are set out below:

| Name | Title | Nature of Interest | Class of Shares | Number of Shares | Long/Short position | Approximate percentage of shareholding in the relevant class Shares | Approximate percentage of shareholding in the total issued share capital |
|-------------|--------------------|---------------------------------|-----------------|------------------|---------------------|---|--|
| Mr. Tang Qi | Executive Director | Beneficial owner ⁽¹⁾ | A Shares | 152,098 | Long | 0.0082% | 0.0069% |
| Mr. Li Tao | Executive Director | Beneficial owner ⁽²⁾ | A Shares | 131,818 | Long | 0.0071% | 0.0060% |

Notes:

- (1) Mr. Tang Qi is interested in the 152,098 Shares as a participant under the Employee Shareholding Scheme. These Shares are kept and managed by a professional asset manager of the Employee Shareholding Scheme, and are currently subject to lock-up.
- (2) Mr. Li Tao is interested in the 131,818 Shares as a participant under the Employee Shareholding Scheme. These Shares are kept and managed by a professional asset manager of the Employee Shareholding Scheme, and are currently subject to lock-up.

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors and chief executive of the Company or their associates has any interest or short position in any Shares, underlying Shares or debentures of the Company or its associated corporations which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

USE OF PROCEEDS

The Shares were listed on 28 September 2018 on the Main Board of the Hong Kong Stock Exchange with net proceeds amounted to approximately HK\$5,245.7 million (approximately RMB4,618.8 million) after deducting relevant listing expenses. As of the date of this interim report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As at 30 June 2019, approximately RMB4,537.4 million have been utilised of which approximately RMB4,506.1 million were used to repay the three-year Syndicated Term Loan, approximately RMB28.0 million were used to pay for listing expenses, approximately RMB2.2 million were exchange gain or loss and approximately RMB1.0 million were used as withheld taxes in relation to the listing expenses through its basic account in China Construction Bank. The unutilised net proceeds of approximately RMB81.5 million from the global offering are deposited in the bank accounts and are anticipated to be utilised for deducting the Company's listing expenses within the next eighteen months. The timeline for utilising the remaining proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market condition.

STAFF OF THE GROUP

As of 30 June 2019, the Group had a total of 16,048 full-time employees (31 December 2018: 16,032 employees). For the six months ended 30 June 2019, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB1,450.1 million (for the six months ended 30 June 2018: RMB1,004.9 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 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.

OTHER INFORMATION

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

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

On 19 September 2016, our Company issued an aggregate of 11,645,629 Shares to 128 individuals at the price of RMB14.30 per Share under the Employee Shareholding Scheme for a subscription amount of RMB166,532,494.70. The relevant Shares were subject to a lock-up period of 36 months and are currently kept and managed by a professional asset manager until such Shares are vested with the said participants in accordance with the provisions of the Employee Shareholding Scheme. As of 30 June 2019, these Shares accounted for approximately 0.53% of the total number of our Shares. As of 30 June 2019, no further Shares under the Employee Shareholding Scheme have been granted, lapsed or cancelled. Certain Directors and senior management of the Company are currently interested in our Shares under the Employee Shareholding Scheme. For details of their shareholding, please see the section headed "Disclosure of Interests and Short Positions in the Shares of the Directors, Supervisors and Chief Executive of the Company" in this interim report. The Employee Shareholding Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules.

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

CORPORATE GOVERNANCE

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

The Company is committed to the maintenance of good corporate governance practices, with reference to the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Board is of the opinion that the Company had complied with the code provisions as set out in the CG Code during the six months ended 30 June 2019.

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 2018 Annual Report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in Directors' information during the six months ended 30 June 2019 are as below:

- (i) Mr. Li Tao has been appointed as executive Director, vice chairman of the Board and member of the strategy committee with effect from 14 January 2019.

Save as disclosed above, during the six months ended 30 June 2019, there were no changes to information which are required to be disclosed by the Directors pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

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MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

The Audit Committee currently comprises of two non-executive Directors, Mr. Li Guohong and Ms. Wang Xiaoling and three independent non-executive Directors, Mr. Lu Bin, Ms. Hui Wing and Mr. Gao Yongtao. The Chairman of the Audit Committee is Mr. Lu Bin.

The Audit Committee has reviewed the interim report of the Group for the six months ended 30 June 2019 and further discussed the auditing, internal control and financial reporting matters. The Audit Committee considers that the interim report of the Group for the six months ended 30 June 2019, which has been agreed by the Company's auditors, is in compliance with the applicable accounting standards and relevant laws and regulations and has made sufficient disclosure.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Amendment of Articles of Association

On 14 January 2019, the Shareholders approved, among other things, the amendments to the Articles of Association at the extraordinary general meeting of the Company to improve the level of standardized operation of the Company. For details, please refer to the circular of the Company dated 29 November 2018.

Provision of Guarantee for financing of SDG Hong Kong

On 13 March 2019, the Shareholders approved the provision of guarantee for financing of SDG Hong Kong at the extraordinary general meeting of the Company. For details, please refer to the circular of the Company dated 24 January 2019.

Renewal of Financial Services Framework Agreement

The Resolution Regarding the Expected Connected Transactions during the Ordinary Course of Business in 2019 and the Resolution Regarding the Signing of the Financial Services Framework Agreement with SDG Group Finance were considered and passed at the eighteenth meeting of the fifth session of the Board held on 28 March 2019 and the 2018 annual general meeting of the Company held on 28 June 2019, respectively. Please refer to the circular of the Company dated 16 May 2019 for more details.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Acquisition of SD Gold Capital Management Co., Ltd., Amendment of Articles of Association and Granting of general mandate to issue H Shares

Reference is made to the circular (the "Acquisition Circular") of the Company in relation to the acquisition of Target Company, the revision of existing annual caps of Procurement and Sale Framework Agreement for the year ending 31 December 2019, granting of general mandate to issue H Shares up to the limit of 20% of the aggregate number of H Shares in issue on the date of passing the relevant resolution by the Shareholders and the amendment to the Articles of Association dated 6 August 2019 and the poll results announcement of the 2019 third extraordinary general meeting of

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the Company dated 23 August 2019 (the “Poll Results”). Capitalised terms used in this paragraph shall have the same meanings as defined in the Acquisition Circular and the Poll Results, unless the context requires otherwise. Pursuant to the Acquisition Circular, on 21 June 2019, the Company entered into the Sale and Purchase Agreement with SDG Group Co., pursuant to which SDG Group Co. conditionally agreed to sell, and the Company conditionally agreed to purchase the 100% equity interest in the Target Company at a consideration of approximately RMB2,272.3 million. Upon Completion, the Target Company will be wholly-owned by the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group. Pursuant to the Poll Results, the Shareholders have approved, among other things, the Acquisition, the revision of existing annual caps of Procurement and Sale Framework Agreement the General Mandate and the amendment of Articles of Association. As at the date of this report, the Company is proceeding to Completion. Please refer to the Acquisition Circular and the Poll Results for further details.

