



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)



2020
INTERIM REPORT
中期報告

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wang Peiyue
Mr. Li Tao
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
Mr. Luan Bo (appointed with effect from 24 February 2020)
Mr. Liu Rujun (resigned with effect from 24 February 2020)

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
Mr. Wang Peiyue
Mr. Gao Yongtao
Mr. Lu Bin

JOINT COMPANY SECRETARIES

Mr. Tang Qi
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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Main Business Operations of the Company during the Reporting Period

During the Reporting Period, the Company's approved business scope was mainly: mining and beneficiation of gold, production and sales of specialised equipment for gold mines and construction and decoration materials (excluding products restricted by national laws and regulations). Our business scope covers geological prospecting, mining and beneficiation of gold, refining, processing, production and sales of precious metals, non-ferrous metal products and gold and jewelry accessories, production and sales of specialised equipment and materials for gold mines and construction materials, etc. 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 mineral resources. By adopting the gold production model of decentralized mining and centralized smelting, the Company has been able to enhance its scale advantage and modern production level of its gold resources in the Laizhou region of the Jiaodong Peninsula. The Company's Jiaojia Gold Mine, Linglong Gold Mine and Sanshandao Gold Mine achieved cumulative gold production of over 100 tonnes in China successively. 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 improving the level of mechanical operation and enhancing corporate efficacy. 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 maintained an advanced level internationally. At present, the Company is planning to implement the construction of Shandong Gold world-class production base in Laizhou and actively develop and utilize the resources of the two gold mine belts in Sanshandao and Jiaojia to further realize the economy of scale.

Innovation-driven model:

The Company places its emphasis on its technological innovation. The three 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 research and development plan project of "Key Technologies on Safe and Efficient Mining of Large-scale Metal Deposits in the seabed" 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 batch of domestic industrial application of 5G technology in the mining area was successfully realized in Laixi Company and Sanshandao Gold Mine. The Company has subverted the traditional filling process by using fine tailings for underground filling and processing coarse tailings for comprehensive use, which has already achieved significant breakthrough. Xinhui Company has achieved tailings-free and waste-free mine, which has truly turned waste into valuables and realized comprehensive utilization. The Company plans to achieve no tailings in all mines in the province at the end of the Fourteenth Five-year Plan. The Company stresses the importance on reform and innovation and gathers resources on transformation and upgrading. The construction of world-class exemplary mine in Sanshandao Gold Mine has begun to take shape, and it will be constructed into a "safe, efficient, intelligent and ecological" modern mine by the end of 2020. Meanwhile, the Company will take a exemplary leading role in standardizing the application from the experience gained through this precedent.

MANAGEMENT DISCUSSION AND ANALYSIS

Green development model:

The Company consciously placed the green development model 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 automatization 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 implement the reclamation of the mine land accordingly; and to achieve a harmonious, mutually beneficial and win-win situation between mines and the surrounding communities. All the mines of the Company shall meet the national green mine standard by the end of 2020, and continue to increase its international influence of “Shandong Gold, Ecological Mining”.

Industry Development and Position of Shandong Gold in the Industry

Since the beginning of 2020, the COVID-19 pandemic has been spreading across the world. The pandemic caused a serious economic recession across the world in the first half of 2020. Central banks and governments of major economies around the world roll out large-scale monetary and fiscal stimulation policies one after another to ease the pressure of economic slowdown. On the one hand, abundant liquidity has been injected into the financial market; on the other hand, large-scale financial assistance has been offered to residents and enterprises. Extremely loose policies and measures and the risk aversion demand in the market have boosted the gold price to grow continuously since the beginning of 2020. The international gold price opened the year with US\$1,517.18/ounce, and stood at US\$1,780.72/ounce at the end of June 2020. The average price for the first half of 2020 amounted to US\$1,645.42/ounce, representing a year-on-year growth of 25.94%. Domestically, the average price quoted on Shanghai Gold Exchange was RMB369.09/gram, representing a year-on-year increase of 28.28%. After entering into the month of August, under the combined effect of the rebound of the pandemic in US, the rising expectations for global monetary easing, and the escalation of tensions between China and the United States, international gold price continued to rise and hit a new record high on 7 August 2020 of US\$2,075/ounce. Looking forward to the second half of 2020, as there are concerns from the market that the second wave of the COVID-19 pandemic may trigger a new round of risks and uncertainties including China-U.S. relations and U.S. president election hums along, the international gold price is expected to present a continuous growth with fluctuations, and its volatility and uncertainty will also rise to a significantly higher level.

