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
ANNUAL REPORT
年度報告

CONTENTS

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
Ms. Liu Yanfen
(appointed with effect from 8 November 2019)
Mr. Luan Bo
(appointed with effect from 24 February 2020)
Mr. Liu Rujun (resigned with effect from 24 February 2020)
Ms. Duan Huijie
(resigned with effect from 8 November 2019)

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
Mr. Tang Qi
Ms. Ng Sau Mei *(FCIS, FCS)*

HONG KONG LEGAL ADVISER
Jingtian & Gongcheng LLP
Suites 3203-3207
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRC LEGAL ADVISER
Beijing Hualian Law Firm
10th Floor, Gao Lan Building
No. 32 Liang Ma Qiao Road
Chao Yang District, Beijing, China
Zip Code: 100125

INTERNATIONAL AUDITOR
SHINEWING (HK) CPA Limited

DOMESTIC AUDITOR
TianYuanQuan Certified Public Accountants
(Special General Partnership)

COMPLIANCE ADVISER
China Securities (International) Corporate
Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

H SHARE REGISTRAR
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC
Building No. 3, Shuntai Plaza
Shunhua Road No. 2000
Jinan, Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Rooms 4003-06
China Resources Building
No. 26 Harbour Road
Hong Kong

STOCK CODE
Hong Kong Stock Exchange: 01787
Shanghai Stock Exchange: 600547

WEBSITE
http://www.sdhjgf.com.cn

2015-2019 FINANCIAL INFORMATION AS EXTRACTED FROM CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS:

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000 (restated)	2017 RMB'000 (note)	2016 RMB'000 (note)	2015 RMB'000 (note)
Revenue	**62,613,141**	56,250,494	51,041,303	49,072,691	38,774,481
Cost of sales	**(57,601,794)**	(52,213,915)	(47,398,660)	(45,567,129)	(36,175,053)
Gross profit	**5,011,347**	4,036,579	3,642,643	3,505,562	2,599,428
Selling expenses	**(188,120)**	(126,995)	(31,152)	(34,440)	(34,768)
General and administrative expenses	**(1,768,667)**	(1,445,860)	(1,214,344)	(1,225,662)	(1,090,491)
Research and development expenses	**(333,050)**	(321,041)	(273,559)	(265,333)	(153,795)
Other income	**37,704**	14,398	15,979	14,845	8,536
Other gains and losses, net	**107,585**	253,554	(30,625)	39,952	68,550
Operating Profit	**2,866,799**	2,410,635	2,108,942	2,034,924	1,397,460
Finance income	**71,466**	67,646	37,445	10,988	12,429
Finance costs	**(866,894)**	(936,319)	(575,966)	(375,598)	(451,033)
Finance costs, net	**(795,428)**	(868,673)	(538,521)	(364,610)	(438,604)
Share of results of associates	**1,319**	38,066	34,024	27,662	22,881
Profit before tax	**2,072,690**	1,580,028	1,604,445	1,697,976	981,737
Income tax expenses	**(660,376)**	(559,231)	(431,452)	(385,194)	(268,480)
Profit for the year	**1,412,314**	1,020,797	1,172,993	1,312,782	713,257
Profit for the year attributable to:					
Owners of the Company	**1,290,503**	964,411	1,118,920	1,286,642	647,930
Non-controlling interests	**121,811**	56,386	54,073	26,140	65,327
	1,412,314	1,020,797	1,172,993	1,312,782	713,257
		(restated)	(restated)	(restated)	(restated)
Basic and diluted earnings per share (RMB) (note)	**0.42**	0.35	0.43	0.61	0.31

	2019 RMB'000	2018 RMB'000 (restated)	2017 RMB'000 (note)	2016 RMB'000 (note)	2015 RMB'000 (note)
Assets and liabilities					
Total assets	**58,848,726**	54,560,477	43,131,721	29,366,421	26,096,421
Total liabilities	**32,780,401**	28,886,040	25,637,955	12,676,700	13,674,631
Non-controlling interests	**2,860,413**	1,943,845	1,026,341	1,008,906	1,216,195
Total equity attributable to owners of the Company	**23,207,912**	23,730,592	16,467,425	15,680,815	11,205,595

Note: The consolidated financial information during the years ended 31 December 2015, 2016 and 2017 were extracted from the Prospectus that do not incorporate the financial information of SDG Gold Capital Management and its subsidiaries which was acquired by the Company through business combination involving entities under common control during the year ended 31 December 2019.

The calculation of basic and diluted earnings per share has been retrospectively adjusted for the bonus issue on 20 August 2019.

The profit attributable to owners of the Company used for the calculation of basic and diluted earnings per share was extracted from the Prospectus without taking into consideration the profit attributable to owners of the Company as if the acquisition of SDG Capital Management and its subsidiaries were completed on 1 January 2015.

CHAIRMAN'S STATEMENT

To all shareholders,

I wish to take this opportunity to express my sincere gratitude for your trust and support to Shandong Gold Mining Co., Ltd.

On behalf of the Board, I am delighted to present the 2019 annual report of Shandong Gold and to report on the Company's performance for the period to all shareholders.

OVERVIEW OF THE COMPANY'S OPERATION

The Company's main business, operating model and conditions of the industry during the Reporting Period

The core business operations of the Company during the Reporting Period

During the Reporting Period, the Company's approved business scope was mainly (i) mining and beneficiation of gold, (ii) production and sales of specialised equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations, and (iii) investments in equity funds, trading of gold bullion and provision of brokerage services for trading of futures contracts. The business scope covers (i) geological prospecting, mining and beneficiation of gold, (ii) refining, processing, production and sales of precious metals, non-ferrous metal products and gold and jewelry accessories, (iii) production and sales of specialised equipment and materials for gold mines and construction materials, and (iv) investments in equity funds and provision of brokerage services for trading of futures securities. The Company mainly produces standard gold bullions and investment gold bars and silver ingots and other products of various specifications.

Operating Model

Large-scale operating model:

The Company focuses on the development and utilization of gold resources. By adopting the gold production mode of decentralized mining and centralized smelting, the Company focuses on the scale advantage and modern production level of its gold resources in the Laizhou region of the Jiaodong Peninsula. The Company's Jiaojia Gold Mine, Linglong Gold Mine and Sanshandao Gold Mine took the lead in achieving cumulative gold production of over 100 tonnes in China. Domestically, Shandong Gold Smelting Co., Ltd. is ranked among the top in the industry in terms of both the refining volume and the trading volume. The Company aims to boost its large-scale operations by vigorously enhancing the mechanized operation and the efficiency of enterprises. At present, the equipped production level and mechanization degree of our mining enterprises firmly occupy the leading position in the domestic mining industry. Moreover, the underground trackless mining equipment configuration has always been remaining at an advanced level in the world. At present, the Company is steadily advancing the implementation of the planning programmes including the "Mineral Resources Development and Utilisation Project of Sanshandao Gold Mine" and the "Resources Development and Utilisation Project of Jiaojia Gold Mining Belt", and is committed to becoming the first domestic 10,000 – tonnes gold production base.

Innovation-driven model:
The Company put emphasis on technological innovation. In return, the three major laboratories of the Company, namely the deep underground mining laboratory, filling laboratory and beneficiation laboratory, have begun to take shape, and some of the scientific research results are playing or will play a key supporting role in the Company's technological innovation development. For instance, the national-level "Key Technologies on Safe and Efficient Mining of Large-scale Submarine Metal Deposits" committed by the deep underground mining laboratory are being implemented at the Sanshandao Gold Mine; the mine rock mechanics data management and visualization system fills the gaps in rock mechanics work for domestic underground metal mines; and the first domestic industrial application of 5G technology in the mining area was successfully realized in Laixi Company. The Company stressed the importance on reform and innovation and gathered resource on transformation and upgrade. The construction of world-class exemplary mine in Sanshandao Gold Mine launched in 2018 has begun to take shape, and it will be built into a "safe, efficient, intelligent and ecological" modern mine by 2020, and with the experience gained from this precedent, the Company is going to standardize the application and further improve the international operation level of the Company.

Green development model:
The Company consciously put green development philosophy into practice, and proactively promoted construction of green mines. During the construction process, the Company strives to achieve scale intensification of mine production models, clean and environmentally friendly production processes, energy saving and consumption reduction of production equipments; efficient development and comprehensive utilization of mineral resources; and comprehensive treatment of mine wastes, so as to maximize the protection of the geological environment and the reclamation of the mine land; and to achieve a harmonious, mutually beneficial and win-win situation between mines and the surrounding communities. We will ensure that all the mines of the Company can meet the national green mine standard by the end of 2020, and persistently improve the international influence of "Shandong Gold, Ecological Mining".

Industry Development and the Position of the Company in the Industry

Currently, China's economic development is facing a severe and complex situation with increasing downward pressure and rising internal and external risks and challenges. Meanwhile, important historical development opportunities featured with reasonable economic volume growth and increasing steady economic quality emerged.

From an international perspective, global trade is shrinking and world economic growth is steadily slowing down. From a domestic perspective, structural, institutional, and cyclical issues are interweaving with each other, and downward pressure on economy is increasing. The whole world is amid a period of in-depth adjustment following the international financial crisis. The characteristics of the accelerating evolution change worldwide are becoming more and more obvious, and sources of global turbulence and risks are increasing significantly. A variety of favorable factors have stimulated the international gold prices to increase consistently since the fourth quarter of 2018, creating a sound recovering situation in the gold market. As a result, international gold mining mergers and acquisitions have increased significantly, and the amount of mergers and acquisitions has also enlarged considerably. At present, China is actively promoting high-quality economic development, continuing to implement prudent monetary policies and proactive fiscal policies, continuously deepening reforms, promoting opening up of a higher level, and solidly advancing the joint construction of the "Belt and Road". All these measures have provided a good development environment for the development of the domestic gold industry.

In 2019, the domestic production of gold was 380.23 tonnes, representing a decrease of 20.89 tonnes or 5.21% year-on-year. In particular, the gold mine production volume was 314.369 tonnes, representing a decrease of 9.13% year-on-year. The Company achieved a gold mine production volume of 40.12 tonnes during the year, representing an increase of 2.03% year-on-year. The level of gold production, profit and corporate efficiency of the Company firmly occupy the leading position in the domestic mining industry.

2020 is the year to accomplish the grand goal of "building a moderately prosperous society in all respects", the last year for concluding the "three tough battles" and the final year of the "13th Five-Year Plan". The Company will continue to dig deeper into its potential, emphasizing on thoroughly tapping into the production capacity of its existing enterprises and deepening its international operation. The Company will strive to take the Company's gold output to a new level and continue to maintain its dominant position in the industry through mergers and acquisitions of gold mines in production.

CHAIRMAN'S STATEMENT

ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Strategic Advantage

The Company adheres to the emphasis of its strategies and taking active strategy-led action, continues to putting strategy into practice. All aspect of production and operation has always been promoted by focusing on the strategic goal of "optimizing and expanding to become the top ten gold mining enterprises in the world in terms of comprehensive strength". The Company shall continue to optimise its stock and increase its resources, through various initiatives to continuously increase the output capacity and output scale, actively cultivating differentiated competitive advantages and taking the new development path with emphasis on high efficiency, energy saving and environmental protection. In 2019, the Company was committed to strengthening and expanding its main business to accelerate overseas mergers and acquisitions and proactively expand high-quality resources; deepen the integration of industry and finance to highlight the core synergies of gold industry finance chain; promote precision management in a comprehensive way to enhance its production efficiency and cost competitiveness; increase investments in research and development ("**R&D**") to improve the level of technology contribution; maintain "double zero" goal of safety and environmental protection in order to achieve green and ecological development; accelerate the transformation of old growth drivers with new ones and adhere to the improvement of traditional growth drivers through the management upgrading and mechanical innovation and transformation, striving to build more powerful growth drivers to ensure the Company's sustainable, efficient and stable development.

Resources Superiority

Shandong Province is an important large province in China in terms of gold resources and gold production. In particular, the Jiaodong Peninsula area 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 for future exploration which is worth looking forward to. The Company has firmly established the concept of "resources first", and in accordance with the "domestic exploration and external acquisition" principle, continuously increases its domestic exploration efforts and proactively carries out resource mergers and acquisitions externally. In 2019, the Company closely monitored 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 acquisition of 100% equity interests in SDG Capital Management further realized the Company's gold industry chain extension, facilitated the integration of industry and finance. The Company unswervingly 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 and utilization of mineral resources and the achievement of sustainable development.

Advantage in the Company's Structure and Scale

The Company is mainly engaged in the development and utilization of gold mineral resources, and enjoys the highest equipment level and degree of mechanization of mines in the domestic mining industry by virtue of "Jiaojia Gold Mine", a model in aspect of digitalized underground mine in China,"Sanshandao Gold Mine", one of the mines with the highest equipment level and degree of mechanization in China, "Xincheng Gold Mine", the first mining company rated as the "National Environmental Friendly Enterprise" in China and "Shandong Gold Smelting Co., Ltd.", a leading company in China in terms of mine gold processing and trading volume etc. As of now, the cumulative gold production of Jiaojia Gold Mine, Linglong Gold Mine and Sanshandao Gold Mine all exceeded 100 tonnes, making the Company the only listed company which owns three mine enterprises each with cumulative gold production exceeding 100 tonnes. Jiaojia Gold Mine, Sanshandao Gold Mine, Xincheng Gold Mine and Linglong Gold Mine have been on the list of "China Top Ten Gold Production Mines in terms of Production Volume and Efficiency" for several consecutive years.

Advantage in technological innovation

The Company attaches great importance to scientific and technological research and development and unswervingly follows the policy of "science and technology are the primary productive forces", increases investment in R&D and undertakes or participates in various national key R&D projects, facilitates the construction of its independent innovation platform, and masters and obtains the cutting-edge core technologies of mining industry. The Company has 210 valid patents, including 61 patents. In 2019, the Company integrated and optimized scientific and technological resources, cooperated with six industry-leading universities and research institutes to establish Shandong Provincial Technology Innovation Center (山東省技術創新中心) which was included in Shandong Provincial Innovation Center Incubator (山東省創新中心培育庫) together with Shandong Provincial Model Engineering Technology Center (山東省示範工程技術中心) established by the Company. In 2019, sound progress has been made in a number of national and provincial key science and technology projects (topics) undertook and participated by the Company, such as "R&D and Exemplary Project of Key Technologies for Green Mining of Deep Metal Mines", "Large-scale and Unmanned Mining Technology for Underground Metal Mines" topic, "R&D and Demonstration Application of Key Technologies and Complete Sets of Equipment for Intelligent Mining of Deep Resources" project, etc., thus providing basic theoretical and technical support for the development of deep gold mine resources in the Shandong Peninsula region, and promoting the sustainable development and utilization of metal mineral resources.

Talent Advantage

Shandong Gold promotes the core values of "Openness, Accommodation, Loyalty and Responsibility", aiming to achieve the ideal goal of "benefiting as many individuals as possible and benefiting as much as possible from the existence of Shandong Gold". Shandong Gold advocates to be merit-based and seeking for both talent and virtue; 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 makes full use of the market mechanism to vigorously implement a series of talent projects including, innovative talent climbing project, high-end talent introduction project, skilled talent training project, talent counterpart assistance project, carry out 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, the Company completes the establishment of its professional and technical post ranking system and offers a smooth professional development channel for professional and technical personnel. The Company vigorously selects a number of young cadres under 40, further optimizing the Company's talent echelon construction.

Brand Advantage

Thanks to its excellent performance and good corporate governance, the Company was successfully added into the MSCI Indices, FTSE Russell, S&P Dow Jones Indices, the three major international indices, and the SSE 50 Index. The Company was rated as "A Grade for Information Disclosure" by the Shanghai Stock Exchange, and obtained many awards, including the 15th Session of "Golden Round Table Award – Outstanding Contribution in Corporate Governance Award" of Board of Directors of China Listed Companies, the 10th "Tianma Award – Best Board of Directors in Investor Relations of China Main Board Listed Companies", the "Sustainable Development Inclusive Award" by Caijing magazine, "Listed Company with Golden Quality of Corporate Governance", "Top 100 of Chinese Listed Companies" once again, etc. In addition, it ranked 139th on the list of China's top 500 companies by market capitalization in 2019, and ranked 20th in the global top 50 mining companies by market value, and was elected as the vice president unit of China Association for Public Companies. The Company is committed to the construction of ecological mining, and strives to build a harmonious mining area and establish a corporate brand image of "Shandong Gold, Ecological Mining". At present, all enterprises affiliated to the Company have met the standard of "Level 2 Mine Production Safety Standard" (安全生產標準化二級企業), four were recognized as "Exemplary Enterprises in Building National Safety Culture" (全國安全文化建設示範企業) by China Association of Work Safety and four were recognized as "Exemplary Enterprises in Building Safety Culture" at the provincial level. Twelve mines of ten companies affiliated to the Company entered the national green mines list.

By order of the Board of Directors
Li Guohong
Chairman

Jinan, the PRC
16 April 2020

FINANCIAL REVIEW

For the Reporting Period, the Group's:

- **revenue** increased by 11.3% to approximately RMB62,613.1 million from approximately RMB56,250.5 million for the same period in 2018; which was mainly due to the increase in both sales price and sales volume of gold.

- **cost of sales** increased by 10.3% to approximately RMB57,601.8 million from approximately RMB52,213.9 million for the same period in 2018, which was mainly due to the increase in the cost of purchased gold price in 2019, as well as the increase in the purchase price and sales volume of purchased gold.

- **gross profit** increased by 24.1% to approximately RMB5,011.3 million from approximately RMB4,036.6 million for the same period in 2018, which was mainly due to the increase in the gross profit from sales of the Group's self-produced gold.

- **selling expenses** increased by 48.1% to approximately RMB188.1 million from approximately RMB127.0 million for the same period in 2018, which was mainly due to the increase in handling fee and commission of the futures business of the subsidiaries.

- **general and administrative expenses** increased by 22.3% to approximately RMB1,768.7 million from approximately RMB1,445.9 million for the same period in 2018, which was mainly due to the increase in compensation and insurance costs as compared with last year.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 December 2019, the reserves of the Group amounted to approximately RMB20,114.7 million and short-term borrowings amounted to approximately RMB5,964.3 million. The bank balances and cash of the Group as at 31 December 2019 was approximately RMB3,019.0 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; and (b) the Group has been maintaining long-term business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide banking facilities of not less than approximately RMB31,000,000,000 as at 31 December 2019.

In the opinions of the Directors, the Company has sufficient cash flows for the operation of the Group for the next 12 months, including its planned capital expenditure and current debt repayment. The borrowings of the Group include short term borrowings due to related parties in an aggregate amount of approximately RMB353.5 million from SDG Group Finance at an interest rate ranging from 3.915% to 4.35% per annum.

Borrowings of the Group also include corporate bonds (the second tranche). 13,000,000 units of corporate bonds at par value of RMB100.0 each, interest rate of 4.80% per annum and repayable on 30 March 2020 were issued on 30 March 2015, generating total proceeds of RMB1,300.0 million. Interest payments would be due for payment on 30 March each year for the subsequent five years. Interest rate was increased to 5.30% in 2018. The current outstanding balance of the Group's corporate bonds (the second tranche) is approximately RMB689.0 million. Meanwhile, the Group had arrangements of bank borrowings and borrowings from SDG Finance of approximately RMB6,475.5 million through a number of banks in the PRC with interest rates ranging from 3.16% to 4.75% per annum.

On 13 August 2018, the Shareholders approved our proposal to issue green bonds in accordance with the relevant CSRC laws and regulations. The fixed-rate (3.85%) green bonds with a term of three years amounting to RMB1.0 billion were issued on 22 March 2019. For further details, please refer to the Company's announcements published on 4, 19, 21 and 22 March 2019. As at the date of this annual report, the proceeds from the bonds after deducting the issuance expenses is RMB999 million, of which RMB677 million have been used for the operation of the comprehensive recycling project of gold concentrate and the Group's green mines. The current idle capital in the sum of RMB322 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 resolution stated in the overseas regulatory announcement of the Company dated 21 June 2019.

Moreover, the Group 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 31 December 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.

CASH FLOWS

The Group's bank balances and cash have increased from approximately RMB2,635.6 million as at 31 December 2018 to approximately RMB3,019.0 million as at 31 December 2019.

ASSETS AND LIABILITIES

As at 31 December 2019, the Group's:

- **trade and other receivables** decreased by 12.5% to approximately RMB1,916.8 million from approximately RMB2,191.6 million as at 31 December 2018, which was mainly due to the increase in the collection of receivables of Shandong Gold Smelting Co., Ltd. and SDG Hong Kong.

- **trade and other payables** decreased by 11.8% to approximately RMB5,448.0 million from approximately RMB6,173.4 million as at 31 December 2018, which was mainly due to repayment by SDG Capital Management of amounts due to related parties.

- **borrowings under non-current liabilities** decreased by 19.9% to approximately RMB2,199.3 million from approximately RMB2,746.8 million as at 31 December 2018, which was mainly due to the reclassification of loans due within one year to the current portion of other non-current liabilities and the Company's long-term borrowings in 2019.

- **borrowings under current liabilities** increased by 61.8% to approximately RMB5,964.3 million from approximately RMB3,685.4 million as at 31 December 2018, which was mainly due to the proceeds of short-term borrowings in 2019 and reclassification of corporate bonds in 2019 within twelve months.

- **non-current portion of other non-current liabilities** increased by 584.7% to approximately RMB424.5 million from approximately RMB62.0 million as at 31 December 2018, which was mainly due to the Company's issuance of bonds in 2019 and the installment payment of mining rights are included in long-term payables.

- **current portion of other non-current liabilities** increased by 453.8% to approximately RMB65.9 million from approximately RMB11.9 million as at 31 December 2018, which was mainly due to the reclassification of loans due within one year to the current portion of other non-current liabilities and outstanding payable for acquisition of mining rights.

- **financial liabilities at fair value through profit or loss** increased by 21.3% to approximately RMB13,145.6 million from approximately RMB10,834.0 million as at 31 December 2018, which was mainly due to the purchase of gold leasing contracts and forward settlement contracts.

- **net current liabilities** increased to approximately RMB14,543.7 million from approximately RMB11,919.0 million as at 31 December 2018. The increase in net current liabilities was mainly due to (1) the long-term borrowings due within one year, which were reclassified as current portion of other non-current liabilities; and (2) the gold leasing business causing an increase in other current liabilities.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2019, the Group recorded financial assets at fair value through profit or loss ("**FVTPL**") amounting to approximately RMB7,216.9 million (31 December 2018: approximately RMB6,265.7 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans, structured deposits.

As at 31 December 2019, the Group, through its subsidiaries and two investment funds, held securities of Donghai Securities Co., Ltd. ("**Donghai Securities**"), a company listed on national equities exchange and quotations of the PRC which conducts principal business of brokerage business, online trading and investment consultation. The Group held 262,065,000 shares of Donghai Securities in aggregate, representing 15.7% of the total shares of Donghai Securities. According to the evaluation report issued by Shanghai Zhonghua Appraisal Company Limited (上海眾華評估有限公司), an independent valuer engaged by the Group, the fair value of the investment in Donghai Securities as at 31 December 2019 was approximately RMB3,767.4 million, which was approximately 6.4% of the Group's total assets as at 31 December 2019. For the year ended 31 December 2019, there is a fair value gain of RMB39.3 million from the securities of Donghai Securities held by the Group and Donghai Securities did not distribute any dividend. We are optimistic about the on-going performance of Donghai Securities. Nevertheless, we will closely monitor the performance of Donghai Securities on an on-going basis.

The Group considers that, save for the investments in Donghai Securities, no other single investment that was designated as financial assets at FVTPL in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5% of our total assets as at 31 December 2019.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

The capital expenditure of the Group mainly relates to the acquisition of mining and exploration permits, property, plant and equipment, land use right and intangible assets, and investment properties. For the year ended 31 December 2019, in the contracted but not incurred capital expenditure of the Group, the total amount for the acquisition of mining and exploration permits, property, plant and equipment, was RMB658.7 million.

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

Save as disclosed in this annual report, for the year ended 31 December 2019, the Group had no major investments (including investments with an asset ratio of more than 8% in any entities) nor major acquisitions or disposals of subsidiaries, associates and joint ventures.

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

Because of the acquisition of the Veladero Gold Mine, the Company has provided two counter-guarantees for SDG Hong Kong in a sum of US$500 million in favour of China Development Bank Hong Kong Branch. Other than that, the Company did not offer any financial assistance or guarantee with the total exceeding 8% of its assets for its subsidiaries during the Reporting Period.

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

2019 represented a year of significant importance in the Company's journey to accelerate development and achieve the strategic goals of the "13th Five-Year Plan". Over the past year, the Board of the Company has always adhered to the general tone of maintaining stable growth while making further progress, firmly established and implemented the new development concept, unswervingly observed high-quality development requirements, and took various measures to enhance management. Therefore, it was able to forge ahead under challenges and further consolidated the Company's new situation of high-quality development, thus laying a solid foundation for the closing of the "13th Five-Year Plan".

In 2019, the Company's gold mine production volume was 40.12 tonnes, representing a year-on-year increase of 0.80 tonnes or 2.03%. Over the past year, we focused on the following aspects in accordance with the requirements of high quality development:

(I) **Emphasize on strategy orientation and the courage to take responsibility.** We further defined our development direction for the next stage based on a scientific analysis of opportunities and challenges. Focusing on the strategic goals and in accordance with the requirements of 2019 operational indicators, the Company devoted efforts to overcome difficulties. By means of strengthening production and operation management, continuously optimizing production organization, organizing innovative competition among workforce and other efforts, the Company's production capacity has gradually increased.

(II) **Make great efforts in operation and management and highlight quality and efficiency enhancement.** The Company has had its efficiency significantly improved through, inter alia, launching a themed campaign known as "optimizing the mining process and reducing ore depletion", building and implementing the high-quality development evaluation system for mining enterprises and signing the statement of responsibility for objectives of "quality and efficiency enhancement" activities. Through closely monitoring the macroeconomic situation and the capital market, 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. Intensive efforts have been devoted on "improving financial management work" and carrying out "basic management target-hitting" campaign at the headquarters and laboratories, which further enhanced the basic management works. The Company promoted comprehensively the application of COP office platform, initiated construction of projects including the "Shanjin Cloud" data center and the ERP platform, which created a new situation in IT construction. It carried out multi-channel financing and successfully issued green bonds of RMB1.0 billion.

(III) **Stress on the importance of reform and innovation and gather resource on transformation and upgrade.** We unswervingly and comprehensively reformed, successfully acquired the 100% equity interest in SDG Capital Management and injected with financial assets in the gold industry chain. As a result, the Company's overall strength has improved. Relying persistently on the major projects of conversion of new and old drivers, we concentrated our efforts on scientific and technological research, engineering construction, etc. The Company was granted with 30 awards of ministerial or provincial levels and 73 licensed patents throughout the year, with its "Patent Cluster of Key Technologies on Efficient Mining and Safeguard of Large-scale Submarine Metal Deposits" successfully selected as one of the 100 key core technologies in key fields of Shandong Province. The construction of world-class exemplary mine of Sanshandao Gold Mine has taken a rough shape, with 70% of the total planned investment has completed. The Company adopted new technologies in an active manner. In particular, the first domestic industrial application of 5G technology in the mining area was successfully realized in the –500m middle section of Laixi Company.

(IV) **Uphold an inclusive approach and accelerate international layout.** The Company actively carried out domestic and overseas resource mergers and acquisitions, extensively selected quality projects, conducted desktop due diligence and on-site inspections, all of which increasingly accelerated the pace of "going global". We laid emphasis on improving communication with well-known mining groups and investment institutions. For instance, we carried out performance roadshows successively in Beijing, Shanghai, Shenzhen, Hong Kong, Singapore, the United States, the United Kingdom and other places, established a representative office in Canada and held mining industry investment seminars. All of our efforts drew close attention from domestic and foreign mining counterparts, well-known institutions and the media. In return, the Company was elected as a vice president unit of China Association for Public Companies, further improving its industry status and brand image in the capital market and the international market.

(V) **Reinforce safety and environmental protection to pursue steady progress.** We firmly adhered to the "double zero" goal, persistently reinforced the "double base" construction, conducted safety and environmental protection oriented inspection and supervision, launched a series of safety themed rectification activities including downhole ventilation and cooling, waterproofing, fireproofing and support engineering, and constantly intensified identification and elimination of potential safety issues. The Company promoted the construction of green mines in an all-round manner and increasingly improved the green mine construction capabilities, with 12 mines of 10 enterprises subordinated to the Company entering into the national list of green mines. In the context of the increasingly tightening environmental protection inspections across the country, the Company achieved safe and environment friendly operation in all mines.

(VI) Enhance Party leadership and strengthen Party building. The Company firmly and consciously shouldered the political responsibility of Party management and governance, and leveraged the precious opportunity of carrying out the education campaign themed "staying true to our founding mission" in systematical advancement of the implementation of major tasks. The Company strictly implemented accountability towards Party governance, and tied it up with key tasks in deployment, implementation, inspection, and assessment. Also, the Company strictly implemented accountability towards the ideological work, established an ideological and propaganda work governing body, appointed press spokespersons, and created a good public opinion environment.

MAJOR OPERATIONS DURING THE REPORTING PERIOD

In 2019, the gold production of the Company amounted to 40.12 tonnes (1,289.9 koz), representing a year-on-year increase of 0.80 tonnes, an increase of 2.03%. The Company completed processing (leaching) of 28.72 million tonnes, representing a year-on-year increase of 880,000 tonnes, an increase of 3.17%. Among which, processing amount in the PRC reached 15.13 million tonnes, representing a year-on-year increase of 840,000 tonnes, an increase of 5.89%; leaching amount abroad amounted to 13.59 million tonnes, representing a year-on-year increase of 40,000 tonnes, an increase of 0.3%. The raw ore grade was 1.53g/t, representing a year-on-year decrease of 0.06g/t, a decrease of 3.75%. The decrease in the raw ore grade was mainly attributable to the lower raw ore grade involved in heap leaching of foreign enterprise, which has lowered the overall grade; the gold beneficiation recovery rate of domestic mines of the Company was 91.84%, representing a year-on-year increase of 0.02 percentage point, an increase of 0.01%, while the gold beneficiation recovery rate of overseas mines was 77.27%, representing a year-on-year increase of 4.34 percentage points, an increase of 5.95%.

ANNUAL PRODUCTION DATA AND ANALYSIS

The following table sets forth the ore mined volume, ore processed volume and gold production volume of each of our mines for 2018 and 2019:

Projects	Year ended 31 December					
	2018			**2019**		
	Ore mined volume (Mt)	Ore processed volume (Mt)	Gold production volume (koz)	**Ore mined volume (Mt)**	**Ore processed volume (Mt)**	**Gold production volume (koz)**
Shandong Province						
Sanshandao Gold Mine	3.6	3.8	224.1	**3.6**	**4.0**	**232.2**
Jiaojia Gold Mine	3.6	3.5	232.5	**3.8**	**3.6**	**238.6**
Xincheng Gold Mine	1.5	2.0	135.7	**1.3**	**2.0**	**139.5**
Linglong Gold Mine	1.9	1.7	143.4	**2.1**	**1.9**	**130.9**
Guilaizhuang Gold Mine	0.2	0.2	38.7	**0.3**	**0.3**	**41.3**
Jinzhou Gold Mine	0.4	0.5	36.5	**0.4**	**0.4**	**26.5**
Qingdao Gold Mine[2]	0.8	0.8	52.4	**0.9**	**1.0**	**53.6**
Penglai Gold Mine	0.5	0.4	25.7	**0.4**	**0.4**	**44.4**
Yinan Gold Mine	0.5	0.5	16.1	**0.5**	**0.5**	**11.7**
Other Provinces						
Chifengchai Gold Mine	0.4	0.5	36.4	**0.5**	**0.5**	**40.5**
Fujian Yuanxin Gold Mine	0.3	0.3	26.5	**0.3**	**0.3**	**19.1**
Xihe Zhongbao Gold Mine	0.2	0.2	17.9	**0.2**	**0.2**	**20.9**
Sub-total[1]	13.7	14.2	986.0	**14.3**	**15.1**	**1,000.1**
Attributable to the Company	13.4	13.8	942.5	**12.9**	**13.6**	**889.9**
Argentina						
Veladero Mine[3]	15.7	13.5	278.4	**16.1**	**13.6**	**274.5**
Total	29.4	27.7	1,264.4	**30.4**	**28.7**	**1,289.9[4]**

Notes:

1. Includes the ore mined volume, ore processed volume and gold production volume of each PRC mine on a 100% basis.

2. Qingdao Gold Mine includes Xinhui Gold Mine and Laixi Gold Mine.

3. Includes the ore mined volume, ore processed volume and gold production volume of the Veladero Gold Mine on a 50% basis. As of 31 December 2019, the Company owned 50% interest in the Veladero Mine.

4. Total gold production in 2019 includes the gold production of 1,274.6 koz from mining enterprises and gold production from smelting of 15.3 koz from smelting enterprises.

5. 1 ounce = 31.1035 grams.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF MAIN BUSINESS

Operating results

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

Unit: *RMB'000*

Item	Amount of this Reporting Period	Amount of corresponding period in prior year	Increase/ (Decrease) (%)
Revenue	62,613,141	56,250,494	11.3
Cost of sales	(57,601,794)	(52,213,915)	10.3
Selling expenses	(188,120)	(126,995)	48.1
General and administrative expenses	(1,768,667)	(1,445,860)	22.3
Research and development expenses	(333,050)	(321,041)	3.7
Finance costs	(866,894)	(936,319)	(7.4)

Analysis on revenue and cost of sales

The increase in revenue of the Group was mainly due to the increase in both selling price and sales volume of gold. The increase in the cost of sales was mainly due to the increase in the gold price and the increase in both procurement price and sales volume of the externally procured gold. The increase in the selling expenses was attributable to the increase in handling fee and commission of the provision of futures contracts trading business of the subsidiaries of the Company.

Information on major suppliers and customers

The revenue from the top five customers amounted to RMB61,290.1 million, representing 97.9% of the total revenue of the year, out of which there were no revenue from connected persons among the top five customers. The revenue from the largest customer represented 91.7% of the total revenue of the year.

The procurement amount from the top five suppliers amounted to RMB39,230.0 million, representing 68.1% of the total procurement amount to the cost of sales of the year, out of which there were no procurement amount from connected persons among the top five suppliers. The procurement amount of the largest supplier represented 23.8% of the total procurement amount of the year.

Gearing ratio

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 31 December 2019, the Group's consolidated total debt (including lease liabilities and borrowings) was approximately RMB8,271.5 million (2018: approximately RMB6,432.2 million), and the Group's consolidated total equity was approximately RMB26,068.3 million (2018: approximately RMB25,674.4 million). As at 31 December 2019, the Group's gearing ratio was 31.7% (2018: 25.1%), or 82.2% if short-term financings through gold leasing and gold forward/futures contracts were taken into account (2018: 67.3%). The movement of short-term financings through gold leasing and gold forward/futures contracts are sets out in the following table:

Unit: *RMB'000*

	At the beginning of the year	Proceeds received during the year	Changes in fair value of the obligations associated with outstanding gold leasing contracts	Settlement during the year	At the end of the year
Short-term financings through gold leasing contracts and gold forward/futures contracts	10,834,009	15,367,830	62,090	(13,118,286)	13,145,643

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

Unit: *RMB'000*

Item	Carrying amount as at the end of the Reporting Period	Reasons for restrictions
Monetary funds	108,338	Security deposits for bank acceptance
Monetary funds	2,820	Reserves for gold trading
Monetary funds	130,012	Security deposits for land reclamation and environmental governance
Monetary funds	100	Performance bond
Monetary funds	1,962	Land bond
Total	243,232	

Status of the main businesses by industry and region

Unit: *RMB'000*

Status of the main businesses by industry						
By industry	Revenue	Cost	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost compared with last year (%)	Changes in gross profit margin compared with last year (%)
Mining segment	12,344,729	7,880,283	36.2%	15.7%	13.5%	1.2%
Refining segment	48,674,475	48,305,819	0.8%	10.3%	10.0%	0.4%
Investment management segment	1,593,937	1,415,692	11.2%	9.0%	4.3%	4.0%
	62,613,141	57,601,794	8.0%	11.3%	10.3%	0.8%

Status of the main businesses by region						
By region	Revenue	Cost	Gross profit margin (%)	Changes in revenue compared with last year (%)	Changes in cost compared with last year (%)	Changes in gross profit margin compared with last year (%)
The PRC	59,939,144	55,269,830	7.8%	11.3%	10.1%	1.0%
Outside the PRC	2,673,997	2,331,964	12.8%	12.6%	15.9%	-2.5%
	62,613,141	57,601,794	8.0%	11.3%	10.3%	0.8%

Table of cost analysis

Unit: *RMB'000*

	Amount for the current year	Proportion to total cost during the current year	Amount for the last year	Proportion to total cost during the last year
Materials costs	51,412,892	89.26%	46,929,631	89.88%
Employee benefit expenses	1,505,817	2.61%	1,353,704	2.59%
Depreciation	1,900,786	3.30%	1,797,615	3.44%
Amortization	603,230	1.05%	503,335	0.96%
Labor outsourcing and outsourcing stripping expenses	1,227,125	2.13%	891,327	1.71%
Mining resource compensation fees	93,605	0.16%	56,543	0.11%
Mining resource tax	246,087	0.43%	204,847	0.39%
Transportation costs and port expenses	71,200	0.12%	85,138	0.16%
Repairs and maintenance costs	40,112	0.07%	16,325	0.03%
Operating lease rental expenses	26,583	0.05%	23,606	0.05%
Other expenses	474,357	0.82%	351,844	0.68%
Total	57,601,794	100%	52,213,915	100%

Research and development expenditure

Table of research and development expenditure

Unit: *RMB'000*

	2019	2018
Expensed research and development expenditure for the period	**333,050**	321,041
Number of research and development staff	**777**	768
Number of research and development staff to total number of staff of the Company *(%)*	**4.81**	4.79

Analysis of assets and liabilities

Status of assets and liabilities

Unit: *RMB'000*

Item	31 December 2019	31 December 2018	Change	Reasons for the change
Cash and cash equivalents	2,674,064	2,227,866	446,198	Mainly due to the increase in the short-term deposits of SDG Group Finance, an associate
Trade and other receivables	1,916,843	2,191,591	(274,748)	Mainly due to the decrease in receivables from sales of gold
Investments in associates	1,042,259	1,040,940	1,319	Mainly due to the investment gains from subsidiaries accounted for using the equity method during the period
Short-term borrowings	5,275,524	3,685,352	1,590,172	Mainly due to the increase in short-term borrowings by SDG Hong Kong during the year
Corporate bonds classified as non-current liabilities	999,267	687,862	311,405	Mainly due to the repayment of part of the bonds by the parent company during the year
Corporate bonds classified as current liabilities	688,763	–	688,763	Mainly due to the reclassification from non-current liabilities to current liabilities in 2019
Long-term borrowings	1,200,000	2,058,960	(858,960)	Mainly due to the reclassification from long-term borrowings due within one year to non-current liabilities due within one year
Reserves	20,114,685	21,522,969	(1,408,284)	Mainly due to the business combination involving entities under common control during the period

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

Unit: *RMB'000*

Item	Carrying amount as at the end of the Reporting Period	Reasons for restrictions
Other monetary funds	108,338	Security deposits for bank acceptance
Other monetary funds	2,820	Reserves for gold trading
Monetary funds	130,012	Security deposits for land reclamation and environmental governance
Monetary funds	100	Performance bond
Monetary funds	1,962	Land bond
Total	243,232	

Analysis on business information of the industry

Due to its scarcity and perfect natural properties, gold has long been regarded as a symbol of wealth, and has played important roles in the changes of international monetary and financial system. Nowadays, the charm of gold is still embodied in its currency functions, and it continues to play a significant role in the modern financial system, especially in safeguarding the security of national economy.

As the Chinese economy continues to grow and opening up further, the internationalization of RMB becomes inevitable. International experiences show that increasing the gold reserve of China is inevitable for promoting RMB internationalization, as well as an important measure to safeguard the security of economy and finance.

In 2019, global economic and trade frictions continued to intensify, downward pressures on major economies in the world mounted, more loose monetary policies were adopted around the globe, and geopolitics crisis intensified. Under this backdrop, international gold prices saw a sharp rise. It reported an opening price of US$1,282.40/ounce with the highest and lowest prices of US$1,557.03/ounce and US$1,266.19/ounce and closed at US$1,517.10/ounce, representing a year-on-year increase of 18.3%. In particular, from January to April 2019, suppressed by the strong performance of American economy and the monetary policies of the Federal Reserve of the U.S. which maintained a relatively hawkish tone, international gold prices maintained fluctuations at a low level; from May to August, affected by the intensified trade friction between China and the U.S., global economy slowed down significantly, and central banks of many countries adopted loose momentary policies successively, which led to a substantial increase of international gold prices; in September, China and the U.S. decided to resume economic and trade negotiation, and the gold price started to fall from its peak. In 2019, London spot gold averaged US$1,395.88/ounce, up by 9.89% as compared with 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of gold supply and demand, the latest statistics of the China Gold Association shows that, the gold produced with domestic raw materials in 2019 was 380.23 tonnes, representing a year-on-year decrease of 5.21%; the gold produced with imported raw material was 120.19 tonnes, representing a year-on-year increase of 6.57%. The substantial decrease in production of domestic gold mines led to the tight supply of domestic raw materials for gold smelting. As a result, imported raw materials for gold smelting have risen and become an important supply to the gold production of China.

Meanwhile, the gold market has also attracted the attention of more and more institutional investors, leading to a considerable rise in the trading volume of both spot gold and gold futures. In 2019, the accumulated trading volume of all gold products on the Shanghai Gold Exchange was 68,600 tonnes (bilateral), representing a year-on-year increase of 0.12%, with turnover of RMB21.49 trillion, representing a year-on-year increase of 15.69%. The accumulated trading volume of all gold products on the Shanghai Futures Exchange was 92,500 tonnes (bilateral), representing a year-on-year increase of 186.84%, with turnover of RMB29.99 trillion, representing a year-on-year increase of 238.92%. On 20 December 2019, gold options were officially listed for trading on the Shanghai Futures Exchange, offering another hedge instrument for gold trading.

The Chinese economy has transformed from a stage of fast growth to a stage of high quality development, during which traditional development model in the gold industry will be unsustainable, and the acceleration of the replacement of old growth drivers with new growth drivers featuring data intelligence and green ecology will become an inevitable trend. Shandong Gold is committed to improving its development efficiency and level and supporting its transformation and upgrading from a traditional mine company to a modern and ecological mine company with technology innovation. Meanwhile, the Company will proactively implement the “going global” strategy, and participate in global resource allocation in a more open and inclusive way, so as to provide strong support to the comprehensive development and use of the Company’s mineral resources and sustainable development.

Analysis on the operational information of the industry

Operations of respective region during the Operating Period

Unit: *RMB’000*

	Revenue amount		% to total revenue	
	2019	2018 (restated)	**2019**	2018 (restated)
Revenue from contracts with customers within the scope of IFRS 15				
The PRC	**59,920,478**	53,855,116	**95.7%**	95.7%
Outside the PRC	**2,673,997**	2,375,738	**4.3%**	4.2%
	62,594,475	56,230,854		
Revenue from other sources				
The PRC	**18,666**	19,640	*	0.1%
	62,613,141	56,250,494		

* Less than 0.1%

Reserves and Resources of Self-owned Mines

The following table sets forth resources and reserves of Shandong Gold under the NI43–101 Code, as of 31 December 2019:

Gold Mine	Resources[1][2]								Reserves[3][4]								
	Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (koz)	Gold content (equity basis)[5] (koz)	Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (koz)	Gold content (equity basis)[6] (koz)	LOM (year)	Validity period of permits/mining rights	Risk warning
Sanshandao Gold Mine	–	25.5	25.5	41.2	66.8	3.03	6,510	6,205	–	22.9	22.9	2.88	2,122	2,023	9	Mining right (2043.09.01); Mining right (2022.11.11); Mining right (2022.06.01); Exploration right (2021.03.31)	
Jiaojia Gold Mine	–	12.3	12.3	22.3	34.5	2.81	3,112	2,966	–	7.7	7.7	3.10	768	732	4	Mining right (2025.09.01); Mining right (2021.5.25); Mining right (2021.6.21); Exploration right (2020.12.27); Exploration right (2020.06.30)	
Xincheng Gold Mine	–	29.8	29.8	46.8	76.6	3.11	7,654	7,654	–	25.4	25.4	3.13	2,559	2,559	10	Mining right (2021.02.01); Exploration right (2021.06.28); Exploration right (2020.10.16)	
Linglong Gold Mine	–	9	9	47.1	56	2.80	5,035	3,755	–	8.6	8.6	2.52	697	520	4	Mining right (2018.6.2) in the process of renewal; Mining right (2025.5.2); Mining right (2021.11.10); Exploration right (2020.08.08); Exploration right (2018.05.06) in the process of renewal ; Exploration right (2018.3.31) in the process of renewal	
Guilaizhuang Gold Mine	–	0.6	0.6	1.8	2.4	4.10	316	223	–	0.4	0.4	7.00	90	63	3	Mining right (2020.4.23); Exploration right (2020.3.31) in the process of renewal	

Gold Mine	Resources[1][2]								Reserves[3][4]							Validity period of permits/mining rights	Risk warning
	Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (koz)	Gold content (equity basis)[5] (koz)	Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (koz)	Gold content (equity basis)[6] (koz)	LOM (year)		
Jinzhou Gold Mine	–	1.3	1.3	1.3	2.6	2.87	240	149	–	1.1	1.1	2.74	97	59	4	Mining right (2021.12.14); Mining right (2021.9.30); Mining right (2022.5.17); Mining right (2025.10.14); Mining right (2022.9.25); Mining right (2017.7.5) in the process of renewal; Exploration right (2017.3.16) in the process of renewal; Exploration right (2016.12.31) in the process of renewal	
Qingdao Gold Mine	–	4.5	4.5	3.5	8.1	4.87	1,269	940	–	4.4	4.4	3.80	538	426	6	Mining right (2021.11.11); Mining right (2021.9.24); Exploration right (2021.6.30); Exploration right (2021.3.31); Exploration right (2021.3.31)	
Penglai Gold Mine	–	1.2	1.2	0.9	2.1	7.12	481	481	–	1.3	1.3	5.24	219	219	3	Mining right (2022.7.11); Mining right (2018.4.7) in the process of renewal ; Mining right (2018.4.12) in the process of renewal; Exploration right (2019.3.31); Exploration right (2017.12.31) in the process of renewal	
Yinan Gold Mine	–	4.1	4.1	14.5	18.6	1.09	652	652	–	0.1	0.1	2.18	7	7	1	Mining right (2021.11.11); Mining right (2021.11.11); Mining right (2025.4.21); Exploration right (2020.8.19)	The life of the mine is less than one year, and the expansion of boundary and integration of the mining right is under progress.

Gold Mine	Resources[1][2]								Reserves[3][4]								
	Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (koz)	Gold content (equity basis)[5] (koz)	Proven (Mt)	Probable (Mt)	Total (Mt)	Grade (g/t)	Gold content (100% basis) (koz)	Gold content (equity basis)[6] (koz)	LOM (year)	Validity period of permits/mining rights	Risk warning
Shandong Province	–	88.3	88.3	179.4	267.7		25,270	23,025	–	71.8	71.8		7,097	6,607	–		
Chifengchai Gold Mine	–	1	1	0.4	1.5	4.85	234	172	–	1.1	1.1	5.00	177	130	3	Mining right (2025.12.8); Exploration right (2021.11.1); Exploration right (2021.2.14); Exploration right (2022.12.9)	
Fujian Yuanxin Gold Mine	–	0.8	0.8	0.2	1	4.35	140	127	–	0.7	0.7	3.55	80	73	3	Mining right (2029.6.2); Exploration right (2020.2.13)	
Xihe Zhongbao Gold Mine	–	6.8	6.8	7.3	14.1	2.27	1,031	721	–	5.9	5.9	2.29	434	304	20	Mining right (2034.4.28); Exploration right (2020.2.11)	
Other Provinces	–	8.6	8.6	7.9	16.6		1,405	1,020	–	7.8	7.8		692	507	–		
China sub – total	–	96.9	96.9	187.3	284.3		26,675	24,045	–	79.6	79.6		7,789	7,114	–		
Veladero Mine	18.3	178.0	196.3	19.7	216.0	0.63	8,750	4,375	15.3	105.1	120.4	0.73	5,630	2,815	12	The Filo Norte mining group has a permanent validity period, and the validity period of Veladero mining group which is mined by MAS with the license from IPEEM is from 30 July 2003 to 30 July 2028. The license agreement is subject to renewal by MAG at its sole discretion upon expiry.	
Total	18.3	274.9	293.2	207	500.3		35,425	28,420	15.3	184.7	200		13,419	9,929	–		

(1) As to our PRC Mines, resources are based on the BAW Report and the following assumptions:

Resources are reported as in-place tonnes, without dilution or mining losses applied.

Mineral resources are inclusive of mineral reserves.