Proposed Issuance of Ultra Short-term Financing Bonds

Reference is made to the circular of the Company dated 13 August 2019, pursuant to which the Company proposed to issue an ultra short-term financing bonds in the size of not more than RMB10.0 billion to institutional investors in the interbank bond market of the PRC at an interest rate to be determined based on market conditions of the interbank bond market at the time of issuance of each tranche. Please refer to the circular of the Company dated 13 August 2019 for more details.

Dividends and Bonus Shares

The Company has completed the implementation of the 2018 equity distribution plan in August 2019. Based on the Company’s total number of issued shares of 2,214,008,309 Shares as at 31 December 2018, a cash dividend of RMB0.1 (including tax) per Share was distributed, and 4 bonus shares for every 10 Shares by way of conversion of capital reserve have been issued to all Shareholders. The total cash dividend paid out was RMB221,400,830.90. The total number of bonus shares issued was 885,603,323 Shares and therefore the total number of issued shares of the Company after distribution was 3,099,611,632 Shares. Pursuant to the authority granted to the Board by the Shareholders at the 2018 annual general meeting of the Company, the 2019 first class meeting of A Shareholders and the 2019 first class meeting of the holders of H shares of the Company held on 28 June 2019, and in accordance with the relevant provisions in the Company Law of the People’s Republic of China and other laws and regulations, the Board has approved amendments to the Articles of Association in relation to the aforesaid increase in the total issued shares of the Company on 29 August 2019. For details, please refer to the announcement of the Company dated 29 August 2019.

ACKNOWLEDGEMENT

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

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

Jinan, the PRC, 18 September 2019

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2019

| | Notes | Unaudited | |
|---|-------|--------------------------|--------------|
| | | Six months ended 30 June | |
| | | 2019 | 2018 |
| | | RMB'000 | RMB'000 |
| Revenue | 3 | 31,194,662 | 26,018,565 |
| Cost of sales | | (29,003,607) | (24,014,955) |
| Gross profit | | 2,191,055 | 2,003,610 |
| Other income | 5 | 3,209 | 1,065 |
| Other gains and losses | | (73,642) | (19,223) |
| Impairment losses under expected credit loss model net of reversal | | (661) | 1,808 |
| Selling and distribution expenses | | (17,501) | (14,353) |
| Administrative expenses | | (736,289) | (575,030) |
| Research and development costs | | (147,948) | (79,711) |
| Share of profit of an associate | | 22,769 | 19,633 |
| Finance income | | 15,089 | 17,575 |
| Finance costs | | (314,616) | (433,585) |
| Profit before income tax | | 941,465 | 921,789 |
| Income tax expenses | 6 | (231,955) | (308,870) |
| Profit for the period | | 709,510 | 612,919 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 631,967 | 575,290 |
| Non-controlling interests | | 77,543 | 37,629 |
| | | 709,510 | 612,919 |
| Basic earnings per share for the profit attributable to the equity holders of the Company (RMB) | 9 | 0.29 | 0.31 |
| Diluted earnings per share for the profit attributable to the equity holders of the Company (RMB) | 9 | N/A | N/A |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2019

| | Notes | Unaudited | |
|---|-------|--------------------------|---------|
| | | Six months ended 30 June | |
| | | 2019 | 2018 |
| | | RMB'000 | RMB'000 |
| Profit for the period | | 709,510 | 612,919 |
| Other comprehensive income (expense): | | | |
| Items that may be reclassified to profit or loss | | | |
| Share of other comprehensive losses of the associate | | – | (49) |
| Exchange differences arising on translation of foreign operations | | 8,593 | 330 |
| Other comprehensive income for the period, net of tax | | 8,593 | 281 |
| Total comprehensive income for the period | | 718,103 | 613,200 |
| Total comprehensive income for the period attributable to: | | | |
| – Owners of the Company | | 640,560 | 575,571 |
| – Non-controlling interests | | 77,543 | 37,629 |
| | | 718,103 | 613,200 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

As at 30 June 2019

| | Notes | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|---|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 23,962,837 | 23,082,902 |
| Right-of-use assets | | 516,720 | – |
| Investment properties | | 210,393 | 216,570 |
| Land use rights | | – | 340,242 |
| Other intangible assets | | 12,124,455 | 12,234,123 |
| Goodwill | | 1,179,095 | 1,177,325 |
| Interest in an associate | | 1,059,914 | 1,037,144 |
| Equity instruments at fair value through other comprehensive income | | 2,000 | 2,000 |
| Inventories | | 325,337 | 269,223 |
| Deferred income tax assets | 11 | 156,597 | 142,704 |
| Other non-current assets | | 496,961 | 528,820 |
| | | 40,034,309 | 39,031,053 |
| Current assets | | | |
| Inventories | | 4,038,104 | 3,352,927 |
| Trade and other receivables | 12 | 1,019,989 | 1,058,192 |
| Prepaid income tax | | 20,218 | 30,284 |
| Pledged bank deposits | | 232,585 | 201,515 |
| Bank balances and cash | | 2,891,214 | 1,937,718 |
| | | 8,202,110 | 6,580,636 |
| Current liabilities | | | |
| Trade and other payables | 14 | 4,435,602 | 3,883,042 |
| Tax liabilities | | 136,096 | 258,449 |
| Borrowings | 15 | 6,483,798 | 3,685,352 |
| Other financial liabilities | 16 | 7,000,515 | – |
| Lease liabilities | | 36,616 | – |
| Current portion of other non-current liabilities | | – | 11,913 |
| Financial liabilities at fair value through profit or loss | | 11,263 | 6,438,726 |
| | | 18,103,890 | 14,277,482 |
| Net Current Liabilities | | (9,901,780) | (7,696,846) |
| Total Assets less Current Liabilities | | 30,132,529 | 31,334,207 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