As a result of the strong performance of gold prices, merger and acquisition transactions in the international gold industry have become increasingly active. Certain small to medium gold companies have begun to seek to sell assets at relatively high prices. Mergers and acquisitions and cooperation among large international gold mining companies have gradually increased. However, amid the increasing political and economic uncertainty in recent years and stricter regulatory policies of some countries, it has also brought certain challenges to cross-border mergers and acquisitions and transactions in the gold industry.

In 2020, the domestic gold industry continued to deepen supply-side structural reform, expedited the upgrade of gold mining and smelting to be more eco-friendly and intelligent, made technological breakthroughs in comprehensive utilization of refractory ore and tailings resources and cyanide-free gold extraction, improved the resource development and utilization, promoted overseas resource development and international cooperation and boosted the industry's high-quality development.

Statistics of China Gold Association show that in the first half of 2020, the gold produced with domestic raw materials was 170.07 tonnes, representing a period-on-period decrease of 10.61 tonnes or 5.87%. Among them, the output of gold mine-produced gold was 141.82 tonnes, indicating a period-on-period decrease of 7.84%. Gold produced from imported raw materials was 47.73 tonnes, representing a period-on-period decrease of 12.05%. While strictly implementing epidemic prevention and control in the first half of 2020, Shandong Gold took rigorous measures to ensure work safety, unremittingly promoted technological innovation, optimized industrial structure and strengthened production management, and continued to keep up a good performance in its gold output.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on the Core Competitiveness during the Reporting Period

Strategic Advantage

The Company is committed to strategy-led development, continues to put strategy into practice, stays determined to its strategy and promotes all work by centering on the strategic goal of “Making improvement and expansion with an aim of becoming one of the top ten gold mining enterprises in the world in respect of comprehensive strength”. While unswervingly optimizing its reserves and increasing resources, the Company makes efforts to improve its output capacity and output scale, actively cultivates differentiated competitive advantages, and marches on the new development path of high efficiency, energy conservation and environmental protection. In 2020, the Company further promoted overseas mergers and acquisitions, continuously enhanced its overseas investment ability, and propelled the acquisition of overseas high-quality assets. Aligning with the world’s leading gold mining companies, the Company focused on strengthening its overseas operation and management capacity and optimizing its operation of current assets as well as active excavation of high-quality resources. It continued to improve its internal management system and enhance management delicacy and scale to level up its management capacity to be comparable to that of the world’s leading gold mining companies. While increasing research and development spending and promoting the industrialization of scientific research achievements, the Company has gradually become a leader with advanced technologies in the whole industry chain comprising exploration, processing and tailings treatment. It adhered to the “double zero” goal in respect of safety and environmental protection, and realized green and ecological development. It accelerated the transformation from old growth drivers to new ones, steadily improved the mechanization and automation level, focused on digital and intelligent development to drive the realization of safety, environmental protection and efficiency goals.

Resources Advantage

In 2020, the Company firmly established the concept of “resource first”. Adhering to the principle of “domestic exploration and external acquisition”, it stepped up exploration efforts domestically and actively pursued resource mergers and acquisitions internationally. It vigorously promoted the resource integration in Laizhou region and initiated two 10,000-tonne mine plans, “Sanshandao Gold Mine Region Resource” and “Jiaojia Metallogenic Belt Resources”, which consolidated and enriched the Company’s resource reserves in the Jiaodong area and laid a solid resource foundation for building a world-class gold production base in the Jiaodong area. The Company unswervingly implemented the “going global” strategy, actively participated in global resources allocation with an open and inclusive attitude. In the first half of 2020, the Company entered into acquisition agreements with Canada-based TMAC and Australia-based Cardinal Resources in succession, the acquisitions of which are currently in progress, and laid a solid foundation for expanding the global layout of gold assets in production, promoting overseas development and international cooperation and realizing the strategic goals of Thirteenth Five-Year Plan.

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. Among the mines operated by the Company, there are “Jiaojia Gold Mine”, a role model in respect 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 awarded “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.