(2) As to the Veladero Mine, resources are based on the Report on Year End Reserves and Resources of the Veladero Mine, which from January to December 2019 are reported by the internal experts of the Veladero Mine in relation to the gold production resources and updating the resources of the mine through exploration of mineral resources during this period.

CIM (2014) definitions were followed for resources.

The mineral resources were estimated as of 31 December 2019 at US$1,500 per ounce.

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral resources are estimated at economic cut-off values that vary by material type and are approximately equivalent to 0.16 g/t Au for Type 1 mineralization and 0.29 g/t Au for Type 2 mineralization.

Mineral resources are constrained by a Whittle pit shell.

Mineral resources are inclusive of mineral reserves.

(3) As to our PRC mines, reserves are based on the BAW Report and the following assumptions:

Price assumptions are US$1,231 per ounce and an exchange rate of US$1: RMB6.57.

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

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

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

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

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

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

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

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

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

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

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

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

Mineral resources are estimated inclusive of mineral reserves.

Figures in the table are rounded to reflect estimate precision; small differences generated by rounding are not material to estimates.

Reserves are estimated based on delivery to the mill stockpile.

(4) As to the Veladero Mine, the assumptions adopted are the same as those defined by the CIM (2014). Based on the Report on Year End Reserves and Resources of the Veladero Mine, the relevant information from January to December 2019 are reported by the internal experts of the Veladero Mine in relation to the gold production resources and updating the resources of the mine through exploration of mineral resources during this period based on the RPA Report.

The mineral reserves were estimated as of 31 December 2019 at US$1,200 per ounce.

Mineral reserves are estimated at economic cut-off values based on process cost, recovery, and profit. The cut-off values are equivalent to approximately 0.18 g/t Au for Type 1 ore and 0.36 g/t Au for Type 2 ore. Numbers may not add due to rounding.

LISTING EXPENSES AND USE OF PROCEEDS

Listing Expenses

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

Use of Proceeds from Global Offering

The H Shares were listed on 28 September 2018 on the Main Board of the Hong Kong Stock Exchange with net proceeds amounted to approximately HK$5,245.7 million (approximately RMB4,618.8 million) after deducting transaction fees and other expenses. As of the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 31 December 2019, approximately RMB4,601.7 million have been utilized, namely:

		Net proceeds (RMB million)			
Item	Percentage	Available to utilise	Utilised	Unutilised	Expected timeline for the use of the unutilised proceeds
Repayment of Syndicated Term Loan	97.6%	4,506.1	4,506.1	–	–
Payment of listing expenses	2.4%	111.2	94.0	17.2	On or before 31 December 2020
Payment of withholding taxes to listing expenses through its basic account in China Construction Bank	0.0%	1.0	1.0	–	–
Exchange loss	0.0%	0.6	0.6	–	–

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

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board of Directors comprises 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. The following table sets out certain information relating to the Directors.

Name	Age	Position	Date of Appointment as Director	Month of Joining the Company
Li Guohong (李國紅)	49	Chairman, non-executive Director	16 May 2016	May 2016
Wang Peiyue (王培月)	58	Executive Director	16 May 2016	March 2009
Li Tao (李濤)	59	Vice chairman, Executive Director	14 January 2019	April 2011
Wang Lijun (王立君)	51	Non-executive Director	20 May 2014	January 2014
Wang Xiaoling (汪曉玲)	56	Non-executive Director	16 May 2016	July 2000
Tang Qi (湯琦)	42	Executive Director	8 December 2017	July 2000
Gao Yongtao (高永濤)	57	Independent non-executive Director	15 October 2013	October 2013
Lu Bin (盧斌)	43	Independent non-executive Director	8 December 2017	December 2017
Hui Wing (許穎)	43	Independent non-executive Director	8 December 2017	December 2017

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Mr. Li Guohong (李國紅), was appointed as the chairman of the Board in May 2016 and was subsequently redesignated as a non-executive Director in December 2017. He is mainly responsible for the overall and strategic development, investment planning and human resources allocation. Mr. Li has more than 11 years of experience in the gold mining industry.

Mr. Li served as a deputy general manager of SDG Group Co., the chairman of Shanghai Shengju Asset Operation and Management Co., Ltd. (上海盛鉅資產經營管理有限公司), the chairman of SDG Group Finance, the chairman of SDG (Shanghai) Precious Metals Investment Co., Ltd. and the general manager of SDG Capital Management. Mr. Li also holds the position of general manager of SDG Group Co. (since February 2016) within SDG Group (excluding our Group).

Prior to joining SDG Group, Mr. Li served as the financial controller in the financial and auditing department of Anhui Huangshan Cigarette General Factory (安徽黃山捲煙總廠), the chief financial officer of China Tobacco Anhui Industrial Co., Ltd. Hefei Cigarette Factory (安徽中煙工業有限責任公司合肥捲煙廠), the chairman of the board of supervisors and a director of Shandong International Trust Co., Ltd. (山東省國際信託有限公司) (currently known as Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司), the H Shares of which were subsequently listed on the Hong Kong Stock Exchange (stock code: 1697) and vice general manager of China Securities Inter-agency Quotation System Co., Ltd. (中証機構間報價系統股份有限公司).

Mr. Li graduated from University of Science and Technology of China in June 2001 majoring in business administration, and obtained a master's degree in business administration in December of the same year and obtained a doctorate degree in accounting from Tianjin University in China in January 2015. He was recognized by Anhui Evaluation Committee of Senior Technical Positions in Account (安徽省會計專業高級技術職務評審委員會) as senior accountant in April 2008 and obtained the qualification of certified public accountant issued by Anhui Institute of Certified Public Accountants (安徽省註冊會計師協會) in December 2016 and recognized by Shandong Human Resources and Social Security Bureau (山東省人力資源和社會保障廳) as senior accountant (principal) in January 2018.

Mr. Wang Peiyue (王培月), was appointed as a Director, the general manager and the financial controller of the Company in May 2016 and was subsequently redesignated as an executive Director in December 2017, mainly responsible for daily production and operation management, administration, financial management, financing, budgeting, internal control and legal affairs. Mr. Wang has more than 31 years of experience in the gold mining industry. In particular, he has very extensive working experience in the fields relating to exploration and exploitation.

Mr. Wang served as a deputy general manager of the Company from March 2009 to March 2011, the general planner of the Company from December 2013 to May 2016, and the chairman of the Supervisory Committee of the Company from February 2015 to May 2016. He also served as a mine manager of Linglong Mining.

Mr. Wang successively held various positions in SDG Group. In SDG Group Co., he successively served as a vice department head of the planning department, the head of the production department, a deputy chief engineer and director of the industry information development center, a manager of the science and information technology department, a deputy chief engineer, the chief planner and an assistant to general manager and a manager of the strategic planning department. Mr. Wang also served as an executive deputy general manager of SDG Real Estate Co., Ltd (山東黃金置業有限公司), and the chairman of SDG Real Estate Tourism Group Co., Ltd. (山東黃金地產旅遊集團有限公司).

Mr. Wang graduated from Xi'an Institute of Metallurgical Construction (西安冶金建築學院) in China in July 1982 majoring in mining engineering with a bachelor's degree, and graduated from Northeast China Engineering Institute (東北工學院) (currently known as Northeastern University (東北大學)) in China in January 1987 majoring in mining engineering, and received his master's degree in March 1987. He obtained his doctorate degree in mining engineering from University of Science and Technology Beijing in China in January 2010. He received the title of engineering technology application researcher issued by Shandong Provincial Personnel Office (山東省人事廳) in January 2002.

Mr. Li Tao (李濤), was appointed as the vice chairman of the Board and executive Director on 14 January 2019 and as a deputy general manager of the Company, mainly responsible for the operation and management of Qilu Mining Business Department of the Company. He served as an assistant to general manager of the Company and as the president of Qilu Mining Business Department of the Company.

Mr. Li has served in various positions in the subsidiaries of the Company. From September 1981 to December 2008, he has served various positions in Jinzhou Group, including among others, as a mining technician and a director of the main well workshop and a deputy section chief and then the section chief of the expansion department of Jinzhou Group, he has also served as an assistant to mine manager, a deputy mine manager, a deputy chief engineer and a deputy general manager successively, and as the head of the leadership team for preliminary work of projects, a vice-chairman of the board and the general manager of Chaihulanzi Gold. Mr. Li has also served as the chairman of Guilaizhuang Mining, a director of Laizhou Mining and the chairman of Jinchuang Group, which is a subsidiary of SDG Group Co.

Mr. Li graduated from Southern Institute of Metallurgy (南方冶金學院) in China majoring in mining in July 1990, and was recognized as a senior engineer by Shandong Provincial Personnel Department in February 2001.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Lijun (王立君), was appointed as Director in May 2014 and served as the chairman of the Company from February 2015 to May 2016. He was subsequently redesignated as a non-executive Director in December 2017. He mainly participates in decision making in respect of major issues of the Company. Mr. Wang also served as the general manager and a vice-chairman of the Company from January 2014 and May 2014 to February 2015, respectively. Mr. Wang has more than 28 years of experience in the gold mining industry.

Mr. Wang also successively held various positions in subsidiaries of the Company and has extensive industry experience. He successively served as an assistant mining engineer, a deputy director and a director of the mining workshop, an assistant to mine manager, a deputy mine manager and a mine manager of Xincheng Gold Mine.

Mr. Wang has been serving as a director of SDG Group Co.. He also successively served as the general manager and the chairman of SDG Non-ferrous and as the chairman of Qingdao Gold Training Centre Co., Ltd. (青島黃金培訓中心有限公司), which is an indirect subsidiary of SDG Group Co..

Mr. Wang graduated from Shenyang Gold Institute in China in July 1990 majoring in mining engineering, and graduated from Northeastern University in China in July 1997 majoring in management engineering. He also graduated from Northeastern University in July 2012 majoring in mining engineering, with a doctorate. In March 2014, he was recognized as engineering technology application researcher by the Department of Human Resources and Social Security of Shandong Province (山東省人力資源和社會保障廳).

Ms. Wang Xiaoling (汪曉玲), was appointed as a Director in May 2016 and was subsequently redesignated as a non-executive Director in December 2017. She mainly participates in decision making in respect of major issues of the Company. Ms. Wang has more than 31 years of experience in the gold mining industry.

Ms. Wang successively held various positions in the Company. She successively served as a manager of the finance department and the chief financial officer and a manager of the finance department of the Company. Ms. Wang also worked in Shandong Gold Mining (Laizhou) Co., Ltd. Jiaojia Gold Mine, a subsidiary of our Company and its predecessor, for many years and has tremendous industry experience, as she served, among others, as its accountant and a deputy director of the finance division.

Ms. Wang also has been serving as manager of the finance department, the deputy chief accountant and a deputy general manager of SDG Group Co. since January 2014, July 2016 and April 2018, respectively, and has been serving as the chairwoman of SDG Group Finance since February 2015. Prior to joining SDG Group Co., Ms. Wang served at Zhaoyuan Agricultural Bank of Shandong Province (山東省招遠縣農業銀行).

Ms. Wang graduated from Shenyang College of Technology (瀋陽工業學院) in China in July 1998 majoring in accounting, and graduated from Hong Kong Baptist University in November 2009 majoring in science in applied accounting and finance, with a master's degree in science. She obtained the senior economist qualification issued by Shandong Provincial Personnel Department in December 1999, the international registered senior accountant qualification issued by International Accreditation and Registration Institute in January 2007 and the senior gold investment analyst qualification issued by Occupational Skill Testing Authority of Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑒定中心) in March 2011. Ms. Wang was recognized by Shandong Human Resources and Social Security Bureau (山東省人力資源和社會保障廳) as senior accountant (principal) in January 2018.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Tang Qi (湯琦), was appointed as a Director, secretary to the Board and the director of the Board office in December 2017 and November 2017, respectively, and was subsequently redesignated as an executive Director in December 2017, mainly responsible for the daily work of the Board, the normative operation of the Company, capital operation, information disclosure and investor relations management. Mr. Tang has more than 19 years of professional experience in corporate governance.

Mr. Tang has successively served as a secretary, the head of secretary, a deputy director and a director of the Board office of the Company. He also served as the securities affairs representative of the Board, during which, he participated in mine management of Laizhou Production Base (萊州生產基地) of the Company, and accumulated extensive industry experience. He has successively served as an assistant to general manager as well as the department head of the research and development department, a vice general manager as well as the department head of research and development department of SDG Venture Capital Co., Ltd and member of SDG Group Co.'s Reform Committee Office (山東黃金集團有限公司深化改革小組辦公室成員).

Mr. Tang graduated from Shandong Normal University in China in July 2000 majoring in educational technology, with a bachelor's degree, and graduated from Shandong University in China in December 2010 majoring in economics, with a master's degree of economics. Mr. Tang received the senior political official qualification issued by the Appraisal Committee for Senior Enterprise Ideological and Political Professionals of Shandong Province (山東省企業思想政治工作人員專業職務高級評審委員會) in September 2013, the qualification of registered gold investment analyst issued by the Occupational Skill Testing Authority of Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑑定中心) in April 2010, and the qualification of secretary to board of listed companies issued by the Shanghai Stock Exchange in April 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Yongtao (高永濤), was appointed as an independent non-executive Director in October 2013. He has successively served as a teaching assistant as well as a lecturer, an associate professor and a PhD supervisor of University of Science and Technology Beijing since July 1985. Mr. Gao served as the chairman of Beijing Anke Technology Co., Ltd. (北京安科興業科技股份有限公司) since August 2010. He serves as a professor and a PhD supervisor of School of Civil and Resources Engineering of University of Science and Technology Beijing (北京科技大學土木與資源工程學院) since July 1998. Mr. Gao is currently a lifetime professor of mining in University of Science and Technology Beijing.

In addition, Mr. Gao served as the vice president of the committee for Soft Rock of the Chinese Society for Rock Mechanics (中國岩石力學學會軟岩委員會副主任), the chairman of the underground mining committee of Sub-society for Mining of the Chinese Society for Metals (中國金屬學會採礦分會) since December 2011 and a member of National Work Safety Expert Group (國家安全生產專家組) since November 2014.

Mr. Gao graduated from Beijing Steel College (北京鋼鐵學院) in China in May 1985 and obtained a master's degree in mining engineering in June 1985. He also obtained a doctoral degree in engineering mechanics from University of Science and Technology Beijing in China in March 2003.

Mr. Lu Bin (盧斌), was appointed as an independent non-executive Director in December 2017. He has successively served as a teacher and an associate professor of School of Finance of Nanjing University of Finance & Economics (南京財經大學金融學院) and has successively served as an assistant to director of the management committee and a director of the economic development bureau of Kunshan Huaqiao Economic Development Zone. He also acted as the deputy secretary of the Teaching Management Committee of the Auditing Cadre Education Institute (審計幹部教育學院教學管理委員會) and a member of the Financial Audit Teaching and Research Section (金融審計教研室) and a member of the Audit Case Teaching and Research Section (審計案例教研室). He also served as a associate professor, PhD supervisor of the Institute of Economics and Finance of Nanjing Audit University (南京審計大學), served as an associate dean of Training and Education School and the School of Finance, and the deputy head of the Research Department since July 2018. He acts as an associate professor and a supervisor of postgraduates in Nanjing Audit University, an associate dean of Jiangsu Zijin Industrial Finance Development Research Institute (江蘇紫金產業金融發展研究院), and a supervisor of Zhangyin Commercial Bank Co., Ltd. (彰銀商業銀行股份有限公司).

Mr. Lu was included in the third-batch of industry professors in Jiangsu province jointly issued by the Office of Leading Group for Talented Individuals in Jiangsu Province (江蘇省人才工作領導小組辦公室), the Department of Education of Jiangsu Province, the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳), the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳) and the Finance Bureau of Jiangsu Province and served as a director of Jiangsu Capital Market Research Association (江蘇資本市場研究會).

Mr. Lu graduated from Anhui Normal University in China in July 1998, with a bachelor's degree of science in mathematics, and graduated from Southeast University in China in May 2001, with a master's degree of science in probability theory and mathematics statistics, and graduated from the Chinese University of Hong Kong in December 2005, with a doctor's degree of philosophy in statistics.

Ms. Hui Wing (許穎), was appointed as an independent non-executive Director in December 2017. She has intensive knowledge and experience in accounting. She served in Bank of Communications Hong Kong Branch, including as an audit officer, a senior audit associate of Hong Kong Mortgage Corporation Limited, in CTBC Bank Co., Ltd., Hong Kong Branch including as a manager of its internal audit department, an audit manager of China Merchants Bank Hong Kong Branch. Ms. Hui is currently an assistant to the general manager of the audit department of Industrial Bank Hong Kong Branch.

Ms. Hui obtained a bachelor's degree in arts in English major from Guangdong University of Foreign Studies in China in December 2000. She graduated from the department of accountancy and information systems of City University of Hong Kong in November 2005, with a master's degree in arts. She was issued the qualification of registered accountant by Hong Kong Institute of Certified Public Accountants in March 2009. She was issued the qualification of certified internal auditor by Institute of Internal Auditors in January 2012. She was issued the qualification of certified information systems auditor by the Information Systems Audit and Control Association in March 2014.

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The Supervisory Committee comprises 3 Supervisors. The following table sets out certain information relating to the Supervisors.

Name	Age	Position	Date of Appointment as Supervisor	Month of Joining the Company
Li Xiaoping (李小平)	55	Chairman of the Supervisory Committee, Supervisor	16 May 2016	May 2016
Liu Yanfen (劉延芬)	40	Supervisor	8 November 2019	November 2019
Luan Bo (欒波)	46	Supervisor	24 February 2020	August 2003
Liu Rujun (劉汝軍) (resigned with effect from 24 February 2020)	51	Supervisor	15 October 2013	October 2013
Duan Huijie (段慧潔) (resigned with effect from 8 November 2019)	49	Supervisor	13 May 2016	May 2016

Mr. Li Xiaoping (李小平), has been the chairman of the Supervisory Committee since May 2016. Mr. Li has also been a standing committee member of the Party Committee of SDG Group Co. since October 2015.

Mr. Li successively served as a deputy director as well as a deputy director, a researcher of the Business and Trade Office of the Planning Commission of Shandong Province (山東省計委經貿處), the deputy secretary of Linzi District, Zibo City, the deputy secretary, head of district, secretary, officer of SCNPC, and principal of Party School of Dongchangfu District, Liaocheng City.

Mr. Li graduated from Jiangxi College of Finance and Economics (江西財經學院) (currently known as Jiangxi University of Finance and Economics (江西財經大學)) in China in July 1984 with a bachelor's degree in economics. He also graduated from the Party School of the Provincial Committee of Shandong (山東省委黨校) in China in June 2003 majoring in economic management.

Ms. Liu Yanfen (劉延芬), has been a Supervisor since November 2019. She currently serves as the deputy general manager of the legal affairs department of the Company.

Ms. Liu possesses a bachelor's degree and legal professional qualification. She served as a Integrated Service Department Specialist of Shandong Gold Wufeng Mountain Tourism Company (山東黃金五峰山旅遊公司), the legal director of the legal affairs department and deputy general manager (presided over work) of Shandong Assets Management Co., Ltd. (山東省資產管理有限公司), an Operational Department Specialist of Shandong Gold Mineral Resources Company (山東黃金礦產資源公司), the Mergers and Acquisition ("**M&A**") director of the strategic planning department of Shandong Gold Group Co., Ltd (山東黃金集團有限公司) and the M&A director of the legal affairs department of the Company. She is also a supervisor of Xiwu Zhumuxinqi Baoshan Mining Development Co., Ltd. (西烏珠穆沁旗寶山礦業開發有限責任公司) and Keshike Tengqi Jinda Mining Development Co., Ltd. (克什克騰旗金達礦業開發有限責任公司) since March 2013 and December 2013 respectively.

Mr. Luan Bo (欒波), has been a Supervisor since February 2020. He is currently the vice general manager of the auditing and risk control department of the Company and special auditor of auditing and risk control department of the Company.

Mr. Luan possesses bachelor's degree and master's degree in engineering. He is a senior accountant, asset appraiser and tenderer. Mr. Luan served as the head of finance department of Xincheng Gold Mine of the Company, audit head of audit department of SDG Group Co., vice manager of audit department of the Company, manager of audit department of SDG Real Estate Tourism Group Co., Ltd. (山東黃金地產旅遊集團有限公司) and special auditor of auditing and risk control department of SDG Group Co.. Mr. Luan is the executive supervisor of Shandong Guang'an Fire Technology Service Co., Ltd. (山東省廣安消防技術服務有限公司) and the supervisor of Shandong Gold Industrial Development Group Co., Ltd. (山東黃金產業發展集團有限公司) and Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司).

SENIOR MANAGEMENT

The following table sets out certain information about the senior management of the Company.

Name	Age	Position	Date of Appointment as Senior Management	Month of Joining the Company
Wang Peiyue (王培月)	58	General manager and financial controller	May 2016	March 2009
Tang Qi (湯琦)	42	Secretary to the Board	November 2017	July 2000
Li Tao (李濤)	59	Deputy general manager and president of Qilu Mining Business Department	March 2013	April 2011
Song Zengchun (宋增春)	55	Deputy general manager and manager of Enterprise Management Department	May 2016	September 2013
Wang Deyu (王德煜)	54	Deputy general manager	October 2013	October 2013
He Jiping (何吉平) (resigned with effect from 29 August 2019)	56	Deputy general manager	October 2013	February 2010
Wang Shuhai (王樹海)	57	Deputy general manager	August 2019	January 2008
Liu Qin (劉欽)	51	Deputy general manager	August 2019	January 2008
Xu Jianxin (徐建新)	47	Deputy general manager	August 2019	April 2016
Lyu Haitao (呂海濤)	47	Deputy general manager	August 2019	August 2003

BRIEF BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Peiyue (王培月) – for biographical details of Mr. Wang Peiyue, please see the section "– Directors – Executive and Non-executive Directors".

Mr. Tang Qi (湯琦) – for biographical details of Mr. Tang Qi, please see the section "– Directors – Executive and Non-executive Directors".

Mr. Li Tao (李濤) – for biographical details of Mr. Li Tao, please see the section "– Directors – Executive and Non-executive Directors".

Mr. Song Zengchun (宋增春), has been a deputy general manager and a manager of corporate management department of the Company since May 2016, mainly responsible for corporate management, performance appraisal and large-scale project management. He also served as a deputy general manager of the Company from September 2013 to December 2015, he was mainly responsible for daily operation and management of Xincheng Gold Mine.

Mr. Song has served in the mining areas operated by the Company and subsidiaries of the Company for many years. He was a deputy mine manager of the predecessor of Laizhou Mining Jiaojia Gold Mine from December 2006 to October 2007 and a mine manager of Shandong Gold Xincheng Gold Mine (山東黃金新城金礦) from September 2013 to December 2015.

Mr. Song successively served as a technician, section chief, an assistant to mine manager and the department head of administrative management department as well as a vice mine manager of Cangshang gold mine in Laizhou, Shandong, served as a manager and a secretary to CPC Committee of an internal combustion machine overhead travelling cranes factory, served as a mine manager of Cangshang gold mine of Shandong Province Laizhou Jincang Mining Co., Ltd. (山東省萊州金倉礦業有限公司), the general manager and an executive deputy general manager of Shandong Province Laizhou Jincang Mining Co., Ltd., an executive deputy general manager of Laizhou Jincang, an executive deputy general manager of SDG Group Laizhou Mining Co., Ltd. (山東黃金集團萊州礦業有限公司), the general manager of SDG Group Changyi Mining Co., Ltd. (山東黃金集團昌邑礦業有限公司), a deputy general manager of Shandong Gold Non-ferrous Metal Mine Group Co., Ltd., and a manager of operation management department of SDG Group Co..

Mr. Song graduated from China Coal Economic College (中國煤炭經濟學院) with a bachelor's degree in economics in July 1988 and graduated from Northeastern University in China in September 2003 with a master's degree in mining engineering, and received the senior economist qualification from Shandong Provincial Personnel Office in December 2000. As of 31 December 2019, Mr. Song was interested in 113,567 Shares under the Employee Shareholding Scheme, representing approximately 0.0037% of our total share capital.

Mr. Wang Deyu (王德煜), has served as a deputy general manager of the Company since October 2013, mainly responsible for mining technology management, scientific and technological innovation and informatization.

Mr. Wang has served in many positions successively in subsidiaries of the Company with extensive industry experience and management experience. He has served, among others, as a technician and a deputy director of beneficiation and smelting plant, a director of tailings development office, a director of beneficiation and smelting plant and a deputy mine manager of Laizhou Mining Jiaojia Gold Mine and its predecessor from September 1987 to December 2006, during which he also served as the head of the Jiaojia refinery plant from June 2003 to December 2006, manager of the refinery plant of Laizhou Mining and its predecessor and served as the chairman of the board of Shandong Gold Mining Science and Technology Co., Ltd., our subsidiary, since December 2016.

Mr. Wang graduated from Jilin Metallurgy Industry School (吉林冶金工業學校) in China in August 1987 majoring in processing, graduated from Party School of the Provincial Committee of Shandong in China in June 2000 majoring in economy management, graduated from University of Science and Technology Beijing in China in July 2007 with a master's degree in environmental engineering, and received the senior engineer qualification from Shandong Provincial Personnel Office in October 2003. As of 31 December 2019, Mr. Wang was interested in 85,175 Shares under the Employee Shareholding Scheme, representing approximately 0.0027% of our total share capital.

Mr. Wang Shuhai (王樹海), has been the deputy general manager of the Company since August 2019. Mr. Wang currently serves as the president and the secretary to CPC Committee of Yantai Mining Business Department of the Company. Mr. Wang successively served as vice mine manager of Sanshandao Gold Mine of Shandong Gold Group Co., Ltd., vice mine manager of Sanshandao Gold Mine of Laizhou Mining, the secretary to CPC Committee and mine manager of Xincheng Gold Mine of the Company, the manager of the Engineering Management Department of SDG Group Co., vice secretary to CPC Committee and general manager of SDG Non-ferrous, the president and secretary to CPC Committee of China Mining Business Department of the Company.

Mr. Liu Qin (劉欽), has been the deputy general manager of the Company since August 2019. Mr. Liu currently serves as the president and the secretary to CPC Committee of Overseas Mining Business Department of the Company. Mr. Liu successively served as the mine manager of Cangshang gold mine of Shandong Province Laizhou Jincang Mining Co., Ltd. (山東省萊州金倉礦業有限公司), mine manager of Sanshandao Gold Mine of SDG Group Co., mine manager of Sanshandao Gold Mine of Laizhou Mining, vice chairman and general manager of Shanjin Mining Co., Ltd. (山金礦業有限公司), general manager and the secretary to CPC Committee of XilinGol League Shanjin Aerhada Mining Co., Ltd. (錫林郭勒盟山金阿爾哈達礦業有限公司), general manager and the secretary to CPC Committee of Non-ferrous Group Inner Mongolia Mining Construction Base (有色集團內蒙古礦業建設基地), vice chairman and general manager of SDG Non-ferrous, vice chairman and general manager of SDG International, executive deputy general manager, vice chairman, general manager and vice secretary to CPC Committee of SDG Mineral Resources Group Co., Ltd. (山東黃金礦產資源集團有限公司), manager of Mineral Resources Department of SDG Group Co., chairman, general manager, secretary to CPC Committee of SDG Mineral Resources Group Co., Ltd. (山東黃金礦產資源集團有限公司), chairman, member and secretary to CPC Committee of Shandong Gold Geological Mine Exploration Co., Ltd., president and secretary to CPC Committee of Resources Exploration Business Department of the Company.

Mr. Xu Jianxin (徐建新), has been the deputy general manager of the Company since August 2019. Mr. Xu currently serves as the human resources director, member of CPC Committee and general manager of Human Resources Department of the Company. Mr. Xu successively served as office political official, deputy director and director of general administration office of SDG Group Co., deputy general manager of Shandong Gold Resources Development Co., Ltd., deputy general manager of Shandong Gold Resources Group Co., Ltd. (山東黃金資源集團有限公司), first deputy manager (manager level) of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), manager of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), general manager of Corporate Culture Department (publicity department of CPC Committee, complaint letter and request handling office), head of publicity department of CPC Committee of SDG Group Co..

Mr. Lyu Haitao (呂海濤), has been the deputy general manager of the Company since August 2019. Mr. Lyu currently serves as the director of corporate culture and general manager of the Corporate Culture Department of the Company. Mr. Lyu successively served as the deputy head, secretary of Youth League Committee and head of the Publicity Department of Xincheng Gold Mine of the Company, deputy director of general administration office of SDG Group Co., manager of Integrated Service Department of Shandong Gold Mining Development Co. Ltd. (山東黃金礦業開發有限公司) (Shanjin Mining Co., Ltd. (山金礦業有限公司)), manager of Corporate Culture Department (stability maintenance office, publicity department of CPC Committee), office (office of CPC Committee) director, director of economic development research office, general manager of Security Department of SDG Group Co..

JOINT COMPANY SECRETARIES

Mr. Tang Qi (湯琦) is one of the joint company secretaries of the Company and was appointed in December 2017 with his appointment to take effect on the Listing Date of our H Shares. For biographical details of Mr. Tang Qi, please see the section "– Directors – Executive and Non-executive Directors".

Ms. Ng Sau Mei (伍秀薇) is one of the joint company secretaries of the Company and was appointed in December 2017 with her appointment to take effect on the Listing Date of our H shares. She is an associate director of TMF Hong Kong Limited, a company secretarial service provider and is responsible for provision of corporate secretarial and compliance services to listed company clients. Ms. Ng has over 19 years of experience in the company secretarial field and has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of listed companies. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Ng obtained a master's degree in Laws from University of London in December 2017 and a bachelor's degree in Laws from City University of Hong Kong in November 2001. She is a Chartered Secretary, a Chartered Governance Professional and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom in September 2007.

REPORT OF THE DIRECTORS

The Directors hereby present the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL BUSINESS

Shandong Gold Mining Co., Ltd. is an integrated gold company mainly operating in Shandong Province, the PRC. The principal business of the Company includes gold exploration, mining, processing, smelting and sales.

During the Reporting Period, the Company's approved business scope was mainly (i) mining and beneficiation of gold, (ii) production and sales of specialised equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations) and (iii) investments in equity funds, trading of gold bullion and provision of brokerage services for trading of futures contracts.

The business scope covers (i) geological prospecting, mining and beneficiation of gold, (ii) refining, processing, production and sales of precious metals and non-ferrous metal products, (iii) gold and jewelry accessories, production and sales of specialised equipment and materials for gold mines and construction materials and (iv) investments in equity funds and provision of brokerage services for trading of futures contracts. The Company mainly produces standard gold bullions, investment gold bars and silver ingots of various specifications and other products.

RESULTS

Results of the Group for the year ended 31 December 2019 and the consolidated financial position of the Group as at that date are set out in the audited consolidated statement of profit or loss on page 134 and the audited consolidated statement of financial position on pages 136 to 137, respectively in this annual report.

ANALYSIS ON INVESTMENT STATUS

Overall analysis on external equity investment

During the Reporting Period, the Company acquired the 100% equity interests in SDG Capital Management, increased capital contribution to overseas wholly-owned subsidiary in Hong Kong and introduced investors for capital contribution to Shandong Gold Mining (Laizhou) Co., Ltd. and Shandong Gold Mining (Xinhui) Co., Ltd. to implement market-oriented debt conversion, which further realized the Company's gold industry chain extension, promoted the integration of industry and finance, and enhanced the core competitiveness and market influence of the Company.

Key equity investments

On 28 March 2019, the 18th meeting of the fifth session of the Board of the Company considered and approved the "Resolution Regarding Increase of Capital Contribution to Overseas Wholly-Owned Subsidiary". Pursuant to the resolution, in order to further deepen the implementation of the Company's international development strategy and optimize the structure of assets and liabilities of SDG 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. The investee: SDG Hong Kong, a wholly-owned subsidiary of the Company established in Hong Kong, which holds 50% equity in the Veladero Mine in Argentina. Registered capital (paid up): RMB4,531,145,600; business scope: trading, investment, holding, consultancy service, etc. The H Shares of the Company were successfully listed on the Main Board of the Hong Kong Stock Exchange on 28 September 2018, and according to the Prospectus, the proceeds from the H Shares offering would be used to repay the three-year syndicated term loan and the loan granted by China Development Bank, which was borrowed by SDG Hong Kong to finance the acquisition of Veladero Mine. The proceeds of HK$5.12 billion were paid to SDG Hong Kong to repay the loans above, with a view to promoting the development of the Company's overseas operations. The Company decided to convert the creditor's right of the above HK$5.12 billion or its equivalent in RMB (subject to actual registered exchange rate) to the equity in SDG Hong Kong. After this capital injection, SDG Hong Kong will remain as an overseas wholly-owned subsidiary of the Company and the proportion of the Company's capital contribution will reach 100%; the scope of the Company's consolidated financial statements will remain unchanged; this capital injection can effectively reduce the asset-liability ratio of SDG Hong Kong and improve its financial structure, thus providing strong support to the development of the Company's overseas operations. For details, please refer to the overseas regulatory announcement of the Company titled "Announcement on the Resolutions of the 18th Meeting of the Fifth Session of the Board of Directors of the Company" (LIN 2019–015) published on the website of the Hong Kong Stock Exchange on 29 March 2019.

At the 21st meeting of the fifth session of the Board on 21 June 2019 and the 2019 third extraordinary general meeting of the Company on 23 August 2019, the "Resolution on the Company's Acquisition of 100% Equity Interest of SD Gold Capital Management Co., Ltd." was considered and approved. Pursuant to the resolution, the Company acquired 100% equity interest in SDG Capital Management, a company held by SDG Group Co., and the transfer price of the subject shares determined between the parties after negotiation totaled approximately RMB2,272.3 million, based on the asset valuation report (Tian Xing Ping Bao Zi (2019) No. 0611). Registered capital of SDG Capital Management: RMB1,500.00 million; business scope: equity investment fund, management of equity investment fund, industrial investment, investment in the field of precious metals and non-ferrous metals, sale and repurchase of precious metals, sale of coal, ferrous metals, non-ferrous metals and mineral products, import and export of goods and technology, assets management, corporate management, investment management, financial consultation (excluding acting as a bookkeeping agency) and investment consultation. For details, please refer to the announcements of the Company on the website of the Hong Kong Stock Exchange on 21 June 2019 and 23 August 2019 and the circular of the Company dated 6 August 2019.

At the 26th meeting of the fifth session of the Board of the Company on 17 December 2019, the "Resolution on Introducing Investor for Capital Contribution to a Subsidiary, Shandong Gold Mining (Laizhou) Co., Ltd. to Implement Market-oriented Debt Conversion" was considered and approved. Pursuant to the resolution, BOC Financial Asset Investment Co., Ltd. was introduced to contribute capital of RMB500 million in cash to Shandong Gold Mining (Laizhou) Co., Ltd. Upon the completion of the capital contribution, BOC Financial Asset Investment Co., Ltd. held 4.6903% equity interest of Shandong Gold Mining (Laizhou) Co., Ltd. The capital contribution is mainly used to repay the debts arising from the bank loans of Shandong Gold Mining (Laizhou) Co., Ltd., Shandong Gold and subsidiaries of Shandong Gold, with due consideration to other types of debts. On the same day, the "Resolution on Introducing Investors for Capital Contribution to a Subsidiary, Shandong Gold Mining (Xinhui) Co., Ltd. to Implement Market-oriented Debt Conversion" was also considered and approved. Pursuant to the resolution, each of CCB Financial Asset Investment Co., Ltd. and BOC Financial Asset Investment Co., Ltd. was introduced to contribute capital of RMB500 million in cash to Shandong Gold Mining (Xinhui) Co., Ltd. Upon the completion of the capital contribution, such investors each held 16.6005% equity interest of Shandong Gold Mining (Xinhui) Co., Ltd. The capital contribution is mainly used to repay the debts arising from the bank loans of Shandong Gold Mining (Xinhui) Co., Ltd., Shandong Gold and subsidiaries of Shandong Gold, with due consideration to other types of debts. For details, please refer to the overseas regulatory announcement of the Company published on the website of the Hong Kong Stock Exchange on 28 December 2019. As of 31 December 2019, all of the above investments have been completed.

On 13 March 2019, the 14th meeting of the fifth session of the Board of the Company 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 Provincial State-owned Assets Supervision and Administration Commission and Provincial Department of Finance Regarding 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 for Provincial Financial Subsidy Funds of the "Water/Electricity/Gas Supplies and Property Management" Separation and Handover 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 the Company conducted 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:

The impact of Separation and Handover of the "Water/Electricity/Gas Supply and Property Management" on the 2018 consolidated financial statements: transferred a total of assets of RMB42.3581 million, including: unpaid transfer to the government designated state-owned receiving units with net asset book value of RMB24.4446 million and the assets with net asset book value of RMB17.9135 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 RMB25.7340 million (including tax payments of RMB1.2894 million for transfer of assets gratis) according to the regulations. The maintenance and renovation fees of the Separation and Handover were RMB6.3692 million effecting a decrease of RMB6.3692 million in the current profit or loss; the total financial subsidy funds obtained was RMB14.7077 million; the income of connected transactions involved in the Separation and Handover was RMB17.6956 million effecting a decrease of RMB0.2178 million in the current profit or loss. The impact on the 2019 financial statements: the Company received financial subsidy funds from the central government of RMB1.1032 million from the "Water/Electricity/Gas Supply and Property Management" in 2019, which did not have an impact on the current profit or loss but resulted in an increase in undistributed profits of RMB1.1032 million.

Upon the completion of the Separation and Handover, the Company will no longer bear relevant expenses, which is helpful for the Company to reduce its burdens and focus on the principal business to improve its core competitiveness. Upon the transfer and handover of the assets in relation to the "Water/Electricity/Gas Supply and Property Management", the relevant employee family zone of the Company will implement socialized management, which is conducive to maintaining enterprise and social stability.

DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

Landscape and Development Trend in the Industry

Competitive landscape in the industry

Gold is an important strategic resource and plays an irreplaceable role in safeguarding national financial security and accelerating the internationalization of Renminbi. At the same time, gold is also important in terms of satisfying consumption and investment demand.

As to the international gold market, according to the data released by the World Gold Council, the total global gold demand was 4,355.7 tonnes in 2019, representing a decrease of 1% as compared with 2018. According to segment information, the demand of the gold jewelry industry was 2,107 tonnes, representing a decrease of 6% as compared with 2018; the demand of the technology sector was 326.6 tonnes, representing a decrease of 2% as compared with 2018; the demand of the investment industry was 1,271.7 tonnes, representing an increase of 9% as compared with 2018; the global central banks purchased a total of 605.3 tonnes of gold, representing a decrease of 1% as compared with 2018. The total global gold supply was 4,776.1 tonnes in 2019, including gold produced from gold mines of 3,463.7 tonnes, representing a decrease of 1% as compared with 2018, and recycled gold of 1,304.1 tonnes, representing an increase of 11% as compared with 2018.

In respect of domestic supply and demand, in 2019, the domestic gold production was 380.23 tonnes, representing a year-on-year decrease of 5.21%; the actual consumption of gold was 1,002.78 tonnes, representing a year-on-year decrease of 12.91%, including: gold jewelry of 676.23 tonnes, representing a year-on-year decrease of 8.16%; gold bars and gold coins of 225.80 tonnes, representing a year-on-year decrease of 26.97%; industrial and other gold products of 100.75 tonnes, representing a year-on-year decrease of 4.90%. Affected by increased economic downturn pressure and other factors, the domestic gold consumption was weak. Particularly, as the gold price kept rising in the second half of 2019, the consumption of gold jewelry dropped obviously and failed to maintain the year-on-year increase trend in the first half of 2019. The soaring gold price resulted in the cautious and wait-and-see attitude took by the physical gold investors and a significant drop in the sales of gold bars of key enterprises and commercial banks.

In order to cope with the pressure of economic downturn and hedge against the growing uncertainties, the global central banks continued to increase gold reserves in recent years. China had increased its gold reserves for ten consecutive months since December 2018 with a total increase of 105.75 tonnes, which reflected the high value the State placed on the special position and role of gold. As of the end of December 2019, China's official gold reserves were 1,948.32 tonnes, ranked 7th in the world.

In terms of economic structure, Sino-US trade frictions experienced a stage developed from sharp escalation to de-escalation in 2019. China and the United States have entered into the first stage economic and trade agreement so far. However, the United States has not cancelled the tariffs already imposed on imports from China entirely. In addition, since the beginning of 2020, the sudden outbreak and worldwide spread of epidemic of novel coronavirus (COVID-19) pneumonia will inevitably have a significant impact on the global economy in the short term. Various authorities have successively adjusted global economic growth forecast for 2020 downwards.

In terms of monetary policy, in response to the impact of the epidemic on the economy, a number of central banks around the world have adopted loose monetary policy. The US Federal Reserve lowered interest rate to zero and resumed large scale quantitative easing programme in an urgent manner. However, there are still great uncertainties as to whether such measures could reverse significant slowdown of the US and global economy. It is expected that a trend of easing in global monetary policies will continue in 2020.

With regard to the gold price trend, the gold price will fluctuate significantly with other financial assets due to certain factors such as the panic sentiment in the market as a result of the epidemic and tightened monetary liquidity in the short term. However, from a longer-term perspective, the hedging and investment value of gold will be further demonstrated as the global economy steps into a stage of slowdown or even recession cycle, accelerated implementation of monetary easing policies of the countries around the world as well as other various future uncertainties concerning geopolitical crisis in the Middle East, US-Iran relations, nuclear crisis in the Korean Peninsula and the US presidential election.

Industry development trend

At present, anti-globalization, protectionism and unilateralism are exacerbated amid the decline of global economic growth. International commodity prices fluctuate sharply, the global debt levels continue to increase and the financial market is in turmoil. The unstable and uncertain factors in economic development increase significantly, while the upward developing trend of gold industry remains unchanged.

Despite various adjustment factors such as improved standards for environmental protection, the good momentum of stable and healthy development of the national gold industry remains unchanged. During the key period of innovation-driven transformation and upgrading for the gold industry, the "synergy" of harmonious development of the whole industry chain shall be further strengthened to build a new landscape of global allocation and internationalization of gold resources.

Domestic gold industry upholds the development concept of innovation, harmony, greenness, openness and share. The industry shall seize the historic opportunity of the construction of the "Belt and Road" and vigorously promote the supply-side structural reform under the circumstance of international gold price being low in a long term and environmental pressure being increased continuously, to achieve the transfer from "quantity and scale" to "quality and efficiency", thus maintaining a good momentum of stable and healthy development of the gold industry as a whole.

By strengthening resources integration and merger and restructuring of enterprises, the concentration of gold industry will be further improved. By carrying out resources integration, enterprise reorganization and technology reform to close down outdated production facilities and constructing large base in major mining areas, the landscape of industrial development dominated by large enterprises will take shape.

China has achieved major success in curbing the spread of the epidemic, and has actively promoted the resumption of work and production. The active fiscal policy and stable monetary policy ensure that its economy continues to operate in a reasonable range. China will remain as the anchor of the global economy.

As a leading company in the domestic gold industry, Shandong Gold is exploring a new road for the transformation development of mines and further deepening the Company's construction of ecological, intelligent and digital mines, so as to push forward its quality development. At the same time, Shandong Gold accelerates the pace of "going global" and aims at both the mining market and the capital market to leverage the advantages of the province, expand the area outside the province and explore overseas market, thereby winning the Company broader development space.

Development Strategies of the Company

Strategic goal: optimising and expanding to become one of the top ten gold mining enterprises in the world in respect of comprehensive strengths.

Strategic initiatives: Centering on improving the quality and efficiency of development with its major efforts exerted on the supply-side structural reform, the Company captures the opportunities arising from the major projects of the transformation of old growth drivers with new ones to further speed up reform in terms of quality, efficiency and driving force, enhances output capacity and scale, and proactively cultivates differentiated competitive advantages, to take a new development path featured by high efficiency, energy saving, green and environmental protection, with a view of building a world-class gold enterprise. The Company adheres to the simultaneous advancement of overseas and domestic mergers and acquisitions, actively expands high-quality resources, and enhances its sustainable development capabilities; on the basis of improving the production capacity of the existing mines, the Company will focus on promoting resources integration and continuation of production projects in Jiaodong, striving to expand regional production capacity, in particular, the Laizhou Gold Base should be built into a world leading gold production and smelting base through tapping the material and spiritual potentials in terms of management, technology, safety, ecology, corporate culture, etc. The Company advances refined management, improves production efficiency and enhances cost competitiveness in all aspects; increases investments in scientific R&D to improve the level of technology contribution; and adheres to the "double zero" goal of safety and environmental protection in order to achieve green and ecological development. In addition, the Company will deepen the integration of industry and finance to highlight the gold industry chain finance with industry synergy as the core and fully capitalize the advantages of innovation of industry and finance as well as low funding cost in order to enhance the support for the mining of the Company and improve the overall profitability of financial business.

Business Plans

In 2020, the Company has determined the following production and operation plan: gold production not less than 39.586 tonnes. The plan is based on the current economic situation, market conditions and the Company's operating situation. The Board will make corresponding adjustments according to future developments. The main measures are as follows:

Strengthen production and operation management and increase the Company's economic benefits. We will fulfill the responsibilities by transmitting pressure from each level and focus on mobilizing all employees' production enthusiasm by organizing various kinds of labor competitions. Firstly, we will highlight the strengthening of production management. The Company will continue to enhance production organization, optimize production layout and exercise strict technical index management in order to constantly improve the quality and efficiency of operation and achieve quality development. Secondly, we will accelerate the construction of key projects. The Company will accelerate key projects such as the deep area of Xincheng Gold Mine and Dongfeng Mining Area of Linglong Gold Mine and the progress of production connection project, and deeply explore potentials to ensure stable improvement in the Company's production capacity. Thirdly, we will accelerate geological prospecting work. The Company will carry out mines geological exploration and strengthen mine prospecting and reserves increasing in order to possess sustainable resources and further extend the life of mines. In particular, we will conduct mine prospecting in key target areas to ensure the balance of third class reserves. Fourthly, we will conduct good operation management. The Company will further refine the appraisal of index including cash flow, net profit, asset-liability ratio and revenue margin, actively explore the incorporated reform management of trading centers, and continuously enhance the research and judgment ability of the trend of gold price so as to grasp sales opportunities flexibly and maximize profits from sales.

Carry out quality and efficiency enhancement and raise the level of high-quality development.
Firstly, we will thoroughly streamline and analyze our production process and management aspect, comprehensively promote technological and management cost reduction, and effectively control the level of cost increase. Secondly, we will further strengthen technology management, improve technical index, tap internal potential, broaden development space, seek benefits from technology and management, and follow the path of high-quality development. Thirdly, we will comprehensively improve our ability to reserve resources, and adhere to resource acquisition as a breakthrough in strategic implementation. The Company will expand its footprint into other provinces and abroad in reliance upon resources within the province, give full play to the role of the Canada representative office, and actively participate in global resources allocation. We will actively select high-quality projects in markets along the "Belt and Road" initiative and various resource-rich areas around the world, and adopt a combination of overall acquisition, equity cooperation and other methods to achieve new breakthroughs in our acquisitions.

Increase the efforts in technological innovation and drive the enterprise development momentum.
By relying on Shandong Gold think tank and innovative platforms including three major laboratories, the Company targets to reinforce its all-round cooperation with leading enterprises in the same industry and science research institutions. Aiming at strategic, basic and cutting-edge mining sector, we will condense major technological issues and coordinate overall technical break-through projects with a target of creating great scientific research results and jointly building a national research platform. We will focus on the innovation of key and core technologies in industries such as mining, beneficiation and filling, and actively promote the transformation of research results. We will accelerate the research on comprehensive utilisation projects of tailings and focus on creating green mines. The Company will vigorously promote the application of 5G technology in the mining industry and explore a new model of "5G + smart mines".

Accelerate the promotion of world-class demonstration mines construction and create a high development benchmark.
We will focus on the construction of "ramp comprehensive execution information system" and "the big data platform based on the ROMA system of Huawei". We will also accelerate the progress promotion of projects such as smart site selection, ground pressure monitoring, industrial network renovation and the upgrading and reconstruction of coastal sightseeing zones and ecological restoration demonstration areas. The Company strives to improve the level of three-dimensional mining planning and design, automated mining, intensive production management and control, and geological resource informatization to ensure the successful completion of construction goals. We target to form a set of replicable and propagable world-class mine construction standards and experience, and become a world-class leader in "smart mines" and "ecological mining".

Continuously consolidate the foundation for safe production and ecological and environmental protection construction, and comprehensively build a first-class corporate brand image.
We will adhere to the "double zero" goal of safety and environmental protection, improve risk classification control and the construction of potential risk identification system and continue to enhance our intrinsic safety level. We will also put our green development philosophy into practice, and proactively promote construction of green mines. We will ensure that all our mines in production will be included in the national or provincial green mine list and all our smelting companies will be included in the national or provincial green factory list at the end of this year, so as to further improve our brand image of "Shandong Gold, Ecological Mining".

Investors are reminded that the business plan of the Company does not constitute an undertaking of results to investors. Investors are reminded to have sufficient risk awareness and they shall understand the difference between business plan and undertaking of results.