As at 30 June 2019

| | Notes | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|--|-------|--|--|
| Non-current liabilities | | | |
| Borrowings | 15 | 1,031,107 | 2,746,822 |
| Lease liabilities | | 70,636 | – |
| Deferred income tax liabilities | 11 | 3,991,782 | 4,097,447 |
| Deferred income | | 31,737 | 12,186 |
| Provision for asset retirement obligations | | 878,179 | 779,061 |
| Other non-current liabilities | | 62,012 | 62,013 |
| | | 6,065,453 | 7,697,529 |
| Capital and Reserves | | | |
| Share capital | 17 | 2,214,008 | 2,214,008 |
| Treasury shares | | (6,385) | (6,385) |
| Reserves | | 9,088,516 | 9,080,984 |
| Retained earnings | | 10,834,844 | 10,424,278 |
| Equity attributable to owners of the Company | | 22,130,983 | 21,712,885 |
| Non-controlling interests | | 1,936,093 | 1,923,793 |
| Total equity | | 24,067,076 | 23,636,678 |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2019

| | Attributable to owners of the Company | | | | | Non-controlling interests | Total equity |
|---|---------------------------------------|-----------------|-----------|-------------------|------------|---------------------------|--------------|
| | Share capital | Treasury shares | Reserves | Retained earnings | Sub-total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 31 December 2018 (audited) | 2,214,008 | (6,385) | 9,080,984 | 10,424,278 | 21,712,885 | 1,923,793 | 23,636,678 |
| Balance at 1 January 2019 | 2,214,008 | (6,385) | 9,080,984 | 10,424,278 | 21,712,885 | 1,923,793 | 23,636,678 |
| Profit for the period | - | - | - | 631,967 | 631,967 | 77,543 | 709,510 |
| Other comprehensive losses | | | | | | | |
| Currency translation differences | - | - | 8,593 | - | 8,593 | - | 8,593 |
| Total other comprehensive losses, net of tax | - | - | 8,593 | - | 8,593 | - | 8,593 |
| Total comprehensive income for the period | - | - | 8,593 | 631,967 | 640,560 | 77,543 | 718,103 |
| Dividends to shareholders of the Company | - | - | - | (221,401) | (221,401) | - | (221,401) |
| Dividends paid by subsidiaries to non-controlling interests | - | - | - | - | - | (65,261) | (65,261) |
| Others | - | - | (1,061) | - | (1,061) | 18 | (1,043) |
| | - | - | (1,061) | (221,401) | (222,462) | (65,243) | (287,705) |
| Balance at 30 June 2019 (unaudited) | 2,214,008 | (6,385) | 9,088,516 | 10,834,844 | 22,130,983 | 1,936,093 | 24,067,076 |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2019

| | Attributable to owners of the Company | | | | | Non-controlling interests RMB'000 | Total equity RMB'000 |
|---|---------------------------------------|----------------------------|---------------------|------------------------------|----------------------|--------------------------------------|-------------------------|
| | Share capital RMB'000 | Treasury shares RMB'000 | Reserves RMB'000 | Retained earnings RMB'000 | Sub-total RMB'000 | | |
| (Unaudited) | | | | | | | |
| Balance at 1 January 2018 | 1,857,119 | (6,385) | 4,905,879 | 9,710,812 | 16,467,425 | 1,026,341 | 17,493,766 |
| Profit for the period | – | – | – | 575,290 | 575,290 | 37,629 | 612,919 |
| Other comprehensive income | | | | | | | |
| Share of other comprehensive losses of an associate | – | – | (49) | – | (49) | – | (49) |
| Currency translation differences | – | – | 330 | – | 330 | – | 330 |
| Total other comprehensive income, net of tax | – | – | 281 | – | 281 | – | 281 |
| Total comprehensive income | – | – | 281 | 575,290 | 575,571 | 37,629 | 613,200 |
| Dividends to shareholders of the Company | – | – | – | (73,466) | (73,466) | – | (73,466) |
| Dividends paid by subsidiaries to non-controlling interests | – | – | – | – | – | (9,798) | (9,798) |
| Change in ownership interests in subsidiaries without change of control | – | – | (2,265) | – | (2,265) | (1,483) | (3,748) |
| Others | – | – | 173 | – | 173 | (52) | 121 |
| | – | – | (2,092) | (73,466) | (75,558) | (11,333) | (86,891) |
| Balance at 30 June 2018 | 1,857,119 | (6,385) | 4,904,068 | 10,212,636 | 16,967,438 | 1,052,637 | 18,020,075 |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2019

| | Unaudited | |
|--|--------------------------|-----------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| OPERATING ACTIVITIES | | |
| Profit for the period | 709,511 | 612,919 |
| Adjustments for: | | |
| Income tax | 231,955 | 308,870 |
| Finance costs | 314,616 | 433,585 |
| Interest income | (15,089) | (17,575) |
| Share of profit of an associate | (22,769) | (19,633) |
| Depreciation of property, plant and equipment | 1,085,598 | 986,668 |
| Depreciation of right-of-use assets | 27,138 | – |
| Impairment loss, net of reversal | | |
| – financial assets and other items | 661 | (1,808) |
| Amortisation of land use rights | – | 5,455 |
| Amortisation of other intangible assets | 236,147 | 303,773 |
| Amortisation of long-term prepayments | 6,323 | 5,181 |
| Loss on disposal of property, plant and equipment | 5,653 | 8,496 |
| Fair value losses on gold future/forward contracts | 73,688 | 24,925 |
| Operating cash flows before movements in working capital | | |
| Increase in inventories | (672,739) | (188,135) |
| Decrease(increase) in trade and bills receivables | 360,469 | (201,552) |
| Decrease in prepayments, deposits and other receivables | (319,317) | (6,892) |
| Increase(decrease) in trade and bills payables | (106,835) | 108,193 |
| Increase(decrease) in other payables | 215,201 | (278,064) |
| Increase in contract liabilities | 40,929 | 88,449 |
| Increase(decrease) in deferred income | 19,551 | (606) |
| Increase(decrease) in provisions | 98,829 | (384) |
| Cash generated from operations | 2,289,520 | 2,171,865 |
| Interest received | 15,089 | 17,575 |
| Income tax paid | (473,866) | (365,357) |
| NET CASH FROM OPERATING ACTIVITIES | 1,830,743 | 1,824,083 |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2019