MANAGEMENT DISCUSSION AND ANALYSIS

Advantage in Technological Innovation

Upholding the principle that “science and technology are the primary productive forces, and innovation is the primary driving force for development”, the Company reinforces the construction of independent innovation platform and sticks to the road of independent innovation by focusing on mastering cutting-edge and core mining technologies and basing on increasing investment in research and development as well as undertaking and participating in national key research and development projects. The Company is committed to the research of core technologies for gold mining and beneficiation, including deep exploration, submarine mining, deep underground mining, intelligent mining, fine tailings filling, and cyanide residue detoxification, and maintains a leading position in the industry. The Company pays high attention to intellectual property protection and emphasizes converting independent innovation into the driving forces for corporate development. In the first half of 2020, it submitted applications for 67 patents, and 59 patents were granted. Particularly, the fine tailings high-density filling technology, which was developed independently, and the “hydrometallurgical bismuth for generating copper” technology, which was the first of its kind in the industry, were of great significance to the enterprise’s long-term and healthy development, promoted the safe, environment-friendly, cost-effective and efficient development of mining technologies, and led the transformation and upgrading of traditional mining industry to green mining.

Talent Advantage

Shandong Gold promotes the core values of “Openness, Inclusiveness, Loyalty, Responsibility”, aiming to achieve the ideal goal of “bringing as much benefits as possible to as many individuals as possible from the existence of Shandong Gold”. It advocates 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. The Company establishes and strengthens three talent teams in management, technology and skill, and vigorously selects and appoints a number of young leaders under the age of 40. Sticking to the direction of “accumulating experience through working in primary-level units and getting stronger through working at positions requiring arduous efforts”, the Company actively cultivates professional talents with “great theoretical accomplishment, strong professional ability and extensive practical experience”. It scientifically designs and continuously improves the professional and technical post ranking system and offers a smooth career development channel for professional and technical personnel. With great efforts in innovation, the Company establishes the self-assessment system for professional workers with specialized skills in gold mining industry, which fills the gap of the provincial professional skill assessment for specialized workers in gold mining industry.

Brand Advantage

Being a company based in China, Shandong Gold will optimize and consolidate its main gold business with international vision. The Company was successively listed onto the MSCI Indices, FTSE Russell, S&P Dow Jones Indices, the three major international indices, and the Shanghai Stock Exchange 50 Index. In 2020, the Company won “The 11th Chinese Listed Companies’ Investor Relations Tianma Award-Best Board of Directors on the Main Board”, “Quanjing Annual Investor Relations Gold Award (2019) Institutional Friendly Communication Award”, “Shanghai Stock Exchange Information Disclosure A Ratings for 2019-2020”. The Company is committed to the construction of ecological mining, and strives to build a harmonious mining area and establishes a corporate brand image of “Shandong Gold, Ecological Mining”. At present, the subsidiaries of the Company including four major mines have met the standard of “Level 2 Mine Production Safety Standard” (安全生產標準化二級企業), three were recognized as “Exemplary Enterprises in Building National Safety Culture” (全國安全文化建設示範企業) by the National Safety Administration (國家安全總局) and four were recognized as “Exemplary Enterprises in Building Safety Culture” at the provincial level. 13 mines under 10 enterprises owned by the Company have been listed on the national green mine list.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION AND ANALYSIS ON OPERATING PERFORMANCE

Since the beginning of the year, faced with the unprecedented impact and challenges brought about by the COVID-19 pandemic, the Company has been coordinating the epidemic prevention and control together with production and operation and focusing on improving the level of high-quality development. With such efforts, the Company has taken a head start in its overall work and showed a good momentum of steady development. It recorded growths in major economic indicators amidst the downward pressure and has successfully realized all of its half-year business goals.

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

In the first half of 2020, the Company's gold mine production volume reached 20.0 tonnes, representing a year-on-year decrease of 0.51 tonne, or 2.49%.