Possible Risks

The global economy is clouded with tension with the escalating epidemic of COVID-19 pneumonia, especially the spread of overseas epidemic, which has adverse effect on the global economy. The Company will further optimize response measures, accelerate the establishment of operation procedure applicable to prevention and control of the epidemic. Meanwhile, the Company will enhance its research, judgment and analysis of the international situation so as to minimize the effect of the epidemic.

Risks in gold prices fluctuation

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

Countermeasures: Firstly, we enhanced our study and judgment on domestic and international economic development and commenced research on professional areas; secondly, we established decision-making mechanism on gold transactions, established decision-making committee of the Company's transactions, formed the transaction center of stock companies, accurately followed the fluctuations of prices and commenced centralized sales of gold; thirdly, we used gold forward and futures contracts or other instruments to avoid risks in price fluctuation.

Resource reserves 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 sites are increasingly reduced. We faced 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, intensified merger and acquisition of resources; 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.

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 have to be fully aware of the situation, and place increased emphasis on the responsibility and the imperative need for safety and environmental protection; 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 with all efforts 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, so as to eliminate latent dangers; sixthly, we increased investment in "promotion of safety through science and technology" to improve the safety level.

Investment risks associated with the merger and acquisition of mining rights

The asymmetric information between facts of the projects proposed to be acquired and the information obtained 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 economic losses which would result in risk of investment decision-making. The Company is currently reviewing its strategy on mining policies which brings various uncertainties to mergers and acquisitions of mining rights.

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 merger and acquisition projects, and organized the implementation of merger and acquisition and cooperation business of resource projects; thirdly, we sped 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. The Company focused on verifying the reliability of project resources and reserves report information, so as 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 merger and 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 for investment, engaged and obtained consultation from reputable domestic and foreign investment experts and law firms in their respective countries, and in the meantime increase 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 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 paid close attention to and analyzed the supply and demand and macroeconomic situation in the international market, tracked international price changes, and reduced the risk of price changes by adopting hedging strategy; we locked interest rates through interest rate swaps and other instruments at reasonable time to avoid the risk of overseas interest rate fluctuations; fourthly, we strictly implemented local environmental protection requirements, maintained good relations with local government and community, and integrated resource development with environmental protection and local infrastructure improvement, achieving win-win development for the Company and local community.

EXCHANGE RATE VOLATILITY RISK

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND CONNECTED TRANSACTIONS

As at the date of preparation of this annual report, SDG Group directly and indirectly held 47.06% of the total 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 "**Retained Businesses**"). The gold resources of SDG Group (excluding our Group) are mainly located in the PRC. As at 31 December 2019, it owned 28 gold mine exploration permits in the PRC with an aggregate of approximately 668 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 53.13 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 preparation of this annual 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 140,000,000 Shares and 224,000,000 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 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).

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

NON-COMPETITION UNDERTAKING

SDG Group Co. and/or its subsidiaries has provided several non-competition undertakings to our Company in August 2002, February 2007 and November 2014, respectively. In order to further regulate the business delineation between the Company and SDG Group, SDG Group Co. and the Company entered into a non-competition undertaking on 7 September 2018 (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, save for the Retained Businesses and subject to the provisions under the Non-competition Undertaking, SDG Group Co. undertakes that (a) none of SDG Group Co. and any entity in which it holds an interests as a controlling shareholder (excluding any member of our Group) (the "**Controlled Entities**") currently engage or will engage in gold mining business; (b) SDG Group Co. will not compete with our Company, directly and indirectly, in gold mining business; (c) SDG Group Co. will procure all Controlled Entities not to compete with our Company, directly or indirectly, in gold mining business; and (d) SDG Group Co. will not, and will procure any Controlled Entity not to, invest in a business opportunity that is primarily related to gold mining business and in which SDG Group Co. or a Controlled Entity has an actual or potential opportunity to invest or otherwise acquire an interest, or otherwise acquire an interest in a person or asset that as a material part of its business operates or holds assets in gold mining business. In addition, in order to avoid potential competition between SDG Group Co. and the Group, SDG Group Co., among others, has provided the Company the pre-emptive right regarding the Retained Businesses to better protect the interests of the Group.

SDG Group Co. has confirmed in writing to the Company of its compliance with the Non-competition Undertaking during the Reporting Period. The independent non-executive Directors have also reviewed the compliance by SDG Group Co. with the Non-competition Undertaking during the Reporting Period. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by SDG Group Co. of the Non-competition Undertaking during the Reporting Period.

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

Statistics of the resources under the exploration permits of SDG Group

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether 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 southern Jiaojia mine area in Laizhou, Shandong Province (general exploration) (山東省萊州市焦家礦區深部及外圍金礦南部詳查)	SDG Group Co. Ltd.	Laizhou, Shandong Province	0.972	In the process of exploration	No (under consolidation with the mining permit of project 1)	Note 1	
2	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		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
3	The gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province (exploration) (山東省萊州市紅布礦區深部及外圍金礦勘探)	Shandong Tiancheng Mining Co., Ltd.	East of Hongbu Village in Jincheng Town, Laizhou, Shandong Province	19.37	In the process of exploration	Yes	Note 1	N/A
4	The gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province (exploration) (山東省萊州市馬塘二礦區深部及外圍金礦勘探)	Shandong Tiancheng Mining Co., Ltd.	East of Matang Village in Jincheng Town, Laizhou, Shandong Province	Not detected yet	The general prospecting report was submitted in April 2014	Yes	Note 1	N/A

No.	Name of exploration permit	Holder of exploration 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
5	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	1.01	The geological exploration summary reports were submitted in September 2004 and October 2017 respectively	Yes	Note 2	N/A
6	The middle and deep level of Liucun 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 was submitted in April 2016	Yes	Note 2	N/A
7	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.	Pinglidian Town, Laizhou, Shandong Province	Not detected yet	The general exploration report was submitted in October 2016	Yes	Note 2	N/A
8	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 was submitted in November 2017	Yes	Note 2	N/A
9	Xiling Village gold mine in Laizhou City, Shandong Province (exploration) (山東省萊州市西嶺村金礦勘探)	Shandong Gold Geological Mine Exploration Co., Ltd.	Sanshandao, Laizhou, Shandong Province	382.58	The general exploration report was submitted in December 2016	Yes	Note 1	N/A
10	The gold mine at Nanlv – Xinmu District in Laizhou City, Shandong Province (exploration) (山東省萊州市南呂–欣木地區金礦勘探)	Shandong Gold Laizhou Ludi Gold Mine Co., Ltd.	Jincheng Town, Zhuqiao Town, Laizhou, Shandong Province	133.14	The exploration report has been filed	Yes	Note 1	N/A

No.	Name of exploration permit	Holder of exploration 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
11	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.	Pinglidian Town, Zhuqiao Town, Laizhou, Shandong Province	Not detected yet	The summary report was submitted in November 2017	Yes	Note 2	N/A
12	The gold mine at Cishan mine area in Penglai, Shandong Province (exploration) (山東省蓬萊市磁山礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	East Tuwu Village, Daliuhang Town, Penglai, Shandong Province	3.86	The general exploration report was submitted in July 2017	Yes	Note 1	N/A
13	The gold mine at Shanglanzi mine area in Penglai, Shandong Province (exploration) (山東省蓬萊市上嵐子礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	Yanzikuang Village, Daliuhang Town, Penglai, Shandong Province	5.25	The general exploration report was submitted in January 2015	Yes	Note 1	N/A
14	The gold mine at the deep level of Tuwu gold mine area in Penglai, Shandong Province (general exploration) (山東省蓬萊市土屋金礦區深部金礦詳查)	Shandong Gold Jinchuang Group Co., Ltd.	West Tuwu Village, Penglai, Shandong Province	0.57	The general exploration report was submitted in April 2013	Yes	Note 1	N/A
15	The gold mine at the deep level and outer rim of Qigouyifen mine area in Penglai City, Shandong Province (exploration) (山東省蓬萊市齊溝一分礦區深部及外圍金礦勘探)	Shandong Jinchuang Co., Ltd.	Xiaomenjia Town, Penglai, Shandong Province	0.87	The resources reserves report was submitted in December 2019	Yes	Note 2	In the process of consolidation with the mining permit of the project
16	The deep level and outer rim of Heilangou gold mine in Penglai City, Shandong Province (general exploration) (山東省蓬萊市黑嵐溝金礦深部及外圍詳查)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1.48	The resources reserves report was submitted in July 2018	Yes	Note 1	N/A

No.	Name of exploration permit	Holder of exploration 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
17	Baolun gold mine in Ledong County, Hainan Province (general exploration) (海南省樂東縣抱倫金礦詳查)	Hainan Shanjin Mining Co., Ltd.	Qianjia Town, Ledong County, Hainan Province	10.04	The general exploration report was submitted in March 2017	Yes	Note 1	In the process of consolidation with the mining permit of the project
18	Yishan Forest Farm gold mine in Oroqen Autonomous Banner, Hulunbuir, Inner Mongolia (general exploration) (內蒙古呼倫貝爾鄂倫春自治旗伊山林場金礦詳查)	Hulunbuir Shanjin Mining Co., Ltd.	Alihe Town, Oroqen Autonomous Banner, Hulunbuir, Inner Mongolia	Not detected yet	The geological summary report was prepared in 2013	Yes	Note 2	In the process of deregistration
19	The silver (gold) mine in Xiangluping mine area, Zhenghe, Fujian Province (general exploration) (福建省政和縣香爐坪礦區香爐坪礦區銀（金）礦詳查)	Fujian Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	0.86	The general exploration report was submitted in July 2013	Yes	Note 2	N/A
20	The gold mine at the peripheral rim of Dayaokeng mine area in Zhenghe County, Fujian Province (general exploration) (福建省政和縣大藥坑礦區金礦外圍地質詳查)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	Not detected yet	N/A	Yes	Note 1	N/A
21	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
22	The gold mine at Asiha (kere) District in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣阿斯哈（可熱）地區金礦普查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	2.27	The general prospecting report was submitted in December 2017	Yes	Note 2	N/A
23	Walega gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣瓦勒尕金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	2.78	The general prospecting report was submitted in December 2017	Yes	Note 2	N/A

No.	Name of exploration permit	Holder of exploration 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
24	The gold mine at Daligigetang District in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣達裡吉格塘地區金礦普查)	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
25	Guoluolongwa gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣果洛龍窪金礦詳查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	12.94	The general exploration report was submitted in March 2010	Yes	Note 2	N/A
26	Annage gold mine in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣按納格金礦普查)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.67	The general prospecting report was submitted in December 2017	Yes	Note 2	N/A
27	Dachaidan Hangwei Shengligou gold mine in Qinghai Province (general exploration) (青海省大柴旦行委勝利溝金礦詳查)	Shanjin Western Geological and Minerals Exploration Co., Ltd.	Dachaidan Hangwei, Haixi Prefecture, Qinghai Province	0.56	The general prospecting report was submitted in December 2012	Yes	Note 2	N/A
28	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	0.04	The general prospecting report was submitted in August 2019	Yes	Note 2	N/A
	Total			668				

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.

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	1.403	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Laizhou City in January 2020	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	1.647	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Laizhou City in January 2020	Yes	Note 1	N/A
3	Shandong Shengda Mining Co., Ltd. Matang mine area (山東盛大礦業股份有限公司馬塘礦區)	Shandong Shengda Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	0.861	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Laizhou City in January 2020	Yes	Note 1	N/A
4	Shandong Shengda Mining Co., Ltd. Matang II mine area (山東盛大礦業股份有限公司馬塘二礦區)	Shandong Shengda Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	0.969	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Laizhou City in January 2020	Yes	Note 1	N/A

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
5	Shandong Gold Jinchuang Group Co., Ltd. Yanshan mine area (山東黃金金創集團有限公司燕山礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yanshan area, Daliuhang Town, Penglai, Shandong Province	4.64	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in December 2019	Yes	Note 1	The safety production license has been obtained
6	Shandong Gold Jinchuang Group Co., Ltd. Yankou mine area (山東黃金金創集團有限公司奄口礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yankou area, Daliuhang Town, Penglai, Shandong Province	6.315	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Yantai City in December 2019	Yes	Note 1	In the reconstruction and expansion process, to apply for the safety production license upon acceptance check by relevant authorities
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	3.939	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in December 2019	Yes	Note 1	In the process of constructing infrastructure
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	1.712	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in December 2019	Yes	Note 1	In the process of constructing infrastructure

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
9	Shandong Jinchuang Co., Ltd. Heilangou mine area (山東金創股份有限公司黑嵐溝礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	7.124	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Yantai City in December 2019	Yes	Note 1	N/A
10	Shandong Jinchuang Co., Ltd. Qigouyifen mine (山東金創股份有限公司齊溝一分礦)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1.779	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Penglai City in December 2019	Yes	Note 1	In the process of integration
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	4.988	In commercial production stage. The annual resources reserves report was submitted in January 2020	Yes	Note 1	The underground mining safety production license was obtained on 31 December 2019
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	5.836	In commercial production stage. The annual resources reserves report was submitted to the Land and Resources Bureau of Ledong County, Hainan Province in January 2020	Yes	Note 1	In the process of boundary and capacity expansion

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
13	Songxian Shanjin Mining Co., Ltd. (嵩縣山金礦業有限公司)	Songxian Shanjin Mining Co., Ltd.	Shuigou Village, Dazhang Town, Song County, Luoyang	8.543	In commercial production stage. The annual dynamic reserves monitoring report was submitted to the Land and Resources Bureau of Luoyang City, Henan Province in January 2020, pending for the review opinions of experts	Yes	Note 1	The new safety production license has been obtained
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 Village, Xingxi Town, Zhenghe County, Fujian Province	1.34	In commercial production stage. The reserves report was submitted to the Land and Resources Bureau of Zhenghe County, Fujian Province in January 2020	Yes	Note 1	In the process of boundary expansion
15	Qinghai Shanjin Mining Co., Ltd. Guoluolongwa gold mine in Dulan County (青海山金礦業有限公司都蘭縣果洛龍窪金礦)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.905	In commercial production stage. The annual reserves report was submitted to the Land and Resources Bureau of Haixi Prefecture, Qinghai Province in January 2020	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.		Au: 0.126 Ag: 11.12	The annual reserves report was submitted to the Land and Resources Bureau of Zhenghe County, Fujian Province in January 2020			
	Total			53.13				

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.

CONNECTED TRANSACTIONS

One-off connected transaction – exploration permit transfer agreement

On 1 November 2017, each of the Company, Linglong Mining and Yinan Mining entered into an exploration permit transfer agreement with SDG Group Co., respectively, pursuant to which SDG Group Co. agreed to transfer three exploration permits, namely "Gold mine exploration in peripheral and deep level areas of Xincheng Mining Area, Laizhou City, Shandong Province (Exploration)" (山東省萊州市新城礦區外圍及深部金礦勘探), "Gold mine exploration in deep level areas of Linglong Mining Area, Zhaoyuan City, Shandong Province (Exploration)" (山東省招遠市玲瓏礦區深部金礦勘探) and "Gold mine detail inspection at Tongjing – Jinchang Mining Area, Yinan County, Shandong Province (General Exploration)" (山東省沂南縣銅井–金場礦區金礦詳查) to the Company, Lingling Gold Mine and Yinan Gold Mine, for a consideration of RMB569,848,000, RMB79,637,200 and RMB5,397,700, respectively (the "**Consideration**"). Linglong Mining is owned as to 74.57% by the Company while Yinan Mining is a wholly-owned subsidiary of the Company. As at the date of this annual report, the Company, Linglong Mining and Yinan Mining have paid RMB569,848,000, RMB56,000,000 and RMB3,879,390, respectively, representing approximately 96% of the Consideration. It is anticipated that the remaining 4% of the Consideration will be paid by internal funding and the transfer will be completed in due course.

Financial Services Framework Agreement

The Company has entered into a financial services framework agreement with SDG Group Finance (the "**Financial Services Framework Agreement**") on 28 March 2019, pursuant to which SDG Group Finance will provide the Company and/or our associates with financial services, among others, (i) deposits and related services (the "**Deposit Services**"), (ii) loan and related financing services (the "**Loan and Other Financing Services**"), (iii) overdraft services (the "**Overdraft Services**"), and (iv) other financial services for a term from 1 January 2019 to 31 December 2021 to facilitate the Group's operational needs of financial services.

The annual caps for the transactions under the New Financial Services Framework Agreement for the three years ended/ending 31 December 2019, 2020 and 2021 are as follows.

	Annual cap (RMB million) For the year ended/ending 31 December		
	2019	2020	2021
Maximum Daily Balance of Deposit Services	1,500	1,650	1,800
Interest Income from Deposit Services on an actual basis	20	23	25
Maximum Daily Balance of Loan and Other Financing Services	800	850	900
Interest Expenses for Loan and Other Financing Services and Overdraft Services on an actual basis	22	23	25
Maximum Daily Balance of Overdraft Services	700	800	900
Handling Fees and Other Financial Services	50	50	50

For the year ended 31 December 2019, the historical amounts of the transactions are as follows:

	Historical Amounts (RMB million) For the year ended 31 December 2019
Maximum Daily Balance of Deposit Services	1,499.19
Interest Income from Deposit Services on an actual basis	12.46
Maximum Daily Balance of Loan and Other Financing Services	684.31
Interest Expenses for Loan and Other Financing Services and Overdraft Services on an actual basis	10.72
Maximum Daily Balance of Overdraft Services	510.00
Handling Fees and Other Financial Services	0.25

In view of the growing capital needs of the Company and SDG Capital Management, a company acquired by the Company during the Reporting Period, for their business development, the Company has entered into a new financial service framework agreement (the "**New Financial Services Framework Agreement**") on 16 April 2020 to facilitate the Group's operational needs of financial services for the three years ending 31 December 2022. The proposed annual caps of the New Financial Services Framework Agreement are set out below:

	Proposed annual cap (RMB million) For the year ending 31 December		
	2020	2021	2022
Maximum Daily Balance of Deposit Services	2,000	2,500	2,700
Interest Income from Deposit Services on an actual basis	33	35	42
Maximum Daily Balance of Loan and Other Financing Services	1,200	1,600	1,800
Interest Expenses for Loan and Other Financing Services and Overdraft Services on an actual basis	37	45	65
Maximum Daily Balance of Overdraft Services	800	900	900
Handling Fees and Other Financial Services	50	50	50

SDG Group Finance is 70% owned by SDG Group Co. and 30% owned by the Company. SDG Group Finance is therefore a connected person of the Company. As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the Deposit Services under the New Financial Services Framework Agreement is more than 0.1% but less than 5%, the Deposit Services provided by SDG Group Finance to the Group are subject to the reporting and announcement requirements as set out in Rule 14A.35 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rules 14A.36 to 14A.39 of the Listing Rules. For details, please refer to the announcement of the Company dated 16 April 2020.

According to the SSE Listing Rules and the Articles of Association, the New Financial Services Framework Agreement and the transactions contemplated thereunder have to be submitted to the general meeting for consideration and approval. An ordinary resolution will be proposed at the upcoming AGM to seek for approval of the New Financial Services Framework Agreement and the transactions contemplated thereunder.

Procurement and Sale Framework Agreement

The Company has entered into a framework agreement for procurement and sale of supplies, products and services with SDG Group Co. (the "**Procurement and Sale Framework Agreement**"), pursuant to which, our Group may from time to time purchase from and sell to SDG Group Co. and/or its associates various types of supplies, products and services.

The Procurement and Sale Framework Agreement is valid for a term of three years commencing from the Listing Date to 31 December 2020. On 21 June 2019, the Company revised the annual cap for the year ended 31 December 2019 in light of the acquisition of SD Gold Capital Management by the Company and that the transactions made between SD Gold Capital Management with SDG Group Co. and/or its associates will become connected transactions of the Group.

Procurement by our Group from SDG Group Co. and its associates

Set out below are the historical annual caps of the relevant procurements by our Group from SDG Group Co. and its associates for the supplies, products and services for the years ended/ending 31 December 2019 and 2020 and the historical transaction amounts of the procurements by our Group from SDG Group Co. and its associates for the supplies, products and services for the year ended 31 December 2019.

	For the financial year ended/ending 31 December (RMB million) 2019	2020
Procurement of electricity from SDG Electricity Company	450.0	500.0
Procurement of construction services for our PRC gold mines	140.0	140.0
Procurement of processing services from smelteries of SDG Group	10.0	10.0
Procurement of gold (mainly including gold concentrate and doré)	1,630.0	650.0
Others (including training fees, property management fees, etc.)	70.0	50.0
Historical annual caps of procurements of supplies, products and services by our Group	**2,300.0**	**1,350.0**

	For the financial year ended 31 December (RMB million) 2019
Procurement of electricity from SDG Electricity Company	444.77
Procurement of construction services for our PRC gold mines	136.67
Procurement of processing services from smelteries of SDG Group	7.41
Procurement of gold (mainly including gold concentrate and doré)	1,626.7
Others (including training fees, property management fees, etc.)	64.48
Historical transaction amounts of procurements of supplies, products and services by our Group	**2,280.0**

Sales from our Group to SDG Group Co. and its associates

Set out below are the historical annual caps of the relevant sales from our Group to SDG Group Co. and its associates for the supplies, products and services for the years ended/ending 31 December 2019 and 2020 and the historical transaction amounts of the relevant sales from our Group to SDG Group Co. and its associates for the supplies, products and services for the year ended 31 December 2019.

	For the financial year ended/ending 31 December (RMB million) 2019	2020
Provision of Processing Services by SDG Smelting Co.	5.0	5.0
Sale of gold (mainly including standard gold bullion)	725.0	775.0
Sale of other metals (including silver, lead and zinc)	60.0	60.0
Others (including utilities charge, outsourcing fees and disposal charge, etc.)	10.0	10.0
Historical annual caps of sales of supplies, products and services from our Group	**800.0**	**850.0**

	For the financial year ended 31 December (RMB million) 2019
Provision of Processing Services by SDG Smelting Co.	1.04
Sale of gold (mainly including standard gold bullion)	–
Sale of other metals (including silver, lead and zinc)	22.58
Others (including utilities charge, outsourcing fees and disposal charge, etc.)	8.45
Historical transaction amount of sales of supplies, products and services from our Group	**32.07**

In view of the growing demand for supplies, products and services of the Company and its subsidiaries, the Company has on 16 April 2020 proposed to revise the annual caps for the Procurement and Sales Framework Agreement for the year ending 31 December 2020 to facilitate the Group's operational needs.

Set out below are the proposed annual caps for the transactions contemplated under the Procurement and Sale Framework Agreement for the year ending 31 December 2020.

	For the financial year ending 31 December (RMB million) 2020
Annual cap of procurements of supplies, products and services by our Group	2,700.0

	For the financial year ending 31 December (RMB million) 2020
Annual cap of sale of supplies, products and services by our Group	850.0

SDG Group Co. is a controlling Shareholder and therefore a connected person of the Company. As the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the New Procurement and Sale Framework Agreement is more than 0.1% but less than 5%, the annual caps for the procurement and sales of supplies, products and services are subject to the reporting and announcement requirements as set out in Rule 14A.35 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rules 14A.36 to 14A.39 of the Listing Rules. For details, please refer to the announcement of the Company dated 16 April 2020.

According to the SSE Listing Rules and the Articles of Association, the New Procurement and Sale Framework Agreement and the transactions contemplated thereunder have to be submitted to the general meeting for consideration and approval. An ordinary resolution will be proposed at the AGM to seek for approval of the New Procurement and Sale Framework Agreement and the transactions contemplated thereunder.

Annual review of continuing connected transactions

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company confirmed to the Board that:

(i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the disclosed continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions and confirmed that for the year ended 31 December 2019:

(i) these transactions were entered into in the ordinary and usual course of business of the Group;

(ii) these transactions were entered into either on normal commercial terms, or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) these transactions were entered into according to the agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

Save as disclosed above, none of the related-party transactions or continuing related-party transactions set out in note 45 to the consolidated financial statements in this annual report fall within the scope of discloseable connected transaction or continuing connected transaction under the Hong Kong Listing Rules. The connected and continuing connected transactions of the Group are in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

ANALYSIS AND EXPLANATION ON THE REASONS AND IMPACTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS OF THE COMPANY

Analysis and explanation on changes in accounting policies of the Company are set out in note 2.1.3 to the consolidated financial statements.

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

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

On 17 October 2016, our Company completed registration and custody procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) of 11,645,629 Shares (adjusted to 16,303,881 Shares after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 equity distribution plan) to 128 individuals at the price of RMB14.30 per Share under the Employee Shareholding Scheme for a subscription amount of RMB166,532,494.70. The relevant Shares were subject to a lockup period of 36 months and were unlocked and vested to the said participants. As of the date of the annual results announcement of the Company dated 16 April 2020, there were 8,160,153 unsold shares under the Employee Shareholding Scheme (inclusive of the bonus shares issued in accordance with the 2018 equity distribution plan). As of the date of this annual report, these Shares accounted for approximately 0.26% of the total number of our Shares. As of 31 December 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 sections headed "Disclosure of Interests and Short Positions of the Directors, Supervisors and Chief Executive of the Company" and "Brief Biographies of Directors, Supervisors and Senior Management" in this annual 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.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year, including a discussion of the principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Report of the Directors" in this annual report.

For discussion on the Group's compliance with relevant laws and regulations that have a significant impact on the Group and the Group's environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, as at the date of this annual report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the staff of the Group and the related remuneration policy and training programmes are set out in this "Report of the Directors".

The Group maintains a good relationship with its customers. The Group continually provides high quality gold products at a competitive price to customers, and optimizes its products from time to time by lowering operating costs through technical advancement to increase customer satisfaction.

The Group maintains a good relationship with its suppliers. The Group continues to perfect its procurement process and mechanism. Not only does the Group reinforce its supplier management, but it also insists on the business principles of integrity and trustworthiness to enhance communications with suppliers by all available means, with the goal of seeking mutual benefit and prosperity for all.

SHARE CAPITAL

Details of the movements in the share capital of the Group for the year ended 31 December 2019 are set out in note 39(a) to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 138 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, pursuant to the relevant laws and regulations, the Group's distributable reserves amounted to RMB11,583,572,000 (31 December 2018: RMB10,768,313,000). Details of the Company's distributable reserves are set out under page 266 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 17 to the consolidated financial statements of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 3 of this annual report. This summary does not form part of the audited financial statements.

DONATIONS

During the Reporting Period, the Group made charitable and other donations of approximately RMB0.11 million.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings for the year ended 31 December 2019 are set out in note 33 to the consolidated financial statements.

ASSETS PLEDGED OR CHARGED

As of 31 December 2019, the Group did not have any material pledge of assets.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

Save as disclosed in this annual report, there is no financial assistance to affiliated companies of the Company, or guarantees given for facilities granted to affiliated companies of the Company which together in aggregate exceeds 8% of the assets ratio defined under rule 14.07(1) of the Hong Kong Listing Rules.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company has not entered into any equity-linked agreement during the Reporting Period.

MAJOR SUPPLIERS AND CUSTOMERS

The details of the Company's top five suppliers and top five customers are set out in "Management Discussion and Analysis" in this annual report. All transactions between the Company and the related suppliers and customers were entered into under normal commercial terms.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the current Directors and senior management of the Company and its associated companies and the Directors and senior management of the Company and its associated companies who resigned during the year. Except for such insurance, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) during the Reporting Period and at the time of approval of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2019 and up to the date of this annual report are as follows:

Executive Directors:

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

Non-Executive Directors:

Mr. Li Guohong *(Chairman)*
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 (resigned with effect from 24 February 2020)
Ms. Duan Huijie (resigned with effect from 8 November 2019)
Ms. Liu Yanfen (appointed with effect from 8 November 2019)
Mr. Luan Bo (appointed with effect from 24 February 2020)

To the best of the Board's knowledge, information and belief, the Directors, Supervisors and senior management do not have any relationship amongst them.

BRIEF BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographies of the Directors, Supervisors and senior management are set out in "Brief Biographies of Directors, Supervisors and Senior Management" in this annual report.

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

Pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in Directors' and Supervisors' information during the Reporting Period and up to the date of this annual report 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.

(ii) Ms. Duan Huijie has resigned as employee representative supervisor on 8 November 2019. On the same day, Ms. Liu Yanfei was elected as an employee representative supervisor of the Company.

(iii) On 24 February 2020, Mr. Liu Rujun has resigned as a Supervisor and Mr. Luan Bo was duly appointed as a Supervisor at the 2020 first extraordinary general meeting on the even date.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, 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.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company respectively. All these contracts are for a term of three years for Directors (pursuant to article 139 of the Articles of Association) and for Supervisors (pursuant to article 195 of the Articles of Association). The term of appointment for the Directors and the Supervisors is subject to re-election and re-appointment. Remuneration of the Directors and Supervisors can be adjusted at shareholders' general meetings.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals in the Group and remuneration payable to members of senior management by band are set out in note 12 to the consolidated financial statements in this annual report.

The remuneration of the Directors is subject to review of the Remuneration and Appraisal Committee and approval by the Board, such remuneration is determined by taking into account the relevant Director's experience, responsibilities, workload and time commitment to the Group and the operating results of the Group and comparable market statistics.

No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2019.

REMUNERATION POLICY

Based on the principle of marketization, incentive, dynamics and controllability, the Company has established a post-performance salary system that is competitive, fair, and motivating internally, and offering competitive salary in line with the external market rate to enhance the performance of employees. The employees at the headquarters implement a "broadband" system (寬頻薪酬) whereby employees have the opportunity to be promoted from low level to high level at their positions. The annual salary standard of Directors and senior management is determined according to the market rate whilst in consideration of the corporate efficiency, scale, and operational difficulty of his respective position and fulfilment of one's target responsibility signed by the senior management annually.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company believes that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Hong Kong Listing Rules.

COMPETING BUSINESS

Save for some of our Directors holding certain directorships and/or other senior management positions in SDG Group, none of our Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our principal business.

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

As at 31 December 2019, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 or short positions which the Directors, Supervisors and chief executive of the Company are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Name	Title	Nature of Interest	Class of Shares	Number of Shares	Long/Short Positions	Approximate percentage of shareholding in the relevant class Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Tang Qi(1)	Executive Director	Beneficial Interest	A Shares	212,937	Long	0.0082%	0.0069%
Mr. Li Tao(2)	Executive Director	Beneficial Interest	A Shares	184,545	Long	0.0071%	0.0060%

Notes:

(1) Mr. Tang Qi is interested in 212,937 Shares as a participant under the Employee Shareholding Scheme.

(2) Mr. Li Tao is interested in 184,545 Shares as a participant under the Employee Shareholding Scheme.

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors and chief executives 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.

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

As at 31 December 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 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 Shareholders	Nature of Interest	Class of Shares	Number of Shares or underlying Shares held directly or indirectly	Long/Short Positions	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
SDG Group Co.	Beneficial owner (1)	A Shares	1,194,077,998	Long	45.93%	38.52%
	Interest held by controlled corporation (2)	A Shares	264,702,322	Long	10.18%	8.54%
Shandong Gold Geological Mine Exploration Co., Ltd. ("**SDG Exploration**")	Beneficial owner	A Shares	139,194,321	Long	5.35%	4.49%
Shandong Gold Resources Development Co., Ltd. ("**SDG Resources Development**")	Interest held by controlled corporation (3)	A Shares	139,194,321	Long	5.35%	4.49%
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	59,645,250	Long	11.94%	1.92%
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	59,645,250	Long	11.94%	1.92%
Jianxin Trust Co., Ltd. (建信信託有限責任公司)	Interest held by controlled corporation (4)	H Shares	59,645,250	Long	11.94%	1.92%
Postal Savings Bank of China Co., Ltd.	Beneficiary of a trust (4)	H Shares	59,645,250	Long	11.94%	1.92%
CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1	Trustee (4)	H Shares	59,645,250	Long	11.94%	1.92%
Barrick Gold Corporation	Beneficial owner	H Shares	89,518,800	Long	17.92%	2.89%
Industrial and Commercial Bank of China Limited	Beneficial owner (5)	H Shares	29,918,750	Long	5.99%	0.97%

Notes:

(1) On 23 January 2017 and 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares to 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 8.39% 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).

(2) These 264,702,322 A Shares comprise 139,194,321 A Shares held by SDG Exploration, 100,704,999 A Shares held by SDG Non-ferrous, 22,476,541 A Shares held by Shandong Gold Group Qingdao Gold Co., Ltd. ("**Qingdao Gold**") and 2,326,461 A Shares held by SDG (Beijing) Industry Investment Co., Ltd. ("**SDG Beijing**"). SDG Exploration is wholly-owned by SDG Resources Development. Each of SDG Resources Development, SDG Capital Management, Qingdao Gold and SDG Beijing is wholly-owned by SDG Group Co.. SDG Group Co. holds 95.65% interest of SDG Non-ferrous. As such, SDG Group Co. is deemed to be interested in the Shares held by SDG Exploration, SDG Non-ferrous, SDG Capital Management, Qingdao Gold and SDG Beijing for the purpose of the SFO.

(3) SDG Exploration is wholly-owned by SDG Resources Development, and therefore SDG Resources Development is deemed to be interested in all the Shares held by SDG Exploration for the purpose of the SFO.

(4) 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 31 December 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 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.

(5) 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).

Save as disclosed above, as at 31 December 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 were 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 the Company or had an interest or short position which would be required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the service contracts of the Directors and Supervisors as disclosed above, there were no transactions, arrangements or contracts of significance to which the Company or its controlling company or any of its subsidiaries was a party to and in which a Director or Supervisor or an entity connected with a Director or Supervisor had a material interest, either directly or indirectly, subsisting at the end of the Reporting Period or at any time during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraphs headed "Continuing connected transactions", no controlling Shareholder or its subsidiary had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors and the Supervisors, the Company has not entered into any contract with any individual, firm or body corporate to undertake management or administration of the whole or any substantial part of any business of the Company during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules (the "**Code**") during the year ended 31 December 2019.

For details of the Corporate Governance Report, please refer to pages from 109 to 126 of this annual report.

STAFF OF THE GROUP

As of 31 December 2019, the Group had a total of 16,134 full-time employees (31 December 2018: 16,032 employees). For the year ended 31 December 2019, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB2,451.3 million (2018: RMB2,357.0 million).

The Group ensured that the remuneration packages of employees remain competitive and the remuneration level of its employees was determined on the basis of 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.

The following are the status, professional structure and education level of the staff in the Group:

Staff

The number of current staff of the parent company	2,121
The number of current staff of the major subsidiaries	14,013
Total number of current staff (including staff of domestic enterprises and Chinese staff of overseas enterprises)	16,134
The number of retired employees that parent company and the major subsidiaries are responsible for the retirement expenses	0

Professional Structure

Classification	Number of Staff
Production	10,996
Sales	5
Technical	1,525
Finance	279
Administration	3,329
Total	16,134

Education

Classification	Number of Staff
Master degree or above	457
Bachelor degree	2,897
Tertiary education	2,874
High school or technical secondary school	5,213
Junior high school and below	4,693
Total	16,134

TRAINING PROGRAMMES

In order to facilitate the personnel training and adhere to the key task of the year on the Group's "Thirteenth Five-year" plan, the Group has made plans based on an extensive research on training needs, with targets to strengthen weaknesses, improve capability and enhance efficiency of its employees. The Group's training covered "three teams" including operation management personnel, professionals and technicians.

Training for operation management was based on the guiding principles of the Nineteenth National Congress with targets of going international and securitization as well as refined management. The Group aimed at enhancing its strategic planning and creativity through focusing on corporate governance, overseas merger and acquisitions, capital operations, strategic exits, transformation development, basic management etc. During the year, 6,302 individuals received training from the 66 training sessions held.

Trainings for professionals focused on providing updates on current knowledge and creative enhancement. New trainings on geology, survey, mining, processing, smelting, machinery, electronic, safety, finance and others were provided with focus on enhancing capabilities in profession, implementation and creativity. During the year, 5,328 individuals received training from the 120 training sessions held.

With a focus on the skill training of the unique types of work in mines and by way of skill competitions and skill appraisals, the training of skilled personnel highlights the standardization of practical operation and continuously improves the ability and quality of skilled personnel. 1,656 individuals received training from the 68 training sessions held throughout the year. The effect of training was remarkable, as shown by the fact that 1 individual was awarded "Individuals enjoying special government allowances from the State Council of the PRC" (享受國務院政府特殊津貼人員), 3 individuals were awarded the title of National Technical Expert (全國技術能手), 1 individual was awarded the title of National Gold Industry Technical Expert (全國黃金行業技術能手), 2 individuals were awarded the title of Qilu Chief Technician (齊魯首席技師) in Shandong Province and 5 individuals were awarded the title of Shandong Gold Group Chief Technician (山東黃金集團首席技師).

OUTSOURCING STATUS

Total working hours of outsourcing services	20,965,559 Hours
Total outsourcing payment	RMB813.6157 million

SHARE CAPITAL

Changes in ordinary Shares

Details of changes in ordinary Shares of the Group for the year ended 31 December 2019 are set out in note 39(a) to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this annual report, the Board confirmed that neither the Company nor any of its subsidiaries purchased, sold, redeemed or wrote off any of the Company's listed securities during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2019 and further discussed the auditing, internal control and financial reporting matters. The Audit Committee considers that the audited consolidated financial statements of the Group for the year ended 31 December 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.

ISSUANCE AND LISTING OF SECURITIES

Issuance of Securities during the Reporting Period

Types of Shares and their derivative securities	Date of issue	Issue price (or interest rate)	Number of Shares issued	Date of listing	Number of Shares permitted to be listed for trading	Ending date of the trading
Green Corporate Bonds	22 March 2019	3.85%	10,000,000	1 April 2019	10,000,000	22 March 2020

Changes in total number of ordinary Shares, shareholding structure and the structure of assets and liabilities of the Company

For details of the changes in the Company's assets and liabilities structure, please refer to "Analysis of Assets and Liabilities" of the Management Discussion and Analysis in this annual report.

INFORMATION OF CORPORATE BONDS

Overview of corporate bonds

Unit: *RMB'000*

Name of Bonds	Abbreviation	Code	Date of Issuance	Date of Maturity	Outstanding balance	Interest Rate (%)	Payment of Principal and interest	Place of Listing
The 2013 Corporate Bond (the Second Tranche) of the Company	13 Lujin 02	122284	30 Mar 2015	30 Mar 2020	688,763	5.30	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange
The 2019 Public Issuance of Green Corporate Bonds of the Company	G19 Lujin 1	155270	22 Mar 2019	22 Mar 2022	999,267	3.85	Interest to be paid annually, principal to be repaid at maturity	Shanghai Stock Exchange

Settlement of interests and principals of the corporate bonds

The Company paid the interests on the 2013 Corporate Bond (the Second Tranche) of the Company for the period from 30 March 2018 to 29 March 2019 on 1 April 2019. According to the "Announcement of Shandong Gold Mining Co., Ltd. on Increasing the Coupon Rate of 13 Lujin 02", the coupon rate of the tranche of bonds for two years is 5.30% and the total interests paid in 2019 was RMB36,516,788.00 (tax inclusive). For details, please refer to the overseas regulatory announcement of the Company titled "Announcement of Shandong Gold Mining Co., Ltd. on the 2019 Interest Payment for the 2013 Corporate Bond (the Second Tranche)" (LIN 2019–013) published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Hong Kong Stock Exchange on 22 March 2019.

The Company has begun to pay the final annual interest and principal of the current bonds from 30 March 2019 to 29 March 2020 on 30 March 2020, and the said corporate bond has been delisted. For details, see the overseas regulatory announcement of the Company disclosed on the website of the Hong Kong Stock Exchange on 21 March 2020.

DESCRIPTION OF OTHER IMPORTANT MATTERS

Mutual Strategic Investments between the Company's Controlling Shareholder, SDG Group and Barrick Gold

The controlling Shareholder of the Company, SDG Group Co. and Barrick Gold signed a mutual strategic investment agreement in September 2018 ("**Mutual Strategic Investment Agreement**") to deepen the strategic cooperation between the two parties. SDG Group Co. and Barrick Gold agreed that within 12 months after the signing of the Mutual Strategic Investment Agreement, the parties will respectively purchase the public listed shares of the other party in an open stock exchange through one or more transactions with the investment of no more than US$300 million (basically equal for both parties). SDG Group Co. purchased the stocks of Barrick Gold listed and traded on the New York Stock Exchange and the Toronto Stock Exchange through one or more transactions on open market with funds of no more than US$300 million; Barrick Gold purchased the Company's A Shares and H Shares listed and traded on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively, through one or more transactions on open market with funds of no more than US$300 million. The agreement allows both parties to dispose of (sell) the shares purchased.

As of 24 September 2019 (i.e. within 12 months after the signing of the agreement), SDG Group, through Shandong Gold Financial Holdings Group (HongKong) Co., Limited (山東黃金金控集團(香港)有限公司), a wholly-owned subsidiary of SDG Capital Management, held 10,147,700 shares of Barrick Gold Corporation and Barrick Gold Corporation held 63,942,000 H Shares of Shandong Gold (excluding the Shares under the issue of four (4) bonus Shares for every ten (10) Shares conducted by the Company in August 2019). Both parties could sell such shares without any restrictions.

Description of the Employee Shareholding Scheme

The procedures of registration and custody for the newly-added shares under the Phase One Employee Shareholding Scheme of Shandong Gold were completed with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 17 October 2016. There are a total of 11,645,629 Shares subscribed for under the Employee Shareholding Scheme with a subscription amount of RMB166,532,494.70 and a final issue price of RMB14.30 per Share. The newly-added Shares are floating Shares subject to trading moratorium for a period of 36 months. The listing and trading of Shares subject to trading moratorium under the non-public issue commenced on 21 October 2019.

SHARE OPTION SCHEME

During the Reporting Period, the Group has no share option scheme.

PRE-EMPTIVE RIGHTS

According to the Articles of Association and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new Shares to its existing Shareholders in proportion to their shareholdings.

DEBENTURES

Details of debenture are set out in note 32 to the consolidated financial statements.

ACQUISITIONS, DISPOSALS AND MERGERS

Save as to the discloseable and connected transaction of SDG Capital Management under "Events during the Reporting Period", the Company has no other material acquisitions, disposal or merger of subsidiaries, associates and joint ventures during the Reporting Period.

RETAINED PROFITS

As at 31 December 2019, details of the Group's retained profits are set out on page 138 of this annual report.

CONTINGENCIES

Details of contingent liabilities are set out in note 41 to the consolidated financial statements.

TAXATIONS

Details of the Group's taxation are set out in note 10 to the consolidated financial statements.

DIVIDEND POLICY

Pursuant to the Articles of Association, we shall distribute cash dividends at least once in any consecutive three years. The total amount of the cash dividend distributed in the most recent three years shall be at least 30% of our average annual distributable profits in the same period. The Company may distribute the cash dividend provided that there are no expected significant investment plans or significant cash expenditures in the following twelve months (excluding fund-raising projects). Upon satisfaction of the cash dividend payout ratios, we may distribute stock dividends if our operating revenue and net profit increase rapidly and our Directors consider that our equity scale and shareholding structure are reasonable. In addition, we may declare interim dividends based on our financial performance and working capital requirements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

RESULTS AND DIVIDENDS DISTRIBUTION

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 134 to 135 of this annual report.

Pursuant to a resolution passed at the Board meeting on 16 April 2020, the Board proposed the distribution of a final dividend of RMB1 per ten (10) Shares (tax inclusive) for the year ended 31 December 2019, amounting to a total of approximately RMB310.0 million and the issue of four (4) bonus Shares for every ten (10) Shares to all Shareholders by way of conversion of capital reserve (the "**Proposed Issue**"), based on the total issued Shares of the Company as of 31 December 2019 of 3,099,611,632. The remaining undistributed profits are carried forward for the subsequent annual distributions. The above proposal will be put forward for the forthcoming annual general meeting of the Company for consideration and approval. The specific arrangements regarding the final dividend and its distribution, the Proposed Issue and the time and arrangement of the closure of register of members of H Shares will be disclosed separately in the circular for the annual general meeting. If approved at the annual general meeting, the Company shall distribute the dividend within two months after the convening of the annual general meeting.

For the cash dividends from the 18,221,084 locked Shares which shall be compensated by SDG Non-ferrous to the Company, SDG Non-ferrous shall return the relevant cash dividends to the Company according to Article 4.3 of the Profit Forecast Compensation Agreement for Purchase of Assets by Issuance of Shares entered into between the Company and SDG Non-ferrous on 5 May 2015. Save as mentioned above, the Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

The dividend will be denominated and declared in RMB, and distributed to the domestic shareholders and investors participating in the Shanghai-Hong Kong Stock Connect Program in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculation in Hong Kong Dollar is based on the middle rate as published by the People's Bank of China on the date on which the annual general meeting of the Company is held.

TAXATION

According to the Enterprise Income Tax Law of the PRC《(中華人民共和國企業所得税法》) and its implementation regulations (the "**EIT Law**"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Company's H share register, Computershare Hong Kong Investor Services Limited, in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》) (the "**Notice**") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H Shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

PROFIT DISTRIBUTION TO INVESTORS OF NORTHBOUND TRADING

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on the SSE (the "**Northbound Trading**"), their dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date and the date of distribution of cash dividends and other arrangements for the investors of Northbound Trading will be the same as those for the holders of A shares of the Company.

PROFIT DISTRIBUTION TO INVESTORS OF SOUTHBOUND TRADING

For investors of the SSE and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "**Southbound Trading**"), the cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H shares of the Company. As for the relevant taxation policies, pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》), for dividends received by domestic individual investors from investing in the H shares of the Company listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in the H shares of the Company listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Shareholders are suggested to consult their tax consultants regarding the tax impacts in China, Hong Kong and other countries (regions) for holding and selling the Company's shares.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Hong Kong Listing Rules.

AUDITOR

It was approved at the Company's annual general meeting held on 28 June 2019 (the "**2018 AGM**") that the Company agreed to appoint Deloitte Touche Tohmatsu Certified Public Accountants ("**Deloitte**") as the Company's international auditor for the year ended 31 December 2019 to replace PricewaterhouseCoopers which retired as the auditor of the Company at the conclusion of the 2018 AGM. As the Company was not able to reach a mutual agreement with Deloitte on the audit fee for the financial year ended 31 December 2019, the Company has appointed SHINEWING (HK) CPA Limited as its international auditor, which was approved by the Shareholders at the 2020 first extraordinary general meeting held on 24 February 2020. Save as the aforesaid, there has been no change in its auditors in the preceding three years.

The Company has appointed SHINEWING (HK) CPA Limited and TianYuanQuan Certified Public Accountants (Special General Partnership) as its international and domestic auditor, respectively for the year ended 31 December 2019. The financial statements prepared by the Company in accordance with the International Financial Reporting Standards have been audited by SHINEWING (HK) CPA Limited. The international and domestic auditors are subject to re-election at the 2019 AGM and the Board has resolved their reappointments. A resolution in relation to their reappointments as the international and domestic auditors of the Company will be proposed at the 2019 AGM.

EVENTS DURING THE REPORTING PERIOD

Provision of Guarantee for Financing of SDG Hong Kong

On 13 March 2019, the Shareholders approved the provision of guarantee of no more than US$210 million for SDG Hong Kong's application to China Development Bank Hong Kong Branch for a loan of US$200 million for a term of one year. For details, please refer to the circular of the Company dated 24 January 2019.

Discloseable and Connected Transaction – Acquisition of SDG Capital Management

On 23 August 2019, the Shareholders approved the sale and purchase agreement entered into by the Company with SDG Group Co., pursuant to which the Company agreed to purchase the entire equity interest in SDG Capital Management, a company incorporated in the PRC principally engaged in gold leasing, asset management, sales and repurchase of precious metals (including gold, gold bars and gold ornaments) at a consideration of approximately RMB2,272.3 million. For details, please refer to the announcement of the Company dated 21 June 2019 and the circular of the Company dated 7 August 2019.

Approval of the Resolution on the Proposed Issuance of Ultra Short-Term Financing Bonds

On 27 September 2019, the Shareholders approved the resolution on the issuance of ultra short-term financing bonds in the size of not more than RMB10 billion for a term not more than 270 days. The proceeds of the said bonds will be mainly used for replenishing the working capital of the Group, repaying borrowings from financial institutions, repaying other liabilities (i.e. gold leasing) and other purposes as recognized by the associations for investors. For details, please refer to the circular of the Company dated 13 August 2019.

EVENTS AFTER REPORTING PERIOD

Approval of amendment of Articles of Association and Change of H Share auditor

On 24 February 2020, the Shareholders approved at the 2020 first extraordinary general meeting (1) the amendments to the Articles of Association (such matter was also approved at the 2020 first class meeting of A Shareholders and the 2020 first class meeting of H Shareholders held on the same day); (2) provision of guarantee for the financing of an overseas subsidiary of the Company; (3) change of 2019 H Share auditor of the Company to SHINEWING (HK) CPA Limited; and (4) change of Supervisors. For details, please refer to the circular of the Company dated 23 January 2020 and the announcement of the Company dated 24 February 2020.

Renewal of Mining Right Leasing Agreement

On 16 April 2020, Laizhou Mining (a subsidiary of the Group which owns Jiaojia Gold Mine) entered into a renewed mining right leasing agreement with SDG Group Co. for a period from 1 January 2020 to 31 December 2022 in relation to the mining right of Jiaojia Gold Mine. An one-off payment of RMB132,026,400 and leasing fees of RMB38,269,300 will be paid in each of 2020, 2021 and 2022. For details, please refer to the announcement of the Company dated 16 April 2020.