| | Unaudited | |
|---|--------------------------|-------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| INVESTING ACTIVITIES | | |
| Dividends received from the associate | - | 6,221 |
| Purchases of property, plant and equipment | (1,888,483) | (1,845,655) |
| Payments for right-of-use assets | (42,264) | - |
| Purchases of other intangible assets | (82,312) | (54,879) |
| Purchases of land use rights | - | (8,202) |
| Proceeds from disposal of property, plant and equipment, land use rights and intangible assets | 526 | 11,281 |
| Payment for settlement of gold future/forward contracts | (53,438) | (65,111) |
| (Increase) decrease in pledged bank deposits | (31,069) | 539,146 |
| NET CASH FROM INVESTING ACTIVITIES | (2,097,040) | (1,417,199) |
| FINANCING ACTIVITIES | | |
| Dividends paid to shareholders | - | (103,609) |
| Dividends paid to non-controlling interests | (65,261) | (3,133) |
| Acquisition of partial interest in a subsidiary | - | (3,748) |
| Proceeds from bank borrowings | 1,824,964 | 2,335,711 |
| Repayments of bank borrowings | (1,354,952) | (1,122,976) |
| Repayments of leases liabilities under finance leases | (12,510) | - |
| Interest paid | (197,882) | (207,008) |
| Proceeds from borrowings from related parties | 178,720 | 1,102,600 |
| Repayments of borrowings from related parties | (569,000) | (919,300) |
| Proceeds derived from gold leasing arrangements | 4,765,558 | 4,318,665 |
| Settlement of gold leasing arrangements | (4,251,871) | (4,905,496) |
| Repayments of corporate bonds | - | (611,004) |
| Proceeds on issue of corporate bonds | 999,000 | - |
| Payments for finance cost associated with gold leasing contracts | (97,210) | (79,496) |
| Payments of guarantee and arrangement fee for a borrowing | - | (18,687) |
| Payments for listing expenses | (510) | - |
| NET CASH FROM FINANCING ACTIVITIES | 1,219,046 | (217,481) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 952,749 | 189,403 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 1,937,718 | 2,402,814 |
| Effect of foreign exchange rate changes | 747 | 1,375 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | | |
| Bank balances and cash | 2,891,214 | 2,593,592 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the “Company”) was established in the People’s Republic of China (“PRC” or “China”) on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC by Shandong Gold Group Co., Ltd. (“SDG Group Co” or the “Parent Company”), Shandong Zhaojin Group Co., Ltd., Shandong Laizhou Gold (Group) Co., Ltd., Jinan Yuquan Development Center (subsequently renamed as Jinan Yuquan Development Co., Ltd.) and Rushan Gold Mine (subsequently renamed as Shandong Jinzhou Mining Group Co., Ltd.).

The A shares of the Company have been listed on the Shanghai Stock Exchange since August 2003. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since September 2018.

The Company and its subsidiaries, hereinafter collectively referred to as the “Group”. The Group is principally engaged in mining and processing of gold, sale of gold products, manufacturing and sale of building decoration materials. The address of the Company’s registered office is Building No. 3, Shuntai Square, No. 2000 Shunhua Road, Jinan, Shandong Province, the PRC.

The condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRS

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|-----------------------|--|
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Income Tax Treatments |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to IFRS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to IFRS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to IFRSs | Annual Improvements to IFRS 2015-2017 Cycle |

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases (“IAS 17”), and the related interpretations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office and dormitory that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Right-of-use assets *(Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of leasehold lands in the People's Republic of China/properties in Hong Kong/properties in Argentina was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB99,333,704 and right-of-use assets of RMB453,946,572 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.35%-9.74%.

| | At 1 January 2019 RMB'000 |
|---|------------------------------------|
| Operating lease commitments disclosed as at 31 December 2018 | 119,567 |
| Lease liabilities discounted at relevant incremental borrowing rates | 101,808 |
| Less: Recognition exemption – short-term leases | (2,474) |
| Lease liabilities relating to operating leases recognised upon application of IFRS 16 | 99,334 |
| Lease liabilities as at 1 January 2019 | 99,334 |
| Analysed as | |
| Current | 39,715 |
| Non-current | 59,619 |
| | 99,334 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

| | Notes | Right-of-use assets RMB'000 |
|--|-------|-----------------------------------|
| Right-of-use assets relating to operating leases recognised upon application of IFRS 16 | | 99,334 |
| Reclassified from land use rights | (a) | 340,242 |
| Reclassified from other non-current assets | | 14,371 |
| | | <hr/> 453,947 <hr/> |
| By class: | | |
| Leasehold lands | | 414,558 |
| Land and buildings | | 6,433 |
| Office equipment | | 28,494 |
| Other classes | | 4,462 |
| | | <hr/> 453,947 <hr/> |

(a) Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of IFRS 16, land use rights amounting to RMB340,242,030 were reclassified to right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Effective on 1 January 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31 December 2018 RMB'000 | Adjustments RMB'000 | Carrying amounts under IFRS 16 at 1 January 2019 RMB'000 |
|--------------------------------|--|------------------------|---|
| Non-current Assets | | | |
| Land use rights | 340,242 | (340,242) | – |
| Right-of-use assets | – | 453,947 | 453,947 |
| Other non-current assets | 528,819 | (15,463) | 513,356 |
| Current Assets | | | |
| Trade and other receivables | 1,058,192 | (231) | 1,057,961 |
| Non-current liabilities | | | |
| Lease liabilities | – | (99,334) | (99,334) |
| Other non-current liabilities | (62,013) | 1,323 | (60,690) |

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Significant changes in significant judgements and key sources of estimation uncertainty

- Lease or service
- Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue

| | Unaudited | |
|----------------------------|--------------------------|------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Revenue | | |
| Sale of goods and services | 31,186,695 | 26,010,790 |
| Rental income | 7,967 | 7,775 |
| | 31,194,662 | 26,018,565 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

A For the six months ended 30 June 2019

Disaggregation of revenue from contracts with customers

| | Unaudited Six months ended 30 June 2019 RMB'000 |
|--|---|
| Revenue from contracts with customers | |
| Gold | 30,996,370 |
| Silver | 79,113 |
| Others | 111,212 |
| | 31,186,695 |
| Geographical markets | |
| The PRC | 30,071,662 |
| Outside the PRC | 1,115,033 |
| | 31,186,695 |
| Timing of revenue recognition | |
| A point in time | 31,186,695 |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

| | For the six months ended 30 June 2019 (Unaudited) | | |
|---------------------------------------|--|---|-------------------------|
| | Segment Revenue RMB'000 | Adjustments and eliminations RMB'000 | Consolidated RMB'000 |
| Gold | 35,340,445 | (4,344,075) | 30,996,370 |
| Silver | 90,682 | (11,569) | 79,113 |
| Others | 151,040 | (39,828) | 111,212 |
| Revenue from contracts with customers | 35,582,167 | (4,395,472) | 31,186,695 |
| Total revenue | 35,582,167 | (4,395,472) | 31,186,695 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

B For the six months ended 30 June 2018

Disaggregation of revenue from contracts with customers

| | Unaudited Six months ended 30 June 2018 RMB'000 |
|--|---|
| Revenue from contracts with customers | |
| Gold | 25,805,291 |
| Silver | 85,300 |
| Others | 120,199 |
| | 26,010,790 |
| Geographical markets | |
| The PRC | 24,709,447 |
| Outside the PRC | 1,301,343 |
| | 26,010,790 |
| Timing of revenue recognition | |
| A point in time | 26,010,790 |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

| | For the six months ended 30 June 2018 (Unaudited) | | |
|---------------------------------------|--|--|-------------------------|
| | Segment Revenue RMB'000 | Adjustments and eliminations RMB'000 | Consolidated RMB'000 |
| Gold | 29,597,799 | (3,792,508) | 25,805,291 |
| Silver | 97,836 | (12,536) | 85,300 |
| Others | 137,864 | (17,665) | 120,199 |
| | 29,833,499 | (3,822,709) | 26,010,790 |
| Revenue from contracts with customers | 29,833,499 | (3,822,709) | 26,010,790 |
| Total revenue | 29,833,499 | (3,822,709) | 26,010,790 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments.

Six months ended 30 June 2019 (Unaudited)

| | Gold Mining RMB'000 | Gold Refining RMB'000 | Inter-segment elimination RMB'000 | Consolidated RMB'000 |
|---|------------------------|--------------------------|---|-------------------------|
| Segment revenue | 5,656,146 | 29,933,989 | (4,395,473) | 31,194,662 |
| Segment profit | 2,067,811 | 135,057 | (11,813) | 2,191,055 |
| Unallocated other income, gains and losses, net | | | | (70,433) |
| Share of profit of an associate | | | | 22,769 |
| Unallocated administrative costs | | | | (736,289) |
| Unallocated Research and development costs | | | | (147,948) |
| Unallocated selling and distribution expenses | | | | (17,501) |
| Impairment losses, net of reversal | | | | (661) |
| Finance income | | | | 15,089 |
| Finance costs | | | | (314,616) |
| Profit before tax | | | | 941,465 |

Six months ended 30 June 2018 (Unaudited)

| | Gold Mining RMB'000 | Gold Refining RMB'000 | Inter-segment elimination RMB'000 | Consolidated RMB'000 |
|---|------------------------|--------------------------|---|-------------------------|
| Segment revenue | 5,297,369 | 24,543,905 | (3,822,709) | 26,018,565 |
| Segment profit | 1,893,333 | 110,277 | – | 2,003,610 |
| Unallocated other income, gains and losses, net | | | | (18,158) |
| Share of profit of an associate | | | | 19,633 |
| Unallocated administrative costs | | | | (575,030) |
| Unallocated Research and development costs | | | | (79,711) |
| Unallocated selling and distribution expenses | | | | (14,353) |
| Impairment losses, net of reversal | | | | 1,808 |
| Finance income | | | | 17,575 |
| Finance costs | | | | (433,585) |
| Profit before tax | | | | 921,789 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. OTHER INCOME

| | Unaudited | |
|----------------------|--------------------------|---------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Other income: | | |
| Government grants | 3,209 | 1,065 |

6. INCOME TAX EXPENSES

| | Unaudited | |
|--------------------------------------|--------------------------|----------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Current tax: | | |
| PRC Enterprise Income Tax (note (a)) | 283,671 | 236,006 |
| Outside the PRC (note (b)) | 85,047 | 157,892 |
| Under provision in prior year | | |
| PRC Enterprise Income Tax | (25,089) | (14,327) |
| Deferred taxation | (111,674) | (70,701) |
| | 231,955 | 308,870 |

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years except for the Company and certain subsidiaries which are taxed at preferential tax rate of 15% (2018: 15%) based on the relevant PRC tax laws and regulations.

(b) The estimated tax assessable profit of the Group's overseas joint operation (i.e. the AGBII Group) is taxed at the statutory income tax rate in Argentina of 30% (2018: 30%) in accordance with the Argentina income tax law. In addition, the joint operation has paid withholding tax of approximately RMB20,137,000 (2018: RMB19,577,000) during the six months ended 30 June 2019 on certain inter-company interest expenses paid to SDHK (a subsidiary incorporated in Hong Kong in February 2017) which were eliminated upon the proportional consolidation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. PROFIT FOR THE PERIOD

Expenses included in cost of sales, selling expenses, general and administrative expenses and research and development costs are analysed as follows:

| | Unaudited | |
|---|--------------------------|------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Profit for the period has been arrived at after charging (crediting): | | |
| Cost of inventories recognised as expense in cost of sales | (149,526) | (61,684) |
| Raw materials and consumables used | 26,536,041 | 21,450,082 |
| Employee benefit expenses (including directors' emoluments) | 1,450,181 | 1,004,934 |
| Depreciation for property, plant and equipment | 1,085,598 | 986,668 |
| Depreciation of right-of-use assets | 27,138 | – |
| Amortisation for other intangible assets | 236,147 | 303,773 |
| Amortisation of land use rights | – | 5,455 |
| Amortisation of long-term rental prepayments | – | 5,181 |
| Provision for/(reversal of) impairment of trade and other receivables, net | 661 | – |
| Auditor's remuneration | 1,868 | 1,800 |
| Others | 717,898 | 987,840 |
| Total cost of sales, selling expenses, general and administrative expenses and research and development costs | 29,906,006 | 24,684,049 |

8. DIVIDENDS

During the current interim period, the final dividend of RMB221,400,830 in respect of the year ended 31 December 2018 (2018: final dividend of RMB73,764,149 in respect of the year ended 31 December 2017), was approved by shareholders in the annual general meeting in June 2019.