By order of the Board of Directors
Li Guohong
Chairman

Jinan, the PRC
16 April 2020

REPORT OF THE SUPERVISORY COMMITTEE

In 2019, all members of the Supervisory Committee strictly complied with the requirements of the Company Law, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other relevant laws, regulations and departmental rules, adhered to the principle of good faith, earnestly performed their supervisory duties, and actively carried out various tasks. The members of the Supervisory Committee have supervised the voting procedures and fairness of lawful operations, major investments and other matters of the Company, inspected its financial position and supervised the legal compliance of its directors and senior management of the Company in performing their duties. They effectively protected the Shareholders' rights and corporate interests of the Company and the legitimate rights and interests of its employees. The main work report in 2019 is as follows:

I. DAILY WORK OF THE SUPERVISORY COMMITTEE

(I) Organized the convening of Supervisory Committee meetings

During the Reporting Period, the Supervisory Committee held a total of six meetings to review the periodic reports prepared by the Board of Directors and issued the written review opinions. The members of the Supervisory Committee reviewed 2018 profit distribution plan and the acquisition of SDG Capital Management by the Company. They also supervised and inspected financial position and the use of proceeds of the Company, the implementation of decisions made by the Board of Directors, the establishment of risk management and control system and major business management issues. The specific matters were reviewed as follows:

1. On 13 March 2019, the Company held the 8th meeting of the Fifth Session of the Supervisory Committee in its conference room, reviewing and approving the "Resolution Regarding the Separation and Handover of Water/Electricity/Gas Supplies and Property Management and Connected Transactions of Subordinated Enterprises of the Company".

2. On 28 March 2019, the Company held the 9th meeting of the Fifth Session of the Supervisory Committee in its conference room, reviewing and approving 14 resolutions, including the "2018 Work Report of the Supervisory Committee", the "Resolution on the Reviewing of the Annual Report and its Summary of the Company for 2018", the "Resolution on the Profit Distribution Plan for 2018 and the Issue of Shares by way of Conversion of Capital Reserve", the "Resolution Regarding the Estimation of Normal Connected Transactions in 2019", the "Resolution Regarding Appointment of the Accounting Firms and Increase in Annual Audit and Service Fees", the "Resolution Regarding Re-appointment of Internal Control Auditor and Increase in Annual Service Fees", the "Resolution Regarding the 2018 Appraisal Report on Internal Control", the "Social Responsibility Report for 2018", the "Special Audit Report Regarding the Commitment on Results Performance for 2018", the "Resolution Regarding the Resolution of the Special Report on Saving and Use of Proceeds of the Company for 2018", the "Resolution Regarding Change of the Accounting Policies", the "Resolution Regarding the Signing of Financial Service Framework Agreement with Finance Company", the "Resolution Regarding the Signing of Outsourced Services Agreement with SDG (Beijing) Industry Investment Co., Ltd." and the "Resolution Regarding Increase of Capital Contribution to Overseas Wholly-Owned Subsidiary".

3. On 26 April 2019, the Company held the 10th meeting of the Fifth Session of the Supervisory Committee by means of communication in its conference room, reviewing and approving the "Full Text and Main Text of the First Quarterly Report of the Company for 2019".

4. On 21 June 2019, the Company held the 11th meeting of the Fifth Session of the Supervisory Committee by means of communication in its conference room, reviewing and approving three resolutions, including the "Resolution on the Company's Acquisition of 100% Equity Interest of SD Gold Capital Management Co., Ltd.", the "Resolution on the Additional Estimation of Normal Connected Transactions after Acquisition of Equity Interest of SD Gold Capital Management Co., Ltd." and the "Resolution Regarding Utilizing Unused Proceeds to Temporarily Replenish the Working Capital of the Company"

5. On 29 August 2019, the Company held the 12th meeting of the Fifth Session of the Supervisory Committee by means of communication in its conference room, reviewing and approving two resolutions, including the "Resolution on the Review of Half-yearly Report for 2019" and the "Resolution on the Change of the Accounting Policy of the Company".

6. On 29 October 2019, the Company held the 13th meeting of the Fifth Session of the Supervisory Committee by means of communication in its conference room, reviewing and approving three resolutions, including the "Full Text and Main Text of the Third Quarterly Report of the Company for 2019", the "Resolution Regarding the Acquisition of Gold Coast Residential Building (黃金海岸住宅樓) by Shandong Gold Mining Equipment Manufacturing Co., Ltd." and the "Resolution Regarding Utilizing Part of Unused Proceeds to Temporarily Replenish the Working Capital of the Company".

(II) Performed supervisory duties earnestly

The Supervisory Committee constantly strengthened the coordination, planning and guidance of the work relating to the supervisory system of the Company. Through visiting and researching on the subsidiaries of the Company, the Supervisory Committee stayed informed about and kept track of the important operation management activities of enterprises. Concerned about the sustainable development of enterprises while maintaining communication with the internal and external auditors of the Company, the Supervisory Committee tracked and understood the auditors' various audit results on the Company and, with an emphasis on problems solving and risk prevention, timely provided reasonable advice and risk warnings to the Board of Directors and management of the Company. As a result, the Supervisory Committee has made significant progress in promoting reform, risk prevention and standardized management.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2019

(I) Independent opinions of the Supervisory Committee on lawful operations

In 2019, the Supervisors attended the general meetings and all Board meetings of the Company in accordance with laws, and strictly supervised the decision-making procedures of the Company and the duty performance of its Directors and senior management of the Company.

The Supervisory Committee believes that: in 2019, the Company operated in strict accordance with the Company Law, the Securities Law, the Articles of Association and other relevant laws and regulations, and its operational decisions were reasonable and effective. The convening of and convening procedures for three kinds of meetings of the Company were in compliance with relevant requirements, and the internal management system and the internal control mechanism have been established and further improved. The Directors and senior management worked diligently during the Reporting Period and fully implemented the resolutions passed at the general meetings of the Company, without any prejudice to the rights and interests of the Company and its Shareholders.

(II) Independent opinions of the Supervisory Committee on inspection of the Company's financial position

The Supervisory Committee conducted a detailed and rigorous review of the Company's financial position and periodic reports, and strengthened supervision over the Company's financial management.

The Supervisory Committee believes that, during the Reporting Period, the Company strictly implemented the Accounting Standards for Business Enterprises. The financial system and internal control system of the Company were relatively sound, its financial operation was standardized, and its financial position was sound and healthy. The periodic reports and review procedures of the Company were formulated in compliance with the requirements of laws, regulations and the Articles of Association. The standard unqualified audit report for 2018 issued by TianYuanQuan Certified Public Accountants (Special General Partnership) and PricewaterhouseCoopers gave a fair and objective view of the financial position and operating results of the Company.

(III) Independent opinions of the Supervisory Committee on the use of proceeds

During the Reporting Period, the Supervisory Committee verified the use of proceeds of the Company's issuance of green corporate bonds, reviewed the Special Report on Saving and Use of Proceeds of the Company for 2018, and effectively supervised the saving, use and management of proceeds.

The Supervisory Committee believes that the Company has established the proceeds management system and standardized the procedures for the use of proceeds. During the Reporting Period, the Company saved the proceeds in a special account for special use. The actual investment project was in line with the committed investment project, without any changes in the use of the proceeds in a disguised way and any prejudice to the interests of Shareholders as well as violations in the use of proceeds. During the Reporting Period, the Company utilized part of the unused proceeds to replenish its working capital, which improved the proceeds utilization rate and saved the financial costs of the Company. It has standardized the relevant decision-making procedures which are lawful and effective.

(IV) Independent opinions of the Supervisory Committee on connected transactions

The Supervisory Committee supervised and verified the connected transactions occurred in 2019.

The Supervisory Committee believes that the connected transactions conducted by the Company were fully discussed and carefully determined by the Board of Directors and the management of the Company. They were all conducted on the principle of fairness, the pricing was fairly made in line with relevant procedures. The related Directors and related Shareholders abstained from voting in accordance with the relevant requirements. The independent Directors made objective and independent judgments over the connected transactions, and the relevant information disclosure was adequately made in a timely manner, without any prejudice to the interests of the Company and its Shareholders.

(V) Opinions of the Supervisory Committee on the acquisition by the Company

The Supervisory Committee has reviewed the acquisition by the Company during the Reporting Period.

The Supervisory Committee is of the view that the consideration of the acquisition of the 100% equity interests in SDG Capital Management is fair and reasonable without any insider trading or prejudice to the rights and interests of the Shareholders, and does not result in any loss of assets of the Company. The decision-making procedures of the acquisition comply with the requirements set out in the Articles of Association.

(VI) Independent opinions of the Supervisory Committee on the internal control evaluation report

The Supervisory Committee reviewed the self-evaluation report on internal control of the Company for 2019, and the establishment and operation of the internal control system of the Company.

The Supervisory Committee believes that the Company has established and improved the internal control system for management of all the relevant matters in accordance with the requirements of relevant laws and regulations, which reasonably ensured the achievement of internal control objectives. The internal control organization has been set up completely and scientifically with a sound and effective internal control system. The "Evaluation Report on Internal Control for 2018" prepared by the Board of Directors gives a true and objective view of the actual status of establishment of the Company's internal control.

(VII) Independent opinions of the Supervisory Committee on establishment and implementation of the insider information management system

The Supervisory Committee verified the implementation of the insider information management system enforced by the Company in 2019.

The Supervisory Committee believes that the Company has strictly complied with the relevant requirements of the insider information management. The Company seriously and effectively implemented relevant systems regarding the insider information management, prohibited the disclosure of the inside information in strict compliance with requirements, as well as disclosed significant issues and reported to regulatory authorities the archives of persons with inside information in a timely manner. The Company conducted inside information management and registration of persons in possession of inside information in strict accordance with the requirements, thereby protecting the rights of all the investors to obtain the corporate information on an equal and fair basis.

III. THE WORK PLAN FOR 2020

In 2020, we will continue to fulfill our duties diligently in strict accordance with the Company Law, the Securities Law and other laws and regulations as well as the Articles of Association, urge the Board of Directors and management of the Company to make decisions and operate according to law, enhance information management, prevent insider trading, improve internal control and corporate governance, and protect the interests of the Company and all of its Shareholders. The work plan is now reported as follows:

(I) Perform duties diligently of Supervisors and promote compliant operation

Attend the general meetings and the Board meetings in a timely manner to earnestly perform the duties of the Supervisory Committee. Firstly, carry out daily supervision work, and have a timely understanding on major matters of the Company and legitimacy of each decision-making procedure to better protect the interests of the Shareholders; secondly, comprehensively grasp the establishment and operation of the internal control system of the Company, pay attention to the legitimacy, effectiveness and adaptability of the internal control system, and inspect the implementation of the internal control system. Thirdly, continue to maintain communication with the internal and external auditing firms through supervising and inspecting financial position of the Company, keep strengthening the supervision and inspection on the corporations, prevent operational risks and further protect the interests of the Company and its Shareholders.

(II) Strengthen supervision and inspection to prevent operational risks

Strengthen the risk supervision of enterprises with a focus on coordination and implementation, enhance the follow-up supervision of significant business management activities, and broaden the coverage of supervisory work. Firstly, strengthen financial management, improve the capital utilization rate and reduce operational risks. Secondly, regularly track changes in the Company's asset operation and major financial information, so as to make clear judgments, identify problems and make quick responses. Thirdly, pay attention to the progress of asset acquisitions, sales and connected transactions, and prevent the loss of assets and other operational risks of the Company. Continue to strengthen the implementation of supervisory duties, sufficiently discuss the basic resolutions formulated by the Board of Directors and the various resolutions reviewed and approved by it, and actively propose revisions and improvements to ensure that each of the decisions is conducive to the long-term development of the Company and can protect the legitimate rights and interests of all the Shareholders.

(III) Practically strengthen self-improvement to raise the supervisory level

The Supervisory Committee will actively attend various training organized by the regulatory authorities, and at the same time strengthen the studying of accounting, auditing, legal and financial knowledge, continuously broaden professional knowledge, enhance business skills, and raise supervisory level. The Supervisory Committee will constantly strengthen supervision over the duty performance of the Directors and senior management of the Company, establish efficient communication channels and methods, continuously improve the quality and efficiency of the duty performance of the Supervisory Committee, better exert the supervisory functions of the Supervisory Committee, and promote the sustainable and healthy development of the Company.

Shandong Gold Mining Co., Ltd.
Supervisory Committee

16 April 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the Environmental, Social and Governance ("**ESG**") Report of Shandong Gold Mining Co., Ltd. for 2019.

It is prepared in strict compliance with the requirements of "Appendix 27 Environmental, Social and Governance Reporting Guide" to the Hong Kong Listing Rules and aims to render a realistic and fair picture of the guidelines of Shandong Gold Mining Co., Ltd. on ESG as well as the actions taken and results achieved in 2019, for the purpose of facilitating communication and exchange with its stakeholders.

This report deals with the period from 1 January 2019 to 31 December 2019, with some information beyond this range.

All the information and data adopted in this report was derived from the official documents, statistical reports and financial reports of Shandong Gold Mining Co., Ltd., which has been summarized and reviewed by the relevant functional departments of the Company. Should there be any discrepancy between the financial data and that in the annual report, the latter shall prevail.

For readers' convenience, Shandong Gold Mining Co., Ltd. is also referred to in the report as "Shandong Gold", the "Company" or "we/us".

I. ESG MANAGEMENT SYSTEM

(I) ESG Philosophy

Shandong Gold has a firm belief in its principle known as "Caring for Employees, Repaying Shareholders, Contributing to the Well-being of the Society and to the Country's Prosperity" and its core values of "Openness, Accommodation, Dedication and Responsibility", with equal concern placed on economic, social and environmental benefits. We have been striving for standardized governance and innovation in capital operation, making relentless effort towards our goal of "Double Zeros" (zero accident on safety and zero accident on environmental protection), actively participating in the causes of ecological environmental protection and targeted poverty alleviation, pursuing high-quality sustainable development and benefiting as many people as possible with our efforts and contributions.

Shandong Gold adheres to its green development philosophy of "Commitment to Protecting Our Environment, and Making the World a Better Place with Love", maintaining the balance between resource development and comprehensive utilization, energy conservation and environmental protection, technological transformation and safe production, and vigorously developing circular economy and low-carbon economy, promoting clean production and protecting our ecological civilization.

In addition to its responsibility of creating value for the stakeholders, the Company adheres to its talent guidelines of "Selecting Talents with both Capability and Integrity", with the aim of protecting the rights and interests of its employees, safeguarding their occupational well-being, so that they can grow happily with the Company; we operate honestly and insist on transparent procurement, maintaining a mutually beneficial relationship with our partners along the supply chain; we blend in with the community and participate in public welfare activities such as charitable donations, supporting students in need, targeted poverty alleviation, making joint efforts to keep peace and harmony in the community.

In 2019, the Company received a number of distinguished awards such as the "China Financial Awards 2019 – Best Investor Relations Award", "The 10th Session of Best Board of Directors in Investor Relations of Listed Companies in China", "Evergreen Award – Inclusive Finance Award for Sustainable Development", and the "Outstanding ESG Responsibility Progression Award for Chinese Enterprises", etc..

(II) ESG Management Structure

In order to put our ESG philosophy into practice, the Board of Directors of the Company has established the Strategic Development Committee, with the Chairman of the Board of Directors acting as the head of the Committee. The Committee is responsible for, among others, the implementation of the Company's strategies, decision-making on important issues, resolution of cross-division issues, setting forward-looking targets, discussing business and strategic plans for sustainable development in a timely manner, identifying opportunities and risks for sustainable development in a comprehensive way, and enhancing the Company's capability of sustainable development. In addition, the Company regularly organizes its functional departments including corporate management, scientific and technological research and development, safety and environmental protection, material procurement, human resources, and corporate culture development to discuss and exchange views on the implementation of sustainable development strategies, settlement of important issues, etc., aiming to continuously improve our corporate governance for sustainable development.

(III) Stakeholder Communication

Shandong Gold is well aware of the importance of a timely understanding of the demands and expectations of its stakeholders to the Company's objective review of the environmental and social impacts of its business development as well as its rational planning and evaluation of sustainable development, therefore, we have improved our internal and external communication channels and listened carefully to the stakeholders' expectations and demands, and taken corresponding measures to meet the reasonable requirements of our stakeholders so as to ensure the stable development of the Company.

Mechanism for Communication with Stakeholders

Type of Stakeholders	Main ESG concerns	Communication channels/ means of feedback
Government and regulatory authorities	Emissions, use of resources, environment and natural resources, employment, labor standards, product responsibility, anti-corruption and community investment	Special reports, on-site visits, policy consultation, information disclosure, correspondence and participation in meetings of government authorities
Investors and shareholders	Employment, anti-corruption and product responsibility	General meetings, investors' meetings, business announcement meetings, official website
Employees	Employment, labor standards	Communication meetings, performance review, independent research and investigation
Suppliers, contractors and intermediaries	Product responsibility, supply chain management and anti-corruption	Market research, supplier investigations, supplier meetings
Media and non-government organizations	Emissions, use of resources, environment and natural resources, health and safety, employment, labor standards, community investment	Official website, news reports, social media, communication meetings
Community members	Emissions, use of resources, environment and natural resources, health and safety and community investment	On-site visits, charitable activities and social media

(IV) Identification of Substantive Issues

Based on the 11 ESG issues listed in the " Environmental, Social and Governance Reporting Guide" issued by the Hong Kong Stock Exchange, we have conducted substantive analysis on the "importance to company's development" and the "importance to the stakeholders" and use this as an important basis for information disclosure. Our analysis found that the most important ESG issues for Shandong Gold are "emission", "use of resources", "environment and natural resources", "health and safety", "employment" and "labor standards". The second most important issues include "anti-corruption", "product responsibility", "development and training", "supply chain management" and "community investment".

II. ENVIRONMENTAL RESPONSIBILITY

As a responsible company, Shandong Gold complies strictly with the relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Appraising of Environment Impacts, the Energy Conservation Law of the People's Republic of China, the Cleaner Production Promotion Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Soil Pollution and the Law of the People's Republic of China on the Prevention and Control of Noise Pollution while closely follows its environmental protection guidelines of "Building Shandong Gold into an Eco-friendly Mining Company" and "Commitment to Protecting Our Environment, and Making the World a Better Place with Love" as well as the basic national policy of saving resources and protecting the environment, trying to put environmental protection and mine management under the same plan and arrangement in its pursuit of green, low-carbon, recyclable and sustainable development.

The Company has formulated the "Accountability System for Ecological Environment Protection of Shandong Gold" and established a hierarchical management system for its environmental protection efforts. Both the Company and its subsidiaries have appointed the safety and environmental protection directors and established production safety departments (eco-mining departments) that are responsible for regularly revising and improving the environmental protection management system. In addition, the Company and its subsidiaries frequently organized environmental protection training programs and emergency drills to enhance their employees' awareness of environmental protection. The total investment of the Company's domestic subsidiaries in environmental protection amounted to RMB133,089,800, and the total investment of the Company's off-shore subsidiaries in environmental protection amounted to US$8,362,800. In 2019, the Company's domestic subsidiaries held 67 training sessions on environmental protection and the Company's off-shore subsidiaries held a total of 512 hours of environmental protection trainings with 9,797 participants accumulated .

(I) Emission Management

The Company strictly abides by the laws and regulations related to the discharge of waste water, waste gas and solid waste by formulating the "Planning for Green Mine Construction" and the "Plan of Shandong Gold on Ecological Green Mine Construction for 2018-2020" and establishing an ecological environmental protection management system. In 2019, the Company and its subsidiaries managed to have their discharge of waste gas up to the national standards, with the industrial wastewater all recycled and solid waste completely reused or safely disposed of.

1. Waste Gas Treatment

The Company strictly follows the national and regional standards for the discharge of air pollutants by installing exhaust gas treatment devices to control the dust/smoke, sulfur dioxide, nitrogen oxides, soot and dust generated during the mining, beneficiation and smelting processes to ensure the total density and rate of emissions meet the relevant standards.

The subsidiaries of the Company set up sprayers at the spots where most dusts are generated, laid windproof and dust suppression nets at the tailings depots, and deployed sprinkler trucks to regularly spray water on the ground; the acidic exhaust gas and nitrogen oxide exhaust gas produced by the gold smelting companies during the refining process is collected and transported to the purification system outside the workshop through the ventilation pipeline in the workshop, with the exhaust emissions meeting the requirements of the secondary emission standards in Table 2 of the Comprehensive Standards for Air Pollutant Emission (B16297-1996), and the nitrogen oxides emissions meeting the requirements of the density limits in the key areas in Table 2 of the "Comprehensive Standards for Regional Air Pollutant Emission in Shandong Province" (DB37/2376-2019).

2. Wastewater Treatment

The wastewater discharged by the Company is mainly domestic sewage, underground water and industrial wastewater, among which the domestic sewage is used for watering the plant, spraying on the road for dust suppression and flushing the toilet after being treated by sewage treatment facilities, the underground water is used in underground mining and production, the condensed water for production and return water from tailings are recycled, the water for flotation process is directly recycled to the gold concentrate pulping section, the water for cyanidation process is treated and reused in the cyanidation section, and the water for refining process is neutralized and treated and then returned to the cyanidation and flotation section. In 2019, the Company realized full recycling of production wastewater.

Sanshandao Gold Mine and Jiaojia Gold Mine of Shandong Gold Mining (Laizhou) Co., Ltd. were listed as key pollutant discharge units of water environment in 2019 by the Shandong Provincial Department of Ecology and Environment. Mine water produced by these two gold mines is partly used to produce supplementary water, and the remaining water is discharged after being treated physically or chemically to meet the standards. The discharge outlet of Shandong Gold Mining (Laizhou) Co., Ltd. Sanshandao Gold Mine is the same as that of Laizhou Port, with a designed processing capacity of 1,000 cubic meters per hour, and the discharge from the outlet satisfies the requirements of the Part V of the Comprehensive Discharge Standards for Water Pollutants: the Peninsula Basins (DB37/3416.5—2018) (COD discharge standard: 50mg/L). The discharge outlet of Shandong Gold Mining (Laizhou) Co., Ltd. Jiaojia Gold Mine is the same as that of Shihuzui of Jiaojia Gold Mine, with a designed processing capacity of 500 cubic meters per hour, and the discharge from the outlet satisfies the requirements of Part V of the Comprehensive Discharge Standards for Water Pollutants: the Peninsula Basins (DB37/3416.5—2018).

3. Non-hazardous Waste Storage and Disposal

The non-hazardous waste produced by the Company is mainly the waste rocks and tailings produced during the production process. Waste rocks from the mining process are mainly used for underground backfilling, dam construction for tailings depot, or as stones for construction. Tailings produced during processing are mainly used for underground filling and cavity filling, which have all been used or safely disposed of.

In 2019, Linglong Gold Mine made remarkable efforts to build a tailings-free mine. The tailings generated during the production process are first used for backfilling, with the remaining tailings shipped to Linglong Gold Mine and Lingshan Gold Mine and used as raw materials for production of glass and ceramics with advanced technologies in a comprehensive tailings utilization project in cooperation with third parties, which aims to turn waste into treasure and establish a “green mine with no tailings output”. In addition, the waste rocks produced during the mining process are used to fill the exhausted mines and abandoned tunnels to the greatest extent, with the remaining lifted to the surface and made into building materials, resulting in a utilization rate of 100%.

4. Hazardous Waste Storage and Disposal

The Company strictly complies with the national standards such as the "Pollution Control Standards for Storage of Hazardous Waste (GB18579-2001)" and strictly follows the rule of "five-sheet bill for hazardous waste transfer", with hazardous waste depots set up in all our gold mines and qualified companies engaged to handle the hazardous waste, i.e. cyanogen tailings, during the production processes. In 2019, the Company's subsidiaries have set up a total of 12 temporary depots for hazardous waste that meet the four basic requirements, i.e. fire-proof, burglary-proof, moisture-proof and sabotage-proof, and put them under standardized control and management.

Shandong Gold Smelting Co., Ltd., Shandong Gold Guilaizhuang Mining Co., Ltd. and Shandong Gold Mining (Xinhui) Co., Ltd. all involved cyanidation process that produces cyanide tailings, and were named by the Department of Ecology and Environment of Shandong Province as key soil-impairing pollutant dischargers in 2019, among which, all the cyanide tailings produced by Shandong Gold Smelting Co., Ltd. and Shandong Gold Mining (Xinhui) Co., Ltd. were handled safely by qualified companies, and those produced by Shandong Gold Guilaizhuang Mining Co., Ltd. were properly treated to meet the requirements of the "Technical Specifications for Cyanide Pollutant Control in the Gold Industry", and shipped to the tailings depots that meet the environmental protection requirements.

5. Noise Control

The Company requires its subordinate companies to use low-noise equipment and processes, and adopts measures such as mutual sound absorption, isolation, and sound attenuation for high-noise sources to reduce the impact of noises on the environment.

6. Emission Reduction Measures and Effectiveness

The following are some examples of the Company's initiatives to reduce emissions in 2019 as well as the results:

The Company's cut-and-fill laboratory independently developed an accurate backfilling slurry preparation and transportation testing system which, upon application, will completely reshape the traditional process of discharging coarse tailings filled with fine tailings to the tailings depots, and raise the degree of solid waste reduction in gold mines and improved the specialization and standardization of filling technology.

(II) Use of Resources

The Company actively follows the spirit of "the Notice of Shandong Provincial People's Government on the publication of the "Thirteen Five-year Plan" energy saving and emission reduction integrated working proposal" (山東省人民政府關於印發「十三五」節能減排綜合工作方案的通知), constantly improves the system and technological standards relating to energy management, conducts energy management trainings and promotes clean energy such as solar energy and geothermal. At the same time, the Company implements energy conservation and technological transformation project, eliminates obsolete equipment and mining processes, introduces advanced, energy conservation and clean mining equipment and processes and improves the comprehensive utilisation rate of resources, seeking to maximize the benefits from resource consumption.

1. Use of Mineral Resources

Mineral resources are the foundation resource of the Company's operation. The Company continues to enhance its scientific and technological innovation ability and insistently optimizes its mining methods and processing procedure, so as to maximize the utilisation rate of mineral resources.

2. Use of Natural Resources

Water-saving management: The water resources used by the Company mainly include municipal water supply and recycled water in the production process. During the production process, the Company has established a recycling water system, consistently improves water-saving equipment and technologies, and enhances the utilisation rate of mine water produced in production. In daily office work, the Company advocates the concept of water-saving and cultivates water-saving awareness for all staff.

Electricity-saving management: The Company advocates electricity-saving, with the slogan of "civilized office and resource conservation" posting up in the office building, the Company advocates electricity-saving for its staff and constructs green office building. Currently, the electricity-saving measures carried out by the Company mainly include: the lighting facilities used by the Company are all LED light tubes; the air-conditioning temperature in summer shall not be lower than 26°C; computers, printers, and photocopiers are turned off during lunch breaks and the power supply of office equipment will be cut off completely after eight hours of work; employees are reminded to turn off the power facilities after work, arranges designated personnel to inspect after work so as to avoid "keeping lights on at all times" in unmanned office areas; and employees are encouraged not to use elevators when travelling within 3 floors.

3. Resource Conservation Measures and Their Effectiveness

The subsidiaries of the Company actively carried out energy conservation and technological transformation work in 2019, the followings are some examples of the resource conservation measures our Company have taken and their effectiveness:

Xinhui Company: The cyanide melting workshop of Xinhui Company has carried out technological transformation towards the original ball mills with split-ring type permanent magnet ball mill motor, which is expected to save approximately 20% of electricity consumption and maintenance charges each year. The integrated design of ball mill motor with tube is an innovative application design in China, which not only solves the issues of low efficiency, high mechanical loss and high failure rate of the original ball mill drive system, but also means an expansive initiative to promote energy conservation, environmental protection and technological improvement in mine and industrial development.

Jinzhou Company: Jinzhou Company has purchased the main well JKMD-2.8×4P permanent magnet motor with multi-rope mining friction hoist built-in from Songjiazhuang mine area, and removed the drive shaft components such as decelerator and shaft coupling, which can save spaces and be expected to reach an energy-saving rate of 37%.

(III) Environment and Natural Resources

The Company commits itself to reducing its business impact on the surrounding environment and natural resources.

1. Environmental Emergency Response Plan

All the subsidiaries of the Company carried out environmental risk assessment in accordance with relevant national regulations, formulated the "Environmental Emergency Response Plan" and conducted emergency drills towards environmental emergency events at environmental day.

2. Hazardous Chemicals Management

In accordance with the "Regulations on Safety Management of Hazardous Chemicals" (State Council of the PRC Order No. 591), the Company strictly manages the hazardous chemicals generated from production and operation, including sodium cyanide and sulphuric acid with special storage facilities for hazardous chemicals and the implementation of professional management on hazardous chemicals.

3. Green Mine Construction

The Company strictly abides by relevant laws and regulations such as the "Water and Soil Conservation Law of the People's Republic of China", "Provisions of the Protection of the Geologic Environment of Mines" and "the Wildlife Protection Law of the People's Republic of China", and follows the requirements of "2018-2020 Opinions on the Implementation of Eco-mining Green Mine Construction Plan" and the "Specification Requirements of Green Mine Construction". The Company adheres to "paralleled mining and reclamation" across the design and mining processes for mineral resource development, seeking to restore vegetation continually, eliminates pollution of soil pollutants, prevent soil erosion and preserve biological diversity.

The Company and its subsidiaries have set up the Eco-Mining Construction Committee, implemented the execution of the letter of green mine responsibility for all levels, and promoted the construction and acceptance work of green mine, striving to make all the mines in production of the Company meet the green mine standards by the end of 2020.

Currently, our six mines, namely Sanshandao Gold Mine, Xincheng Gold Mine, Jiaojia Gold Mine, Yinan Gold Mine, Jinqingding mine area in Jinzhou Gold Mine and Xinhui Gold Mine of Xinhui Company have been successfully selected to enter into the list of "National Level Green Mines" (國家級綠色礦山) by the Ministry of Natural Resources; and six mines, namely Lingshan mine area of Linglong Company (玲瓏公司靈山分礦), Penglai Mining, Chifengchai Mine, Laixi Company, Wang'ershan mine area in Jiaojia Gold Mine (焦家望兒山分礦) and Sizhuang mine area in Jiaojia Gold Mine have been accepted to enter into the list of "National Level Green Mines". Shandong Gold Smelting Co., Ltd. has become the first National Green Factory (國家級綠色工廠) in gold industry.

(IV) Key Environmental Performance

The followings are the key environmental performance indicators of the Company, covering most of the Company's domestic business, primarily including Sanshandao Gold Mine, Jiaojia Gold Mine, Xincheng Gold Mine, Linglong Gold Mine, Yinan Gold Mine, Jinzhou Company, Laixi Company, Xinhui Company, Chifengchai Mine, Yuanxin Company, Xihe Zhongbao Company, Guilaizhuang Mining, Penglai Mining and SDG Smelting. Some subsidiaries are excluded from the disclosure because they only have a small amount of production/office-generated pollutants and energy consumption compared to other companies.

Emissions		
Environmental performance indicators	2018	**2019**
Total greenhouse gas emissions (10,000 tons)	81.95	**74.32**
Greenhouse gas emissions intensity (ton/RMB million)	14.96	**11.87**
Scope 1: Greenhouse gas emissions (10,000 tons) including: coal, natural gas, gasoline and diesel	5.41	**5.71**
Scope 2: Greenhouse gas emissions (10,000 tons) including: purchased electricity	76.54	**68.61**
Nitrogen oxide (tons)	13.08	**14.97**
Sulphur dioxide (tons)	5.29	**4.38**
Smoke (tons)	1.99	**1.86**
Wastewater discharge (10,000 tons)	3,350.06	**2,170.00**
Wastewater discharge intensity (ton/RMB million)	611.46	**346.48**
COD (tons)	408.38	**330.05**
Ammonia nitrogen (tons)	20.53	**11.66**
Hazardous waste safely disposed of (10,000 tons)	97.13	**143.54**
Intensity of hazardous waste safety disposed of (ton/RMB million)	17.73	**22.92**
General solid waste discharge (10,000 tons)	1,073.56	**1,593.25**
General solid waste discharge intensity (ton/RMB million)	195.95	**254.39**

Notes:

- The calculation of greenhouse gas emissions is mainly based on the "Reporting Guidelines for the Calculation and Reporting of Greenhouse Gas Emissions from Mining Enterprises (Trial) of China"《中國礦山企業溫室氣體排放核算方法和報告指南(試行)》" and "2017 Baseline Emission Factors for Regional Power Grids in China" issued by the National Development and Reform Commission of China.
- Nitrogen oxide, sulphur dioxide and smoke are mainly derived from organized emissions from the production process.
- Hazardous waste mainly includes cyanide tailings, which are disposed of safely.
- General solid waste mainly includes tailings, waste rock, all of which are comprehensively utilized or safely disposed of.

Energy and Resources Consumption Environmental performance indicators	2018	2019
Total energy consumption (million kWh)	1,209.27	**1,124.94**
Energy consumption intensity (MWh/RMB million)	22.07	**17.96**
Petrol consumption (tons)	509.48	**500.00**
Diesel consumption (tons)	13,044.42	**14,300.00**
Coal consumption (tons of standard coal)	3,501.04	**3,000.00**
Natural gas consumption (10,000 cubic meters)	169.13	**165.91**
Purchased electricity (MWh)	1,009,880.70	**915,199.40**
Total water consumption (10,000 tons)	1,744.40	**1,704.43**
Water consumption intensity (tons/RMB million)	318.39	**272.14**

Notes:

- Total energy consumption is worked out by the data of electricity with reference to the coefficients in the Energy Consumption Limit of Gold Mining Unit Product under the national standards of the People's Republic of China (GB32032-2015).
- The Company's water resources mainly come from municipal water supply.
- The Company's business includes exploration, mining, processing, smelting (refining) and deep processing and sales of gold products. Based on the Company's business characteristics, the use of packaging materials is only involved in the sale of gold products, and the use of packaging materials is extremely small compared to other resources such as fossil fuels and water, hence it is not disclosed.

III. EMPLOYEES' RESPONSIBILITY

The talent development concept of "Talents are the primary resource" has been firmly established in the Company. We adhere to the human-oriented philosophy, taking protection of employees' rights and interests, and mutual growths between employees and the Company as an integral part of our corporate social responsibility. We take efforts in improving talent structure, quality of talent and incentives for talents to build harmonious employment relationship, aiming to build up a professional team of talents with integrity and caliber, reasonable structure, team spirit and aspiration and a high sense of responsibilities.

(I) Employment and Labor Standards

The Company strictly follows relevant national and regional laws and regulations such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Women's and Children's Rights". The Company has formulated a number of employee management systems to ensure that the labor contracts are signed legally, and the basic rights including equal employment, legal labor salaries and wages, rest and holidays are effectively and practically safeguarded.

1. Equal Employment

The Company strictly follows the "Recruitment Management System" to regulate the recruitment process and ensure recruiter's quality. The Company insists on equality and diversification in recruitment, and does not discriminate against anyone on grounds of race, gender, age or religious beliefs. At the same time, the Company clearly expresses its prohibition to the employment of child labor or forced labor. In 2019, the Company did not find any case of employment of child labor or forced labor.

Employee Structure of Shandong Gold in 2019

Category		Number of employees
By gender	Male	12,909
	Female	3,225
By management level	Managerial Personnel	2,849
	Technical Personnel	1,481
	Supporting Personnel	11,804
By age	30 years of age or under	1,613
	31 to 50 years of age	11,444
	Above 50 years of age	3,077

Employee Turnover of Shandong Gold in 2019

Category		Number of employees resigned (personnel)
By gender	Male	344
	Female	254

2. Salary and Benefits

The Company maintains basic social insurance for its employees, such as basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and establishes a benefit system of contributions to housing fund for its employees. The Company has formulated the "Measures for the Administration of the Budget for the Total Wages of Shandong Gold Enterprises", which made the total wages and corporate benefits be linked in the same direction, giving full play to the incentive effect of innovation ability of employees.

(II) Occupational Health and Safety

For the purpose of safeguarding its employees' health, the Company strictly abides by the relevant laws and regulations, including "the Law on Mine Safety of the People's Republic of China", "the Law on Work Safety of the People's Republic of China", "the Regulations on Work Safety Permits" and "the Provisions on Accountability towards safe production of Production and Operation Units in Shandong Province". The Company has established a sound and safe production management system, improved the emergency plans for production safety accidents and formulated a strict occupational disease prevention and control management system, to ensure safeguarding its employees' life and health. In 2019, none of the Company's employee was died from work-related injury.

1. Safety Management

(1) Safety Management System

The Company has developed a number of safety management systems, such as the "Safe Production Inspection System" and the "Interim Regulations on Graded Management and Control of Safe Production Risk", established a safe production committee headed by the Chairman of the Company, constructed the "three-in-one" safety responsibility certificate assessment format and the ranking model of safety director assessment, formulated the notification system of the main person in charge of mining enterprises, safety director and safety assessment indicators, carried out monthly and quarterly safe inspection, and continually improved its safe production management system. In 2019, the total safety investment of the domestic subsidiaries of the Company amounted to RMB351,874,900, and that of the overseas subsidiaries the Company amounted to USD2,079,900. There was no significant safe production accident occurred throughout the year.

In order to enhance hidden danger investigation and management system, the Company strictly carries out latent dangers grading and investigation and management standards, severs the responsibility of the organ in charge of hidden danger investigation and management, and carries out the mechanism of retrospective investigation of hidden danger accountability. For the hidden danger not found in time and the hidden danger of inadequate remediation, the Company shall seriously investigate the responsibility according to the accident. In 2019, Xincheng Gold Mine, Jiaojia Gold Mine, Jinzhou Company, Guilaizhuang Company and Xinhui Company identified and rectified 24,000 hidden dangers in aggregate and totally fined around RMB3.70 million.

For areas that are prone to safety risk, the Company has established corresponding systems and measures to reduce the safety risk, such as:

- Management of Explosives and Hazardous Chemicals
  The Company strictly implements the relevant regulations including the "Fire Safety Supervision and Management Measures for Flammable and Explosive Chemicals", formulates the "Supervision and Management System for Major Hazard Sources", insistently carries out specific inspections over the explosives and hazardous chemicals and enhances the management efforts towards explosives and hazardous chemicals. When explosives are collected for underground operations, the supervision and control procedures on collection, delivery, usage and return should be strictly followed. The explosive controller supervises the return of the remaining explosives on-site and checks the "Explosive Collection and Distribution Records", as well as leaves on condition of no problems left after explosion, which can effectively prevent excessive storage and outflow of the explosives.

- Management of Tailings Ponds
  The Company has formulated "Safety Management System of Tailings Ponds Construction", "On-line Monitoring Management System of Tailings Ponds" and other management measures, strictly follows the patrol system of tailings ponds, prepares designated person on patrol and records the safe operation of tailings ponds, especially monitors the stability of the dam foundation and bank, the minimum length of the sedimentation drought beach, the height of dam slope at a safe level and impounded water level area. In 2019, the safe facility construction of Beiba tailings ponds of Laixi Company has successfully passed the completion acceptance and obtained the safe production license; and Guilaizhuang Company has invested RMB18.90 million to comprehensively complete the modification and expansion project of tailings ponds.

(2) *Emergency Plan for Safety*
The subsidiaries of the Company have formulated and regularly revised emergency plans for production safety accidents, established an emergency management team with the general manager as the first responsible person, formed an emergency rescue team, and organized various emergency rescue drills for production safety accidents to improve safety emergency management system. In November 2011, Shandong Province held the first Mine Rescue Technology Competition and a mine rescue team from Guilaizhuang Company, which participated in the competition on behalf of Linyi City; won the second place among the non-professional mine rescue teams after the competitions including business theory exams, trauma emergency, comprehensive physical fitness, and cardiopulmonary resuscitation.

(3) *Safety Technology Innovation*
The Company attaches great importance to the safety technology research and development ("**R&D**") and application. Currently, the Company owns the R&D platforms including Subsea Deep Ecological Gold Mining Engineering Technology Research Center of Shandong Province (山東省海底深部生態採金工程技術研究中心), Engineering Laboratory for Comprehensive Utilization of Deep Resources of Metal Mines of Shandong Province (山東省金屬礦山深部資源綜合利用工程實驗室), Underground Non-coal Mine Geostatic Pressure Disaster Prevention Center of Shandong Province (山東省地下非煤礦山地壓災害防治中心), and establishes three laboratories, namely deep mining laboratory (深井開採實驗室), cut-and-fill laboratory (充填工程實驗室) and processing and smelting laboratory (選冶實驗室), continuously researches and develops safe, efficient, professional and standard mining skills. Among which, cut-and-fill laboratory has independently developed a set of cut-and-fill slurry, accurate preparation and transmission test system, which adopts modular separation design, with functions including tailing mortar density, cut-and-fill slurry mixing well, compressed transmission and acquisition of information about pipeline pressure, temperature and flow, uses machinery equipment to replace human beings and reduces safety risks.

(4) *Safety Education Training*

The Company emphasizes the promotion of safety knowledge, and through carrying out various safety meetings, safety education training and "Safe Production Month" activities, it builds a safety exchange platform, establishes a comprehensive safety culture system, and safety education training system, increases the management level of the persons responsible for safe production management and enhances employees' awareness of safety risk prevention. In 2019, the domestic subsidiaries of the Company in aggregate organized 1,204 safe production training sessions and the safe production training hours of the overseas enterprises amounted to 128 hours, with 118,764 attendances of employees.

2. Occupational Health

The Company attaches great importance to the prevention and treatment of occupational diseases, and strictly complies with the "Law of the PRC on the Prevention and Control of Occupational Diseases", the "Provisions on the Supervision and Administration of Occupational Health at Work Sites", the "Measures for Supervision and Administration of Employers' Occupational Health Surveillance" and other requirements. The Company has formulated and implemented the "Occupational Disease Prevention and Control Management System", the "Occupational Health Operation Regulations" and other institutional documents, and continuously improved the equipment and facilities for occupational health protection and the production environment for employees.

The Company conducts occupational health check-ups for the employees exposed to occupational hazards every year, establishes occupational health surveillance files, and regularly conducts occupational health training and evaluation to improve employees' knowledge of occupational health protection and reduce the incidence of occupational diseases. In 2019, the medical check-up rate of the Company's employees exposed to occupational hazards reached 100%.

As the only hospital with the qualification for occupational disease diagnosis in Shandong's gold industry, Shandong Gold Occupational Disease Prevention and Control Hospital (山東黃金職業病防治院) regularly organized its medical staff to visit the disabled employees and provided them with the medical care for prevention of occupational diseases at their homes. At the same time, the party branch of the above hospital successively organized the party backbones to visit 4 communities and 13 mining areas to teach scientific knowledge about the prevention and treatment of pneumoconiosis. In 2019, the hospital became one of the first batches of designated hospitals for nursing insurance in Yantai, providing occupational health check-ups for more than 40,000 people.

(III) Training and Career Development

Shandong Gold attaches great importance to the training and development of its employees. It has formulated the scientific career promotion channels and the flexible employee training system to support its employees' career development.

1. Career Promotion Channels

The Company's career promotion channels are the dual-channel system for executives and professional technicians. The Company has devised the competitive recruitment processes for all its employees, and the employee promotion is evaluated by the internal evaluation committee in accordance with their comprehensive performance, leadership, professional competence, etc. Prior to such evaluation, our employees may attend training sessions to understand the standards and processes for promotion evaluation. Upon such evaluation, our employees may submit their feedbacks on promotion issues through an open promotion appeal channel.

2. Staff Training System

The Company attaches great importance to the building of talent teams. It has established a training system with clear levels, clear categories, supporting teachers and practical contents and formulated the annual training plans mainly for the three teams of "managers, technicians and skilled persons", so as to fully improve the comprehensive quality of employees. In 2019, the Company invested RMB20.83 million in training, with a training coverage rate of 97.73%.

Training of management personnel: Guided by the spirit of the Nineteenth National Congress, the Company has been committed to improving its strategic thinking and innovative capability, so as to implement the strategic goal of internationalization, securitization and refined management. In 2019, the Company held 66 training sessions mainly on corporate reform, compliance governance, party building, disciplinary inspection and supervision, risk management, basic management and other aspects with 6,302 participants.

Training of technicians: The Company focuses on renewing their knowledge portfolios and improving their innovative capability, so as to enhance their professional, practical and innovative capabilities. In 2019, the Company held a total of 120 training sessions on geology, surveying, mining, processing, smelting, chemical analysis, machinery, electrical, construction engineering, intellectual property rights, safety and other aspects with 5,328 participants.

Training of skilled personnel: The Company focuses on improving work skills and standardizing practical operations. In 2019, the Company conducted a total of 68 training sessions on equipment repairs, welding, laboratory analysis and standardised operations of workshops with 1,656 participants, which have effectively improved the competence of skilled personnel. As of the end of 2019, the Company had 1 person entitled for the "Special Allowance from State Council", 3 persons granted the "National Technical Experts", 1 person granted the "National Technical Experts in Gold Industry", 2 persons granted the "Chilu Chief Technicians" in Shandong Province and 5 persons granted the "Chief Technicians of Shandong Gold Group".

Staff training of Shandong Gold in 2019

Category		Training hours per person (hour)
Number of trained employees by gender	Male	21.36
	Female	15.36
Number of trained employees by titles	Senior management	392.00
	Middle-level management	27.30
	General employees	20.16

(IV) Balance Between Work And Life

The Company pays great attention to employee care, and offers care to its employees in various aspects such as thoughts and feelings, career development, salary and welfare, working conditions, physical and mental health, family life, etc. It enriches employees' work and life through implementing the paid vacation system, encouraging employees to return home to visit relatives on festivals and organizing cultural and sports activities. The Company has established an employee assistance foundation to care for special groups such as sick employees, retired elderly and low-income families. During holidays such as New Year's Day and the Spring Festival, the Company would organize the warm-hearted assistance activities to help the employees in need. In 2019, the Company supported a total of more than 1,200 employees in need and paid a relief fund of RMB4.33 million.

IV. SUPPLY CHAIN RESPONSIBILITY

The Company adheres to the concept of win-win cooperation and honest operation, requiring all its suppliers and partners to comply with the "Labor Law", the "Environmental Protection Law", the "Law on Work Safety" and other laws and regulations. It has formulated the "Supplier Management System", the "Interim Measures for Management of Tendering and Bidding" and other rules and systems, standardized the management of the entire process of selection, training and assessment of suppliers, and continuously promoted the construction of responsible supply chains.

Supplier selection: During the open tender, the Company will include the qualification of bidding suppliers into the scoring criteria, and review various qualification certificates of suppliers, namely the certificate of certification of the environmental management system, the certificate of certification of the occupational health and safety management system, the credit rating certificate and the certificate of the quality certification system. Meanwhile, the Company will understand the reputation of suppliers, for example, whether they have any complaints, litigations and environmental accidents through the Internet, bid evaluation experts, corporate users and other channels. As for the suppliers who do not care for ecological environmental protection, have poor social risk management and fail to perform their social responsibilities properly, the Company will take into consideration those factors when evaluating their bids.

Shortlisted supplier inspection: In the procurement of materials and project-related products, the Company implements the early shortlisted supplier system by checking the qualification certificates. It will establish a special inspection team to conduct on-site inspections on suppliers' key equipment and key projects, and investigate suppliers' qualifications and capabilities. After being recommended, submitted to and approved by the bidding leadership teams at various levels, they may be included as the shortlisted suppliers.

Supplier assessment: The Company organizes supplier assessments regularly every year, and removes the suppliers whose product quality is not acceptable or whose product delivery is not on a timely basis, thereby making its suppliers to enhance their own capabilities.

V. PRODUCT LIABILITY

(I) Quality Control System

Shandong Gold is committed to providing high-quality products. The Company has passed the certification of ISO9001, ISO14001 and OHSAS18001 qualifications, and won several honorary titles such as the "Advanced Units Offering Standard Gold Ingots Recognized by Shanghai Gold Exchange".

Shandong Gold Smelting Co., Ltd., a subsidiary of the Company, is in strict compliance with the laws, regulations and industry requirements such as the "Product Quality Law of the People's Republic of China", the "Identification Standards and General Requirements of Shanghai Gold Exchange for Gold Ingots, Gold Bars and Silver Ingots". It has formulated and implemented the "Quality/Environment/Occupational Health and Safety Management Manual for Shandong Gold Smelting Co., Ltd.", the "Management Regulations on Warehousing-out, Warehousing-in and Returning of Gold (Silver)" and other quality management systems, and strengthened the implementation of internal and external inspection work to ensure the product quality rates. Responsible persons will be punished for the defects in the quality of the products processed in a production workshop. In 2019, the product quality passing rate of Shandong Gold Smelting Co., Ltd., a subsidiary of the Company, reached 100%.