The Board of Directors does not recommend the payment of a dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | Unaudited | |
|--|--------------------------|-----------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Earnings | | |
| Profit for the period attributable to the owners of the Company | 631,967 | 575,290 |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,214,008 | 1,850,734 |
| Basic earnings per share (RMB per share) | 0.29 | 0.31 |
| Diluted earnings per share (RMB per share) | N/A | N/A |

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB8,372,180 (six months ended 30 June 2018: RMB38,421,000) for cash proceeds of RMB2,356,607 (six months ended 30 June 2018: RMB29,925,000), resulting in a loss on disposal of RMB6,015,573 (six months ended 30 June 2018: RMB8,496,000).

During the current interim period, the Group entered into 4 new lease agreements for the use of leasehold lands, buildings and equipments for 1.25-15 years. The Group is required to make fixed annual payments. On lease commencement, the Group recognised RMB24,514,316 of right-of-use asset and RMB24,514,316 lease liability.

During the current interim period, the Group acquired property, plant and equipment of RMB525,433,063 (six months ended 30 June 2018: RMB378,458,000).

In addition, the Group incurred costs for construction in progress of RMB1,434,729,611 (six months ended 30 June 2018: RMB1,303,988,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The followings are the major deferred income tax assets recognised and movements thereon during the current and preceding interim periods:

| | Property, plant and equipment RMB'000 | Unrealised profit RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Provision For impairment RMB'000 | Tax losses RMB'000 | Provisions for asset retirement obligations RMB'000 | Intercompany Interest payable and withholding tax RMB'000 | Others RMB'000 | Total RMB'000 |
|--------------------------------------|--|---------------------------------|--|--|-----------------------|--|---|-------------------|------------------|
| At 1 January 2018 | 163,180 | - | 28,615 | 42,621 | - | 48,803 | 849 | 16,486 | 300,554 |
| Credited/(charged) to profit or loss | 6,057 | 2,729 | (28,615) | 200 | 50,409 | 63,834 | 72,327 | (8,334) | 158,607 |
| Currency translation differences | - | - | - | - | - | 4,884 | 3,045 | 254 | 8,183 |
| At 31 December 2018 | 169,237 | 2,729 | - | 42,821 | 50,409 | 117,521 | 76,221 | 8,406 | 467,344 |

| | Property, plant and equipment RMB'000 | Unrealised profit RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Provision For impairment RMB'000 | Tax losses RMB'000 | Provisions for asset retirement obligations RMB'000 | Intercompany Interest payable and withholding tax RMB'000 | Others RMB'000 | Total RMB'000 |
|--------------------------------------|--|---------------------------------|--|--|-----------------------|--|---|-------------------|------------------|
| At 1 January 2019 | 169,237 | 2,729 | - | 42,821 | 50,409 | 117,521 | 76,221 | 8,406 | 467,344 |
| Credited/(charged) to profit or loss | 1,570 | 721 | 16,054 | (2,523) | (25,000) | 2,104 | 58 | 141 | (6,875) |
| Currency translation differences | - | 37 | - | - | - | 225 | 100 | 4,855 | 5,217 |
| As at 30 June 2019 (Unaudited) | 170,807 | 3,487 | 16,054 | 40,298 | 25,409 | 119,850 | 76,379 | 13,402 | 465,686 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

The followings are the major deferred income tax liabilities recognised and movements thereon during the current and preceding interim periods:

| | Mining and exploration rights RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Property, plant and equipment RMB'000 | Inventories RMB'000 | Total RMB'000 |
|--------------------------------------|--|---|--|------------------------|------------------|
| At 1 January 2018 | (2,002,059) | (13,277) | (2,134,778) | (133,415) | (4,283,529) |
| Credited/(charged) to profit or loss | 67,324 | 13,277 | (61,720) | (39,397) | (20,516) |
| Currency translation differences | – | – | (109,825) | (8,217) | (118,042) |
| At 31 December 2018 | (1,934,735) | – | (2,306,323) | (181,029) | (4,422,087) |

| | Mining and exploration rights RMB'000 | Property, plant and equipment RMB'000 | Inventories RMB'000 | Total RMB'000 |
|--------------------------------------|--|--|------------------------|------------------|
| At 1 January 2019 | (1,934,735) | (2,306,323) | (181,029) | (4,422,087) |
| Credited/(charged) to profit or loss | 40,103 | 50,312 | 28,134 | 118,549 |
| Currency translation differences | – | (3,185) | 5,852 | 2,667 |
| As at 30 June 2019 (Unaudited) | (1,894,632) | (2,259,196) | (147,043) | (4,300,871) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred income tax assets and liabilities have been offset. The following is the analysis of the deferred income tax balances for financial reporting purposes:

| | 30 June 2019 RMB'000 (Unaudited) | 31 December 2018 RMB'000 (Audited) |
|---------------------------------|---|---|
| Deferred income tax assets | 156,597 | 142,704 |
| Deferred income tax liabilities | (3,991,782) | (4,097,447) |
| | (3,835,185) | (3,954,743) |

As at the end of the current interim period, the Group has unused tax losses of RMB565,118,572 (31 December 2018: RMB542,024,362) available for offset against future profits. As at the end of the current interim period, a deferred income tax asset of RMB50,409,397 (31 December 2018: RMB50,409,397) in respect of tax losses of RMB304,952,362 (31 December 2018: RMB304,952,362) has been recognised. No deferred income tax asset has been recognised in respect of the remaining tax losses of RMB260,166,210 (31 December 2018: RMB237,072,000) due to the unpredictability of future profit streams. Unrecognised tax losses will expire in the following years:

| | 30 June 2019 RMB'000 (Unaudited) | 31 December 2018 RMB'000 (Audited) |
|------|---|---|
| 2019 | 20,755 | 20,755 |
| 2020 | 63,930 | 63,930 |
| 2021 | 98,804 | 98,804 |
| 2022 | 37,185 | 37,185 |
| 2023 | 16,398 | 16,398 |
| 2024 | 23,094 | – |
| | 260,166 | 237,072 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|---|--|--|
| Trade receivables | | |
| – related parties | 24,023 | 25,212 |
| – third parties | 193,036 | 554,218 |
| | 217,059 | 579,430 |
| Less: provision for impairment of trade receivables | (8,712) | (8,341) |
| Trade receivables – net | 208,347 | 571,089 |
| Notes receivable | 2,424 | 522 |
| Prepayments | | |
| – related parties | 27,667 | 1,777 |
| – third parties | 308,391 | 162,376 |
| | 336,058 | 164,153 |
| Amounts due from related parties | 26,557 | 19,396 |
| Deposits | 64,954 | 26,319 |
| Payments on behalf of third parties | 41,756 | 39,599 |
| Advances to staff | 10,445 | 1,703 |
| Others | 109,247 | 50,249 |
| | 252,959 | 137,266 |
| Less: provision for impairment of other receivables | (85,233) | (87,143) |
| Other receivables – net | 167,726 | 50,123 |
| Value-added tax recoverable | 305,434 | 272,305 |
| Total | 1,019,989 | 1,058,192 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. TRADE AND OTHER RECEIVABLES (Continued)

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date.