(II) Customer Rights Protection

Adhering to the "customer-oriented" service principle, the Company actively responds to customers' demands and protects their rights and interests through promotion of product compliance, protection of customer privacy, improvement of after-sales service, etc.. In 2019, the number of customer complaints of Shandong Gold Smelting Co., Ltd., a subsidiary of the Company, was zero, and the customer satisfaction rate reached 100%. We mainly provide consumers with gold products and corresponding sales services. The products and services themselves basically do not have impacts on the health and safety of consumers.

Product compliance promotion: The Company is in strict compliance with the laws and regulations such as the "Advertising Law of the People's Republic of China", the "Regulations on Control of Advertisements" and the "Interim Measures for Administration of Internet Advertisement". It has devised various approval processes for different levels and contents of advertising to prohibit false promotion.

Customer service system: Shandong Gold Smelting Co., Ltd., a subsidiary of the Company, is in strict compliance with the laws and regulations such as the "Law on Protection of the Rights and Interests of Consumers of the PRC" and the relevant management requirements of the London Bullion Market Association (LBMA). It has formulated various internal requirements such as the "Management Regulations on Warehousing-out, Warehousing-in and Returning of Gold (Silver)", the "Management Regulations on Purchase and Processing of Gold", the "Management Regulations on Sales of Gold and Silver under the Shandong Gold Brand" and the "Management Regulations on Sales of Non-standard Silver Ingots", clearly defined the customer service standards, the complaint handling processes and solutions, and regularly conducted customer satisfaction surveys and customer visits to provide quality services to customers.

Customer privacy protection: The Company is in strict compliance with the relevant requirements of the laws and regulations such as the “ Network Security of the People’s Republic of China” and the “Decision of the Standing Committee of the National People’s Congress on Strengthening Protection of Internet Information” on collection, use, transmission and storage of personal information. Shandong Gold Smelting Co., Ltd., a subsidiary of the Company, has formulated the “Employee Confidentiality System of Shandong Gold Smelting Co., Ltd.” to keep customer information as confidential. It will set the scope of awareness according to the confidentiality registration, and enter into a “confidentiality agreement” with all employees of the Company to clarify employees’ confidentiality responsibility and protect customers’ privacy right.

(III) Protection of Intellectual Property Rights

The Company is in strict compliance with the laws and regulations such as the “Copyright Law of the People’s Republic of China”, the “Trademark Law of the People’s Republic of China” and the “Patent Law of the People’s Republic of China”, as well as the requirements of LBMA and Shanghai Gold Exchange on the intellectual property rights of products. It has implemented the “Outline of Intellectual Property Right Planning of Shandong Gold Group Co., Ltd.” and the “Measures for Management of Intellectual Property Rights of Shandong Gold Group Co., Ltd. (Trial)” to establish the intellectual property right risk management mechanism and conduct the education and training on intellectual property rights, thus protecting its innovation results and enhancing the awareness of patent risk prevention. In 2019, the Company was granted 73 additional patents (including 7 invention patents, 58 new utility models and 8 appearance designs), bringing the number of its valid patents to 210. Among them, the “Key Technology Patent Cluster for Efficient Mining and Safety Protection of Submarine Large-scale Metal Deposits” of the Company was selected as one of the 100 core technologies in key areas of Shandong Province (the patentee is a subsidiary of the Company).

VI. ANTI-CORRUPTION

The Company is in strict compliance with the “Company Law of the People’s Republic of China”, the “Supervision Law of the People’s Republic of China”, the “Anti-Money Laundering Law of the People’s Republic of China” and other laws and regulations. It has strictly implemented the intra-party regulations such as the “Anti-corruption Self-discipline Code of Conduct of the Community Party of China”, constantly improved the supervision system and process, optimized the supervision organizations and conducted integrity talks and publicity, so as to strengthen the prevention and control of integrity-related risk. In 2019, the Company had no corruption lawsuits.

Prevention of integrity-related risk: The Company included the requirements for prevention of integrity-related risk into its production operation, operation and management processes and employee behaviours. It has put the party integrity supervisors in place to find out the potential integrity-related risk and obtain the clues to disciplinary violations by focusing mainly on key posts, key personnel and key issues, so as to improve the integrity-related risk prevention management system.

Smooth whistle-blowing channels: The Company has operated the four-in-one external whistle-blowing platform for letters, visits, phone calls and mailboxes, established an internal complaint and whistle-blowing mechanism to take the clues to problems by the Internal Discipline Inspection Committee of the Group, and set up an anti-fraud investigation team to review disciplinary issues, thus giving rise to the effectiveness of heavy curbing, high pressure and long-term deterrence.

Implementation of integrity education: The Company has continuously strengthened disciplinary education, and forged an impressive brand of "Honest Shandong Gold" by holding warning education meetings, visiting the integrity education base and organizing the integrity culture construction month activity. In 2019, Linglong Gold Mine, a subsidiary of the Company, established the first base integrating revolutionary education and integrity education in the industry. Our 17 subsidiaries were recognized as the integrity culture demonstration units, while our 3 units were designated as the integrity culture demonstration sites by local authorities. Our self-photographed, self-directed and self-acting integrity micro-video was broadcasted by the Provincial Discipline Inspection Committee and the Provincial Supervisory Committee and at people.cn, with over 460,000 visits and effective warning effect.

Prohibition of commercial bribery: The Company has formulated the relevant regulations on honest profession, and promoted its functional departments to carry out the "3+X" inspection and the "5+3" overall supervision on key businesses and key aspects such as "material procurement, bidding and tender management, project acceptance and settlement". For those employees who violate the provisions of honest profession, they would be subject to organizational punishment and even dismissal depending on the severity of their misconducts so as to strictly prohibit commercial briberies.

VII. COMMUNITY INVESTMENT

Poverty alleviation and improvement of people's livelihood are the sustainable development goal for people all over the world. Shandong Gold has combined its corporate advantages with the needs of communities, actively carried out community construction, established the community construction and charity assistance system with its own characteristics, and used the development results to maximize the return to the society, thus realizing the harmonious win-win goal for both enterprise and local community.

Community communication and participation mechanism: The Company actively participated in community activities, organized on-site community surveys, talks and communications, and developed a good development model of "communication, pairing, mutual assistance and co-construction".

Supporting the construction and development of local places: The Company provided financial and material supports for the construction of new villages, water supply projects, power supply projects, road repairs and rural infrastructure construction in local places. In 2019, Jinzhou Company actively assisted to repair roads, improve infrastructure and promote new rural construction in the co-constructed villages such as Nandongzhuang Village and Zaodi Village in Weihai City, Shandong Province.

Localizing employment and procurement: The Company adhered to localized recruitment, and strove to increase the localized procurement rate, thus contributing to the economic development and improvement of people's living standards in local places.

Resettlement and compensation: For the projects involving resettlement and compensation, the Company timely communicated and negotiated with immigrants in strict accordance with relevant laws and regulations, worked hard on immigration planning, compensation and resettlement, and properly handled the subsequent matters of resettlement.

Respecting and protecting the cultural tradition and heritage of communities: The Company attaches great importance to the work of national unity, fully respects the cultural tradition and religious belief of communities, and protects the cultural heritage of communities.

In addition, in 2019, the Company's subsidiaries also leveraged their own advantages to organize and carry out public welfare activities:

Charitable donations: Xinhui Company, Yinan Gold Mine, Jinzhou Company, Jiaojia Gold Mine, Chifengchai Mine and other companies, all being subsidiaries of the Company, have carried out charitable donation activities such as student sponsorships to help people in need and pass on the positive energy of society. In 2019, Chifengchai Mine held a donation activity themed "caring for left-behind children with a loving heart", giving out the gift packages of school uniforms. The Company's cadres and employees donated more than RMB22,000 in gifts to left-behind children in local places.

Volunteer services: Shandong Gold's headquarters in Jinan, Sanshandao Gold Mine, Linglong Gold Mine, Xincheng Gold Mine and other subsidiaries organized volunteers to participate in voluntary activities such as blood donation, the removal of garbage on sea and volunteering services. In 2019, the "Golden Wave" volunteer service team organized by Sanshandao Gold Mine visited a community to carry out "environment beautification" activity to create a clean and comfortable living environment for residents in the community.

Culture heritage: Relying on the "Red" gene and historical sites, Linglong Gold Mine has built Shandong Gold Linglong Red Education Base, the first one of its kind in the national gold industry. Since its inception, the education base has received more than 12,800 visits from government agencies, friendly entities, descendants of revolutionary martyrs, and students from elementary and middle schools. It was also accredited as the "Education Base for the Wellbeing of the Youth of Shandong Province" by Shandong Provincial Committee for the Wellbeing of the Youth and the Committee for the Wellbeing of the Youth under Shandong Provincial SASAC.

OVERVIEW

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 Corporate Governance Report is presented for the Reporting Period.

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

BOARD COMPOSITION AND PRACTICE

As at the date of this annual report, the Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors as follows:

The executive Directors are Mr. Wang Peiyue, Mr. Li Tao and Mr. Tang Qi; the non-executive Directors are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive Directors are Mr. Gao Yongtao, Mr. Lu Bin and Ms. Hui Wing. The biographical details of each Director are set out in the section headed "Brief Biographies of Directors, Supervisors and Senior Management" in this annual report. To the best of the Board's knowledge, there is no relationship(s) among the members of the Board.

During the Reporting Period, the Board at all times has met the requirement of rules 3.10 and 3.10A of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The nomination committee of the Board (the "**Nomination Committee**") has assessed their independence based on the guidelines in accordance with rule 3.13 of the Hong Kong Listing Rules, and the Company considered them to be independent.

Each of the non-executive Directors was engaged on a service contract or letter of appointment for a fixed term and shall be subject to retirement by rotation once every three years.

Led by the chairman of the Board, the Board is responsible for resolving on the Company's business plans and investment plans, preparing the annual financial budgets and final accounting plans of the Company, preparing the profit distribution plan and loss makeup plan of the Company, formulating plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company, listening to work reports of the general manager, reviewing his/her work and convening general meetings, reporting to general meetings and implementing resolutions of general meeting. The chairman has delegated the secretary to the Board to draft the agenda of each Board meeting. With the assistance of executive Directors, the secretary to the Board and the company secretary, the chairman will ensure that all Directors will be provided with sufficient and reliable information in a timely manner to enable them to make necessary analysis according to their business expertise.

In accordance with the Articles of Association, the term of a Director shall last for not more than three years but can be re-elected to serve consecutive terms.

As the chairman of the Company, Mr. Li Guohong is mainly responsible for the overall and strategic development, investment planning and human resources allocation and delegates the daily operation management to the relevant managers. Executive Directors and deputy general managers of the Group are responsible for the daily management of various businesses, including executing resolutions of the Board, and are responsible to the general manager for the business operations of the Group.

EXPLANATION ON THE RELEVANT MATTERS OF CORPORATE GOVERNANCE

The Board is responsible for the performance of the functions of corporate governance. For the year ended 31 December 2019, the Board has performed the functions set out in code provision D.3.1 of the CG Code.

During the Reporting Period, the Company strictly followed the requirements of the PRC Company Law, PRC Securities Law, Code of Corporate Governance for Listed Companies, SSE Listing Rules, Hong Kong Listing Rules and other domestic and foreign laws and regulations, continuously improved the Company's corporate governance structure, regulated the Company's operation, and enhanced the Company's corporate governance standard. Currently, the Company has already established a relatively sound corporate governance structure and corporate governance system.

CHAIRMAN AND THE GENERAL MANAGER

During the Reporting Period, Mr. Li Guohong is the Chairman of the Company and Mr. Wang Peiyue is the general manager of the Company. The Chairman and the general manager are two different positions, and their duties are clearly separated and set out in the Articles of Association. The main duties of the Chairman are: to preside over shareholders' general meetings, and convene and preside over meetings of the Board of Directors; to supervise and check the implementation of resolutions passed by the Board; to sign the share certificates, corporate bonds and other securities issued by the Company; and to exercise other powers conferred by the Board. The principal duties of general manager are: to manage the production, operation and administration of the Company and report to the Board; to arrange for the implementation of the resolutions of the Board, the Company's annual operation plans and investment proposals; to formulate proposals for the establishment of the Company's internal management organs; to formulate the fundamental management system of the Company; to formulate the Company's specific rules and regulations; to recommend the appointment or dismissal of any deputy general manager and any financial officer of the Company by the Board; and to exercise any other authority granted by the Articles of Association or the Board.

DIRECTORS AND THE BOARD

As at the date of this annual report, the Board consists of 9 Directors, in which there are 3 independent non-executive Directors. The number and the composition of the Board comply with the provisions of the relevant laws and regulations. The composition of professions of the members of the Board is reasonable. The members of the Board possess the necessary knowledge, skills and competence to discharge their duties. The Directors timely attended the Shareholders' general meeting and Board meetings, discharged their duties conscientiously, faithfully and diligently, proactively participated in the business trainings. They are familiar with the relevant laws and regulations and have clear sense of the rights, obligations and responsibilities as a director. There are four specialized committees under the Board including the remuneration and appraisal committee, strategy committee, audit committee and Nomination Committee to further enhance the decision-making mechanism of the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for formulating the policies for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To formulate and review the Group's policies and practices on corporate governance and make recommendations;

(ii) To review and monitor the training and continuous professional development of the Directors and senior management;

(iii) To review and monitor the Group's policies and practices on the compliance with all legal and regulatory requirements (where applicable);

(iv) To formulate, review and monitor the code of conduct and compliance manual (if any) applicable to the employees of the Group and the Directors; and

(v) To review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

THE ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS AND GENERAL MEETINGS

The Board convened 12 Board meetings and 5 general meetings during the Reporting Period. The attendance of the Directors at the meetings was as follows:

			Attendance of the Board meetings					Attendance of general meetings
Name of Director	Independent Director	No. of Board meetings ought to be attended this year	Attended in person	Attended via telecommunication	Attended by proxy	Absent	Not attending in person for 2 consecutive meetings	Times of attendance at general meetings
Li Guohong	No	12	4	6	0	0	No	7
Wang Lijun	No	12	4	6	0	0	No	7
Wang Xiaoling	No	12	4	6	0	0	No	1
Wang Peiyue	No	12	4	6	0	0	No	7
Li Tao	No	12	4	6	0	0	No	4
Tang Qi	No	12	4	6	0	0	No	7
Gao Yongtao	Yes	12	1	11	0	0	No	3
Lu Bin	Yes	12	1	11	0	0	No	1
Hui Wing	Yes	12	1	11	0	0	No	0

Number of Board meetings held this year	12
In which: Number of physical meetings	1
Meetings via telecommunication	6
Physical meetings with telecommunication	3

The Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

PRACTICES AND CONDUCT OF MEETINGS

Board meetings include regular meetings and extraordinary meetings. Regular Board meetings shall be held at least four times a year and shall be convened by the chairman. Notice of a regular Board meeting shall be given to all Directors and Supervisors at least 14 days in advance. Regular Board meetings shall not be convened by way of correspondence.

An extraordinary Board meeting may be held by request of Shareholders representing more than 10% of the voting rights or by request of more than one-third of Directors, Supervisors or general managers. The chairman shall convene and preside over a Board meeting within 10 days after receipt of the proposal. The time limit for the delivery of such notice is at least 5 days before the meeting.

For regular Board and committees meetings, all agendas, meeting papers, together with all applicable, complete and reliable statistics will be sent to all the Directors or committees members at least 5 days before a meeting is held.

The Board shall keep minutes of resolutions passed at meetings of the Board. The minutes shall be signed by the Directors present at the meeting. Minutes of the Board meeting shall be kept as the Company's record for a period of 10 years.

If any Director has connection with the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself or on behalf of another Director.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association, Directors shall be elected or changed by the general meeting and serve a term of 3 years but may serve consecutive terms if re-elected. Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next following general meeting of the Company, and shall then be eligible for re-election.

Any other appointment, resignation, removal or redesignation of Directors will be timely disclosed to the Shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

Each of the non-executive Directors was engaged on a service contract or letter of appointment for a fixed term and shall be subject to retirement by rotation once every three years.

ANNUAL REMUNERATION OF THE SENIOR MANAGEMENT

Details of the remuneration paid to the senior management of the Group by band (excluding Directors), whose biographies are set out on pages 35 to 37 of this annual report, for the year are set out below:

Within RMB1,000,000	6

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

During the Reporting Period, the Company convened five general meetings, details of which are stated in the table below. The Company convenes and holds the Shareholders' general meeting strictly in compliance with the regulations and requirements of the Articles of Association and the rules governing the procedures of the Shareholders' general meeting of the Company, to ensure all of the Shareholders, especially the minority Shareholders, could enjoy equal rights and fully exercise their voting rights.

DETAILS OF THE SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Convening date	Index of the designated website publishing the resolutions	Date of publishing the resolutions
2019 first extraordinary general meeting of the Company	14 January 2019	SSE Website and HKEx Website	14 January 2019
2019 second extraordinary general meeting of the Company	13 March 2019	SSE Website and HKEx Website	13 March 2019
2018 annual general meeting of the Company and the 2019 first class meeting for holders of H Shares	28 June 2019	SSE Website and HKEx Website	28 June 2019
2019 third extraordinary general meeting of the Company	23 August 2019	SSE Website and HKEx Website	23 August 2019
2019 fourth extraordinary general meeting of the Company	27 September 2019	SSE Website and HKEx Website	27 September 2019

Shareholders' Rights

The Articles of Association have stipulated the rights and obligations of all Shareholders. Shareholder(s) severally or jointly holding 10% or above Shares shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, administrative regulations and requirement in Articles of Association, give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board.

When the Company convenes an annual general meeting, an announcement of the meeting shall be given 20 full business days before the date of the meeting to notify all of the Shareholders, and when the Company convenes an extraordinary general meeting, an announcement of the meeting shall be given 10 full business days or 15 days (whichever is longer) before the date of the meeting to notify all of the Shareholders whose names appear in the share register of the matters to be considered and the date and the place of the meeting.

Where the Company convenes a general meeting or meetings of the Board and the Supervisory Committee, Shareholder(s) severally or jointly holding 3% or above of the Shares may make proposals to the Company. Shareholder(s) severally or jointly holding 3% or above Shares may submit written provisional proposals to the convener 10 days before a general meeting is convened.

Voting in a Shareholders' general meeting is by way of poll.

The Group communicates with Shareholders through the issuance of annual reports, interim reports, quarterly reports, press and electronic announcements. All communications with Shareholders are also published on the website of the Group, http://www.sdhjgf.com.cn.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment of Director(s), each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Hong Kong Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. The Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Hong Kong Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire their relevant knowledge and skills. Pursuant to Code Provision A.6.5 of the CG Code, the Company has also provided reading materials to the Directors to develop and refresh their professional knowledge.

NOMINATION COMMITTEE

The Board established the Nomination Committee. It comprises of five Directors, Mr. Gao Yongtao, Mr. Wang Peiyue, Mr. Wang Lijun, Mr. Lu Bin and Ms. Hui Wing. Mr. Gao Yongtao is the Chairman of the Nomination Committee. Detailed regulations for the Nomination Committee are amended pursuant to the CG Code. The terms of reference of the Nomination Committee are published on the website of the Company and the HKEx Website.

The primary responsibilities of the Nomination Committee include:

1. to make recommendations to the Board about the size and the composition of the Board according to operating activities, size of assets and shareholding structure of the Company; to review the structure, size, composition and relevant qualifications (including skill, expertise and experience) of the Board at least once annually, make recommendations on any adjustment to the Board pursuant to the development strategy of the Company, and formulate a diversity policy for the Board;

2. to study the selection criteria, procedures and methods of Directors and managers and make recommendations in this regard to the Board;

3. to identity competent candidates for Directors and managers extensively;

4. to make recommendations to the Board on the candidates for Directors and managers, and provide advice to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular the chairman of the Board and the general manager;

5. to screen the candidates for other management members and provide advice to the Board; to conduct a review and make recommendations on other senior management members who are subject to appointment by the Board;

6. to evaluate the overall skill, expertise and experience of Directors and senior management and assess the independence of the independent non-executive Directors; and

7. all other matters delegated by the Board.

Procedure and Basis for Nomination

Pursuant to the Articles of Association and the terms of reference of the Nomination Committee, the Nomination Committee shall formulate selection requirements, procedures and term of office of Directors and management of the Company based on governing laws and regulations and the Articles of Association as well as the Company's actual conditions, and shall formulate resolutions and submit them to the Board for approval and implementation of such resolutions. It was stated in the terms of reference that the Nomination Committee should meet at least two times a year.

The selection process of Directors and managers is as follows:

1. The Nomination Committee should actively communicate with relevant departments and study the Company's demand for Directors and managers, and formulate written materials;

2. The Nomination Committee may search extensively for candidates for Directors and managers from the Company, its holding (associate) enterprises and the market;

3. Gather information about the occupation, academic qualifications, post title, detailed work experience and all the concurrent posts of the candidates and present such information in writing;

4. Seek the nominees' consent for nomination; otherwise, the nominees cannot be the candidates for Directors or managers;

5. Convene a Nomination Committee meeting to review the qualifications of the candidates on the criteria for Directors and managers;

6. Make suggestion to the Board regarding the candidates for Directors and new managers and submit the relevant information to the Board one to two months prior to the election of new Directors and appointment of new managers; and

7. Complete other follow-up work according to the decision and feedback from the Board.

During the Reporting Period, two meetings of the Nomination Committee were held to discuss the suitable candidates for Directors and managers of the Company and review the qualifications of the candidates for Directors and managers of the Company. The particulars of the attendance of the members of Nomination Committee are set forth as follows:

Name of the members of the Nomination Committee	Number of meetings attended/convened
Mr. Gao Yongtao	2/2
Mr. Wang Peiyue	2/2
Mr. Wang Lijun	2/2
Mr. Lu Bin	2/2
Ms. Hui Wing	2/2

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, race, language, cultural background, educational background, industry experience and professional experience.

In identifying and selecting suitable candidates to serve as a Director, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time, taking into consideration specific needs for the Group's business.

REMUNERATION AND APPRAISAL COMMITTEE

The Board established the remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**"). It comprises of five Directors, Ms. Hui Wing, Ms. Wang Xiaoling, Mr. Tang Qi, Mr. Gao Yongtao and Mr. Lu Bin. Ms. Hui Wing is the Chairman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are to formulate appraisal standards and conduct appraisals for Directors and managers of the Company and to formulate and review the remuneration policies and proposals for Directors and senior management of the Company. The terms of reference of the Remuneration and Appraisal Committee are published on the website of the Company and the HKEx Website.

Responsibilities and authorities of the Remuneration and Appraisal Committee

The primary responsibilities and authorities of the Remuneration and Appraisal Committee include:

1. to make recommendations to the Board on remuneration plans or proposals and establishment of formal and transparent procedures for the formulation of the above remuneration plans or proposals according to the primary scope, responsibilities, importance of the management positions of Directors and senior management members and the remuneration standards of relevant positions in other relevant enterprises;

2. to formulate remuneration plans or proposals include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems;

3. to determine the specific remuneration packages of executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration of non-executive Directors;

4. to review and approve the performance-based remuneration packages by making reference to the corporate objectives approved from time to time by the Board;

5. to review the performance of duties of Directors (non-independent Directors) and senior management of the Company and to conduct annual performance appraisals on them;

6. to examine and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that the compensation conforms to contractual terms or, in case the compensation does not conform to contractual terms, is fair and reasonable and no undue burden is placed on the Company;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such compensation arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate; to ensure that no Director or any of his/her associates (as defined in the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;

8. to supervise the implementation of the Company's remuneration system; and

9. to perform other duties as conferred by the laws and regulations, relevant regulatory requirements of the listing place(s) of the Company, such as the Hong Kong Listing Rules, rules of procedure and the Board.

During the Reporting Period, two meetings of the Remuneration and Appraisal Committee were held to discuss the remuneration packages of Directors and senior management of the Company and review their performances under the Company's remuneration policy. The particulars of the attendance of the members of Remuneration and Appraisal Committee are set forth as follows:

Name of the members of the Remuneration and Appraisal Committee	Number of meetings attended/convened
Ms. Hui Wing	2/2
Ms. Wang Xiaoling	2/2
Mr. Tang Qi	2/2
Mr. Gao Yongtao	2/2
Mr. Lu Bin	2/2

AUDIT COMMITTEE

The Board established the audit committee (the "**Audit Committee**"). It comprises of five Directors, Mr. Lu Bin, Mr. Li Gouhong, Ms. Wang Xiaoling, Mr. Gao Yongtao and Ms. Hui Wing. Mr. Lu Bin is the Chairman of the Audit Committee. The terms of reference of the Audit Committee are published on the website of the Company and the HKEx Website.

The primary duties of the Audit Committee comprises of communication, supervision and verification work for internal and external auditing and internal control of the Company, including:

1. to make proposals to the Board regarding appointment, reappointment and dismissal of external auditors, make recommendations to the Board and approve the remuneration and terms of engagement of the external auditors, and deal with all matters of the resignation or dismissal of external auditors;

2. to review and monitor the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards;

3. to formulate and implement policies relating to the engagement of external auditors for non-audit services;

4. to supervise the internal audit system of the Company and its implementation, examine the truthfulness, completeness and accuracy of the financial statements, annual reports and accounts, half-year reports and quarterly reports (if any) of the Company, and review important opinions regarding financial reporting in such statements and reports;

5. to review financial information and its disclosure of the Company;

6. to review the financial control, internal control and risk management systems of the Company and conduct audits on material connected transactions;

7. to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system;

8. to review major investigation findings on risk management and internal control and the management's response to these findings on its own initiative or as delegated by the Board of Directors; and

9. to review the financial and accounting policies and practices of the Group.

During the Reporting Period, the Audit Committee held 7 meetings to discharge its responsibilities and review the Group's annual and interim results, continuing connected transactions, reporting and compliance procedures, reports from the management on the Group's risk management and internal control systems, the effectiveness of the Group's internal control function and procedures and also the re-appointment of the external auditor. The particulars of the attendance of the members of Audit Committee are set forth as follows:

Name of the members of the Audit Committee	Number of meetings attended/ convened
Mr. Lu Bin	7/7
Mr. Li Guohong	7/7
Ms. Wang Xiaoling	7/7
Mr. Gao Yongtao	7/7
Ms. Hui Wing	7/7

STRATEGY COMMITTEE

The Board established the strategy committee (the "**Strategy Committee**"). It comprises of five Directors, Mr. Li Guohong, Mr. Li Tao, Mr. Wang Peiyue, Mr. Gao Yongtao and Mr. Lu Bin. Mr. Li Guohong is the Chairman of the Strategy Committee. The terms of reference of the Strategy Committee are published on the website of the Company and the HKEx Website.

The primary duties of the Strategy Committee comprises of conducting research and making recommendations on significant decisions and strategic planning of the Company including:

1. to conduct research and make recommendation on strategic planning for long-term development of the Company;

2. to conduct research and make recommendation on significant investment and financing proposals;

3. to conduct research and make recommendation on significant capital operations and asset operation projects;

4. to conduct research and make recommendation on significant matters affecting the development of the Company; and

5. to perform other responsibilities required by laws, regulations, rules, regulatory documents, Articles of Association and assigned by the Board.

During the Reporting Period, two meetings of the Strategy Committee were held to discuss the long-term development of the Company, the significant investment and financing proposals and matters affecting the development of the Company. The particulars of the attendance of the members of Strategy Committee are set forth as follows:

Name of the members of the Strategy Committee	Number of meetings attended/convened
Mr. Li Guohong	2/2
Mr. Li Tao	2/2
Mr. Wang Peiyue	2/2
Mr. Gao Yongtao	2/2
Mr. Lu Bin	2/2

SUPERVISORS AND THE SUPERVISORY COMMITTEE

As at the date of this annual report, the Supervisory Committee consists of 3 members, comprising of Mr. Li Xiaoping, Ms. Liu Yanfen and Mr. Luan Bo, including representatives of the Shareholders and an appropriate proportion of representative of the Company's staff, including 2 employee representative Supervisors, the number and composition of the members of the Supervisory Committee comply with the relevant laws and regulations. According to the authority and responsibility conferred by the Articles of Association, the Supervisory Committee regularly convenes Supervisory Committee meetings, conscientiously discharges its duties so as to be responsible to the Shareholders, supervises and inspects the performance of the Directors and senior management personnel in their performance of their duties and the legality and compliance of the Company's financial issues to fully safeguard the legitimate rights and interests of the Company and the Shareholders.

INTERNAL AUDIT FUNCTION

The Company has an internal audit function. The Audit Committee is responsible for overseeing the internal audit systems. The Audit Committee and the Board review the risk management and internal control systems at least annually, and the Company considers that the systems are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems have been designed to safeguard the assets of the Group, to assure proper maintenance of accounting records, and to ensure the compliance with the relevant laws and regulations.

The Board's annual review has ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems throughout the Group which include a defined management structure with limits of authority, and are designed to ensure the proper application of accounting standard and the provision of reliable financial data for internal use and for publication, as well as to secure compliance with the relevant laws and regulations. The systems are developed to provide reasonable, but not absolute, assurance against material misstatement or omission and to manage, but not fully eliminate, the risks of operational systems failure and the risks of the Group's failure in meeting the standards. The Board will review the risk management and internal control systems on an ongoing basis.

The Audit Committee assists the Board in leading the management and oversight of the design, implementation and monitoring of the risk management and internal control systems. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control.

Further, during the Reporting Period, we have appointed an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. The internal control consultant did not identity any material deficiencies in its review. We have adopted corresponding internal control measures to make improvement on certain ordinary internal control issues identified in relation to our IT system development and upgrade. As of 31 December 2019, our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions in relation to our IT system development and did not identify any material deficiencies in our internal control system.

Review of Risk Management and Internal Control Effectiveness

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019, covering all material financial, operational and compliance controls, and it has considered the Group's risk management and internal control systems to be effective and adequate. There were no suspected material irregularities found or significant areas of concern identified during the year that might affect the Shareholders.

TianYuanQuan Certified Public Accountants (Special General Partnership) had audited the effectiveness of the Company's internal control system in relation to financial reports and provided an auditor's report with unqualified opinions.

WORK ON INTERNAL CONTROL EVALUATION

Scope of internal control evaluation

The Company followed the risk-oriented principle to determine the major business units, operations, matters and high-risk areas for inclusion into the scope of evaluation.

Major enterprise included in the scope of evaluation were:
Shandong Gold Mining Co., Ltd., Shandong Gold Mining Co., Ltd. Xincheng Gold Mine (山東黃金礦業股份有限公司新城金礦), Shandong Gold Mining (Laizhou) Co., Ltd., Shandong Gold Mining (Laizhou) Co., Ltd. Sanshandao Gold Mine, Shandong Gold Mining (Laizhou) Co., Ltd. Jiaojia Gold Mine, Shandong Gold Smelting Co., Ltd., Shandong Jinzhou Mining Group Co., Ltd., Shandong Jinzhou Group Qianling Mining Co., Ltd., Shandong Jinzhou Group Fuling Mining Co., Ltd., Shandong Gold Mining (Xinhui) Co., Ltd., Shandong Gold Mining (Linglong) Co., Ltd., Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業（沂南）有限公司), Chifeng Chaihulanzi Gold Mining Co., Ltd., Shandong Jinshi Mining Ltd., Shandong Gold Mining (Laixi) Co., Ltd., Gansu Xihe Zhongbao Mining Co., Ltd. (甘肅西和縣中寶礦業有限公司), Fujian Zhenghe Yuanxin Mining Co., Ltd. (福建政和源鑫礦業有限公司), Shandong Gold Guilaizhuang Mining Co., Ltd., Shandong Gold Group Penglai Mining Co., Ltd. and Shandong Gold Mining (Hong Kong) Co., Limited.

Key operations and matters which were included in the scope of evaluation include:
Organizational structure, development strategy, human resources, social responsibility, corporate culture, fund-related activities, procurement business, assets management, sales, research and development, engineering projects, financial reporting, comprehensive budget, contract management, internal information transmission and information systems.

High-risk areas which were given special attention include:
Fund management risk, asset management risk, financial reporting risk, safety and environmental protection risk, procurement management risk, sales business management risk, contract management risk, engineering project management risk, information system general control risk and etc.

INFORMATION DISCLOSURE AND TRANSPARENCY

In 2019, the Company actively responded to new changes in the securities market supervision policy, and constantly adapted to the new requirements of the regulatory agencies for information disclosure. The Company continued to adhere to complying with both statutory information disclosure and independent information disclosure, enhance the relevance and effectiveness of the content of regular reports, and effectively improve the quality of corporate information disclosure. In accordance with the "Administrative Measures for the Disclosure of Information", the SSE Listing Rules and the Hong Kong Listing Rules, the Company has truly, accurately, promptly and fully disclosed the relevant information to ensure that all Shareholders have equal access to information and effectively prevent insider trading. The Company was evaluated and awarded grade A for its information disclosure work on the SSE for the year 2018-2019.

DISSEMINATION OF INSIDE INFORMATION

The Company attaches great importance to the management of inside information. Based on the requirements under the Regulation on the Establishment of Registration System for Persons with Inside Information by Listed Companies (《關於上市公司建立內幕信息知情人登記管理制度的規定》) and the Regulatory Circular on Further and Better Implementation of Insider Registration Management (《關於進一步做好內幕信息知情人登記管理工作的監管通函》), as considered and approved at the 54th meeting of the third session of the Board convened on 22 April 2010, the 69th meeting of the third session of the Board convened on 13 December 2011, and the 44th meeting of the fourth session of the Board convened on 21 November 2017, the Company has prepared and properly amended the Insider Management System (《內幕信息知情人管理制度》) to further regulate the Company's management of insiders, and earnestly implemented the system.

The Company registered insiders during the continuation of material events during the Reporting Period including regular reports, profit distribution, overseas merger and acquisition projects, H Shares offering, etc. Over 230 insiders were registered in 5 batches throughout the year and the Company filed with the regulatory authorities in a timely manner. We earnestly organized relevant personnel to attend the trainings held by securities regulatory authorities, strictly controlled the scope of insiders and registered the information on insiders in a prompt manner. Upon self-inspection for the execution of insider management system in 2019, the Board was of the view that the insider management system was well executed and insider files were subject to sound management. The discussion, transmission, review, disclosure, etc. of inside information were standard and legal and rigorous and appropriate confidentiality was ensured for inside information. There was no dealing in shares of the Company in violation of rules by the relevant insiders and the interests of the Company and all Shareholders were not damaged.

The Board is of the view that the Company and its Directors, Supervisors or senior management have not been criticized or punished by the CSRC, the Hong Kong Stock Exchange and Shanghai Stock Exchange or other regulatory authorities, and the actual corporate governance structure is in line with the PRC Company Law and relevant requirements of the CSRC.

JOINT COMPANY SECRETARIES

Mr. Tang Qi, the joint company secretary, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Sau Mei, an associate director of TMF Hong Kong Limited, a company secretarial service provider, as the joint company secretary to assist Mr. Tang in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. Tang. During the year ended 31 December 2019, Mr. Tang and Ms. Ng have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Hong Kong Listing Rules.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Shareholders have approved the amendments to the Articles of Association at the extraordinary general meetings on 14 January 2019 and 23 August 2019 and annual general meeting on 16 May 2019. After the Reporting Period, the Shareholders have approved the amendment to the Articles of Association at the extraordinary general meeting on 24 February 2020. For details, please refer to the circulars of the Company dated 29 November 2018, 16 May 2019, 7 August 2019 and 23 January 2020.

INVESTOR RELATIONS

The Board fully recognises that effective communication with investors is the key to building investors' confidence and attracting new investors.

According to the Investor Relations Management System (《投資者關係管理制度》), the Company has further broadened the channels of communication with investors and fully respects and safeguards the legitimate rights and interests of relevant stakeholders. The Company has increased its communication with investors and relevant stakeholders by setting up consultation through the phone, faxes and e-mails, and on-site receptions. The Company also communicated, within the premise of complying with the regulatory requirements, with international and domestic potential investors, analysts and media. In 2019, the Company received more than 300 calls from investors, and received more than 20 batches of investors and more than 80 people in the field. During the H-share issuance process, it organized several international and domestic roadshows to further deepen the investors and markets' understanding of the Company.

Shareholders are also encouraged to access the corporate communication including results announcements of the Company posted on the Company's website (http://www.sdhjgf.com.cn), SSE Website and HKEx Website for better understanding of the Company.

INQUIRY TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Building No. 3, Shuntai Plaza, Shunhua Road No. 2000, Jinan, Shandong Province, the PRC

Telephone: (+86) 0531-67710382
Fax: (+86) 0531-67710380
Email: ir@sd-gold.com

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL REPORTS

All Directors have acknowledged their responsibilities for preparing the financial reports of the Group. The Directors ensure that the preparation of financial reports of the Group is in compliance with relevant laws, regulations and applicable accounting standards and that financial reports of the Group are issued in a timely manner.

The responsibility statement made by the auditor of the Company in respect of financial reports of the Group is set out in the Independent Auditor's Report in this annual report.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has purchased and maintained Directors', Supervisors' and senior management's liability insurance throughout the Reporting Period, which provides appropriate protection over certain legal actions brought against its Directors, Supervisors and senior management. Such insurance coverage is reviewed on an annual basis.

RELATIONS WITH THE CONTROLLING SHAREHOLDER

The controlling Shareholder exercises its rights as a Shareholder through the general meeting and does not interfere with the decision-making and operation of the Company, achieving independence in terms of personnel, assets, finance, organization and business. Thus the Board, the Supervisory Committee and the internal management organization can operate independently. The controlling Shareholder strictly abides by its non-competition undertaking to the Company and is able to strictly abide by the voting abstention mechanism when it comes to connected transactions with the Company to ensure the transaction is just and fair. During the Reporting Period, there was no behavior in which the controlling Shareholder used its special status to encroach on and prejudice the interests of the Company and other Shareholders.

REMUNERATION OF EXTERNAL AUDITORS

TianYuanQuan Certified Public Accountants (Special General Partnership) ("**TianYuanQuan**") and SHINEWING (HK) CPA Limited, respectively, were the domestic and international auditors of the Company for 2019.

The fees in respect of audit and non audit services provided to the Group by SHINEWING (HK) CPA Limited for the year 2019 amounted to RMB4.28 million and nil respectively. The fees in respect of audit service and internal control and auditing service provided to the Group by TianYuanQuan for the year 2019 amounted to RMB3.0 million and RMB1.4 million respectively.

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

The details of shareholding interests of the Directors, Supervisors and chief executive of the Company are set out in "Disclosure of Interests and Short Positions of the Directors, Supervisors and Chief Executive of the Company" in Report of the Directors in this annual report.

THE IMPORTANT OPINION AND SUGGESTIONS FROM THE SPECIALISED COMMITTEES UNDER THE BOARD DURING THE DISCHARGE OF DUTIES FOR THE REPORTING PERIOD AND IF THERE ARE ANY OBJECTIONS, THE DISCLOSURE OF SUCH DETAILS

The Board has four special committees: the Strategy Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and each special committee has implemented its respective terms of reference. Each special committee can perform its duties in accordance with relevant requirements, conduct strict pre-conference audits on major matters such as Company strategic planning, financial report review, nomination of Directors, Supervisors and senior management, related transactions, and make its independent judgments from professional perspectives before deciding on submitting the resolution to be considered by the Board. The composition of the said committees of the Company are reasonable and there is a clear division in labor. They allow each committee to perform their respective functions and play a positive role in improving the corporate governance structure and promoting the Company's development. There are no objections raised.

EXPLANATION ON THE RISKS IN THE COMPANY DISCOVERED BY THE SUPERVISORY COMMITTEE

During the Reporting Period, all Supervisors of the Supervisory Committee are diligent, efficient, and strictly perform their supervisory duties, in accordance with the PRC Company Law, the SSE Listing Rules, the Hong Kong Listing Rules, the Hong Kong Companies Ordinance (Chapter 622) and other relevant regulations. The Supervisory Committee has issued opinions on the preparation of the Company's periodic reports, financial status, internal control evaluation report, and major asset restructuring matters. It has also supervised the duties of the Directors and senior management personnel in performing duties and related transactions. The Supervisory Committee believes that the above actions of the Company are strictly in accordance with the PRC Company Law, the Articles of Association and its relevant laws and regulations, the decision-making procedures are in compliance with the requirements of laws and regulations, and there is no damage to the Company and Shareholders' rights. Accordingly, the Supervisory Committee did not find any risk.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF SHANDONG GOLD MINING CO., LTD.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shandong Gold Mining Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 134 to 267, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on property, plant and equipment and intangible assets

Refer to the notes 17 and 21 to the consolidated financial statements and the accounting policies on page 158.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amounts of the property, plant and equipment and intangible assets were approximately RMB26,029,464,000 and RMB12,581,306,000, respectively, which are mainly related to the assets arising from the Group's gold mining activities. The management of the Group has performed impairment assessment on the property, plant and equipment and intangible assets at the end of the reporting period. When indication of possible impairment has been identified, recoverable amount is determined based on the higher of fair value less cost of disposal or value-in-use calculation of each cash-generating unit, in which the property, plant and equipment and intangible assets were allocated to. We have identified the impairment assessment on property, plant and equipment and intangible assets as a key audit matter because of their significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment assessment.	Our audit procedures were designed to review the management's judgements and estimates used in determining the indication of possible impairment and its impairment testing on the property, plant and equipment and intangible assets. We have discussed and reviewed the impairment assessment prepared by the management of the Group, including the identification of possible impairment. For the impairment testing, we have reviewed the underlying data and assumptions used in the calculation of fair value less cost of disposal or value-in-use of the respective cash-generating unit as recoverable amount, including the gold price, recoverable reserves, exploration potentials, production costs estimates, future operating costs and pre-tax discount rates. We have compared those underlying data and assumptions used to the historical data and other available market sources.

Impairment assessment on goodwill

Refer to the note 22 to the consolidated financial statements and the accounting policies on page 157.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of the goodwill was approximately RMB1,327,478,000, which is mainly related to the acquisition of subsidiaries and joint operation through business combinations. The management of the Group has performed impairment assessment on goodwill based on recoverable amount, which is the higher of fair value less cost of disposal and value-in-use of each cash-generating unit, Fair value less cost of disposal and value-in-use, based on the discounted cash flows models of each cash-generating unit, were prepared by the independent valuers engaged by the Group. We have identified the impairment assessment on goodwill as a key audit matter because of its significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment testing.	Our audit procedures were designed to review the management's judgements used in the identification of cash-generating units and the impairment amount on goodwill. We have assessed the reasonableness of the identification of cash-generating units for annual impairment testing. We have discussed and reviewed the assumptions adopted in the impairment testing performed by the management of the Group and the independent valuers. We have reviewed the underlying data and assumptions used in the discounted cash flows model, including sales forecasts, gross profits and operating costs against the latest available information. We have also reviewed the discount rates adopted in the discounted cash flows model by reviewing its basis of calculation and comparing the input data to market sources. We have also considered the potential impact of reasonably possible downside changes in these key assumptions.

Fair value measurement of financial assets and liabilities at fair value through profit or loss ("FVTPL")

Refer to the notes 26 and 34 to the consolidated financial statements and the accounting policies on page 174.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the aggregate carrying amounts of the financial assets at FVTPL and financial liabilities at FVTPL are approximately RMB7,216,883,000 and RMB13,145,643,000, respectively. The management of the Group has performed fair value assessment of financial assets and financial liabilities at FVTPL at the end of the reporting period. Significant management's judgements and estimates, including selection of appropriate valuation techniques and the use of unobservable market data, have been used in the fair value valuation. We have identified the fair value measurement of financial assets and liabilities at FVTPL as a key audit matter because of its significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates.	Our audit procedures were designed to review the fair value performed by the management of the Group, including the review of the valuation technique and the underlying data and assumptions used in fair value measurement. We have discussed with the management of the Group for the appropriateness of valuation techniques and reviewed fair value valuation calculations. We have also reviewed the underlying data and assumptions used by the management of the Group in the fair value measurement with reference to the available market data and/or other external available information.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2019.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee of the Company are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Li Man Choi.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Li Man Choi
Practicing Certificate Number: P03333

Hong Kong
16 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Restated)
Revenue	5	**62,613,141**	56,250,494
Cost of sales		**(57,601,794)**	(52,213,915)
Gross profit		**5,011,347**	4,036,579
Selling expenses		**(188,120)**	(126,995)
General and administrative expenses		**(1,768,667)**	(1,445,860)
Research and development expenses		**(333,050)**	(321,041)
Other income	7	**37,704**	14,398
Other gains and losses, net	8	**107,585**	253,554
Finance income	9	**71,466**	67,646
Finance costs	9	**(866,894)**	(936,319)
Share of results of associates		**1,319**	38,066
Profit before tax		**2,072,690**	1,580,028
Income tax expenses	10	**(660,376)**	(559,231)
Profit for the year	11	**1,412,314**	1,020,797
Profit for the year attributable to:			
– owners of the Company		**1,290,503**	964,411
– non-controlling interests		**121,811**	56,386
		1,412,314	1,020,797
			(Restated)
EARNINGS PER SHARE	14		
– Basic and diluted (RMB)		**0.42**	0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (Restated)
Profit for the year	**1,412,314**	1,020,797
Other comprehensive income (losses):		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive losses of associates	–	(49)
Currency translation differences	69,593	(23,094)
Other comprehensive income (losses) for the year, net of tax	**69,593**	(23,143)
Total comprehensive income for the year	**1,481,907**	997,654
Total comprehensive income for the year attributable to:		
– owners of the Company	1,360,096	941,268
– non-controlling interests	121,811	56,386
	1,481,907	997,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	17	26,029,464	23,507,222	21,547,384
Investment properties	18	231,459	243,997	255,155
Land use rights	19	–	340,242	339,824
Right-of-use assets	20	503,550	–	–
Intangible assets	21	12,581,306	12,238,471	12,020,049
Goodwill	22	1,327,478	1,310,082	1,259,430
Investments in associates	23	1,042,259	1,040,940	402,923
Financial assets at fair value through other comprehensive income	25	2,000	2,000	2,015
Financial assets at fair value through profit or loss	26	5,688,098	5,844,520	3,625,013
Inventories	28	385,483	269,223	143,896
Deferred income tax assets	36	130,000	180,925	178,955
Restricted bank deposits	31	–	–	520,198
Other non-current assets	29	565,816	538,572	841,902
		48,486,913	45,516,194	41,136,744
Current assets				
Inventories	28	3,639,787	3,385,382	3,029,179
Trade and other receivables	30	1,916,843	2,191,591	3,848,696
Prepaid income tax		14,125	47,274	65,779
Financial assets at fair value through other comprehensive income		–	–	19,066
Financial assets at fair value through profit or loss	26	1,528,785	421,199	787,001
Financial assets held under resale agreements	27	–	158,922	160,328
Restricted bank deposits	31	243,232	204,335	152,444
Bank balances and cash	31	3,019,041	2,635,580	2,971,324
		10,361,813	9,044,283	11,033,817
Current liabilities				
Trade and other payables	32	5,447,967	6,173,444	4,612,009
Lease liabilities	20	42,043	–	–
Current income tax liabilities		239,667	258,555	180,753
Borrowings	33	5,964,287	3,685,352	2,883,107
Financial liabilities at fair value through profit or loss	34	13,145,643	10,834,009	11,983,080
Current portion of other non-current liabilities	35	65,911	11,913	12,992
		24,905,518	20,963,273	19,671,941
Net current liabilities		(14,543,705)	(11,918,990)	(8,638,124)
Total assets less current liabilities		33,943,208	33,597,204	32,498,620

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Non-current liabilities				
Borrowings	33	**2,199,267**	2,746,822	8,091,819
Lease liabilities	20	**65,940**	–	–
Deferred income tax liabilities	36	**4,262,779**	4,322,685	4,281,031
Deferred revenue	37	**12,444**	12,186	17,526
Provision for asset retirement obligations	38	**909,958**	779,061	570,586
Other non-current liabilities	35	**424,495**	62,013	70,443
		7,874,883	7,922,767	13,031,405
Net assets		**26,068,325**	25,674,437	19,467,215
Capital and reserves				
Share capital	39(a)	**3,099,612**	2,214,008	1,857,119
Treasury shares	39(b)	**(6,385)**	(6,385)	(6,385)
Reserves		**20,114,685**	21,522,969	16,570,279
		23,207,912	23,730,592	18,421,013
Non-controlling interests		**2,860,413**	1,943,845	1,046,202
Total equity		**26,068,325**	25,674,437	19,467,215

The consolidated financial statements on pages 134 to 267 were approved and authorised for issue by the board of directors on 16 April 2020 and are signed on its behalf by:

Li Guohong
Director

Wang Peiyue
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000 (note (a))	Statutory and other reserve funds RMB'000 (note (b))	Transactions with non-controlling interests RMB'000	Foreign currency translation reserve RMB'000	Others RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	2,214,008	(6,385)	10,430,582	575,239	(228,665)	(25,576)	3,076	10,768,313	23,730,592	1,943,845	25,674,437
Profit for the year	-	-	-	-	-	-	-	1,290,503	1,290,503	121,811	1,412,314
Other comprehensive income											
Currency translation differences	-	-	-	-	-	69,593	-	-	69,593	-	69,593
Total comprehensive income	-	-	-	-	-	69,593	-	1,290,503	1,360,096	121,811	1,481,907
Appropriations	-	-	-	255,980	-	-	-	(255,980)	-	-	-
Capital injection from non-controlling interests (notes (a)(iii) and (iv))	-	-	606,852	-	-	-	-	-	606,852	893,148	1,500,000
Consideration paid for the business combination involving entities under common control (note 2.1.2)	-	-	(2,272,319)	-	-	-	-	-	(2,272,319)	-	(2,272,319)
Acquisition of additional interest of a subsidiary (note 44)	-	-	-	-	3,483	-	-	-	3,483	(19,836)	(16,353)
Bonus issue (note 39(a))	885,604	-	(885,604)	-	-	-	-	-	-	-	-
Dividends to shareholders of the Company (note 13)	-	-	-	-	-	-	-	(219,850)	(219,850)	-	(219,850)
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	(78,535)	(78,535)
Others	-	-	-	-	-	-	(1,528)	586	(942)	(20)	(962)
At 31 December 2019	3,099,612	(6,385)	7,879,511	831,219	(225,182)	44,017	1,548	11,583,572	23,207,912	2,860,413	26,068,325

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000 (note (a))	Statutory and other reserve funds RMB'000 (note (b))	Transactions with non-controlling interests RMB'000	Foreign currency translation reserve RMB'000	Others RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018, as previously reported	1,857,119	(6,385)	4,579,406	552,643	(227,129)	(2,482)	3,441	9,710,812	16,467,425	1,026,341	17,493,766
Business combination involving entities under common control (note 43)	–	–	1,663,319	–	–	–	–	290,269	1,953,588	19,861	1,973,449
At 1 January 2018, as restated	1,857,119	(6,385)	6,242,725	552,643	(227,129)	(2,482)	3,441	10,001,081	18,421,013	1,046,202	19,467,215
Profit for the year	–	–	–	–	–	–	–	964,411	964,411	56,386	1,020,797
Other comprehensive losses											
Share of other comprehensive losses of associates	–	–	–	–	–	–	(49)	–	(49)	–	(49)
Currency translation differences	–	–	–	–	–	(23,094)	–	–	(23,094)	–	(23,094)
Total comprehensive (losses) income	–	–	–	–	–	(23,094)	(49)	964,411	941,268	56,386	997,654
Appropriations	–	–	–	22,596	–	–	–	(22,596)	–	–	–
Capital injection from non-controlling interests (note (a)(ii))	–	–	135,281	–	–	–	–	–	135,281	864,719	1,000,000
Acquisition of additional interest in a subsidiary (note 44)	–	–	–	–	(1,536)	–	–	–	(1,536)	(2,222)	(3,758)
Dividends to shareholders of the Company (note 13)	–	–	–	–	–	–	–	(73,764)	(73,764)	–	(73,764)
Dividends declared to the shareholder of the subsidiaries before business combination involving entities under common control (note 43)	–	–	–	–	–	–	–	(84,244)	(84,244)	–	(84,244)
Dividends paid by subsidiaries of the Company to non-controlling interests	–	–	–	–	–	–	–	–	–	(20,609)	(20,609)
Net proceeds from issuance of H shares (note 39(a))	356,889	–	4,052,576	–	–	–	–	–	4,409,465	–	4,409,465
Loss on disposal of property, plant and equipment (note 17(a))	–	–	–	–	–	–	–	(16,575)	(16,575)	–	(16,575)
Others	–	–	–	–	–	–	(316)	–	(316)	(631)	(947)
At 31 December 2018, as restated	2,214,008	(6,385)	10,430,582	575,239	(228,665)	(25,576)	3,076	10,768,313	23,730,592	1,943,845	25,674,437

Notes:

(a) Capital reserve

The amount represented the following:

(i) The excess of the net proceeds received from issuance of the shares of the Company and the nominal value of the shares issued;

(ii) On 25 December 2018, ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) ("ICBC Investment"), entered into the capital injection investment agreement with the Group and pursuant to which, ICBC Investment invested RMB1,000,000,000 in Shandong Gold Mining (Linglong) Co., Ltd. (山東黃金礦業（玲瓏）有限公司) ("SDG Linglong"). Accordingly, the transaction was accounted for as equity transaction of the Group. The difference between the capital injection from ICBC Investment and the 25.43% net assets of SDG Linglong attributable to non-controlling interest of the Group, which was approximately RMB135,281,000, has been credited to capital reserve during the year ended 31 December 2018;

(iii) On 19 December 2019, Bank of China Financial Asset Investment Co., Ltd. (中銀金融資產投資有限公司) ("BOC Investment"), entered into the capital injection investment agreement with the Group and pursuant to which, BOC Investment invested RMB500,000,000 in Shandong Gold Mining Industry (Laizhou) Co., Ltd. (山東黃金礦業（萊州）有限公司) ("SDG Laizhou"). Accordingly, the transaction was accounted for as equity transaction of the Group. The difference between the capital injection from BOC Investment and the 4.69% net assets of SDG Laizhou attributable to non-controlling interest of the Group, which was approximately RMB210,355,000, has been credited to capital reserve during the year ended 31 December 2019;

(iv) On 25 December 2019, China Construction Bank Financial Asset Investment Co., Ltd (建信金融資產投資有限公司) ("CCB Investment") and BOC Investment (together with CCB Investment and ICBC Investment collectively referred to as the "Investors"), entered into the capital injection investment agreements with the Group and pursuant to which, these two investors invested with an aggregate amount of RMB1,000,000,000 in Shandong Gold Mining Industry (Xinhui) Co., Ltd. (山東黃金礦業（鑫匯）有限公司) ("SDG Xinhui"). Accordingly, the transactions were accounted for as equity transactions of the Group. The difference between the capital injections from the investors and the 33.2% net assets of SDG Xinhui attributable to non-controlling interests of the Group, which was approximately RMB396,497,000, has been credited to capital reserve during the year ended 31 December 2019;

(v) The capitalisation of approximately RMB885,604,000 of the capital reserve upon bonus issue of 885,603,223 shares of the Company to the existing shareholders of the Company during the year ended 31 December 2019 as detailed in note 39(a); and

(vi) The consideration paid of approximately RMB2,272,139,000 for the acquisition of SDG Capital Management Co., Ltd (山金金控資本管理有限公司) ("SDG Capital Management") and its subsidiaries (collectively referred to as the "SDG Capital Management Group") under business combination involving entities under common control as detailed in note 2.1.2 and completed in August 2019.