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|---------------|--|--|
| Within 1 year | 204,238 | 567,539 |
| 1-2 years | 1,087 | 4,577 |
| 2-3 years | 4,485 | 69 |
| Over 3 years | 7,249 | 7,245 |
| | 217,059 | 579,430 |

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

| | Unaudited Six months ended 30 June 2019 RMB'000 | 2018 RMB'000 |
|--|--|-----------------|
| Impairment loss recognised in respect of: | | |
| trade receivables | 371 | 197 |
| other receivables | 290 | (2,005) |
| | 661 | (1,808) |

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. TRADE AND OTHER PAYABLES

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|---|--|--|
| Trade payables | | |
| – related parties | 852,210 | 822,583 |
| – third parties | 30,852 | 31,171 |
| | 883,062 | 853,754 |
| Notes payable | 646,861 | 631,643 |
| Payable for purchases of property, plant and equipment and mining rights | 821,235 | 832,471 |
| Deposits received from contractors | 367,380 | 302,977 |
| Purchase consideration payable | 204,018 | 179,418 |
| Contract liabilities | 120,047 | 79,118 |
| Other taxes payable | 83,052 | 82,895 |
| Dividends payable | – | 36,329 |
| Amounts due to related parties | 429,542 | 551,908 |
| Salaries and staff welfare payable | 320,664 | 122,864 |
| Interest payable | – | 57,484 |
| Payable for underwriting and service fees in connection with the initial public offerings of the Company's H shares | 65,719 | 72,772 |
| Others | 494,022 | 79,409 |
| Total | 4,435,602 | 3,883,042 |

The following is an analysis of trade payables by age, presented based on the invoice date.

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|------------------|--|--|
| Less than 1 year | 810,392 | 823,115 |
| Over 1 year | 72,670 | 30,639 |
| | 883,062 | 853,754 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB1,824,964,000 (31 December 2018: RMB4,801,952,000). The loans carry interests at fixed market rates of 4.09%-4.35% per annum and are repayable in instalments over a period of one year. The proceeds were used to operating activities and finance the acquisition of property, plant and equipment.

16. OTHER FINANCIAL LIABILITIES

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|------------|--|--|
| Gold lease | 7,000,515 | – |

Note: The Company enters into gold leasing contracts and forward gold purchase contracts with the same bank with same specifications and maturity date. The gold leasing contracts and the forward gold purchase contracts are a package transaction. When one of the contracts changes or terminates early, the other contract will change or terminate as well, and the two contracts will be processed at the same time. Therefore, the Company believes that the risk of gold price fluctuation during the gold lease period is entirely borne by the bank, and only the agreed gold rental fees and related handling fees are borne by the Company. Therefore, the Company classifies such transactions as other financial liabilities.

17. SHARE CAPITAL

| | Number of shares '000 (Unaudited) | Share capital RMB'000 (Unaudited) |
|---|--|--|
| Authorised | | |
| – Ordinary shares of RMB1.00 each A share: | 1,857,119 | 1,857,119 |
| – Ordinary shares of RMB1.00 each H share: | 356,889 | 356,889 |
| | 2,214,008 | 2,214,008 |
| Issued and fully paid | | |
| As at 30 June 2019 and As at 1 January 2019 | | |
| – Ordinary shares of RMB1.00 each A share: | 1,857,119 | 1,857,119 |
| – Ordinary shares of RMB1.00 each H share: | 356,889 | 356,889 |
| | 2,214,008 | 2,214,008 |
| As at 30 June 2019 | | |
| – Ordinary shares of RMB1.00 each A share: | 1,857,119 | 1,857,119 |
| – Ordinary shares of RMB1.00 each H share: | 356,889 | 356,889 |
| | 2,214,008 | 2,214,008 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. CONTINGENCIES AND COMMITMENTS

The Veladero Mine held by the AGBII Group, a joint operation of the Group, experienced several environmental incidents as set out below:

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

As of 30 June 2019, MAG, the subsidiary of AGBII, was involved in several ongoing administrative and civil proceedings with respect to the abovementioned environmental incidents.

In assessing loss contingencies, the AGBII Group has evaluated the legal proceedings and determined that no amounts 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. Additionally, the Group will be indemnified by Barrick Gold Corporation (but only until 30 June 2019) for any losses suffered in relation to any final decision against MAG in respect of legal proceedings commenced by the third parties (including government authorities) in relation to these incidents as occurred prior to the Group's acquisition of its interest in the AGBII Group. As a result, 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 does not have any other pending litigations which may result in a significant loss to the Group.

The capital expenditure of the Company mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. For the six months ended 30 June 2019, in the contracted but not incurred capital expenditure of the Company, the total amount for the acquisition of mining and exploration permits, property, plant and equipment, was RMB566.010 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

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

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

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

| Financial assets/Financial liabilities | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|--|--|----------------------|---|
| | 30 June 2019 RMB'000 (Unaudited) | 31 December 2018 RMB'000 (Audited) | | |
| Financial assets | | | | |
| 1) Unquoted equity investment at FVTOCI | 2,000 | 2,000 | Level 3 | Dividend discount model. Inputs: expected growth rate and discount rate |
| – Membership fees of Shanghai Gold Exchange | | | | |
| – Equity investment in Shandong Yulong Vehicle Stock Co., Ltd. | | | | |
| Financial liabilities | | | | |
| 1) Held-for-trading non-derivative financial liabilities at FVTPL | 11,263 | 6,438,726 | Level 1 | Quoted bid prices in an active market |
| – Gold leasing contracts | | | | |

Note: The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

There were no transfers among level 1, 2 and 3 during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

| | Unlisted equity investment RMB'000 |
|---------------------|--|
| At 1 January 2018 | 2,015 |
| Settlements | (15) |
| At 31 December 2018 | 2,000 |

| | Unlisted equity investment RMB'000 |
|------------------------------------|--|
| At 1 January 2019 and 30 June 2019 | 2,000 |

No changes in the business or economic circumstances that affect the fair value of financial instruments.