(b) Statutory and other reserve funds

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

(c) Transactions with non-controlling interests

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Restated)
OPERATING ACTIVITIES			
Cash generated from operations	40(a)	5,882,673	5,716,373
Income tax paid		(694,091)	(543,906)
NET CASH FROM OPERATING ACTIVITIES		5,188,582	5,172,467
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(4,582,750)	(3,441,846)
Proceeds from disposal of property, plant and equipment		33,604	22,604
Payments for right-of-use assets		(59,859)	–
Payments for purchase of investment properties		–	(518)
Payments for land use rights		–	(12,529)
Payments for purchase of intangible assets		(481,604)	(332,203)
Withdrawals of restricted bank deposits		–	520,198
Placement of restricted bank deposits		(38,897)	(51,891)
Proceeds from financial assets held under resale agreements		158,922	1,406
Capital injection to an associate		–	(600,000)
Dividends received from an associate		–	8,283
Consideration paid for acquisition of SDG Capital Management		(2,272,319)	–
Payments for settlement of gold future/forward contracts		(126,018)	(240,352)
Interest received		71,466	67,646
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	19,066
Payments for purchase of financial assets at fair value through profit or loss		(7,745,438)	(3,075,248)
Proceeds from disposal of financial assets at fair value through profit or loss		7,038,778	1,590,626
Dividends received from financial assets at fair value through profit or loss		15,279	113,824
Repayments from related parties		420,089	98,770
NET CASH USED IN INVESTING ACTIVITIES		(7,568,747)	(5,312,164)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Restated)
FINANCING ACTIVITIES			
Proceeds from issue of H shares		–	4,618,818
Payments for listing expenses		(72,772)	(136,581)
Capital injections from non-controlling shareholders		1,500,000	1,000,000
Repayments of lease liabilities		(37,931)	–
New bank borrowings raised		5,078,981	4,801,952
Repayments of bank borrowings		(4,140,000)	(7,406,336)
New borrowings from related parties raised		1,172,500	3,156,000
Repayments of borrowings from related parties		(1,427,400)	(2,826,900)
New corporate bonds raised		999,000	–
Repayments of corporate bonds		–	(2,611,004)
Interests paid		(360,892)	(431,768)
(Repayments to) advances from related parties		(1,426,483)	1,263,483
Dividends paid to shareholders of the Company		(219,850)	(227,184)
Dividends paid to non-controlling shareholders		(78,535)	(19,723)
Payments for purchase of additional equity interest in a subsidiary of the Company		(16,353)	(3,758)
Payments for provision for asset retirement obligations		(20,699)	–
Government grants received		37,962	9,058
Proceeds from gold leasing arrangements		15,356,014	13,912,754
Settlement of gold leasing arrangements		(13,127,676)	(15,141,796)
Payments for finance costs associated with gold leasing contracts		(393,464)	(258,650)
Payments of guarantee and arrangement fee for borrowings		(5,761)	(29,765)
NET CASH FROM (USED) IN FINANCING ACTIVITIES		2,816,641	(331,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		436,476	(471,097)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,227,866	2,675,518
Effect of foreign exchange rate changes		9,722	23,445
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		2,674,064	2,227,866
Analysis of cash and cash equivalents:			
Bank balances and cash		3,019,041	2,635,580
Less: cash held on behalf of customers for futures contracts trading	31(b)	(344,977)	(407,714)
		2,674,064	2,227,866

1. GENERAL INFORMATION

Shandong Gold Mining Co., Ltd. (the "Company") was established in the PRC on 31 January 2000 as a joint stock company with limited liability under the Company Law of the PRC.

The A shares of the Company have been listed on the Shanghai Stock Exchange since 28 August 2003.

On 28 September 2018, the Company completed the global offering of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and 327,730,000 H shares were issued. On 26 October 2018, additional 29,159,500 H shares were issued upon the exercise of the over-allotment options by the international underwriters of the global offering. All newly issued H shares were issued with net proceeds from the abovementioned issuance of its new H shares of approximately RMB4,409,465,000, after netting off underwriting commissions and other capitalising listing expenses.

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

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The Group is principally engaged in mining and processing of gold, sale of gold products and manufacturing and sale of building decoration materials. Subsequent to the acquisition of the SDG Capital Management Group as explained in note 2.1.2 below, the Group is also engaged in the business of investments in equity funds, trading of gold bullion and provision of futures contracts trading services. The address of the Company's registered office and principal place of business is Building No. 3, Shuntai Square, No. 2000 Shunhua Road, Jinan, Shandong Province, the PRC.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVTOCI"), which are carried at fair value.

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

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgements and estimates. It also requires management to exercise its judgements and estimates in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern

As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately RMB14,543,705,000. The directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

(a) The Group is expected to remain profitable and hence continue to generate operating cash inflows from its future business operations; and

(b) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide banking facilities of not less than approximately RMB31,000,000,000 as at 31 December 2019 and available at least next twelve months from 31 December 2019.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 31 December 2019. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.1.2 Merger accounting for business combination involving entities under common control

On 21 June 2019, the Company entered into a sale and purchase agreement with Shandong Gold Group for the acquisition of entire equity interest in SDG Capital Management Group at a cash consideration of RMB2,272,319,000. The acquisition has been completed in August 2019. The SDG Capital Management Group was principally engaged in the investments in equity funds, trading of gold bullion and provision of futures contracts trading services. Upon the completion, the SDG Capital Management Group became subsidiaries of the Company. As SDG Capital Management and the Company are commonly controlled by the Shandong Gold Group, the acquisition of SDG Capital Management was considered as business combination involving entities under common control. The net assets of combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount of (i) goodwill; or (ii) excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities assumed and contingent liabilities over the cost at the time the common control combination has been recognised, to the extent of the continuation of the controlling party's interest.

The adjustments to eliminate paid-up registered capital of the combining entities or business against the related investment costs have been made to capital reserve in the consolidated statement of changes in equity. The consolidated statement of profit or loss, consolidated statement of comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the prior periods have been restated to include the operating results of the SDG Capital Management Group as if this acquisition had been completed on 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in the principal accounting policies and disclosures

(a) New or amendments to standards not yet effective

New or amendments to standards, including IFRSs, International Accounting Standards ("IASs"), amendments and interpretations ("Int(s)"), which are not yet effective for the financial year commencing on 1 January 2019 and have not been applied in preparing these consolidated financial statements are listed below:

IFRS 17	Insurance Contracts[2]
Amendments to IAS 1	Classification of liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

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

(b) New or amendments to standards effective for the annual periods beginning on or after 1 January 2019

In the current year, the Group has applied the following new or amendments to standards:

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

The adoption of IFRS 16 Leases resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new or amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in the principal accounting policies and disclosures *(Continued)*

(b) *New or amendments to standards effective for the annual periods beginning on or after 1 January 2019 (Continued)*

Impacts on adoption of IFRS 16 Leases

IFRS 16 *Leases* introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described below. The Group has applied IFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17 *Leases*.

On transition to IFRS 16 *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 *Leases* only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 *Leases* and IFRIC – Int 4 *Determining Whether an Arrangement Contains a Lease* were not reassessed. Therefore, the definition of a lease under IFRS 16 *Leases* has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of IFRS 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was ranging from 4.35% – 9.74%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under IAS 17 *Leases*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in the principal accounting policies and disclosures *(Continued)*

(b) New or amendments to standards effective for the annual periods beginning on or after 1 January 2019 (Continued)

Impacts on adoption of IFRS 16 Leases (Continued)

The following table summarises the impact of transition to IFRS 16 *Leases* at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 RMB'000 (Restated)	Impact on adoption of IFRS 16 RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
Right-of-use assets	(i), (ii) and (iii)	–	436,043	436,043
Land use rights	(i)	340,242	(340,242)	–
Other non-current assets	(ii)	538,572	(15,614)	522,958
Lease liabilities – current portion	(iii)	–	(37,931)	(37,931)
Lease liabilities – non-current portion	(iii)	–	(42,256)	(42,256)

Notes:

(i) Land use rights of approximately RMB340,242,000, representing the upfront payments for leasehold lands in the PRC, were reclassified to right-of-use assets.

(ii) Prepaid rentals of approximately RMB15,614,000 included in the other non-current assets were reclassified to right-of-use assets.

(iii) In addition to the notes (i) and (ii) above, as at 1 January 2019, right-of-use assets were recognised and measured at the same amount of lease liabilities of approximately RMB80,187,000.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 *Leases* were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17 *Leases*. The total cash flows are unaffected. The adoption of IFRS 16 *Leases* does not result in a significant change in presentation of cash flows within the consolidated statement of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Changes in the principal accounting policies and disclosures *(Continued)*

(b) New or amendments to standards effective for the annual periods beginning on or after 1 January 2019 (Continued)

Impacts on adoption of IFRS 16 Leases (Continued)

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follows:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	97,843
Less: short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(1,310)
	96,533
Discounting effect using the incremental borrowing rate at 1 January 2019	(16,346)
Lease liabilities recognised at 1 January 2019	80,187
Analysed as:	
Current portion	37,931
Non-current portion	42,256
	80,187

On the date of initial application of IFRS 16 *Leases*, the Group has also used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on assessments on whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group reassess whether it controls over the subsidiary if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests under the consolidated statement of comprehensive income. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

2.2.2 Merger accounting for business combination involving entities under common control

For business combination under common control, the Group's consolidated financial statements incorporates the financial information of the combining entities or businesses as if they had been combined from the earliest date presented or since the date when the combining entities or businesses first came under the control of the controlling party, whichever is shorter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Merger accounting for business combination involving entities under common control *(Continued)*

The assets acquired and liabilities assumed of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination is adjusted against the equity. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless combining entities or businesses first came under common control at a later date.

Any cost in relation to the combination is recognised as an expense when incurred.

2.2.3 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Company in their capacity as equity holders. The difference between fair value of any consideration paid and the relevant carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.4 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of interests in subsidiaries. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting in both of the consolidated financial statements and separate financial statements of the Company. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. Goodwill that forms part of the carrying amount of the net investment in an associate is not separately recognised. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of result of associates" in the consolidated statement of profit or loss.

Profit or loss resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be joint operation. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for liabilities, related to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint Operation is accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses.

Where a joint operator acquires an interest in a joint operation, the accounting treatment depends on whether the activity of the acquired joint operation constitutes a business. The joint operator should apply business combination accounting to the extent of its share, where the activity of the joint operation constitutes a business. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Joint arrangements *(Continued)*

Where the entity is involved in a joint operation, the investors account for their rights and obligation by recognising:

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

Management should classify and measure the recognised asset, liability and items of revenue or expense, or the share of an asset, liability or item of revenue or expense, according to the applicable standard for each item.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains or losses are presented in the consolidated statement of profit or loss on a net basis within "other gains and losses, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in consolidated statement of profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVTOCI are recognised in consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

2.5.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities at the end of the reporting period are translated at the closing rate at the date of the reporting period;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income under foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings forming a part of the net investment are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5.4 Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated foreign currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment comprise buildings, mining structures, plant, machinery and equipment and construction in progress and are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Other than mining structures and construction in progress, depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life as follows:

–	Buildings	5–50 years
–	Plant, machinery and equipment	2–20 years

Mining structures include the main and auxiliary mine shafts and underground tunnels and capitalised open pit mine development costs. Mining structures are depreciated on the unit of production method (the "UOP method"), based on the proven and probable reserves and where appropriate the portion of mineral resources considered to be probable of economic extraction based on the current Life of Mine ("LOM") Plans.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalised as open pit mine development costs.

Stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide a future economic benefit to an identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity: (i) improves access to a component of the ore body to be mined in the future; (ii) increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and (iii) increases the productive capacity or extends the productive life of the mine (or pit). Production phase stripping costs that are expected to generate a future economic benefit are capitalised as open pit mine development costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less impairment losses, if any. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

An asset's carrying amount is considered to be impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains and losses, net" in the consolidated statement of profit or loss.

2.7 Investment properties

Investment properties include those portions of office buildings that are held for long-term rental yields or for capital appreciation. Investment properties are initially measured at cost and subsequently accounted for under the cost model in accordance with the requirements of IAS 16 *Property, Plant and Equipment*. Depreciation of the investment properties is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful life of these investment properties is estimated to be 13-42 years.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the profit or loss. The cost of maintenance, repairs and minor improvements is charged to the profit or loss when incurred.

2.8 Land use rights

Accounting policy applicable on or after 1 January 2019

Land use rights in respect of the lessee are considered as right-of-use assets and details are set out in note 2.28.

Accounting policy applicable prior to 1 January 2019

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Cost represents prepaid operating lease payments for leasehold land located in the PRC with lease periods over the period as stated in the land certificates. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets

2.9.1 Mining and exploration rights

Mining rights are stated at cost less accumulated amortisation and impairment losses, if any, and are amortised based on the UOP method whereby the denominator is the proven and probable reserves and where appropriate the portion of mineral resources considered to be probable of economic extraction.

Exploration rights are stated at cost less impairment losses. Cost of the exploration rights are transferred to mining rights upon the government's approval of the mining license.

2.9.2 Goodwill

Goodwill arises on the acquisition of subsidiaries and joint operation constituting businesses represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (the "CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9.3 Patent rights

Patent rights are capitalised on the basis of the costs incurred to acquire and bring to use the patent rights. These costs are amortised over estimated useful life of 20 years, which are restricted by the period for which the legal rights are held.

2.9.4 Software licenses, trademarks and other licences

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years. The useful lives of trademarks and licences are restricted by the period for which contractual or other legal rights are held.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or damages in circumstances indicate that they might be impaired. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains or losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in case of a financial asset not a FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. The transaction cost of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains and losses, net", together with foreign exchange gains or losses. Impairment losses are presented in general and administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.2 Recognition and measurement *(Continued)*

Debt instruments (Continued)

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains and losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains or losses are presented in other gains and losses and impairment losses are presented as separate line item in the consolidated statement of profit or loss.

- Financial assets that do not meet the criteria for amortised cost or FVTOCL are measured at FVTPL. A gain or loss on a debt instruments that is subsequently measured at FVTPL is recognised in profit or loss and presented in other gains and losses, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVTPL are recognised in other gains and losses, net in the consolidated statement of profit or loss as applicable. Where the Group's management has elected to present fair value gains or losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains or losses included in other comprehensive income to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2.11.3 Impairment of financial assets

The Group has types of financial assets subject to IFRS 9's expected credit loss model (the "ECL" model):

- trade receivables; and

- other receivables (excluding non-financial assets).

For trade receivables, the Group applies the simplified approach to providing for ECL as prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The ECL on these financial assets are estimated, individually or collectively, based on provision matrix with reference to the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For other receivables (excluding non-financial assets), the Group measures the loss allowance equal to 12-month ECL, unless when there is a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on the significant increase in the likelihood or risk of a default occurring since initial recognition.

While bank balances and cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.3 Impairment of financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk on the financial assets has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial assets as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.3 Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.3 Impairment of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 120 days past due and there is no reasonable expectation of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See note 2.11.3 for the Group's accounting for trade and other receivables and the Group's impairment policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and on hand and short-term deposits within a maturity of three months or less.

In the consolidated statement of cash flows, cash and cash equivalents consisted of cash and cash equivalent as defined above, net of cash held on behalf of customers for futures contracts trading.

2.15 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where any Group's entity purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity owners. Where such shares are subsequently sold or reissued, the cost of the treasury shares is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised in the capital reserve of the Company.

2.16 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies; (ii) held for trading; or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Financial liabilities *(Continued)*

Financial liabilities at FVTPL *(Continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination; (ii) held for trading; or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.20.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, the subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.20.2 Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences a losses can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax *(Continued)*

2.20.2 Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associate. Only when these is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation the taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.20.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either (i) the taxable entity; or (ii) different taxable entities where there is an intention to settle the balances on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.21 Employee benefits

2.21.1 Short term compensation

Short term compensation includes salaries, bonuses, allowances and subsidies, employee benefits, medical insurance premiums, work-related injury insurance premium, maternity insurance premium, contributions to housing fund, unions and education fund and short-term absence with payment etc. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the short term compensation actually incurred as a liability and charged to the cost of an asset or to profit or loss in the same period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

2.21.2 Post-employment benefits

The Group classifies post-employment benefits into Defined Contribution Plan ("DC plan"). DC plan means the Group only contributes a fixed amount to an independent fund and no longer bears other payment obligation. The post-employment benefits of the Group primarily comprise basic pension insurance and unemployment insurance and both of them are DC plans.

Basic pension insurance

Employees of the Group participate in the social insurance system established and managed by local labor and social security department. The Group makes basic pension insurance to the local social insurance agencies every month, at the applicable benchmarks and rates stipulated by the government for the benefits of its employees. After the employees retire, the local labor and social security department has obligations to pay them the basic pension. When an employee has rendered service to the Group during an accounting period, the Group shall recognise the accrued amount according to the above social security provisions as a liability and charged to the cost of an asset or to profit or loss in the same period.

Employees of the subsidiary as incorporated in Hong Kong participate in a statutory defined contribution pension plan (the "Mandatory Provident Fund Scheme") under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund under the Mandatory Provident Fund Scheme does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans including the Mandatory Provident Fund Scheme, employee pension schemes established by municipal government in the PRC and administration and social security system for employees in Argentina are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

2.21.3 Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss under the conditions of both the Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly; and the Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provision for future decommissioning and restoration is recognised in full on the installation of mining properties. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related mining properties of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the costs of the mining properties. Any change in the present value of the estimated expenditure other than due to passage of time, which is regarded as interest expense, is reflected as an adjustment to the provision and mining properties.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Exploration and evaluation

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of the mineralised material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Once the technical feasibility and commercial viability of a program or project has been demonstrated with a prefeasibility study and recognised reserves in accordance with the Canadian Securities Administrators' National Instrument 43-101, future expenditures incurred in the development of that program or project are accounted for in accordance with the Group's policies for property, plant and equipment, as described above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

2.24.1 Sale of goods

Revenue is recognised when control over the goods has been transferred to the customers. It is generally satisfied at a point in time when the legal title has passed to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

2.24.2 Processing income

Processing income is recognised in the consolidated statement of profit or loss upon completion of the services.

2.24.3 Brokerage income

Brokerage income is recognised upon completion of the successful bid of futures trading.

Contract asset and liability

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or provides services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. This has been classified under "Trade and other payables".

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

2.25 Interest income

Interest income on financial assets at amortised cost and financial assets at FVTOCI is calculated using the effective interest method and recognised in the consolidated statement of profit or loss. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the related assets.

2.28 Leases

Accounting policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as land use rights in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Leases *(Continued)*

Accounting policy applicable on or after 1 January 2019

Definition of a lease

Under IFRS 16 *Leases*, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

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, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Leases *(Continued)*

Accounting policy applicable on or after 1 January 2019 ***(Continued)***

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 *Impairment of assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

2.29 Research and development expenses

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved software) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories and value-in-use of the cash generating units for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (i.e. group treasury) under policies approved by the directors of the Company. The group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The directors of the Company provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign currency risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits, trade and other receivables and trade and other payables) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollars ("US$"). In addition, the RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The group companies are required to hedge their entire foreign currency risk exposure through the group treasury. To manage their foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group may use forward contracts as transacted through the group treasury. Foreign currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group historically has not used any derivative instruments to hedge exchange rate of US$ and currently does not have a fixed policy to do so in the foreseeable future.

The subsidiaries of the Company located in the PRC have most of the transactions settled in RMB, which is also the functional currency of the subsidiaries located in the PRC. The subsidiary of the Company located in Hong Kong and the joint operation of the Group located in Argentina have most of the transactions settled in US$, which is also their functional currency. Foreign currency risk arises when recognised assets and liabilities are denominated in a currency that is not the functional currency of the Company and its subsidiaries. As at 31 December 2019 and 2018, the Group's assets and liabilities are primarily denominated in their functional currencies and considered that the foreign currency risk is insignificant.

The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from the Group's variable interest rate restricted bank deposits, variable interest rate short-term deposits in the banks and in the associate and variable interest rate deposits in trading accounts of Shanghai Gold Exchange included in bank balances and cash and borrowings at variable interest rate. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to fair value interest rate risk arises from the Group's fixed interest rate borrowings. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk (Continued)

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's borrowings raised by the subsidiary of the Company located in Hong Kong.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings with variable interests rate at the end of the reporting period. The analysis is prepared assuming those borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2019 **RMB'000**	2018 RMB'000 (Restated)
Impact on post-tax profit at 50 basis points higher	**(11,748)**	(12,233)
Impact on post-tax profit at 50 basis points lower	**11,748**	12,233

(iii) Other price risk

The Group engages in gold mining and refining operations and is exposed to commodity price risk related to price volatility of gold from the gold leasing contracts. Regarding this price risk, the Group, at the same time, entered gold futures and forward contracts at the pre-determined gold price, to minimise the fluctuation of gold price arising from the gold leasing contracts.

In addition, the Group is exposed to equity price risk through its listed investment included in financial assets at FVTPL. The management of the Group has appointed a special team to monitor this price risk and will consider hedging the risk exposure should the need arises.

The sensitivity analyses below have been determined based on the exposure to other price risk to listed investments at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is set as 5% (2018: 5%) in current year. No sensitivity analysis was presented for the fluctuation of gold price since the gold futures or forward contracts at pre-determined rate have been entered at the same time with the gold leasing contracts.

If the price of the respective investments has been 5% (2018: 5%) higher/lower, post-tax profit for the year ended 31 December 2019 would increase/decrease by approximately RMB165,306,000 (2018: RMB140,141,000) as a result of the changes in fair value of financial assets at FVTPL.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from trade and other receivables, restricted bank deposits, cash at banks and financial assets held under resale agreements.

The Group expects that there is no significant credit risk associated with restricted bank deposits and cash at banks since they are deposited at state-owned banks and financial institution and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group expects that there is no significant credit risk associated with the financial assets held under resale agreements since financial assets are the PRC government bonds with high credit ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each year. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements;
- significant increases in credit risk on other financial instruments of the same customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

The Group has concentration of credit risk as 72% (2018: 58%) of the total trade receivables was due from the Group's the five largest customers. There was no outstanding trade receivable due from the Group's largest customer as at 31 December 2019 and 2018.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong Special Administrative Region ("HKSAR") of the PRC, which accounted for 68% (2018: 58%) of the total trade receivable as at 31 December 2019.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Other receivables

The Group uses four categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	**Group's definition of categories**	**Basis for recognition of expected credit loss provision**
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 months ECL. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk and significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL – not credit impaired
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime ECL – credit impaired
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

Among the other receivables as at 31 December 2019, carrying amount of approximately RMB1,118,818,000 (2018: RMB719,990,000) was considered as "performing" by the directors of the Company since the debtors are having a low risk of default with no significant increase in credit risk since initial recognition.

For remaining receivables, the directors of the Company concluded that those receivables are categorised other than "performing" and impairment of other receivables of approximately RMB97,209,000 (2018: RMB91,575,000) has been identified as at 31 December 2019.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Trade receivables

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL for all trade receivables.

The provision for impairment for the trade receivables which are assessed individually or collectively based on provision matrix are as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables					
As at 31 December 2019					
Expected loss rate	**1.2%**	**11.0%**	**20.0%**	**97.8%**	
Gross carrying amount (RMB'000)	**261,012**	**22,121**	**15,636**	**8,262**	**307,031**
Impairment of trade receivables (RMB'000)	**3,254**	**2,423**	**3,127**	**8,084**	**16,888**
As at 31 December 2018 (restated)					
Expected loss rate	0.3%	10.3%	21.7%	87.7%	
Gross carrying amount (RMB'000)	578,205	15,674	69	8,193	602,141
Impairment of trade receivables (RMB'000)	1,577	1,618	15	7,184	10,394

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed facilities available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank borrowings, use of committed facilities, gold leasing contracts and the net proceeds from the initial public offering.

Management of the Group monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn committed facilities and cash and cash equivalents) on the basis of expected cash flows.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the undiscounted cash outflow relating to the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2019						
Trade and other payables	5,305,543	–	–	–	5,305,543	5,305,543
Lease liabilities	46,567	22,293	33,000	32,332	134,192	107,983
Borrowings	6,201,360	89,762	2,242,815	–	8,533,937	8,163,554
Other non-current liabilities	65,911	189,395	122,132	104,191	481,629	481,629
Financial liabilities at FVTPL	13,145,643	–	–	–	13,145,643	13,145,643
	24,765,024	301,450	2,397,947	136,523	27,600,944	27,204,352
As at 31 December 2018 (Restated)						
Trade and other payables	6,001,039	–	–	–	6,001,039	6,001,039
Borrowings	3,886,329	2,824,689	–	–	6,711,018	6,432,174
Other non-current liabilities	11,913	13,905	18,518	19,846	64,182	64,182
Financial liabilities at FVTPL	10,834,009	–	–	–	10,834,009	10,834,009
	20,733,290	2,838,594	18,518	19,846	23,610,248	23,331,404

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of borrowings, lease liabilities and financial liabilities at fair value through profit or loss less restricted bank deposits and bank balances and cash (excluding the cash held on behalf of customers for futures trading). Total capital is calculated as "equity" plus net debt.

As at 31 December 2019 and 2018, the net debt to total capital ratio was as follows:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Borrowings	**8,163,554**	6,432,174
Less liabilities	**107,983**	–
Financial liabilities at FVTPL	**13,145,643**	10,834,009
Total borrowings	**21,417,180**	17,266,183
Less: restricted bank deposits (note 31(a))	**(243,232)**	(204,335)
Less: bank balances and cash (note 31(b))	**(2,674,064)**	(2,227,866)
Net debt	**18,499,884**	14,833,982
Equity	**26,068,325**	25,674,437
Total capital	**44,568,209**	40,508,419
Gearing ratio	**42%**	37%

The increase in the gearing ratio as at 31 December 2019 was primarily due to the issue of corporate bonds (notes 33(b)) which increased the Group's net debt as at 31 December 2019.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

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

Financial instruments	Fair value hierarchy	Fair value as at 31 December		Valuation technique
		2019 RMB'000	2018 RMB'000 (Restated)	
Financial assets at FVTPL – listed equity investments	Level 1	**640,725**	8,944	Quoted bid price in an active market
Financial assets at FVTPL – listed equity investments	Level 2	**3,767,447**	3,728,140	Market approach – price to book ratio
Financial assets at FVTPL – investments in equity funds	Level 2	**1,016,925**	1,106,912	Quoted price in the fund's statements
Financial assets at FVTPL – investments in equity funds	Level 3	**1,703,760**	1,296,493	Combined approach – market comparison approach for unlisted shares and income approach for other assets held by equity funds
Financial assets at FVTPL – Structured deposits	Level 2	**88,026**	125,230	Quoted rate of return by issuing bank
		7,216,883	6,265,719	
Financial liabilities at FVTPL – gold leasing contracts and gold forward/futures contracts	Level 2	**13,145,643**	10,834,009	Market approach – reference to the similar contracts

Note: The fair value of the financial assets at FVTPL – investments in other equity funds is determined using the combined approach – market comparison approach for unlisted shares and income approach for other assets held by equity funds. The valuation are dependent on several unobservable inputs such as discount rates and lack of marketability discounts. The estimated fair value would be decreased if the discount rates and lack of marketability discounts increases.

There were no transfers between Level 1 and 2 of fair value hierarchy in the current and prior years.

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the unobservable inputs to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of financial assets at FVTPL – listed investments in equity funds categorised in Level 3 of the fair value hierarchy would decrease/increase by approximately RMB63,891,000 (2018: RMB48,618,000) respectively.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

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

	Financial assets at FVTPL – investments in other equity funds RMB'000
At 1 January 2018 (restated)	1,034,960
Purchases	1,516,090
Disposals	(1,415,587)
Realised gains in profit or loss	114
Unrealised gains	160,916
At 31 December 2018 (restated)	1,296,493
Purchases	3,671,743
Disposals	(3,292,054)
Realised gain in profit or loss	8,611
Unrealised gains	18,967
At 31 December 2019	1,703,760

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the Company's accounting policies

(a) Going concern consideration

The assessment of the going concern assumptions involves making judgements by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2.1.1.

(b) Joint operation – investment in Minera Andina del Sol. SRL. ("MAS") by the Group

The Group has determined that the Group's investment in MAS, a company incorporated in Argentina with limited liability, is jointly controlled by the Group and a subsidiary of Barrick Gold Corporation ("Barrick Gold"), Barrick Cayman (V) Ltd. The directors of the Company determine that both the Group and Barrick Gold have the right to the assets and obligations for the liabilities of MAS and are eligible to the products produced by the Veladero gold mine ("Veladero Mine"), a gold mine located in Argentina and was held by MAS, and recognise expenses as incurred by MAS in the proportion of 50% each. Therefore, the Group defined its investment in MAS as an investment in a joint operation.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Proved and probable mineral reserves and resources

Proved and probable mineral reserves and resources are estimated based on professional knowledge, experience and industrial practice. Most of the time, the estimation basis on probing and estimation exercised by the management of the Group may not be very accurate. The estimation is updated in accordance with new technologies and new information. This forms the basis for the Life of Mine ("LOM") plans, and any changes in estimation will have impacts on amounts of depreciation of the mining structures and amortisation of mining rights using the UOP method. That may result in changes of or impacts on the Group's development and operation programme, and the Group's operation and operating results.

(b) Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges prospectively where useful lives are less than previously estimated lives, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(c) Impairment assessment on property, plant and equipment and intangible assets

Impairment assessment on property, plant and equipment and intangible assets are performed by the management of the Group at the end of each reporting period. When there is an indication of possible impairment identified, the management of the Group assess whether there is any impairment loss. Impairment loss has been recognised if the recoverable amount, being the higher of fair value less cost of disposal or value-in-use, is lower than the carrying amount. In assessing the value-in-use, the management of the Group takes into estimation of discounted future cash flows. In estimating the future cash flows, the management of the Group takes into account the gold price, recoverable reserves, exploration potentials, production costs and operating costs. The estimates used by the management of the Group in calculating future cash flows might be subject to changes due to the inherent uncertainty and the volatility of the gold price. Where the actual cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2019, the carrying amounts of property, plant and equipment and intangible assets are approximately RMB26,029,464,000 (2018: RMB23,507,522,000) and RMB12,581,306,000 (2018: RMB12,238,471,000) respectively. During the year ended 31 December 2019, impairment losses of approximately RMB23,563,000 (2018: nil) and RMB59,272,000 (2018: nil) have been recognised on property, plant and equipment and intangible assets, respectively.

(d) Impairment assessment on goodwill

The management of the Group tests annually on goodwill in accordance with the accounting policy as disclosed in note 2, based on the recoverable amount. The recoverable amount of each cash-generating unit has been determined based on the higher of value-in-use calculation and fair value less cost of disposal calculation. If the recoverable amount is less than the carrying amount, impairment loss was recognised. The calculations of the recoverable amount require the use of estimates and judgements as disclosed in note 22.

As at 31 December 2019, the carrying amount of the goodwill was approximately RMB1,327,478,000 (2018: RMB1,310,082,000). No impairment loss has been recognised during the years ended 31 December 2019 and 2018.

(e) Fair value measurement of financial assets and liabilities at FVTPL

For the determination of the fair value of financial assets and liabilities at FVTPL, the management of the Group has taken the reference on the available market information, such as quoted market price and other comparable market data. Where there is no such information, the management of the Group uses their judgements and estimates in the fair value calculation, with reference to the other available information and the valuation performed by the independent valuers.

As at 31 December 2019, the carrying amounts of the financial assets and liabilities at FVTPL were approximately RMB7,216,883,000 (2018: RMB6,265,719,000) and RMB13,145,643,000 (2018: RMB10,834,009,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(f) Impairment assessment on trade and other receivables

The impairment for trade and other receivables are based on the assumptions about ECL. The Group uses judgements and estimates in making these assumptions and selecting the inputs to the provision calculation, based on the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment to the consolidated statement of profit or loss.

As at 31 December 2019, the carrying amount of the trade receivables was approximately RMB290,143,000 (2018: RMB591,747,000), net of accumulated impairment of approximately RMB16,888,000 (2018: RMB10,394,000).

As at 31 December 2019, the carrying amount of the other receivables was approximately RMB1,218,028,000 (2018: RMB1,155,957,000), net of accumulated impairment of approximately RMB97,209,000 (2018: RMB91,575,000).

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(h) Estimation on the provision for asset retirement obligations

Provisions are recognised for the future decommissioning and restoration of mines. The amounts of the provision recognised are the present values of the estimated future expenditures that the Group is expected to incur. The estimation of the future expenditures is based on feasibilities report performed by professionals with reference to the current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of mining properties. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the mining properties.

5. REVENUE

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

	2019 RMB'000	2018 RMB'000 (Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	62,396,032	56,092,252
Brokerage and other fees earned from trading of futures contracts	198,443	138,602
	62,594,475	56,230,854
Revenue from other sources		
Rental income from investment properties	18,666	19,640
	62,613,141	56,250,494

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

	2019 RMB'000	2018 RMB'000 (Restated)
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	62,594,475	56,230,854

5. REVENUE *(Continued)*

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

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the year ended 31 December 2019				
Revenue from contracts with customers within the scope of IFRS 15				
Sales of gold bullion, gold related products and others	**3,022,444**	**57,720,911**	**1,652,677**	**62,396,032**
Brokerage and other fees earned from trading of futures contracts	**–**	**–**	**198,443**	**198,443**
	3,022,444	**57,720,911**	**1,851,120**	**62,594,475**
Revenue from other sources				
Rental income from investment properties	**16,633**	**–**	**2,033**	**18,666**
	3,039,077	**57,720,911**	**1,853,153**	**62,613,141**

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the year ended 31 December 2018 (restated)				
Revenue from contracts with customers within the scope of IFRS 15				
Sales of gold bullion, gold related products and others	2,652,375	52,001,595	1,438,282	56,092,252
Brokerage and other fees earned from trading of futures contracts	–	–	138,602	138,602
	2,652,375	52,001,595	1,576,884	56,230,854
Revenue from other sources				
Rental income from investment properties	16,764	33	2,843	19,640
	2,669,139	52,001,628	1,579,727	56,250,494

6. SEGMENT INFORMATION

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

During the year ended 31 December 2019, the Group completed the acquisition of entire equity interest in SDG Capital Management as business combination involving entities under common control, as disclosed in note 2.1.2. SDG Capital Management Group was principally engaged in the investments in equity funds, trading of gold bullion and provision of futures contracts trading services.

The segment information for the year ended 31 December 2018 has been represented as a result of the inclusion of a new reporting segment "Investment Management" as above-mentioned.

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

- Gold Mining – mining and sales of gold ore;

- Gold Refining – production and sales of gold; and

- Investment Management – investments in equity funds, trading of gold bullion and provision of futures contracts trading services.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the year ended 31 December 2019

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	12,344,729	57,980,127	1,855,131	(9,566,846)	62,613,141
Less: inter-segment revenue	(9,305,652)	(259,216)	(1,978)	9,566,846	–
Revenue from external customers	3,039,077	57,720,911	1,853,153	–	62,613,141
Operating profit	2,474,070	215,479	174,684	2,566	2,866,799
Finance income	32,572	4,335	34,559	–	71,466
Finance costs	(637,373)	(7,394)	(222,127)	–	(866,894)
Share of results of associates	1,273	–	46	–	1,319
Profit (loss) before tax	1,870,542	212,420	(12,838)	2,566	2,072,690
Income tax expenses	(556,298)	(55,565)	(48,513)	–	(660,376)
Profit (loss) for the year	1,314,244	156,855	(61,351)	2,566	1,412,314
Other segment information:					
Depreciation and amortisation	2,658,220	44,344	16,982	–	2,719,546
Loss on disposals/write-off of property, plant and equipment	28,117	721	10	–	28,848
Impairment of property, plant and equipment	23,563	–	–	–	23,563
Impairment of intangible assets	59,272	–	–	–	59,272
Government grants	(35,256)	(464)	(1,984)	–	(37,704)
Impairment of trade and other receivables	4,546	6,207	3,575	–	14,328

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2018

	Gold Mining RMB'000 (Restated)	Gold Refining RMB'000 (Restated)	Investment Management RMB'000 (Restated)	Inter-segment elimination RMB'000 (Restated)	Total RMB'000 (Restated)
Revenue	10,678,465	52,118,738	1,579,727	(8,126,436)	56,250,494
Less: inter-segment revenue	(8,009,326)	(117,110)	–	8,126,436	–
Revenue from external customers	2,669,139	52,001,628	1,579,727	–	56,250,494
Operating profit	1,970,475	1,873	427,372	10,915	2,410,635
Finance income	34,039	2,757	30,850	–	67,646
Finance costs	(693,459)	(4,396)	(238,464)	–	(936,319)
Share of results of associates	37,985	–	81	–	38,066
Profit before tax	1,349,040	234	219,839	10,915	1,580,028
Income tax expenses	(486,980)	(966)	(71,285)	–	(559,231)
Profit (loss) for the year	862,060	(732)	148,554	10,915	1,020,797
Other segment information:					
Depreciation and amortisation	2,421,875	43,364	15,221	–	2,480,460
Loss (gain) on disposals/write-off of property, plant and equipment	26,276	729	(4)	–	27,001
Government grants	(11,647)	(629)	(2,122)	–	(14,398)
Provision for inventories	556	–	–	–	556
Impairment (reversal of impairment of) of trade and other receivables, net	2,218	(689)	1,471	–	3,000

Segment assets and liabilities

As at 31 December 2019

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Total assets	48,238,865	2,847,412	9,628,967	(1,866,518)	58,848,726
Including:					
Investments in associates	1,038,417	–	3,842	–	1,042,259
Total liabilities	24,851,950	2,124,151	7,668,252	(1,863,952)	32,780,401

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31 December 2018

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Inter-segment elimination RMB'000 (Restated)	Total RMB'000 (Restated)
Total assets	44,918,141	2,520,733	8,965,407	(1,843,804)	54,560,477
Including:					
Investments in associates	1,037,144	–	3,796	–	1,040,940
Total liabilities	21,826,261	1,965,020	6,927,648	(1,832,889)	28,886,040

Analysis of revenue

	2019 RMB'000	2018 RMB'000 (Restated)
Revenue from contracts with customers within the scope of IFRS 15		
The PRC, excluding HKSAR of the PRC	59,920,478	53,855,116
Outside the PRC	2,673,997	2,375,738
	62,594,475	56,230,854
Revenue from other sources		
The PRC	18,666	19,640
	62,613,141	56,250,494

Revenue is attributed to countries based on the customers' locations.

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Gold sold through the Shanghai Gold Exchange*	57,430,101	36,379,749

* Revenue from Gold Refining segment and Investment Management segment.

6. SEGMENT INFORMATION *(Continued)*

Analysis of non-current assets

	2019 RMB'000	2018 RMB'000 (Restated)
The PRC	**34,352,057**	31,197,753
Outside the PRC	**8,314,758**	8,290,996
	42,666,815	39,488,749

Note: The non-current assets above exclude financial assets at FVTOCI, financial assets at FVTPL, deferred income tax assets and restricted bank deposits.

The above analysis of non-current assets is presented based on the geographical location of the assets. In respect of intangible assets, goodwill and investments in associates, the geographical location is determined based on the place of establishment or incorporation of (i) the subsidiaries of the Company owning such assets; or (ii) the associates.

7. OTHER INCOME

	2019 RMB'000	2018 RMB'000 (Restated)
Government grants (note)	**37,704**	14,398

Note: Included in other income was government grants of approximately RMB19,533,000 (2018: RMB5,871,000) which represented the government grants received from the PRC local government authorities in respect of subsidising the Group's research and development activities, gold mining activities and other daily operations, which were immediately recognised as other income for the year as the Group fulfilled all the relevant granting criteria.

Details of the deferred revenue in respect of the government grants are set out in note 37.

8. OTHER GAINS AND LOSSES, NET

	2019 RMB'000	2018 RMB'000 (Restated)
Fair value losses on gold futures/forward contracts	**(77,085)**	(96,802)
Loss on disposals/write-off of property, plant and equipment	**(28,848)**	(27,001)
Net foreign exchange losses	**(50,276)**	(105,699)
Realised and unrealised fair value gains of financial assets at FVTPL	**244,504**	369,083
Dividends income from financial assets at FVTPL	**15,279**	113,824
Others	**4,011**	149
	107,585	253,554

9. FINANCE INCOME AND FINANCE COSTS

	2019 RMB'000	2018 RMB'000 (Restated)
Finance income		
Interest income from		
– bank deposits	**39,809**	49,101
– deposits with an associate	**12,463**	7,750
– entrusted loans	**3,581**	4,616
– gold leased to independent third parties	**13,977**	1,366
– financial assets held under resale agreements	**1,636**	4,813
	71,466	67,646
Finance costs		
Interest expenses from		
– bank borrowings	**238,906**	285,575
– borrowings from related parties	**11,026**	18,475
– corporate bonds	**69,768**	114,583
– interest charge on unwinding of discounts from provision for asset retirement obligations (note 38)	**14,632**	10,346
– lease liabilities	**7,192**	–
Finance costs for arranging gold leasing contracts	**393,464**	258,650
Realised and unrealised fair value losses on gold leasing contracts	**132,229**	223,521
Guarantee and arrangement fees for borrowings	**6,949**	29,765
	874,166	940,915
Less: amounts capitalised on qualifying assets (note)	**(7,272)**	(4,596)
	866,894	936,319

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.05% (2018: 4.58%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000 (Restated)
Current income tax:		
– The PRC	559,934	410,220
– Outside the PRC	146,848	219,186
	706,782	629,406
Deferred income tax (note 36)	(46,406)	(70,175)
	660,376	559,231

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25% (2018: 25%). The EIT is calculated based on the applicable income tax rate of 25% on the estimated assessable profit of each of the companies comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for the Company and certain subsidiaries which are taxed at preferential tax rate of 15% (2018: 15%) based on the relevant PRC tax laws and regulations.

(b) The estimated assessable profit of the Group's overseas joint operation is calculated 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 RMB21,158,000 (2018: RMB19,577,000) during the year ended 31 December 2019 on certain inter-company interest expenses paid to Shandong Gold Mining (Hongkong) Co., Limited ("SDG HK"), a direct wholly-owned subsidiary of the Company, which were eliminated upon the proportional consolidation.

(c) No provision for income tax has been made by SDG HK as it has no estimated taxable profits in any financial year since the date of its incorporation.

10. INCOME TAX EXPENSES *(Continued)*

The income tax expenses for the year can be reconciled to profit before tax per consolidated statement of profit or loss as follows:

	2019 **RMB'000**	2018 RMB'000 (Restated)
Profit before tax	**2,072,690**	1,580,028
Tax calculated at domestic income tax rate of 25% (2018: 25%)	**518,173**	395,007
Effect of different tax rates of subsidiaries operating in other jurisdictions	**28,336**	18,388
Tax effect of income not taxable for tax purpose	**(12,220)**	(18,691)
Tax effect of expenses not deductible for tax purposes	**46,387**	53,073
Utilisation of tax losses previously not recognised	**(7,141)**	(13,329)
Tax effect of tax losses not recognised	**110,322**	24,143
Additional expenses allowance for tax deduction	**(48,087)**	(30,985)
Withholding tax on interest income from the joint operation	**21,158**	19,577
Others	**3,448**	112,048
Income tax expenses	**660,376**	559,231

Details of deferred income tax are set out in note 36.