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

Except as detailed in the following table, the Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values:

| | 30 June 2019 | | 31 December 2018 | |
|------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | Carrying amount RMB'000 | Fair value RMB'000 | Carrying amount RMB'000 | Fair value RMB'000 |
| Financial liabilities | | | | |
| Bank loans – fixed rate | 62,000 | 64,198 | 62,000 | 62,763 |
| Corporate bonds | 1,687,411 | 1,701,306 | 687,862 | 701,442 |
| Long-term payables | 44,639 | 46,705 | 53,260 | 54,535 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. RELATED PARTY TRANSACTIONS

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

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

(a) Transaction with Shandong Gold Group and fellow subsidiaries

| | Unaudited | |
|---------------------------------------|--------------------------|---------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Purchases of electricity | 210,285 | 190,257 |
| Purchases of construction services | 38,079 | 42,339 |
| Purchases of processing services | 1,680 | 1,622 |
| Purchases of gold | 116,819 | 110,038 |
| Purchases of other services | 32,426 | 26,173 |
| Total purchases | 399,289 | 370,429 |
| Sales of gold | 85,101 | 56,871 |
| Sales of other metals | – | 3,755 |
| Sales of other materials and services | 5,403 | 3,116 |
| Total sales | 90,504 | 63,742 |

(b) Property leasing

| | Unaudited | |
|---|--------------------------|---------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Rental fees paid to Shandong Gold Group and fellow subsidiaries | 4,331 | 7,779 |
| Rental fees received from Shandong Gold Group and fellow subsidiaries | 3,632 | 2,850 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. RELATED PARTY TRANSACTIONS (Continued)

(c) Loans obtained from related parties

| | Unaudited | |
|--|--------------------------|-----------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Loans obtained from Shandong Gold Group and fellow subsidiaries: | | |
| At beginning of the period | - | 7,579 |
| Drawdown during the period | - | - |
| Repayments paid during the period | - | - |
| Interest charged | - | - |
| Interest paid | - | - |
| At end of the period | - | 7,579 |
| Loans obtained from the associate: | | |
| At beginning of the period | 608,683 | 279,300 |
| Drawdown during the period | 178,720 | 1,102,600 |
| Repayments during the period | (569,000) | (919,300) |
| Interest charged | 4,106 | 3,979 |
| Interest paid | (3,489) | (3,979) |
| At end of the period | 219,020 | 462,600 |
| Total loans obtained from related parties: | | |
| At beginning of the period | 608,683 | 286,879 |
| Drawdown during the period | 178,720 | 1,102,600 |
| Repayments during the period | (569,000) | (919,300) |
| Interest charged | 4,106 | 3,979 |
| Interest paid | (3,489) | (3,979) |
| At end of the period | 219,020 | 470,179 |

The loans obtained from related parties are denominated in RMB and due within one year.

| | Unaudited | |
|------------------------|--------------------------|---------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Average interest rates | 4.35% | 4.35% |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. RELATED PARTY TRANSACTIONS (Continued)

(d) Period-end balances arising from sales/purchases of goods/services

| | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|--|--|--|
| Receivables from related parties | | |
| Trade receivables | | |
| – Shandong Gold Group and fellow subsidiaries | 25,217 | 25,212 |
| Other receivables | | |
| – Shandong Gold Group and fellow subsidiaries | 26,557 | 19,396 |
| Prepayments | | |
| – Shandong Gold Group and fellow subsidiaries | 17,814 | 1,777 |
| Deposits with a financial institution | | |
| – Associate | 984,876 | 414,121 |
| Other non-current assets (prepayment for long-term assets) | | |
| – Shandong Gold Group and fellow subsidiaries | 59,754 | 56,719 |
| | 1,114,218 | 517,225 |
| Payables to related parties | | |
| Trade payables | | |
| – Shandong Gold Group and fellow subsidiaries | 30,852 | 31,171 |
| Other payables | | |
| – Shandong Gold Group and fellow subsidiaries | 429,542 | 551,908 |
| Dividends payable | | |
| – Shandong Gold Group | 22,506 | 22,506 |
| Contract liabilities/receipts in advance | | |
| – Shandong Gold Group and fellow subsidiaries | 68,470 | 32,189 |
| Other non-current liabilities | | |
| – Shandong Gold Group | 2,453 | 2,453 |
| | 553,823 | 640,227 |

DEFINITIONS

DEFINITIONS

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

| | |
|---------------------------------|--|
| “A Share(s)” | The domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange; |
| “AGBII Group” | Argentina Gold (Bermuda) II Ltd., a company incorporated in Bermuda on 6 October 1994 and registered by way of continuation into the Cayman Islands on 25 November 2015 which is owned as to 50% by SDG Hong Kong and 50% by Barrick Cayman (V) Ltd., an exempted company incorporated in the Cayman Islands on 29 March 2016; |
| “Articles of Association” | The articles of association of the Company; |
| “Board” or “Board of Directors” | The board of directors of the Company; |
| “CG Code” | The Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules; |
| “China” or the “PRC” | The People’s Republic of China but for the purpose of this interim report, excludes Hong Kong SAR, Macau SAR and Taiwan; |
| “CSRC” | China Securities Regulatory Commission; |
| “Director(s)” | The director(s) of the Company; |
| “Group” | Our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be); |
| “H Share(s)” | The overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange; |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC; |
| “Hong Kong Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time; |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited; |

DEFINITIONS

| | |
|---|--|
| “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 2019 to 30 June 2019; |
| “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 limited liability company incorporated in the PRC on 16 July 1996, the Controlling Shareholder of our Company, and was held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會); |
| “SDG Group Finance” | Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a limited liability company incorporated in the PRC on 17 July 2013, which was held as to 30% by our Company and 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 our Company; |
| “SFC” | The Securities and Futures Commission of Hong Kong; |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Shandong Gold”, “Company” or “our Company” | Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000; |
| “Shanghai 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); |

DEFINITIONS

| | |
|------------------------|---|
| “Share(s)” | Shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares; |
| “Shareholders” | Holder(s) of our Share(s); |
| “Supervisor(s)” | The supervisor(s) of the Company; |
| “Syndicated Term Loan” | The loan available under the US\$960.0 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent; |
| “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. |