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2019 RMB'000	2018 RMB'000 (Restated)
Directors' and chief executive's emoluments (note 12)	4,480	4,656
Other staff:		
– salaries, wages, allowances and other benefits	2,088,964	1,969,376
– retirement benefit scheme contributions (note)	357,828	382,994
Total staff costs	2,451,272	2,357,026
Amortisation of land use rights	–	12,111
Amortisation of intangible assets	471,378	508,912
Amortisation of long-term rental prepayments	–	12,427
Depreciation of property, plant and equipment	2,178,076	1,975,317
Depreciation of investment properties	12,013	12,028
Depreciation of right-of-use assets	58,079	–
Auditors' remuneration	8,680	8,870
Loss on disposals/write-off of property, plant and equipment	28,848	27,001
Provision for impairment of property, plant and equipment	23,563	–
Provision for impairment of intangible assets	59,272	–
Provision for impairment of trade and other receivables, net	14,328	3,000
Provision for inventories	–	556
Operating lease charges in respect of rented premises	N/A	51,971
Research and development expenses	333,050	321,041
Amount of inventories recognised as expenses	57,003,912	51,815,752

Note: The Group participates in various pension plans organised by the relevant municipal and provincial governments in the PRC under which the Group is required to make monthly defined contributions to these plans at rates ranging from 18% to 20% (2018: 18% to 20%) of the employees' basic salaries depending on the applicable local regulations. Also, the joint operation of the Group is required to contribute approximately 28% (2018: 28%) of the employees' basic salaries to the applicable pension plan in Argentina.

During the year ended 31 December 2019, the total expense charged to consolidated statement of profit or loss of approximately RMB358,406,000 (2018: RMB383,366,000) represents contributions payable to these schemes by the Group.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(i) The emoluments paid or payable to each of the 9 (2018: 9) directors and the chief executive of the Company were as follows:

For the year ended 31 December 2019

	Director's fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Li Tao (李濤) (note (b))	–	202	401	97	700
Mr. Tang Qi (湯琦)	–	144	251	97	492
Mr. Wang Peiyue (王培月)	–	202	267	93	562
Non-executive directors					
Mr. Li Guohong (李國紅)	187	–	542	114	843
Mr. Wang Lijun (王立君)	149	–	434	80	663
Ms. Wang Xiaoling (汪曉玲)	149	–	434	97	680
Independent non-executive directors					
Mr. Gao Yongtao (高永濤)	180	–	–	–	180
Ms. Hui Wing	180	–	–	–	180
Mr. Lu Bin (盧斌)	180	–	–	–	180
Total	1,025	548	2,329	578	4,480

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(i) The emoluments paid or payable to each of the 9 (2018: 9) directors and the chief executive of the Company were as follows: *(Continued)*

For the year ended 31 December 2018

	Director's fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Tang Qi (湯琦)	–	144	437	61	642
Mr. Wang Peiyue (王培月)	–	240	384	59	683
Non-executive directors					
Mr. Chen Daojiang (陳道江) (note (a))	113	–	360	54	527
Mr. Li Guohong (李國紅)	300	–	301	78	679
Mr. Wang Lijun (王立君)	136	–	406	59	601
Ms. Wang Xiaoling (汪曉玲)	198	–	725	61	984
Independent non-executive directors					
Mr. Gao Yongtao (高永濤)	180	–	–	–	180
Mr. Lu Bin (盧斌)	180	–	–	–	180
Ms. Hui Wing	180	–	–	–	180
Total	1,287	384	2,613	372	4,656

Notes:

(a) Resigned on 27 November 2018

(b) Appointed on 14 January 2019

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(i) The emoluments paid or payable to each of the 9 (2018: 9) directors and the chief executive of the Company were as follows: *(Continued)*

Amongst the directors' emoluments as disclosed above, certain directors of the Company also received emoluments from the Company's holding company, Shandong Gold Group, and its fellow subsidiaries in respect of their services. No apportionment has been made as the directors of the Company consider that it is impracticable to apportion this amount between their services rendered to the Group and their services rendered to Shandong Gold Group, and/or its fellow subsidiaries.

Mr. Li Guohong is the chairman of the board of directors of the Company while Mr. Wang Peiyue is general manager of the Company.

Discretionary bonuses disclosed above were determined by the Remuneration and Appraisal Committee of the Company with reference to the individual performance.

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

The directors of the Company did not receive any termination benefits during the years ended 31 December 2019 and 2018.

No consideration provided to or receivable by third parties for making available directors' services subsisted at the end of the reporting period or at any time during the years ended 31 December 2019 and 2018.

There were no other loans, quasi-loans and other dealings in favor of directors of the Company, their controlled bodies corporate and connected entities subsisted at the end of the reporting period or any time during the years ended 31 December 2019 and 2018.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(ii) The emoluments paid or payable to each of the 4 (2018: 3) supervisors of the Company were as follows:

For the year ended 31 December 2019

	Fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors					
Ms. Duan Huijie (段慧潔) (note (b))	–	120	284	106	510
Mr. Li Xiaoping (李小平)	–	149	434	80	663
Mr. Liu Rujun (劉汝軍)	–	156	372	93	621
Ms. Liu Yanfen (劉延芬) (note (a))	–	20	18	16	54
Total	–	445	1,108	295	1,848

For the year ended 31 December 2018

	Fee RMB'000	Salaries, allowance and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors					
Ms. Duan Huijie (段慧潔) (note (b))	–	144	690	95	929
Mr. Li Xiaoping (李小平)	–	136	471	95	702
Mr. Liu Rujun (劉汝軍)	–	156	688	95	939
Total	–	436	1,849	285	2,570

Notes:

(a) Appointed on 8 November 2019

(b) Resigned on 8 November 2019

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2019 No. of individuals	2018 No. of individuals
Director	**–**	1
Non-directors	**5**	4
	5	5

The emoluments payable to the non-directors are as follows:

	2019 RMB'000	2018 RMB'000
Wages, salaries, bonuses and allowances	**4,200**	3,970
Retirement benefit scheme contributions	**476**	250
	4,676	4,220

The emoluments to the non-executive directors fell within the following bands:

	2019 No. of individuals	2018 No. of individuals
Emolument bands (in Hong Kong dollars ("HK$"))		
Less than HK$1,000,000	**–**	–
HK$1,000,000 to HK$1,500,000	**5**	4

All of the analysis on the highest paid individuals above did not take into account the emoluments paid to the employees of the joint operation of the Company.

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Final dividend for the year ended 31 December 2017 of RMB0.04 per share	**–**	73,764
Final dividend for the year ended 31 December 2018 of RMB0.1 per share	**219,850**	–
	219,850	73,764

On 28 March 2019, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2018 of RMB0.1 per share to the shareholders of the Company, except for 13,015,060 A shares of the Company which is not subject to any dividend, and 2,491,910 treasury shares held by the Company with the dividend of approximately RMB249,000 which would have been eliminated in the consolidated financial statements. Accordingly, the dividend paid during the year ended 31 December 2019 was approximately RMB219,850,000. The payment of dividend has been resolved by the special resolution in the shareholders' meeting of the Company on 28 June 2019.

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

	2019 RMB'000	2018 RMB'000 (Restated)
Proposed final dividend after the date of the reporting period: RMB0.1 (2018: RMB0.1) per share	**307,790**	219,850

On 16 April 2020, the board of directors of the Company proposed the payment of a final dividend for the year ended 31 December 2019 of RMB0.1 per share to the shareholders of the Company, except for 18,221,084 A shares of the Company which is not subject to any dividend, and 3,488,674 treasury shares held by the Company with the proposed dividend of approximately RMB349,000 which would have been eliminated in the consolidated financial statements. Accordingly, the dividend proposed for the year ended 31 December 2019 was approximately RMB307,790,000. The payment of dividend will be proposed in the annual general meeting of the Company.

In addition, on 16 April 2020, bonus issue on the basis of four bonus shares for every ten shares has been proposed by the directors of the Company. The bonus issue will be proposed in the annual general meeting of the Company.

14. EARNINGS PER SHARE

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

	2019	2018 (Restated)
Profit attributable to owners of the Company (RMB'000)	**1,290,503**	964,411
Weighted average number of shares in issues (thousands of shares)	**3,096,123**	2,721,475
Basic earnings per share (RMB per share)	**0.42**	0.35

On 28 June 2019, a special resolution was passed by the shareholders of the Company to approve the bonus issue on the basis of four bonus shares for every ten existing shares held by the shareholders of the Company as at 10 July 2019.

The weighted average number of shares for the purpose of calculating basic and diluted earnings per share for the years ended 31 December 2019 and 2018 has been adjusted for the bonus issue on 20 August 2019.

As the Company did not have any dilutive instruments during the years ended 31 December 2019 and 2018, the Group's diluted earnings per share was the same as its basic earnings per share.

15. SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries of the Company at 31 December 2019 and 2018:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Registered share capital/ paid-up capital	Effective equity interest of the Company 2019		2018		Principal activities
				Direct	Indirect	Direct	Indirect	
SDG Laizhou (note (iii))	The PRC	Contributed	RMB410,000,000	95.31%	-	100%	–	Gold mining in the PRC
Shandong Gold Smelting Co., Ltd. (山東黃金冶煉有限公司)	The PRC	Contributed	RMB350,000,000	100%	-	100%	–	Gold and silver smelting in the PRC
SDG Xinhui (note (iv))	The PRC	Contributed	RMB257,000,000	66.80%	-	100%	–	Gold mining in the PRC
SDG Linglong (note (ii))	The PRC	Contributed	RMB402,306,600	74.57%	-	74.57%	–	Gold mining in the PRC
Shandong Jinshi Mining Co., Ltd. (山東金石礦業有限公司)	The PRC	Contributed	RMB26,800,000	100%	-	100%	–	Mining investment in the PRC
Xihe Zhongbao Mining Co., Ltd. (西和縣中寶礦業有限公司) ("Xihe Zhongbao")	The PRC	Contributed	RMB200,000,000	70%	-	70%	–	Gold Mining in the PRC
Shandong Gold Group Penglai Mining Co., Ltd. (山東黃金集團蓬萊礦業有限公司)	The PRC	Contributed	RMB50,000,000	100%	-	100%	–	Gold mining in the PRC
Pingyi County Guilaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司) ("Guilaizhuang")	The PRC	Contributed	RMB621,670,000	70.65%	-	70.65%	–	Gold mining in the PRC
Shandong Jinzhou Mine Group Co., Ltd. (山東金洲礦業集團有限公司) ("Shandong Jinzhou")	The PRC	Contributed	RMB80,172,426	60.78%	-	60.78%	–	Gold mining in the PRC
Shandong Gold Mining (Laixi) Co., Ltd. (山東黃金礦業(萊西)有限公司)	The PRC	Contributed	RMB214,000,000	100%	-	100%	–	Gold mining in the PRC
Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司)	The PRC	Contributed	RMB171,000,000	100%	-	100%	–	Gold mining in the PRC
Fujian Zhenghe County Yuanxin Mining Co., Ltd. (福建省政和縣源鑫礦業有限公司) ("Fujian Zhenghe")	The PRC	Contributed	RMB54,000,000	90.31%	-	90.31%	–	Gold mining in the PRC
Chifeng Chaihuilanzi Gold Mining Co., Ltd. (赤峰柴胡欄子黃金礦業有限公司) ("Chifeng Chai Gold")	The PRC	Contributed	RMB10,017,700	73.52%	-	73.52%	–	Gold mining in the PRC
SDG HK	Hong Kong	Ordinary shares	RMB4,531,145,600	100%	-	100%	–	Investment holding
SDG Capital Management (note (v))	The PRC	Contributed	RMB1,500,000,000	100%	-	100%	–	Investment in equity funds, trading and leases of gold bullion
Shanjin Futures Co., Ltd. (山金期貨有限公司) ("Shanjin Futures") (note (v))	The PRC	Contributed	RMB600,000,000	-	100%	–	100%	Provision of futures contracts trading services
Shanjin Jinkung (Shanghai) Precious Metals Investment Co., Ltd. (山金金控(上海)貴金屬投資有限公司) (note (v))	The PRC	Contributed	RMB300,000,000	-	100%	–	100%	Trading of gold bullion and related products
Shanjin Jinkung (Shenzhen) Gold Investment Development Co., Ltd. (山金金控(深圳)黃金投資發展有限公司) ("Shanjin Jinkung SZ") (note (v))	The PRC	Contributed	RMB70,000,000	-	100%	–	70%	Investment in equity funds
Shanghai Shengju Asset Management Co., Ltd. ("Shanghai Shengju Asset Management") (上海盛鉅資產經營管理有限公司) (note (v))	The PRC	Contributed	RMB121,000,000	-	100%	–	100%	Asset management and Investment management

15. SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

(i) The nature of all the legal entities established in the PRC is limited liability company.

(ii) As explained in note (a)(ii) to the consolidated statement of changes in equity, ICBC Investment invested an amount of RMB1,000,000,000 in SDG Linglong. Accordingly, the registered capital of SDG Linglong was increased from RMB300,000,000 to RMB402,306,600 during the year ended 31 December 2018 and the amendment of the register of Administration for Industrial and Commerce of SDG Linglong was completed during the year ended 31 December 2019.

(iii) As explained in note (a)(iii) to the consolidated statement of changes in equity, BOC Investment invested an amount of RMB500,000,000 in SDG Laizhou. However, as at 31 December 2019, the amendment of the register of Administration for Industrial and Commerce has not yet been completed. Upon the said amendment, the registered capital of SDG Laizhou will be increased from RMB410,000,000 to RMB430,176,364.

(iv) As explained in note (a)(iv) to the consolidated statement of changes in equity, CCB Investment and BOC Investment invested an aggregate amount of RMB1,000,000,000 in SDG Xinhui. However, as at 31 December 2019, the amendment of the register of Administration for Industrial and Commerce has not yet been completed. Upon the said amendment, the registered capital of SDG Xinhui will be increased from RMB257,000,000 to RMB384,735,903.

(v) The subsidiaries of the Company are acquired through the acquisition of the SDG Capital Management Group as business combination involving entities under common control during the year ended 31 December 2019 (note 43).

15. SUBSIDIARIES OF THE COMPANY *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(a) Material non-controlling interests

The carrying amount of non-controlling interests in respective subsidiaries of the Company with material non-controlling interests are analysed as below:

	2019 RMB'000	2018 RMB'000
Shandong Jinzhou and its subsidiaries (collectively referred to as the "Shandong Jinzhou Group")	**324,893**	297,569
Xihe Zhongbao	**359,170**	355,184
Guilaizhuang	**269,249**	262,811
SDG Linglong	**877,452**	864,719
SDG Laizhou	**289,645**	–
SDG Xinhui	**603,503**	–
	2,723,912	1,780,283

15. SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summary of statement of financial position

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**161,332**	170,220	**33,797**	12,235
Non-current assets	**1,033,236**	883,076	**1,858,500**	1,839,908
	1,194,568	1,053,296	**1,892,297**	1,852,143
Current liabilities	**(267,583)**	(206,758)	**(369,280)**	(305,240)
Non-current liabilities	**(41,163)**	(30,384)	**(325,784)**	(362,958)
	(308,746)	(237,142)	**(695,064)**	(668,198)
Net assets	**885,822**	816,154	**1,197,233**	1,183,945

	Guilaizhuang		SDG Linglong	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**311,027**	211,236	**1,271,828**	1,343,897
Non-current assets	**751,014**	762,852	**3,688,479**	3,115,213
	1,062,041	974,088	**4,960,307**	4,459,110
Current liabilities	**(131,048)**	(63,248)	**(1,449,294)**	(1,015,229)
Non-current liabilities	**(13,620)**	(15,402)	**(60,552)**	(43,494)
	(144,668)	(78,650)	**(1,509,846)**	(1,058,723)
Net assets	**917,373**	895,438	**3,450,461**	3,400,387

15. SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests *(Continued)*

Summary of statement of financial position *(Continued)*

	SDG Laizhou		SDG Xinhui	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**1,525,487**	N/A	**183,960**	N/A
Non-current assets	**11,016,200**	N/A	**2,148,534**	N/A
	12,541,687	N/A	**2,332,494**	N/A
Current liabilities	**(5,823,683)**	N/A	**(470,874)**	N/A
Non-current liabilities	**(539,588)**	N/A	**(43,892)**	N/A
	(6,363,271)	N/A	**(514,766)**	N/A
Net assets	**6,178,416**	N/A	**1,817,728**	N/A

Summary of statement of comprehensive income

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**234,473**	287,831	**203,060**	152,880
Profit (loss) before tax	**76,588**	37,726	**10,339**	(198)
Income tax (expenses) credit	**(6,920)**	(8,010)	**2,949**	5,471
Profit and total comprehensive income for the year	**69,668**	29,716	**13,288**	5,273
Total comprehensive income allocated to non-controlling interests	**27,324**	11,722	**3,986**	1,582
Dividends paid to non-controlling interests	**–**	9,399	**–**	–

15. SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests *(Continued)*

Summary of statement of comprehensive income *(Continued)*

	Guilaizhuang		SDG Linglong	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**333,302**	339,902	**1,290,715**	1,189,676
Profit before tax	**86,861**	90,290	**393,630**	332,021
Income tax expenses	**(64,926)**	(12,757)	**(87,908)**	(77,441)
Profit and total comprehensive income for the year	**21,935**	77,533	**305,722**	254,580
Total comprehensive income allocated to non-controlling interests (note)	**6,438**	22,756	**77,733**	–
Dividends paid to non-controlling interests	**–**	–	**65,000**	–

	SDG Laizhou		SDG Xinhui	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**4,475,433**	N/A	**385,410**	N/A
Profit before tax	**1,252,523**	N/A	**23,441**	N/A
Income tax expenses	**(300,509)**	N/A	**(3,054)**	N/A
Profit and total comprehensive income for the year	**952,014**	N/A	**20,387**	N/A
Total comprehensive income allocated to non-controlling interests (note)	**–**	N/A	**–**	N/A

Note: Since the capital contributions from non-controlling interests for the 4.69% equity interest in SDG Laizhou and 33.20% equity interest in SDG Xinhui were completed on 19 December 2019 and 25 December 2019 respectively, no profit and total comprehensive income for the year ended 31 December 2019 has been allocated to non-controlling interests as a result of the insignificant amounts.

Since the capital contribution from non-controlling interests for the 25.43% equity interest in SDG Linglong was completed on 25 December 2018, no profit and total comprehensive income for the year ended 31 December 2018 has been allocated to non-controlling interests as a result of the insignificant amounts.

15. SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests *(Continued)*

Summary of statement of cash flows

	The Shandong Jinzhou Group		Xihe Zhongbao	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net cash generated from operating activities	**83,020**	67,581	**64,152**	53,285
Net cash used in investing activities	**(124,510)**	(50,189)	**(66,480)**	(37,501)
Net cash from (used in) financing activities	**48,739**	(11,067)	**12,258**	(15,644)
Net increase in cash and cash equivalents	**7,249**	6,325	**9,930**	140
Cash and cash equivalents at the beginning of the year	**7,100**	775	**295**	155
Cash and cash equivalents at the end of the year	**14,349**	7,100	**10,225**	295

	Guilaizhuang		SDG Linglong	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net cash generated from operating activities	**111,843**	7,774	**382,632**	393,177
Net cash used in investing activities	**(55,869)**	(21,180)	**(589,642)**	(1,475,444)
Net cash from financing activities	**–**	500	**121,016**	1,175,173
Net increase (decrease) in cash and cash equivalents	**55,974**	(12,906)	**(85,994)**	92,906
Cash and cash equivalents at the beginning of the year	**6,735**	19,641	**116,182**	23,276
Cash and cash equivalents at the end of the year	**62,709**	6,735	**30,188**	116,182

15. SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Summarised financial information on subsidiaries of the Company with material non-controlling interests *(Continued)*

Summary of statement of cash flows ***(Continued)***

	SDG Laizhou		SDG Xinhui	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net cash generated from operating activities	**1,779,061**	N/A	**99,140**	N/A
Net cash used in investing activities	**(1,553,591)**	N/A	**(80,120)**	N/A
Net cash (used in) from financing activities	**(246,657)**	N/A	**19,492**	N/A
Net (decrease) increase in cash and cash equivalents	**(21,187)**	N/A	**38,512**	N/A
Cash and cash equivalents at the beginning of the year	**220,995**	N/A	**4,316**	N/A
Cash and cash equivalents at the end of the year	**199,808**	N/A	**42,828**	N/A

Note: The above financial information has been shown before inter-company eliminations.

16. JOINT OPERATION

As at 31 December 2019 and 2018, the Group had interest in the following joint operation:

Name of entity	Place of incorporation/ operation	Class of shares held	Effective equity interest of the Company				Principal activities
			2019		2018		
			Direct	**Indirect**	Direct	Indirect	
Minera Andina del Sol SRL. ("MAS")	Argentina	Shares	**50%**	**-**	50%	–	Gold Mining in Argentina

The Group and Barrick Gold jointly operate the Veladero Mine held by MAS as joint operators. Both the Group and Barrick Gold have the right to the assets and obligations for the liabilities of MAS and are eligible to the products produced by the Veladero Mine and recognise expenses as incurred by MAS in the proportion of 50% each. Accordingly, the Group has accounted for its investment in MAS as a joint operation and consolidated its proportionate share of the assets and liabilities, as well as its share of the revenue and expenses of MAS.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2018 (restated)					
Cost	6,761,698	13,216,013	6,925,699	2,665,860	29,569,270
Accumulated depreciation	(1,816,023)	(2,783,565)	(3,120,840)	–	(7,720,428)
Accumulated impairment	(22,150)	(32,110)	(7,640)	–	(61,900)
Currency translation differences	(41,196)	(124,689)	(64,575)	(9,098)	(239,558)
Net book amount	4,882,329	10,275,649	3,732,644	2,656,762	21,547,384
Year ended 31 December 2018 (restated)					
Opening net book amount	4,882,329	10,275,649	3,732,644	2,656,762	21,547,384
Additions	6,130	471,343	356,808	2,834,049	3,668,330
Transfers upon completion of construction	517,486	1,571,524	276,575	(2,365,585)	–
Transfer to construction in progress	–	–	(29,902)	29,902	–
Transfer to investment properties (note 18)	(352)	–	–	–	(352)
Disposals/write-off (note (a))	(42,525)	–	(14,435)	(9,220)	(66,180)
Depreciation charges	(555,625)	(671,787)	(747,905)	–	(1,975,317)
Currency translation differences	57,830	182,951	79,735	12,841	333,357
Closing net book amount	4,865,273	11,829,680	3,653,520	3,158,749	23,507,222
As at 31 December 2018 (restated)					
Cost	7,229,153	15,258,880	7,478,964	3,155,006	33,122,003
Accumulated depreciation	(2,358,364)	(3,455,352)	(3,832,964)	–	(9,646,680)
Accumulated impairment	(22,150)	(32,110)	(7,640)	–	(61,900)
Currency translation differences	16,634	58,262	15,160	3,743	93,799
Net book amount	4,865,273	11,829,680	3,653,520	3,158,749	23,507,222

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Mining structures RMB'000	Plant machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2019					
Cost	7,229,153	15,257,871	7,478,964	3,155,006	33,120,994
Accumulated depreciation	(2,358,364)	(3,454,343)	(3,832,964)	–	(9,645,671)
Accumulated impairment	(22,150)	(32,110)	(7,640)	–	(61,900)
Currency translation differences	16,634	58,262	15,160	3,743	93,799
Net book amount	4,865,273	11,829,680	3,653,520	3,158,749	23,507,222
Year ended 31 December 2019					
Opening net book amount	4,865,273	11,829,680	3,653,520	3,158,749	23,507,222
Additions (note (a))	7,161	250,709	421,511	3,994,464	4,673,845
Transfers upon completion of construction	496,628	2,429,574	250,991	(3,177,193)	–
Transfer from investment properties (note 18)	911	–	–	–	911
Transfer to investment properties (note 18)	(386)	–	–	–	(386)
Disposals/write-off	(5,565)	(3,262)	(53,625)	–	(62,452)
Depreciation charges	(516,673)	(849,617)	(811,786)	–	(2,178,076)
Impairment	–	(23,248)	(315)	–	(23,563)
Currency translation differences	19,260	64,453	22,395	5,855	111,963
Closing net book amount	4,866,609	13,698,289	3,482,691	3,981,875	26,029,464
As at 31 December 2019					
Cost	7,717,012	17,930,572	7,729,283	3,972,277	37,349,144
Accumulated depreciation	(2,864,147)	(4,299,640)	(4,276,192)	–	(11,439,979)
Accumulated impairment	(22,150)	(55,358)	(7,955)	–	(85,463)
Currency translation differences	35,894	122,715	37,555	9,598	205,762
Net book amount	4,866,609	13,698,289	3,482,691	3,981,875	26,029,464

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) The additions to the property, plant and equipment for the year ended 31 December 2019 included an amount of approximately RMB66,789,000 (2018: disposals/write-off of approximately RMB29,591,000) which was arisen from the change in the discount rate used for the asset retirement obligations as disclosed in note 38.

For the year ended 31 December 2018, the disposals/write-off of the property, plant and equipment included the disposal of certain staff dormitories and related infrastructures/facilities with aggregate carrying amount of approximately RMB24,445,000 (2019: nil) to the PRC Government in accordance with a notice as issued by the Ministry of Finance of the PRC which is applicable to state-owned enterprises. The loss on disposal of property, plant and equipment of approximately RMB16,575,000 (2019: nil) has been recognised to the Group's total equity as a distribution to a shareholder of the Company.

(b) The Group was in the process of applying the ownership certificates for certain buildings as follows:

	2019	2018
	RMB'000	RMB'000
		(Restated)
Net book value	**770,423**	898,927

(c) During the year ended 31 December 2019, as a result of the failure of the development on the gold refining project carried by MAS, the directors of the Company conducted a review of the related mining structures included in property, plant and equipment and determined that those assets should be fully impaired. Accordingly, impairment of property, plant and equipment of approximately RMB23,248,000 has been determined on the basis of their value-in-use.

18. INVESTMENT PROPERTIES

	RMB'000
As at 1 January 2018 (restated)	
Cost	327,889
Accumulated depreciation	(72,734)
Net book amount	255,155
Year ended 31 December 2018 (restated)	
Opening net book amount	255,155
Transfer from property, plant and equipment (note 17)	352
Addition	518
Depreciation	(12,028)
Closing net book amount	243,997
As at 31 December 2018 (restated)	
Cost	328,759
Accumulated depreciation	(84,762)
Net book amount	243,997
Year ended 31 December 2019	
Opening net book amount	**243,997**
Transfer from property, plant and equipment (note 17)	**386**
Transfer to property, plant and equipment (note 17)	**(911)**
Depreciation	**(12,013)**
Closing net book amount	**231,459**
As at 31 December 2019	
Cost	**328,234**
Accumulated depreciation	**(96,775)**
Net book amount	**231,459**

18. INVESTMENT PROPERTIES *(Continued)*

The fair value valuation of the Group's investment properties was performed by Beijing Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) ("Beijing Pan-China"), an independent professional valuer not connected to the Group, (2018: Shandong Pan-China Assets Appraisal Co., Ltd. (山東天健興業資產評估有限公司) ("Shandong Pan-China"), an independent valuer not connected to the Group) to determine the fair value of the investment properties at the end of each reporting period. When determining the fair value of the investment properties, market comparison approach, which is by reference to the recent market prices for similar properties in the similar locations and conditions, has been used. The fair value hierarchy has been grouped into fair value hierarchy Level 3. The details of fair value of the investment properties are as below:

	2019 RMB'000	2018 RMB'000 (Restated)
Fair value of investment properties	**344,731**	341,166

In estimating the fair value of the investment properties at the end of each reporting period, the highest and best use of the properties is their current use. There has been no change from the valuation technique used in current and prior years.

Amounts recognised in profit or loss for investment properties

	2019 RMB'000	2018 RMB'000 (Restated)
Rental income	**18,666**	19,640
Less: direct operating expenses from investment properties that generated rental income	**(478)**	(971)
	18,188	18,669

19. LAND USE RIGHTS

	Year ended 31 December 2018 RMB'000
As at 1 January 2018	
Cost	421,463
Accumulated amortisation	(73,602)
Accumulated impairment	(8,037)
Net book amount	339,824
Opening net book amount	339,824
Addition	12,529
Amortisation charge	(12,111)
Closing net book amount	340,242
Cost	433,992
Accumulated amortisation	(85,713)
Accumulated impairment	(8,037)
Net book amount	340,242

The Group's land use rights as at 31 December 2018 represented prepaid lease payments for leasehold land located in the PRC with lease periods of 50 years.

The Group was in the process of applying the ownership certificates for certain land use rights as follows:

	31 December 2018 RMB'000
Net book value	21,628

Upon adoption of IFRS 16 on 1 January 2019, the carrying amount of prepaid lease payments of approximately RMB340,242,000 was reclassified to right-of-use assets.

20. LEASES

(a) Right-of-use assets

	31 December 2019 RMB'000	1 January 2019 RMB'000
– leasehold land	383,822	355,856
– buildings	95,684	67,352
– machinery and others	24,044	12,835
	503,550	436,043

Right-of-use assets of approximately RMB383,822,000 (1 January 2019: RMB355,856,000) represents land use rights located in the PRC. The leasehold land is amortised over its useful life on a straight-line basis.

Besides, the Group has lease arrangements for buildings, machinery and others. The lease terms are generally ranged from 2 to 26 years (1 January 2019: 2 to 26 years).

Additions to right-of-use assets of approximately RMB125,586,000 and lease liabilities of approximately RMB65,727,000 represented the new leases entered by the Group during the year ended 31 December 2019.

(b) Lease liabilities

	31 December 2019 RMB'000	1 January 2019 RMB'000
Analysed as:		
– non-current	65,940	42,256
– current	42,043	37,931
	107,983	80,187

20. LEASES *(Continued)*

(b) Lease liabilities *(Continued)*

Amounts payable under lease liabilities:

	31 December 2019 RMB'000
Within one year	42,043
After one year but within two years	16,980
After two years but within five years	23,175
Over five years	25,785
	107,983
Less: amounts due for settlement within 12 months (shown under current liabilities)	(42,043)
Amounts due for settlement after 12 months	65,940

(c) Amounts recognised in profit or loss

	Year ended 31 December 2019 RMB'000
Depreciation expense on right-of-use assets:	
– leasehold land	31,893
– buildings	4,782
– machinery and others	21,404
	58,079
Interest expense on lease liabilities	7,192
Expense relating to short-term leases	1,310

(d) Others

During the year ended 31 December 2019, the total cash outflows for leases amount to approximately RMB106,292,000.

21. INTANGIBLE ASSETS

	Mining and exploration rights RMB'000	Patent rights RMB'000	Software licenses RMB'000	Trademark and others RMB'000	Total RMB'000
As at 1 January 2018 (restated)					
Cost	16,011,676	13,361	59,533	3,347	16,087,917
Accumulated amortisation	(4,021,725)	(11,247)	(34,012)	(884)	(4,067,868)
Net book amount	11,989,951	2,114	25,521	2,463	12,020,049
Year ended 31 December 2018 (restated)					
Opening net book amount	11,989,951	2,114	25,521	2,463	12,020,049
Additions	688,783	22,680	8,068	7,803	727,334
Amortisation charges	(500,343)	(3,036)	(5,471)	(62)	(508,912)
Closing net book amount	12,178,391	21,758	28,118	10,204	12,238,471
As at 31 December 2018 (restated)					
Cost	16,700,459	36,041	67,601	11,150	16,815,251
Accumulated amortisation	(4,522,068)	(14,283)	(39,483)	(946)	(4,576,780)
Net book amount	12,178,391	21,758	28,118	10,204	12,238,471
Year ended 31 December 2019					
Opening net book amount	**12,178,391**	**21,758**	**28,118**	**10,204**	**12,238,471**
Additions	**834,421**	**23,195**	**3,748**	**12,121**	**873,485**
Impairment	**(59,272)**	**–**	**–**	**–**	**(59,272)**
Amortisation charges	**(461,423)**	**(3,622)**	**(5,863)**	**(470)**	**(471,378)**
Closing net book amount	**12,492,117**	**41,331**	**26,003**	**21,855**	**12,581,306**
As at 31 December 2019					
Cost	**17,534,880**	**59,236**	**71,349**	**23,271**	**17,688,736**
Accumulated amortisation	**(4,983,491)**	**(17,905)**	**(45,346)**	**(1,416)**	**(5,048,158)**
Impairment provision	**(59,272)**	**–**	**–**	**–**	**(59,272)**
Net book amount	**12,492,117**	**41,331**	**26,003**	**21,855**	**12,581,306**

21. INTANGIBLE ASSETS *(Continued)*

During the year ended 31 December 2019, the directors of the Company conducted a review of the property, plant and equipment and intangible assets held by Fujian Zhenghe and determined that the a number of assets were impaired, due to the under-performance of the gold mining activities. Accordingly, impairment loss of approximately RMB59,272,000 (2018: nil) have been recognised in respect of the mining and exploration rights of Fujian Zhenghe with carrying amount of such cash-generating unit of approximately RMB216,428,000, which are used in the gold mining segment. The recoverable amount of the such cash-generating unit of approximately RMB504,666,000 have been determined on the basis of their value-in-use calculation. The pre-tax discount rate in measuring the amount of value-in-use calculation was 7.2%.

22. GOODWILL

	2019 RMB'000	2018 RMB'000 (Restated)
AT COST AND CARRYING AMOUNT		
Goodwill on business combinations in the PRC (note (a))	**253,451**	253,451
Goodwill on acquisition of the joint operation (note (b))	**1,042,959**	1,042,959
Currency translation differences	**31,068**	13,672
	1,327,478	1,310,082

(a) Goodwill on business combinations in the PRC

The amount represented the goodwill arising from the Group's acquisition of subsidiaries in the PRC.

	2019 RMB'000	2018 RMB'000 (Restated)
Gold Mining – Chifeng Chai Gold	**65,340**	65,340
Gold Mining – Guilaizhuang	**55,354**	55,354
Investment Management – Shanjin Futures	**132,757**	132,757
	253,451	253,451

22. GOODWILL *(Continued)*

(a) Goodwill on business combinations in the PRC *(Continued)*

The balance comprised of the goodwill arising from (i) the acquisition of Chifeng Chai Gold in December 2008 of approximately RMB65,340,000; (ii) the goodwill taken up upon the acquisition of Guilaizhuang in October 2016 (an acquisition which has been accounted for as a business combination involving an entity under common control) of approximately RMB55,354,000; and (iii) the acquisition of Shanjin Futures by SDG Capital Management in September 2013 of approximately RMB132,757,000.

During the year ended 31 December 2019, the management of the Group determines that there are no impairment of any of the above cash-generating units containing goodwill, intangible assets and property, plant and equipment (2018: nil).

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below:

(i) Goodwill arising from acquisition of Chifeng Chai Gold in Gold Mining segment

The management of the Group has performed impairment assessment on the goodwill, intangible assets and property, plant and equipment containing in the cash-generating unit – Chifeng Chai Gold and concluded that no impairment required to be recognised. The recoverable amount of Chifeng Chai Gold has been determined based on value-in-use calculation. In performing the value-in-use calculation of Chifeng Chai Gold as at 31 December 2019 and 2018, the management of the Group has engaged Beijing Pan-China, an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering the life of mine, and a pre-tax discount rate of 9.8% (2018: 10%) with growth rate of gold price at 3% (2018: 3%). The growth rate of gold price used over the cash flow projections was reference to the historical gold price. Other key assumptions for the value-in-use calculation include mining costs and gold reserves. Such assumptions are estimated based on the past performance of gold mining activities of Chifeng Chai Gold. Management of the Group believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of Chifeng Chai Gold to exceed the aggregate recoverable amount of Chifeng Chai Gold.

22. GOODWILL *(Continued)*

(a) Goodwill on business combinations in the PRC *(Continued)*

(ii) Goodwill taken up upon acquisition of Guilaizhuang in Gold Mining segment

The management of the Group has performed impairment assessment on the goodwill, intangible assets and property, plant and equipment containing in the cash-generating unit – Guilaizhuang and concluded that no impairment required to be recognised. The recoverable amount of Guilaizhuang has been determined based on value-in-use calculation. In performing the value-in-use calculation of Guilaizhuang as at 31 December 2019 and 2018, the management of the Group has engaged Beijing Pan-China, an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering the life of mine, and a pre-tax discount rate of 9.2% (2018: 10%) with growth rate of gold price at 3% (2018: 3%). The growth rate of gold price used over the cash flow projections was reference to the historical gold price. Other key assumptions for the value-in-use calculation include mining costs and gold reserves. Such assumptions are estimated based on the past performance of gold mining activities of Guilaizhuang. Management of the Group believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of Guilaizhuang to exceed the aggregate recoverable amount of Guilaizhuang.

(iii) Goodwill arising from acquisition of Shanjin Futures in Investment Management segment

The management of the Group has performed impairment assessment on the goodwill containing in the cash-generating unit – Shanjin Futures and concluded that no impairment required to be recognised. The recoverable amount of Shanjin Futures has been determined based on value-in-use calculation. In performing the value-in-use calculation of Shanjin Futures as at 31 December 2019 and 2018, the management of the Group has engaged Beijing Pan-China (2018: Shandong Pan-China), an independent valuer not connected to the Group. The calculation uses cash flow projections based on a financial budget approved by the management of the Group covering 5-year period, and a pre-tax discount rate of 11.5% (2018: 13.1%) with growth rate of 5.9% (2018: 12%). The growth rate used over the cash flow projections was reference to the historical brokerage fee received. Other key assumptions for the value-in-use calculation include selling expenses and general and administrative expenses. Such assumptions are estimated based on the past performance of Shanjin Futures. Management of the Group believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of Shanjin Futures to exceed the aggregate recoverable amount of Shanjin Futures.

(b) Goodwill on acquisition of the joint operation

The goodwill of US$153,956,000, equivalent to approximately RMB1,042,959,000, was resulted from the acquisition of 50% equity interest in MAS on 30 June 2017 (note 16). MAS are principally engaged in the gold mining in Argentina. The goodwill was allocated to the Veladero Mine owned by MAS.

The management of the Group has engaged an independent valuer, Ernst & Young LLP ("E&Y LLP"), in performing the impairment assessment on the aforesaid goodwill and concluded that no impairment charge has to be recognised. The recoverable amount has been determined based on the fair value less costs of disposal ("FVLCD") of the Veladero Mine. The key assumptions and estimates used in determining the FVLCD are gold price per ounce, pre-tax discount rate, net asset value multiples for gold assets, operating costs, exchange rates, capital expenditures, the life of mine ("LOM") production profile and continued license to operate. In addition, assumptions are related to observable market evaluation metrics, including identification of comparable entities, and associated market values per ounce and per pound of reserves and/or resource as well as the valuation of resources beyond what is included in LOM plans.

22. GOODWILL *(Continued)*

(b) Goodwill on acquisition of the joint operation *(Continued)*

The key assumptions as adopted by the management of the Group and E&Y LLP in determining the FVLCD of the Veladero Mine were as follows:

Key assumptions	**Approach to determining key assumption**
Gold price per ounce	Estimates based on observable market or publicly available data.
Pre-tax discount rate (%)	Reflected specific risks relating to the Veladero Mine and the country in which it operates.
Net asset value ("NAV") multiples for gold assets (range)	Based on the NAV multiples observed in the market transactions in recent years, adjusted for factors applicable to the Veladero Mine.
LOM years	Based on life of mine plans prepared by management of the Veladero Mine.

The impairment assessment as conducted by the management of the Group and E&Y LLP reveals that the recoverable amount of the goodwill is estimated to be above its carrying amount by approximately US$189,500,000, equivalent to approximately RMB1,321,990,000 (2018: US$84,500,000, equivalent to approximately RMB579,940,000) as at 31 December 2019.

The details of the key assumptions used in the calculation of the recoverable amount of the Veladero Mine are as follows:

	2019	2018
Gold price per ounce	**US$1,550**	US$1,325
Post-tax discount rate (%)	**7.15%**	6.74%
Net asset value multiples for gold assets	**1.25**	1.15
LOM years	**12**	10

The management of the Group considered that the above valuation as at 31 December 2019 and 2018 was grouped into the fair value hierarchy level 3.

23. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000 (Restated)
At the beginning of the year	1,040,940	402,923
Capital injection	–	600,000
Share of results of associates	1,319	38,066
Share of other comprehensive losses of associates	–	(49)
At the end of the year	1,042,259	1,040,940

Details of the associates of the Group as at 31 December 2019 and 2018 are set out below:

Name of associates	Place of incorporation/ establishment	Class of shares held	Effective equity interest of the Company 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
Shandong Gold Group Finance Co.,Ltd. (山東黃金集團財務有限公司) ("SDG Group Finance")	The PRC	Contributed	30%	–	30%	–	Provision for loan financing
Shanghai Lide Shanjin Asset Management Co., Ltd.* (上海利得山金資產管理有限公司) ("Shanghai Lide") (note)	The PRC	Contributed	–	40%	–	40%	Provision for asset management and investment management

Note: The associate was acquired through the acquisition of the SDG Capital Management Group as business combination involving entities under common control (note 43) during the year ended 31 December 2019.

During the year ended 31 December 2018, capital contribution in cash of RMB600,000,000 has been made to SDG Group Finance.

23. INVESTMENTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the associate, SDG Group Finance, which is material to the Group and are accounted for using equity method is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Summary of statement of financial position

	2019 RMB'000	2018 RMB'000
Non-current assets	**1,835,109**	466,165
Current assets	**5,160,922**	8,290,815
Current liabilities	**(3,534,642)**	(5,299,833)
Net assets	**3,461,389**	3,457,147

Summary of statement of comprehensive income

	2019 RMB'000	2018 RMB'000
Revenue	**263,398**	213,317
Profit for the year	**4,242**	126,618
Other comprehensive loss	**–**	(164)
Total comprehensive income for the year	**4,242**	126,454

Reconciliation of summarised financial information to the carrying amount of the investment in SDG Group Finance is set out below:

	2019 RMB'000	2018 RMB'000
Net assets of SDG Group Finance	**3,461,389**	3,457,147
Proportion of the Group's ownership in SDG Group Finance	**30%**	30%
Carrying amount of the Group's investment in SDG Group Finance	**1,038,417**	1,037,144

23. INVESTMENTS IN ASSOCIATES *(Continued)*

The financial information and carrying amount, of the Group's investment in Shanghai Lide that is not individually material and are accounted for using the equity method are set out below:

	2019 RMB'000	2018 RMB'000
Group's share of result and other comprehensive income for the year	46	81
Carrying amount of the Group's interest in Shanghai Lide	3,842	3,796

24. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets at FVTOCI	–	2,000	–	2,000
Financial assets at FVTPL	–	–	7,216,883	7,216,883
Trade and other receivables, excluding non-financial assets	1,508,512	–	–	1,508,512
Restricted bank deposits	243,232	–	–	243,232
Bank balances and cash	3,019,041	–	–	3,019,041
Total	4,770,785	2,000	7,216,883	11,989,668

	Financial liabilities at FVTPL RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
As at 31 December 2019			
Trade and other payables, excluding non-financial liabilities	–	5,305,543	5,305,543
Borrowings	–	8,163,554	8,163,554
Financial liabilities designated at FVTPL	13,145,643	–	13,145,643
Other non-current liabilities	–	481,629	481,629
Total	13,145,643	13,950,726	27,096,369

24. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Financial assets at amortised cost RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
As at 31 December 2018 (restated)				
Financial assets at FVTOCI	–	2,000	–	2,000
Financial assets at FVTPL	–	–	6,265,719	6,265,719
Trade and other receivables, excluding non-financial assets	1,748,246	–	–	1,748,246
Financial assets held under resale agreements	158,922	–	–	158,922
Restricted bank deposits	204,335	–	–	204,335
Bank balances and cash	2,635,580	–	–	2,635,580
Total	4,747,083	2,000	6,265,719	11,014,802

	Financial liabilities at FVTPL RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
As at 31 December 2018 (restated)			
Trade and other payables, excluding non-financial liabilities	–	6,001,039	6,001,039
Borrowings	–	6,432,174	6,432,174
Financial liabilities designated at FVTPL	10,834,009	–	10,834,009
Other non-current liabilities	–	64,182	64,182
Total	10,834,009	12,497,395	23,331,404

25. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI include the following:

	2019 RMB'000	2018 RMB'000 (Restated)
Unlisted equity securities, classified under non-current assets	**2,000**	2,000

The directors of the Company, after taking into consideration all relevant facts and circumstances, concluded that the information and the disclosures related to financial assets at FVTOCI as at 31 December 2019 and 2018 are not material to the consolidated financial statements.

26. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include the following:

	2019 RMB'000	2018 RMB'000 (Restated)
Financial assets at FVTPL include the following:		
– listed equity investments	**4,408,172**	3,737,084
– investments in equity funds	**2,720,685**	2,403,405
– structured deposits	**88,026**	125,230
	7,216,883	6,265,719

	2019 RMB'000	2018 RMB'000 (Restated)
Analysed as:		
– listed in the PRC	**4,408,172**	3,737,084
– unlisted	**2,808,711**	2,528,635
	7,216,883	6,265,719

	2019 RMB'000	2018 RMB'000 (Restated)
Analysed for reporting purpose as:		
– current assets	**1,528,785**	421,199
– non-current assets	**5,688,098**	5,844,520
	7,216,883	6,265,719

Details of the fair value measurement of financial assets at FVTPL are disclosed in note 3.3.

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2019 RMB'000	2018 RMB'000 (Restated)
Classified under current assets		
Analysed by collateral type:		
– PRC government bonds (note)	–	158,922

Note: The financial assets held under resale agreements as at 31 December 2018 were those resale agreements which the debtors entered into with the Group with a commitment to repurchase the pledged PRC government bonds at a future date with an agreed price.

All financial assets held under resale agreement were repurchased by the debtors during the year ended 31 December 2019 and no such balance as at 31 December 2019.

The Group did not recognise any impairment in respect of its financial assets held under resale agreements as at 31 December 2018.

28. INVENTORIES

	2019 RMB'000	2018 RMB'000 (Restated)
Raw materials	3,569,934	2,262,398
Work in progress	28,987	37,295
Finished goods	386,158	1,171,105
Others	40,191	183,807
	4,025,270	3,654,605
Less: non-current portion (note (a))	(385,483)	(269,223)
	3,639,787	3,385,382

(a) The non-current portion of inventories represents gold ores that the Group does not expect to process in the next 12 months.

28. INVENTORIES *(Continued)*

(b) Movement of the provision for inventories is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
At the beginning of the year	**659**	663
Provision	**–**	556
Write-off	**(192)**	(560)
At the end of the year	**467**	659

29. OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000 (Restated)
Prepayments for:		
– construction in progress and equipment	**176,604**	145,461
– mining and exploration rights	**56,000**	93,900
– land use rights	**121,295**	136,909
Value-added tax recoverable	**170,792**	110,407
Others	**41,125**	51,895
Total	**565,816**	538,572

30. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000 (Restated)
Trade receivables (note (a))		
– related parties (note 45(d))	**56,424**	40,363
– third parties	**250,607**	561,778
	307,031	602,141
Less: impairment of trade receivables	**(16,888)**	(10,394)
Trade receivables, net	**290,143**	591,747
Notes receivables (note (f))	**341**	522
Value-added tax recoverable	**272,424**	272,305
Prepayments		
– related parties (notes (c) and 45(d))	**2,346**	1,500
– third parties	**133,561**	169,540
	135,907	171,040
Other receivables		
– amounts due from related parties (notes (d) and 45(d))	**8,298**	428,387
– deposits	**87,637**	114,253
– payments on behalf of third parties	**59,240**	42,599
– gold leasing receivables	**222,544**	90,173
– deposits with exchanges and non-bank financial institutions (note (g))	**808,637**	485,864
– entrusted loans receivables	**–**	29,700
– others	**128,881**	56,576
	1,315,237	1,247,552
Less: impairment of other receivables	**(97,209)**	(91,575)
Other receivables, net	**1,218,028**	1,155,977
	1,916,843	2,191,591

30. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2019 RMB'000	2018 RMB'000 (Restated)
Within 1 year	**261,012**	578,205
1-2 years	**22,121**	15,674
2-3 years	**15,636**	69
Over 3 years	**8,262**	8,193
	307,031	602,141
Less: impairment of trade receivables	**(16,888)**	(10,394)
	290,143	591,747

(b) Details of the ECL model on the impairment of trade receivables based on the provision matrix are set out in note 3.1(b)(ii).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

(c) Prepayments to related parties comprise mainly prepayments for raw materials, gold and services (note 45(d)).

(d) Amounts due from related parties mainly represented payments on behalf of related parties and these amounts are unsecured, interest free and repayable on demand.

30. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) Movement of the impairment of trade receivables is as follows:

	2019 **RMB'000**	2018 RMB'000 (Restated)
At the beginning of the year	**10,394**	6,327
Provision	**6,494**	4,067
At the end of the year	**16, 888**	10,394

Movement of the impairment of other receivables is as follows:

	2019 **RMB'000**	2018 RMB'000 (Restated)
At the beginning of the year	**91,575**	144,023
Provision	**7,834**	–
Reversal	**–**	(1,067)
Write-off	**(2,200)**	(51,381)
At the end of the year	**97,209**	91,575

Details of the ECL model on the impairment of other receivables are set out in note 3.1(b)(i).

There are no collaterals for trade and other receivables.

The Group writes off other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

30. TRADE AND OTHER RECEIVABLES *(Continued)*

(f) The note receivables amounting to approximately RMB341,000 (2018: RMB522,000) should be classified as financial assets at FVTOCI. In view of immateriality as determined by the directors of the Company, such reclassification has not been made.

(g) The details of the deposits with the exchanges and the non-bank financial institutions at the end of each reporting period are presented as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Deposits with futures and commodity exchanges in PRC	**760,762**	432,348
Shanghai International Energy Exchange Co., Ltd (上海國際能源交易中心股份有限公司)	**47,875**	53,516
At the end of the year	**808,637**	485,864

31. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Restricted bank deposits

	2019 RMB'000	2018 RMB'000 (Restated)
Restricted bank deposits – current	**243,232**	204,335

The analysis of restricted bank deposits at the end of each reporting period is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Security deposits for issuance of notes payable	**108,338**	98,973
Security deposits for environmental restoration and governance	**132,074**	102,542
Security deposits for gold trading accounts	**2,820**	2,820
	243,232	204,335

The restricted bank deposits carried prevailing market interest rates at the end of each reporting period.

31. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH *(Continued)*

(b) Bank balances and cash

	2019 **RMB'000**	2018 RMB'000 (Restated)
Cash on hand	**380**	473
Short-term deposits of original maturity within 3 months in the banks and other financial institutions	**1,682,906**	1,795,814
Short-term deposits in the associate, SDG Group Finance	**990,778**	431,579
Cash held on behalf of customers for futures contracts trading (note)	**344,977**	407,714
	3,019,041	2,635,580

Note: The Group maintains accounts with banks to hold customers' deposits arising from brokerage services for futures contracts trading. The Group had recognised the corresponding amount in "payable to brokerage clients" in note 32.

The bank balances and cash carried prevailing market interest rates at the end of each reporting period.

The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government.

32. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000 (Restated)
Trade payables (note (a))		
– third parties	**788,596**	660,757
– related parties (note 45(d))	**159,225**	219,213
	947,821	879,970
Notes payable (note (b))		
– third parties	**781,440**	615,970
– related parties (note 45(d))	**58,129**	15,673
	839,569	631,643
Contract liabilities (note (c))		
– third parties	**40,940**	52,861
– related parties (note 45(d))	**–**	32,189
	40,940	85,050
Payable for purchases of property, plant and equipment and mining rights	**755,228**	832,471
Deposits received from contractors	**496,084**	302,977
Purchase consideration payable	**306,185**	179,418
Other taxes payable	**101,484**	87,355
Dividends payable (note 45(d))	**123,953**	123,953
Amounts due to related parties (notes (d) and 45(d))	**354,147**	1,780,630
Salaries and staff welfare payable	**156,313**	127,939
Interest payable	**65,351**	100,351
Payable for underwriting and service fees in connection with the initial public offerings of the H shares of the Company	**–**	72,772
Payable to brokerage clients	**1,153,731**	893,578
Others	**107,161**	75,337
	5,447,967	6,173,444

32. TRADE AND OTHER PAYABLES *(Continued)*

(a) Ageing analysis of trade payables at the end of each reporting period based on invoice dates were as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Less than 1 year	912,846	848,105
1-2 years	31,293	26,027
2-3 years	1,951	2,510
Over 3 years	1,731	3,328
	947,821	879,970

(b) Ageing analysis of notes payable at the end of the reporting period based on issue dates of the notes payable were as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Less than 1 year	839,569	631,643

Certain of the Group's restricted bank deposits have been secured to banks for the issue of certain notes payable, and presented as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Restricted bank deposits secured to banks for issuance of notes (note 31(a))	108,338	98,973
Notes payable being secured	433,352	403,052

(c) Contract liabilities include advances received for the sales of gold and related products. The performance obligations would be satisfied upon the time of delivery of the gold and related products.

Revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year was approximately RMB85,050,000 (2018: RMB127,219,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

(d) The amounts are unsecured, interest-free and repayable on demand.

(e) The balance includes money held on behalf of clients at banks and at clearing houses by the Group. The balance is interest-bearing at the prevailing market interest rate and is repayable on demand.

33. BORROWINGS

	2019 RMB'000	2018 RMB'000
Non-current:		
Long-term bank borrowings		
– unsecured (note (a)(i))	**1,200,000**	2,058,960
Corporate bonds (note (b))	**999,267**	687,862
	2,199,267	2,746,822
Current:		
Short-term bank borrowings		
– unsecured (note (a)(i))	**4,922,004**	3,076,952
Borrowings from SDG Group Finance (note 45(c))		
– secured (note (a)(ii))	**–**	12,400
– unsecured (note (a)(iii))	**353,520**	596,000
Corporate bonds (note (b))	**688,763**	–
	5,964,287	3,685,352
	8,163,554	6,432,174

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2019 RMB'000	2018 RMB'000
Within one year	**5,964,287**	3,685,352
After one year but within two years	**–**	2,746,822
After two years but within five years	**2,199,267**	–
	8,163,554	6,432,174
Carrying amount within one year	**5,964,287**	3,685,352
Amount shown under current liabilities	**5,964,287**	3,685,352
Amount shown under non-current liabilities	**2,199,267**	2,746,822
	8,163,554	6,432,174

33. BORROWINGS *(Continued)*

(a) Borrowings

(i) Included in the unsecured bank borrowings were bank borrowings of approximately US$420,000,000, equivalent to approximately RMB2,930,004,000, (2018: US$410,000,000, equivalent to approximately RMB2,813,912,000), which are guaranteed by the Company and repayable in June 2020 (2018: approximately RMB2,058,960,000 and RMB754,952,000 repayable in June 2020 and March 2019, respectively).

Such bank borrowings carried variable interest rate of LIBOR plus 1.23% ranging from 3.16% to 3.18% (2018: ranging from 3.84% to 4.05%) per annum.

The remaining bank borrowings of approximately RMB3,192,000,000 (2018: RMB2,322,000,000) comprises of long-term bank borrowings of approximately RMB1,200,000,000 (2018: nil) and short-term bank borrowings of approximately RMB1,992,000,000 (2018: RMB2,322,000,000). They carried fixed interest rate ranged from 3.9% to 4.75% (2018: ranged from 4.09% to 4.35%) per annum.

(ii) As at 31 December 2018, secured borrowings from SDG Group Finance represented borrowings to a subsidiary of the Company with aggregate principal amount of RMB12,400,000 and secured by the shares of the subsidiary of the Company held by the non-controlling shareholders and is repayable by installments. Such balance has been repaid in full during the year ended 31 December 2019.

Such borrowings carried fixed interest rate of 4.35% per annum as at 31 December 2018.

(iii) As at 31 December 2019, unsecured borrowings from SDG Group Finance carried fixed interest rate at 4.35% (2018: 4.35%) per annum.

(b) Corporate bonds

	2019 RMB'000	2018 RMB'000
Corporate bonds payable	**1,688,996**	688,996
Less: unamortised commission charge	**(966)**	(1,134)
	1,688,030	687,862
Less: current portion	**(688,763)**	–
Non-current portion	**999,267**	687,862

On 3 September 2013, the Company issued 20,000,000 corporate bonds with a par value of RMB100 each and received total proceeds of RMB2,000,000,000. These bonds carried a coupon rate of 5.16% per annum and the interest charges were paid on 3 September annually in each of the following five years. The effective interest rate was 5.30% per annum. The underwriting commission for the issue of the bond amounted to approximately RMB12,000,000 and was settled by the Company. The bonds were fully repaid on 3 September 2018 when they become due.

33. BORROWINGS *(Continued)*

(b) Corporate bonds *(Continued)*

On 30 March 2015, the Company issued 13,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB1,300,000,000. The bonds are fully repayable on 30 March 2020 when they become due. These bonds carried a coupon rate of 4.8% per annum for the first 3 years and 5.3% for remaining 2 years, and the interest charge will be paid on 30 March annually in each of the following five years, The underwriting commission for the issue of the bond amounted to approximately RMB7,800,000 and was settled by the Company. On 28 March 2018, the Company partially redeemed 6,110,040 corporate bonds with carrying amount of RMB611,004,000. The bonds have been fully repaid in March 2020 when they become due.

On 22 March 2019, the Company issued 10,000,000 corporate bonds with a par value of RMB100 each and received total proceeds of RMB1,000,000,000. These bonds carried a coupon rate of 3.85% per annum and the interest charges were paid on 22 March annually in each of the following three years. The underwriting commission for the issue of the bond amounted to approximately RMB1,000,000 and was settled by the Company. The bonds will be fully repaid on 22 March 2022 when they become due.

The aforesaid corporate bonds are initially recognised at the amount of the total proceeds net of the commission paid on the dates of issuance.

Accrued interests for the corporate bonds are recorded in interest payable as follows:

	2019 **RMB'000**	2018 RMB'000
Interest payable for current corporate bonds	**27,388**	–
Interest payable for non-current corporate bonds	**32,083**	27,388

(c) The average interest rate of the Group's borrowings at the end of the reporting period are summarised as below.

	2019	2018
Average interest rate	**3.83%**	4.27%

34. FINANCIAL LIABILITIES AT FVTPL

The Group obtained financing through entering into gold leasing contracts with banks to lease gold from banks and subsequently sold the gold through the Shanghai Gold Exchange. Upon maturity of those lease contracts, the Group has to return to such banks with gold of the same quantity and specification, which would be usually purchased through the Shanghai Gold Exchange. The maturity periods of gold leasing contracts are generally less than 1 year (1 year inclusive). The gold leasing contracts carried fixed interest rate ranging from 1.75% to 3.5% (2018: ranging from 2% to 4.35%) per annum. The Group has designated the liabilities associated with such gold leasing arrangements as financial liabilities at FVTPL. Realised or unrealised fair value gain (loss) on gold leasing contracts are recognised and presented in the consolidated statement of profit or loss as “finance costs” (note 9).

The Group had also entered into certain gold forward/futures contracts for managing part of the risk associated with the fluctuation in the purchase prices of gold for its operations or managing the price risk associated with the aforesaid gold leasing contracts. These gold forward/future contracts have also been designated as financial liabilities at FVTPL. Realised and unrealised fair values gain/loss on the gold forward/future contracts are recognised in the consolidated statement of profit or loss as “other gains and losses, net” (note 8).

Details of the fair value measurement of financial liabilities at FVTPL are disclosed in note 3.3.

35. OTHER NON-CURRENT LIABILITIES

	2019 **RMB’000**	2018 RMB’000
Consideration payable for acquisition of a portfolio of assets and liabilities (note (a))	**42,351**	53,260
Payable for mining rights (note (c))	**433,677**	2,453
Provision for legal claims (note (b))	**8,777**	9,744
Others	**5,601**	8,469
	490,406	73,926
Less: current portion (notes (a) and (c))	**(65,911)**	(11,913)
	424,495	62,013

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35. OTHER NON-CURRENT LIABILITIES *(Continued)*

(a) On 26 September 2017, SDG Xinhui, Qingdao Pingdu Jinxing Gold Mining Co. Ltd. ("Jinxing"), an independent third party of the Group, and Dazhuangzi Villagers' Committee of Pingdu Xinhe Town (平度市新河鎮大莊子村民委員會), the former shareholder of Jinxing, entered into an asset reorganisation agreement (the "Agreement"). Pursuant to the Agreement, SDG Xinhui acquired a portfolio of assets and liabilities of Jinxing, including part of the receivables and payables, property, plant and equipment and exploration rights at a total consideration of approximately RMB174,180,000.

During the year ended 31 December 2018, the Group has settled part of consideration of approximately RMB114,180,000 and the remaining non-interest bearing consideration of approximately RMB60,000,000 (the "Remaining Consideration") will be paid by instalments until 31 January 2026.

As at 31 December 2019, the carrying amount of the Remaining Consideration included as "other non-current liabilities" amounted to approximately RMB42,351,000 (2018: RMB53,260,000) and the current portion of which to be settled within the next twelve months amounted to approximately RMB7,792,000 (2018: RMB11,909,000).

(b) As at 31 December 2019, the provision for legal claim of approximately US$1,258,000, equivalent to approximately RMB8,777,000 (2018: US$1,420,000, equivalent to approximately RMB9,744,000) is recognised in connection with certain outstanding labour claims of MAS.

(c) During the year ended 31 December 2019, the Group acquired of certain mining rights from independent third parties at a total cash consideration of RMB533,677,000. RMB100,000,000 has been paid during the year ended 31 December 2019, while approximately RMB58,119,000 will be paid during the year ending 31 December 2020 and the remaining will be paid after 31 December 2020.

36. DEFERRED TAXATION

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Deferred income tax assets	**130,000**	180,925
Deferred income tax liabilities	**(4,262,779)**	(4,322,685)
Deferred income tax liabilities, net	**(4,132,779)**	(4,141,760)

The gross movement on the deferred income tax is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
At the beginning of the year	**(4,141,760)**	(4,102,076)
Credited to profit or loss (note 10)	**46,406**	70,175
Currency translation differences	**(37,425)**	(109,859)
At the end of the year	**(4,132,779)**	(4,141,760)

The following are the major deferred tax assets (liabilities) and movements thereon during the current and prior years:

	Property, plant and equipment RMB'000	Mining and exploration rights RMB'000	Financial assets/ liabilities at fair value through profit or loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018 (restated)	(1,944,788)	(2,002,059)	(59,107)	(96,122)	(4,102,076)
(Charged) credited to profit or loss	(70,127)	67,324	(70,844)	143,822	70,175
Currency translation differences	(109,825)	–	–	(34)	(109,859)
At 31 December 2018 (restated) and at 1 January 2019	(2,124,740)	(1,934,735)	(129,951)	47,666	(4,141,760)
Credited (charged) to profit or loss	116,072	121,065	(47,099)	(143,632)	46,406
Currency translation differences	(36,942)	–	–	(483)	(37,425)
At 31 December 2019	(2,045,610)	(1,813,670)	(177,050)	(96,449)	(4,132,779)

36. DEFERRED TAXATION *(Continued)*

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, deferred income tax asset of approximately RMB50,409,000 (2019: nil) has been recognised in respect of the unused tax losses of approximately RMB304,952,000 (2019: nil).

The Group does not recognise the following deferred income tax assets as management believes that it is more likely than not that such tax losses would not be utilised before they expire, details of which are as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
The corresponding accumulated tax losses of the subsidiaries of the Company which deferred income tax assets have not been recognised	**894,478**	320,218
Deferred income tax assets not recognised	**167,593**	64,412

The aforesaid tax losses that have not been recognised as deferred income tax assets will be expired in the following years:

	2019 RMB'000	2018 RMB'000 (Restated)
2019	**–**	34,143
2020	**19,314**	19,314
2021	**28,930**	112,645
2022	**41,031**	62,922
2023	**75,996**	91,194
2024	**191,888**	–
2025	**12,263**	–
2026	**82,514**	–
2027	**49,684**	–
2028	**188,531**	–
2029	**204,327**	–
	894,478	320,218

37. DEFERRED REVENUE

Deferred revenue represented the government grants received towards the acquisition of assets related to gold mining activities. The amount is transferred to other income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of approximately RMB18,171,000 (2018: RMB8,527,000).

38. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**779,061**	570,586
Interest charge on unwinding of discounts (note 9)	**14,632**	10,346
Additional provision	**60,086**	203,875
Payments	**(20,699)**	–
Change in discount rate (note 17(a))	**66,789**	(29,591)
Currency translation differences	**10,089**	23,845
At the end of the year	**909,958**	779,061

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

39. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

Shares, issued and fully paid:

	2019		2018	
	Number of shares (thousands)	Share capital RMB'000	Number of shares (thousands)	Share capital RMB'000
Domestic shares ("A shares") of RMB1.00 each				
– Held by Shandong Gold Group	1,194,078	1,194,078	831,934	831,934
– Held by other shareholders	1,405,889	1,405,889	1,025,185	1,025,185
	2,599,967	2,599,967	1,857,119	1,857,119
H shares of RMB1.00 each	499,645	499,645	356,889	356,889
	3,099,612	3,099,612	2,214,008	2,214,008

On 20 August 2019, bonus issues on the basis of four bonus shares for every ten existing shares of the Company, resulting additional 885,603,323 shares of the Company, comprising 742,847,523 A shares and 142,755,800 H shares, have been issued to existing shareholders of the Company as at 10 July 2019.

On 28 September 2018, the Company completed the global offering of its H shares on the Main Board of the Stock Exchange and issued a total of 327,730,000 H shares. On 26 October 2018, an additional 29,159,500 H shares were issued upon the exercise of the over-allotment options by the international underwriters of the global offering.

(b) Treasury shares

	2019		2018	
	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000
At the beginning and the end of the year	3,489	6,385	2,491	6,385

The treasury shares represented the shares of the Company as held by the subsidiary of the Company, Shandong Jinzhou, which remained unsold as at the end of each reporting period.

The increase in 996,764 shares in treasury shares during the year ended 31 December 2019 represented the bonus issues on 20 August 2019 as above-mentioned.

40. INFORMATION TO CASH FLOWS

(a) Cash generated from operations

	2019 RMB'000	2018 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	2,072,690	1,580,028
Adjustments for:		
Depreciation of property, plant and equipment	2,178,076	1,935,183
Depreciation of investment properties	12,013	12,028
Depreciation of right-of-use assets	58,079	–
Amortisation of land use rights	–	12,111
Amortisation of intangible assets	471,378	508,711
Amortisation of long-term rental prepayments	–	12,427
Loss on disposals/write-offs of property, plant and equipment and intangible assets	28,848	27,001
Provision for impairment on property, plant and equipment	23,563	–
Provision for impairment on intangible assets	59,272	–
Provision for impairment on trade and other receivables	14,328	3,000
Provision for inventories	–	556
Fair value losses on gold futures/forward contracts	77,085	96,802
Realised and unrealised fair value gains of financial assets at FVTPL	(244,504)	(369,083)
Dividend income from financial assets at FVTPL	(15,279)	(113,824)
Finance income	(71,466)	(67,646)
Finance costs	866,894	936,319
Government grants	(37,704)	(14,398)
Share of results of associates	(1,319)	(38,066)
Operating cash flows before movements in working capital	5,491,954	4,521,149
Increase in inventories	(344,132)	(553,472)
Decrease in trade and other receivables	112,851	1,893,325
Increase in deposits with exchanges and non-bank financial institutions	(322,773)	(107,909)
Decrease (increase) in cash held on behalf of customers for futures contracts trading	62,737	(111,908)
Increase in payables to brokerage clients	260,153	219,817
Decrease (increase) in trade and other payables	621,883	(144,629)
Cash generated from operations	5,882,673	5,716,373

40. INFORMATION TO CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Liabilities from financing activities				
	Borrowings RMB'000	Deferred revenue RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
As at 1 January 2019	6,432,174	12,186	80,187	10,834,009	17,358,556
Investing cash flows	–	–	–	(126,018)	(126,018)
Financing cash flows	1,364,381	37,962	(45,123)	1,834,874	3,192,094
Non-cash changes:					
Foreign exchange adjustments	47,111	–	–	–	47,111
Finance costs charged	319,888	–	7,192	525,693	852,773
Fair value losses	–	–	–	77,085	77,085
Income recognised	–	(37,704)	–	–	(37,704)
New leases arrangement	–	–	65,727	–	65,727
As at 31 December 2019	8,163,554	12,444	107,983	13,145,643	21,429,624

	Liabilities from financing activities			
	Borrowings RMB'000	Deferred revenue RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
As at 1 January 2018 (restated)	10,974,926	17,526	11,983,080	22,975,532
Investing cash flows	–	–	(240,352)	(240,352)
Financing cash flows	(5,307,831)	9,058	(1,487,692)	(6,786,465)
Non-cash changes:				
Foreign exchange adjustments	346,446	–	–	346,446
Finance costs charged	418,633	–	482,171	900,804
Fair value losses	–	–	96,802	96,802
Income recognised	–	(14,398)	–	(14,398)
As at 31 December 2018 (restated)	6,432,174	12,186	10,834,009	17,278,369

41. CONTINGENCIES

The Veladero Mine held by MAS experienced several environmental incidents as set out belows:

(a) Release of cyanide-bearing process solution incident in 2015 – the failure of a valve on a leach pad pipeline at the Veladero Mine resulted in the release of cyanide-bearing process solution into a nearby waterway through a diversion channel gate that was open at the time of the incident;

(b) Release of crushed-ore saturated with process solution incident in 2016 – ice rolled down the slope of the leach pad damaged a pipe carrying process solution, and caused some material to leave the leach pad; and

(c) Release of gold-bearing process solution incident in 2017 – the monitoring system at the Veladero Mine detected a rupture of a pipe carrying gold-bearing process solution on the leach pad.

As at 31 December 2019, MAS was involved in several ongoing administrative and civil proceedings with respect to the abovementioned environmental incidents.

In assessing loss contingencies, the directors of the Company have evaluated the legal proceedings and determined that no 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 and no provision has been made for any potential liabilities or asset impairment relating to the aforesaid legal proceedings.

Other than those as disclosed above and note 35(b), the Group did have any other significant pending litigation which may result in a significant loss to the Group.

42. COMMITMENTS

(a) Capital commitments

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

	2019 **RMB'000**	2018 RMB'000
Property, plant and equipment	**476,849**	872,141
Mining and exploration rights	**23,637**	190,637
	500,486	1,062,778

42. COMMITMENTS *(Continued)*

(b) Operating lease commitments

The Group as lessor

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 6 years (2018: 1 to 6 years). None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the end of the reporting period will be receivable by the Group in future periods as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	13,013	16,223
From 1 year to 5 years	13,101	25,792
After 5 years	318	322
	26,432	42,337

42. COMMITMENTS *(Continued)*

(b) Operating lease commitments *(Continued)*

The Group as lessee

As at 31 December 2018, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2018 RMB'000 (Restated)
Land and buildings:	
– Within 1 year	26,701
– From 1 year to 5 years	36,318
– Over 5 years	17,621
	80,640
Machinery:	
– Within 1 year	8,968
– From 1 year to 5 years	2,004
	10,972
Others	
– Within 1 year	3,562
– From 1 year to 5 years	614
	4,176
Total	95,788

The Group is the lessee in respect of land and buildings, machinery and others which the leases were previously classified as operating leases under IAS 17 Leases. The Group has initially applied IFRS 16 Leases using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.1.3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2, and the details regarding the Group's future lease payments are disclosed in note 20.

43. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

As disclosed in note 2.1.2, the acquisition of the SDG Capital Management Group was completed in August 2019 and accounted for as business combination involving entities under common control. Accordingly, the assets and liabilities of the SDG Capital Management Group acquired by the Company have been accounted for at historical cost and the consolidated financial statements of the Group for period prior to the business combination have been restated to include the consolidated financial position and results of operation of the SDG Capital Management Group on a combined basis. The details of the restated balances are as follows:

Consolidated statement of financial position as at 31 December 2018

	The Group RMB'000 (As originally stated)	The SDG Capital Management Group RMB'000	Eliminations RMB'000	The Group RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	23,082,902	424,320		23,507,222
Investment properties	216,570	27,427		243,997
Land use rights	340,242	–		340,242
Intangible assets	12,234,123	4,348		12,238,471
Goodwill	1,177,325	132,757		1,310,082
Investments in associates	1,037,144	3,796		1,040,940
Financial assets at FVTOCI	2,000	–		2,000
Financial assets at FVTPL	–	5,844,520		5,844,520
Inventories	269,223	–		269,223
Deferred income tax assets	142,704	38,221		180,925
Other non-current assets	528,820	9,752		538,572
	39,031,053	6,485,141		45,516,194
Current assets				
Inventories	3,352,927	32,455		3,385,382
Trade and other receivables	1,058,192	1,150,018	(16,619)	2,191,591
Prepaid income tax	30,284	16,990		47,274
Financial assets at FVTPL	–	421,199		421,199
Financial assets held under resale agreements	–	158,922		158,922
Restricted bank deposits	201,515	2,820		204,335
Bank balances and cash	1,937,718	697,862		2,635,580
	6,580,636	2,480,266		9,044,283
Current liabilities				
Trade and other payables	3,883,042	2,307,021	(16,619)	6,173,444
Current income tax liabilities	258,449	106		258,555
Borrowings	3,685,352	–		3,685,352
Financial liabilities at FVTPL	6,438,726	4,395,283		10,834,009
Current portion of other non-current liabilities	11,913	–		11,913
	14,277,482	6,702,410		20,963,273

43. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL *(Continued)*

Consolidated statement of financial position as at 31 December 2018 *(Continued)*

	The Group RMB'000 (As originally stated)	The SDG Capital Management Group RMB'000	Eliminations RMB'000	The Group RMB'000 (Restated)
Net current liabilities	(7,696,846)	(4,222,144)		(11,918,990)
Total assets less current liabilities	31,334,207	2,262,997		33,597,204
Non-current liabilities				
Borrowings	2,746,822	–		2,746,822
Deferred income tax liabilities	4,097,447	225,238		4,322,685
Deferred revenue	12,186	–		12,186
Provision for asset retirement obligations	779,061	–		779,061
Other non-current liabilities	62,013	–		62,013
	7,697,529	225,238		7,922,767
Net assets	23,636,678	2,037,759		25,674,437
Capital and reserves				
Share capital	2,214,008	1,500,000	(1,500,000)	2,214,008
Treasury shares	(6,385)	–		(6,385)
Reserves	19,505,262	517,707	1,500,000	21,522,969
	21,712,885	2,017,707		23,730,592
Non-controlling interests	1,923,793	20,052		1,943,845
Total equity	23,636,678	2,037,759		25,674,437

43. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL *(Continued)*

Consolidated statement of profit or loss for the year ended 31 December 2018

	The Group RMB'000 (As originally stated)	The SDG Capital Management Group RMB'000	Eliminations RMB'000	The Group RMB'000 (Restated)
Revenue	54,787,877	1,579,727	(117,110)	56,250,494
Cost of sales	(50,856,661)	(1,472,478)	115,224	(52,213,915)
Gross profit	3,931,216	107,249		4,036,579
Selling expenses	(37,227)	(89,768)		(126,995)
General and administrative expenses	(1,383,702)	(64,044)	1,886	(1,445,860)
Research and development expenses	(321,041)	–		(321,041)
Other income	12,275	2,123		14,398
Other (losses) and gains, net	(218,258)	471,812		253,554
Finance income	36,796	30,850		67,646
Finance costs	(697,855)	(238,464)		(936,319)
Share of results of associates	37,985	81		38,066
Profit before tax	1,360,189	219,839		1,580,028
Income tax expenses	(487,946)	(71,285)		(559,231)
Profit for the year	872,243	148,554		1,020,797
Profit for the year attributable to:				
– owners of the Company	816,048	148,363		964,411
– non-controlling interests	56,195	191		56,386
	872,243	148,554		1,020,797

43. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL *(Continued)*

Consolidated statement of financial position as at 1 January 2018

	The Group RMB'000 (As originally stated)	The SDG Capital Management Group RMB'000	Eliminations RMB'000	The Group RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	21,110,946	436,438		21,547,384
Investment properties	226,684	28,471		255,155
Land use rights	339,824	–		339,824
Intangible assets	12,014,845	5,204		12,020,049
Goodwill	1,126,673	132,757		1,259,430
Investments in associates	399,208	3,715		402,923
Financial assets at FVTOCI	2,015	–		2,015
Financial assets at FVTPL	–	3,625,013		3,625,013
Inventories	143,896	–		143,896
Deferred income tax assets	152,421	26,534		178,955
Restricted bank deposits	520,198	–		520,198
Other non-current assets	832,017	9,885		841,902
	36,868,727	4,268,017		41,136,744
Current assets				
Inventories	2,958,398	70,781		3,029,179
Trade and other receivables	701,775	3,185,194	(38,273)	3,848,696
Prepaid income tax	31,197	34,582		65,779
Financial assets at FVTOCI	19,066	–		19,066
Financial assets at FVTPL	–	787,001		787,001
Financial assets held under resale agreements	–	160,328		160,328
Restricted bank deposits	149,744	2,700		152,444
Bank balances and cash	2,402,814	568,510		2,971,324
	6,262,994	4,809,096		11,033,817
Current liabilities				
Trade and other payables	3,927,444	722,838	(38,273)	4,612,009
Current income tax liabilities	177,231	3,522		180,753
Borrowings	2,883,107	–		2,883,107
Financial liabilities at FVTPL	5,751,411	6,231,669		11,983,080
Current portion of other non-current liabilities	12,992	–		12,992
	12,752,185	6,958,029		19,671,941

43. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL *(Continued)*

Consolidated statement of financial position as at 1 January 2018 *(Continued)*

	The Group RMB'000 (As originally stated)	The SDG Capital Management Group RMB'000	Eliminations RMB'000	The Group RMB'000 (Restated)
Net current liabilities	(6,489,191)	(2,148,933)		(8,638,124)
Total assets less current liabilities	30,379,536	2,119,084		32,498,620
Non-current liabilities				
Borrowings	8,091,819	–		8,091,819
Deferred income tax liabilities	4,135,396	145,635		4,281,031
Deferred revenue	17,526	–		17,526
Provision for asset retirement obligations	570,586	–		570,586
Other non-current liabilities	70,443	–		70,443
	12,885,770	145,635		13,031,405
Net assets	17,493,766	1,973,449		19,467,215
Capital and reserves				
Share capital	1,857,119	1,500,000	(1,500,000)	1,857,119
Treasury shares	(6,385)	–		(6,385)
Reserves	14,616,691	453,588	1,500,000	16,570,279
	16,467,425	1,953,588		18,421,013
Non-controlling interests	1,026,341	19,861		1,046,202
Total equity	17,493,766	1,973,449		19,467,215

43. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL *(Continued)*

The effect of the business combination involving entities under common control described above on the Group's basic and diluted earnings per share for the years ended 31 December 2019 and 2018 is as follows:

	2019 **RMB**	2018 RMB (Restated)
Basic and diluted earnings per share, before adjustment	**0.44**	0.30
Adjustment arising from acquisition of the SDG Capital Management Group	**(0.02)**	0.05
Basic and diluted earnings per share, after adjustment	**0.42**	0.35

Note: The table shown above has been considered the effect of the bonus issue as disclosed in note 14.

Before the acquisition of the SDG Capital Management Group on 29 August 2019, SDG Capital Management has declared dividends of approximately RMB84,244,000 during the year ended 31 December 2018. The dividends remained unpaid as at 31 December 2018 and 2019 and included in trade and other payables (note 32).

44. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 31 December 2019

During the year ended 31 December 2019, SDG Capital Management acquired of additional 30% equity interest in Shanjin Jinkung SZ, a wholly-owned subsidiary with 70% equity interest owned by SDG Capital Management immediately before the transaction, at a cash consideration of approximately RMB16,353,000. It resulted in a decrease in non-controlling interests and the corresponding difference between the consideration paid for acquisition of shares and carrying amount of non-controlling interests acquired have been recognised within equity. The effect of changes in the ownership interest in Shanjin Jinkung SZ on the equity attributable to owners of the Company for the year ended 31 December 2019 are summarised as follows:

	2019 **RMB'000**
Carrying amount of non-controlling interests acquired	**19,836**
Considerations paid for purchase of shares	**(16,353)**
Gain recognised with equity	**3,483**

For the year ended 31 December 2018

During the year ended 31 December 2018, Shandong Jinzhou repurchased its shares owned by its employees, which resulted in a decrease in non-controlling interests and the corresponding difference between the consideration paid for repurchases of shares and carrying amount of non-controlling interests acquired have been recognised within equity. The effect of changes in the ownership interest in Shandong Jinzhou on the equity attributable to owners of the Company for the year ended 31 December 2018 are summarised as follows:

	2018 RMB'000
Carrying amount of non-controlling interests acquired	2,222
Considerations paid for repurchases of shares	(3,758)
Loss recognised with equity	(1,536)

45. RELATED PARTY TRANSACTIONS

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

45. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

	2019 RMB'000	2018 RMB'000 (Restated)
Purchases of electricity	**444,773**	395,272
Purchases of construction services	**136,672**	77,531
Purchases of processing services	**7,413**	11,887
Purchases of gold	**1,626,702**	1,464,834
Purchases of other services	**64,478**	56,625
Total purchases	**2,280,038**	2,006,149
Interest expenses from borrowings	**11,026**	18,475
Acquisition of mining and exploration rights	**–**	196,211

	2019 RMB'000	2018 RMB'000 (Restated)
Provision of processing services	**1,043**	130
Sales of other metals	**22,584**	6,091
Sales of other materials and services	**8,454**	546
Total sales	**32,081**	6,767
Sales proceeds from transfer of property, plant and equipment to a related party (note)	**–**	7,870
Loss on disposal of property, plant and equipment to a related party recognised to the Group's total equity	**–**	16,575
Interest income from deposits	**12,463**	7,750

Note: Sales proceeds from transfer of property, plant and equipment to a related party for the year ended 31 December 2018 represented disposal of certain staff dormitories and related infrastructures/facilities with aggregate carrying amount of approximately RMB24,445,000 to the PRC Government. The loss on disposal of property, plant and equipment of approximately RMB16,575,000 has been recognised to the Group's total equity as disclosed in note 17(a).

45. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Property and land leasing

	2019 RMB'000	2018 RMB'000
Additions to right-of-use assets (note)	**37,640**	–
Interest on lease liabilities paid	**2,374**	–
Rental fees paid to Shandong Gold Group and its fellow subsidiaries (note)	**26,444**	20,093
Rental fees received from Shandong Gold Group and its fellow subsidiaries	**7,722**	6,079

Note:

Upon the initial application of IFRS 16 Leases on 1 January 2019, the Group recognised the right-of-use assets and corresponding lease liabilities of approximately RMB38,171,000 arising from leases with Shandong Gold Group and its fellow subsidiaries. During the year ended 31 December 2019, the Group entered into new lease arrangements with Shandong Gold Group and its fellow subsidiaries and, at the commencement date of the lease, recognised a right-of-use asset and lease liabilities of approximately RMB37,640,000. As at 31 December 2019, the carrying amounts of the lease liabilities was approximately RMB51,741,000.

During the year ended 31 December 2019, the Group has made aggregate lease payments of approximately RMB26,444,000 in respect of the payment for the leases.

(c) Borrowings obtained from related parties

	2019 RMB'000	2018 RMB'000 (Restated)
Borrowings obtained from SDG Group Finance:		
At the beginning of the year	**608,400**	279,300
Drawdown during the year	**1,172,520**	3,156,000
Repayment during the year	**(1,427,400)**	(2,826,900)
At the end of the year	**353,520**	608,400

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

	2019	2018
Interest rates	**3.92%–4.35%**	4.35%

45. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Year-end balances

	2019 RMB'000	2018 RMB'000 (Restated)
Receivables from related parties		
Trade receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	**56,424**	40,363
Less: provision for impairment	**(728)**	(307)
Trade receivables, net	**55,696**	40,056
Prepayments		
– Shandong Gold Group and its fellow subsidiaries	**2,346**	1,500
Other receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	**8,298**	428,387
Less: provision for impairment	**(715)**	(4,278)
Other receivables, net	**7,583**	424,109
Deposits to a financial institution		
– SDG Group Finance	**990,778**	431,579
Prepayments for mining and exploration rights included in other non-current assets		
– Shandong Gold Group	**56,000**	56,000
Others included in other non-current assets		
– Shandong Gold Group and its fellow subsidiaries	**16,651**	3,265
	1,129,054	956,509
Payables to related parties		
Trade payables		
– Shandong Gold Group and its fellow subsidiaries	**159,225**	219,213
Notes payables		
– Shandong Gold Group and its fellow subsidiaries	**58,129**	15,673
Contract liabilities		
– Shandong Gold Group and its fellow subsidiaries	**–**	32,189
Other payables		
– Shandong Gold Group and its fellow subsidiaries	**354,147**	1,780,630
Dividend payables		
– Shandong Gold Group and its fellow subsidiaries	**123,953**	123,953
Payable for mining rights included in non-current liabilities		
– Shandong Gold Group and its fellow subsidiaries	**–**	2,453
	695,454	2,174,111

45. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Key management personnel compensation

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

	2019 RMB'000	2018 RMB'000
Salaries and other short-term employee benefits		
– directors and supervisors of the Company	**6,328**	7,226
– other key management personnel	**4,676**	4,914
	11,004	12,140

(f) Guarantee provided by a related party

	2019 RMB'000	2018 RMB'000
Shandong Gold Group	**688,996**	688,996

On 3 September 2013, the Company issued 20,000,000 corporate bonds with a par value of RMB100 each and received total proceeds of RMB2,000,000,000 (note 33(b)). Shandong Gold Group had provided guarantee for the bonds. The bonds were fully repaid on 3 September 2018 when they become due and the guarantee was released accordingly.

On 30 March 2015, the Company issued 13,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB1,300,000,000 (note 33(b)). Shandong Gold Group has provided guarantee for the bonds. On 28 March 2018, the Company has partially redeemed part of corporate bonds of RMB611,004,000 and the corresponding portion of the aforesaid guarantee was released accordingly. As at 31 December 2019, the outstanding balance of the corporate bonds was approximately RMB688,996,000.

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

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

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

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

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

46. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	2,685,639	2,133,114
Investment properties	184,446	193,371
Land use rights	–	6,850
Right-of-use assets	31,516	–
Intangible assets	676,551	578,387
Interests in subsidiaries	19,966,415	13,197,144
Investment in an associate	1,038,417	1,037,144
Financial assets at FVTOCI	500	500
Other non-current assets	106,155	121,100
	24,689,639	17,267,512
Current assets		
Inventories	76,888	46,845
Trade and other receivables	300,210	96,024
Amounts due from subsidiaries	5,583,635	9,174,772
Prepaid income tax	10,928	10,928
Restricted bank deposits	26,265	14,996
Bank balances and cash	738,750	805,361
	6,736,676	10,148,926
Current liabilities		
Trade and other payables	1,337,575	1,496,499
Lease liabilities	4,845	–
Borrowings	2,638,763	2,680,000
Financial liabilities at FVTPL	7,009,997	6,438,726
	10,991,180	10,615,225
Net current liabilities	(4,254,504)	(466,299)
Total assets less current liabilities	20,435,135	16,801,213

46. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	2019 RMB'000	2018 RMB'000
Non-current liabilities		
Borrowings	2,199,267	687,862
Lease liabilities	19,670	–
Deferred income tax liabilities	53,869	13,204
Deferred revenue	1,870	1,290
Provision for asset retirement obligations	10,190	21,063
Other non-current liabilities	–	2,453
	2,284,866	725,872
Net assets	18,150,269	16,075,341
Capital and reserves		
Share capital (note 39(a))	3,099,612	2,214,008
Reserves (note (b))	15,050,657	13,861,333
	18,150,269	16,075,341

(b) Reserves movement of the Company

	Retained profits RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2019	4,210,543	9,650,790	13,861,333
Profit for the year	2,559,804	–	2,559,804
Appropriations	(255,980)	255,980	–
Bonus issues (note 39(a))	–	(885,604)	(885,604)
Business combinations involving entities under common control	–	(265,879)	(265,879)
Dividends	(220,099)	–	(220,099)
Others	1,102	–	1,102
At 31 December 2019	6,295,370	8,755,287	15,050,657

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company *(Continued)*

	Retained profits RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2018	4,175,859	5,586,020	9,761,879
Profit for the year	122,432	–	122,432
Share of other comprehensive loss of the associate	–	(49)	(49)
Appropriations	(12,243)	12,243	–
Dividends	(73,764)	–	(73,764)
Net proceeds from issuance of H shares	–	4,052,576	4,052,576
Others	(1,741)	–	(1,741)
At 31 December 2018	4,210,543	9,650,790	13,861,333

47. NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2019, the Group entered into new arrangements in respect of buildings, and machinery and others. Right-of-use assets and lease liabilities of approximately RMB65,727,000 were recognised at the commencement of the leases (note 20).

(a) As detailed in note 39(a), bonus issues of 885,603,223 shares of the Company have been issued during the year ended 31 December 2019, by the capitalisation of approximately RMB885,604,000 of the capital reserve.

48. COMPARATIVE FIGURES

Except for the restatement of comparative figures as a result of business combination involving entities under common control as detailed in note 43, certain comparative figures in the consolidated financial statements have been reclassified to conform to current year's presentation.

49. EVENT AFTER THE REPORTING PERIOD

(a) The outbreak of the novel coronavirus (COVID-19) has affected to the Group. Given the ongoing nature of these circumstances, the related impact on the consolidated results of operations, cash flows and financial conditions of the Group could not be reasonably estimated at this stage and will be reflected in their consolidated financial information for the six months ending 30 June 2020 and consolidated financial statements for the year ending 31 December 2020.

(b) Pursuant to the board resolution of the Company on 16 April 2020, the board of directors of the Company has proposed a final dividend of RMB0.1 per share for the year ended 31 December 2019 and the issue of bonus issue on the basis of four bonus shares for every ten shares of the Company. Details are set out in the note 13 and the Company's announcement dated on 16 April 2020.

(c) Subsequent to the end of the reporting period in March 2020, the Company has repaid the outstanding 6,889,960 corporate bonds with coupon rate of 5.3% with carrying amount of RMB688,996,000 in full. Details are set out in the Company's announcements dated 20 March 2020 and 30 March 2020.

DEFINITIONS

DEFINITIONS

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

"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;
"A Share(s)"	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
"Articles of Association"	the articles of association of the Company;
"Barrick Gold"	Barrick Gold Corporation, a corporation incorporated in Ontario, Canada on 14 July 1984 and holder as to 100% equity interest in Barrick Cayman (V) Ltd.;
"BAW Report"	the 2019 annual resources and reserves update report prepared by BAW (Beijing) Technical Consultancy Co., Ltd. (寶萬(北京)技術諮詢有限責任公司) ("BAW"), an independent third party qualified as a Competent Person as defined in the NI43-101 Code;
"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;
"Chaihulanzi Gold"	Chifeng Chaihulanzi Gold Mining Co., Ltd. (赤峰柴胡欄子黃金礦業有限公司), a limited liability company incorporated in the PRC on 29 September 2003, which was held as to approximately 73.52% by the Company, and approximately 22.48% and 3.99% by two individuals, namely Ma Chunming (馬春明) and Li Jinglu (李景祿), respectively. Ma Chunming was also a director and Li Jinglu was a supervisor of Chaihulanzi Gold;
"China" or the "PRC"	The People's Republic of China but for the purpose of this annual report, excludes Hong Kong SAR, Macau SAR and Taiwan;
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"CSRC"	China Securities Regulatory Commission;
"Director(s)" or "our Directors"	the director(s) of the Company;

"Group","the Group", "our Group", "we" or "us"	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);
"Guilaizhuang Mining"	Shandong Gold Guilaizhuang Mining Co., Ltd. (山東黃金歸來莊礦業有限公司), a limited liability company incorporated in the PRC on 27 August 1994 which was held as to approximately 70.65% by the Company and approximately 29.35% by Pingyi County Finance Bureau (平邑縣財政局);
"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;
"HKEx Website"	http://www.hkexnews.hk, the website of the Hong Kong Stock Exchange;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"IFRS"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB);
"IPEEM"	the Provincial Institute of Mining and Exploration ("*Instituto Provincial de Exploraciones y Explotaciones Mineras*"), the provincial mining entity in Argentina responsible for holding title to certain mineral licenses in the San Juan province and for soliciting bids for and granting exploration and mining rights in this province by way of concession through tender;
"Jinchuang Group"	Shandong Gold Jinchuang Group Co., Ltd. (山東黃金金創集團有限公司), a limited liability company incorporated in the PRC on 17 March 1987, which was held as to 65% by SDG Group Co. and as to 35% by Penglai State-owned Assets Administration Bureau (蓬萊市國有資產管理局);
"Jinzhou Group"	Shandong Jinzhou Mining Group Co., Ltd. (山東金洲礦業集團有限公司), a limited liability company incorporated in the PRC on 1 November 1999, which was held as to approximately 60.43% by our Company, approximately 23.70% by Rushan Guoxin Asset Operation and Management Co., Ltd. (乳山市國鑫資產經營管理有限公司) and approximately 15.87% by 10 individuals who were employees of our Company;

DEFINITIONS

"Laizhou Mining"	Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a limited liability company incorporated in the PRC on 27 May 2003 and held as to 95.31% by our Company;
"Linglong Mining"	Shandong Gold Mining (Linglong) Co., Ltd. (山東黃金礦業(玲瓏)有限公司), a limited liability company incorporated in the PRC on 23 February 2010 and held as to 74.57% by our Company;
"Listing Date"	28 September 2018, being the date the H shares of the Company commenced trading on the Hong Kong Stock Exchange;
"MAS"	Minera Andina del Sol SRL (previously known as Minera Argentina Gold S.R.L), a sociedad de reponsabilidad limitada incorporated in Argentina on 31 January 1995, held as to 95.6906% by AGB II, 2.1547% by SDG Hong Kong, 1.9529% by Argentina Gold Corporation and 0.2018% by Compania Minera San Jose de Argentina;
"Prospectus"	the prospectus issued by the Company in connection with the Hong Kong public offering dated 28 September 2018;
"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;
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the 6th meeting of the 9th Standing Committee of the National People's Congress on 29 December 1998 and became effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time;
"Reporting Period"	from 1 January 2019 to 31 December 2019;
"RPA Report"	the competent person report dated 31 December 2017 prepared by Roscoe Postle Associates Inc., an independent third party qualified as a competent person;
"RMB"	Renminbi, the lawful currency of China;
"SDG Beijing"	SDG (Beijing) Industry Investment Co., Ltd. (山東黃金(北京)產業投資有限公司), a limited liability company incorporated in the PRC on 8 July 2015 and a wholly-owned subsidiary of our controlling Shareholder;
"SDG Capital Management"	SD Gold Capital Management Co., Ltd. (山金金控資本管理有限公司), a limited liability company incorporated in the PRC on 14 November 2012 and a wholly-owned subsidiary of our Company;

"SDG Group"	SDG Group Co. and all of its subsidiaries;
"SDG Group Finance"	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a limited liability company incorporated in the PRC on 17 July 2013, which was held as to 30% by our Company and 70% by SDG Group Co.;
"SDG Group Co."	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling Shareholder of 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 Hong Kong"	Shandong Gold Mining (HongKong) 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;
"SDG International"	Shandong Gold International Mining Co., Ltd. (山東黃金國際礦業有限公司), a limited liability company incorporated in Hong Kong on 1 November 1994 and a wholly-owned subsidiary of SDG Group Co.;
"SDG Non-ferrous"	Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. (山東黃金有色礦業集團有限公司), a limited liability company incorporated in the PRC on 19 August 2008 and was held as to approximately 95.65% by SDG Group Co. and approximately 4.35% by Jinan Jinsui Jincai Investment Partnership (Limited Partnership) (濟南金穗金財投資合夥企業(有限合夥));
"SDG Smelting"	Shandong Gold Smelting Co., Ltd. (山東黃金冶煉有限公司), a limited liability company incorporated in the PRC on 19 July 2016 and a wholly-owned subsidiary of our Company, and its predecessor;
"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" or "SGE"	Shanghai Gold Exchange (上海黃金交易所);
"Shanghai Stock Exchange" or "SSE"	Shanghai Stock Exchange (上海證券交易所);

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"Shenzhen SDG Precious Metal"	Shenzhen SD Gold Mining Precious Metal Co., Ltd. (深圳市山金礦業貴金屬有限公司), a limited liability company incorporated in the PRC on 10 August 2015, and was held as to 75% by Laizhou Mining and 25% by Guizhou Southwest Gold Operation Center Co., Ltd. (貴州西南黃金經營中心有限公司), which was held as to 92% by Chen Kaiyuan (陳開元), who was also a director of Guizhou Southwest Gold Operation Center Co., Ltd.;
"SSE Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則) as amended supplemented or otherwise modified from time to time;
"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);
"SSE Website"	http://www.sse.com.cn, the website of the Shanghai Stock Exchange;
"Supervisor(s)"	the supervisor(s) of the Company;
"Supervisory Committee"	the supervisory committee of the Company;
"Syndicated Term Loan(s)"	the loan available under the US$960 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent;
"Veladero Mine"	the Veladero Mine located in the high Andes Cordillers of central western Argentina. Details of which are set out in "Appendix IV-Competent Person's Report-RPA Report" to the Prospectus;
"Yinan Mining"	Shandong Gold Mining (Yinan) Co., Ltd. (山東黃金礦業(沂南)有限公司), a limited liability company incorporated in the PRC on 5 August 2008 and a wholly-owned subsidiary of our Company.