Major Work Conducted

- (I) Resumed production decisively and effectively. The Company followed the principle of “strictly implementing epidemic prevention and control on one side and taking effective measures to resume work on the other”, rigorously implementing various measures of epidemic prevention and control, taking proactive measures to overcome difficulties caused by the pandemic, including extreme pressure of human resources allocation and material shortage, and leveraging all resources to “fight the epidemic, promote work resumption and grab economic benefits”. With a meticulous plan for work resumption, the Company enhanced its production organization, established personnel return-to-work daily schedule, made reasonable allocation of human resources, offered point-to-point transit for site workers and set in place mechanism to guarantee material supply, thus facilitating work resumption and guaranteeing production, solving the problems of inadequate manpower for production and tight production material supply and providing a strong support for continuous and stable production and operation.
- (II) Steadily improved operational capability. Through drawing references to world-class enterprises, the Company comprehensively implemented high-quality development indicators evaluation system for mining enterprise operations, conducted deeper comparative analysis of key indicators and improved technical indicators and production efficiency through optimizing the mining and filling process, reducing ore depletion and reinforcing management and control in key areas. The Company continued to promote cost reduction and efficiency improvement on a regular basis, conducted in-depth analysis of its production and operation data, further improved its comprehensive ranking assessment system and effectively cultivated initiatives for cost-control in the whole organization. In addition, the Company further improved the audit and supervision system to prevent operation risks, and accelerated the application of mining licenses to lay a solid foundation for continuous production.
- (III) Deepened reform and innovation. Centering on the reform of “three systems”, namely labor, human resources and distribution, the Company developed specific implementation opinions. It established the self-assessment system for professional and skilled talents of special work in gold mining industry, and filled the gap of the provincial professional skill assessment for special work of gold mining industry. Owing to the Company's efforts in effectively advancing key research projects, Xincheng new main shaft was included into demonstration projects for the “Thirteenth Five-Year” national program; the application of 5G technology in Laixi Company was further promoted; the plan for development and integration demonstration of the application system of unmanned mining demonstration stope of Sanshandao Gold Mine was approved, and the beneficiation laboratory has made breakthrough in reducing the cost of detoxification of cyanide residue.

MANAGEMENT DISCUSSION AND ANALYSIS

- (IV) Accelerated the execution of major projects. The Company entered into agreements to acquire 100% equity of Canada-based TMAC and to acquire all equity of Cardinal Resources by way of off-market offer. Currently, the acquisition processes of these two projects are in good progress. Relying on “Sanshandao Resource Belt and Jiaojia Resource Belt” in the Jiaodong area and based on the existing facilities, the Company has formulated plans for the construction of a world-class gold industry base, which was backed by six major segments: mining, refining, circular economy, intelligent mine, ecological mine and industrial collaboration. Projects including the construction of the world-class exemplary mine and the Laizhou Industrial Park have recorded smooth progress; basic functions of “Shanjin Cloud” platform have been completed; Xinhui Company has made new breakthroughs in the construction of tailings-free and waste-free mine; and the feasibility studies on fine tailings filling projects of Jiaojia Gold Mine, Xincheng Gold Mine, Linglong Gold Mine and Laixi Company have been completed.
- (V) Continuous commitment to social responsibility. The Company focused on the “double zero” goal in respect of safety and environmental protection and effectively prevented the occurrences of various accidents by launching the intensive improvement campaign for “fighting COVID-19, preventing risks, eradicating potential danger and eliminating accidents” and the “Green Mines, Beautiful Shandong Gold” afforestation program. To support the fight against COVID-19, the Company has peremptorily donated RMB6 million to Shandong Charity Federation; its subsidiaries have also donated money and supplies to local governments; Party members have also acted as volunteers to help with the epidemic prevention and control in local communities. In return, the Company has won wide respect and recognition from the society.
- (VI) Continuously strengthened Party building. Centering on further promoting the building of strong Party branch, the Company initiated the Year of Party Building Innovation and Improvement, set the regular schedules of “Three Meetings and One Class”, “Theme Party Day” and “Dual Activity Participation of Party Officials”. The level of Party building was further improved as the Company launched a number of special events, including “Reinforcing Foundation by Party Building Observation and Facilitating Improvement by Mutual Communication”, “Identifying the Gap by Referring to the Model and Promoting Improvement by Drawing Lessons from the Benchmark” and “Red Gene Workshop”.

Major Operations during the Reporting Period

In the first half of 2020, the Company's gold mine production volume was 20.0 tonnes, representing a period-on-period decrease of 0.51 tonne, or 2.49%. Among them, the domestic companies' gold mine production increased by 0.56% period-on-period, while due to the impact of the epidemic, foreign companies' gold mine production decreased by 12.0% period-on-period. The processing capacity (dump leaching) was approximately 14.1282 million tonnes, representing a period-on-period increase of 309,900 tonnes, or 2.24%. Among them, the processing volume in PRC reached 8.2763 million tonnes, representing an increase of 701,600 tonnes, or 9.26%; processing volume abroad is 5.8520 million tonnes, representing a period-on-period decrease of 391,700 tonnes, or 6.27%. The raw ore grade was 1.60g/t, representing a period-on-period increase of 0.05g/t, or 3.10%; the gold beneficiation and smelting recovery rate of domestic mines was 91.74%, representing a period-on-period decrease of 0.14 percentage point, or 0.15%; the gold beneficiation and smelting recovery rate of overseas mines was 73.53%, representing a period-on-period decrease of 2.02 percentage points, or 2.67%.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Reporting Period, the Group's:

- **revenue** increased by approximately 3.5% to approximately RMB33,039.9 million from approximately RMB31,924.8 million for the same period in 2019, which was mainly due to the increase in sales price of gold.
- **cost of sales** increased by approximately 0.9% to approximately RMB29,892.2 million from approximately RMB29,632.5 million for the same period in 2019, remaining generally stable.
- **gross profit** increased by approximately 37.3% to approximately RMB3,147.7 million from approximately RMB2,292.4 million for the same period in 2019, which was mainly due to the increase in the gross profit from sales of the Group's self-produced gold.
- **general and administrative expenses** increased by approximately 16.2% to approximately RMB912.4 million from approximately RMB785.1 million for the same period in 2019, which was mainly due to the substantial increase in compensation and promotion fee 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 include but are not limited to, cash generated from operating activities, bank financing, bonds issued or to be issued, and private placement of share capital. The liquidity of the Group depends, to a large extent, on the cash generated from its operating activities, its ability to repay debts as and when the debts fall due, and its requirements for future operating and capital expenditure.

As at 30 June 2020, the reserves of the Group amounted to approximately RMB20,995.4 million and short-term borrowings amounted to approximately RMB8,793.3 million. The bank balances and cash of the Group as at 30 June 2020 was approximately RMB3,791.8 million. As at 30 June 2020, except for bank loans of USD460 million made by SDG Hong Kong, all borrowings are denominated in RMB. Based on the following considering factors, the Directors were of the opinion that the Group will be able to have sufficient working capital to provide capital sources for future needs of financing and working capital: (a) the Group is expected to remain profitable, and thus will continue to generate operating cash flows from future business operations; and (b) the Group has been maintaining long-term business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide sufficient banking facilities as at 30 June 2020.

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 RMB294.7 million from SDG Group Finance at an interest rate ranging from 3.5% 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. Currently, the Group's corporate bonds (the second tranche) have been fully repaid. Meanwhile, the Group had arrangements of bank borrowings of approximately RMB6,878.6 million through a number of banks in the PRC with interest rates ranging from 3.5% to 4.75% per annum and borrowings from SDG Group Finance.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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%.

CASH FLOWS

The Group's bank balances and cash increased from approximately RMB3,019.0 million as at 31 December 2019 to approximately RMB3,791.8 million as at 30 June 2020.

ASSETS AND LIABILITIES

As at 30 June 2020, the Group's:

- **trade and other receivables** increased by approximately 32.1% to approximately RMB2,531.8 million from approximately RMB1,916.8 million as at 31 December 2019, which was mainly due to the increase in prepayments for externally procured gold of subsidiaries.
- **trade and other payables** increased by approximately 22.0% to approximately RMB6,645.1 million from approximately RMB5,448.0 million as at 31 December 2019, which was mainly due to the increase in receipts in advance for gold purchases and deposits.
- **borrowings under non-current liabilities and current liabilities** increased by approximately 33.8% to approximately RMB10,919.6 million from approximately RMB8,163.6 million as at 31 December 2019, which was mainly due to additional short-term borrowing facilities of the Company.
- **inventory** increased by approximately 20.2% to approximately RMB4,375.6 million from approximately RMB3,639.8 million as at 31 December 2019, which was mainly due to the increase in price of inventory of subsidiaries.
- **other non-current liabilities of non-current liabilities** increased by approximately 18.0% to approximately RMB500.9 million from approximately RMB424.5 million as at 31 December 2019, which was mainly due to the Company's inclusion of installment payment of mining rights in long-term payables.
- **current portion of other non-current liabilities** decreased by approximately 51.5% to approximately RMB32.0 million from approximately RMB65.9 million as at 31 December 2019, which was mainly due to the repayment of certain borrowings and bonds classified to non-current liabilities during the period.
- **other non-current assets** increased by approximately 80.0% to approximately RMB1,018.2 million from approximately RMB565.8 million as at 31 December 2019, which was mainly due to the increase in prepayments for constructions and construction in progress.
- **net current liabilities** increased by approximately 6.5% to approximately RMB15,483.1 million from approximately RMB14,543.7 million as at 31 December 2019. The increase in net current liabilities was mainly due to the increase in the ultra short-term financing bonds issued during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2020, the Group recorded non-current assets and current assets classified as financial assets at fair value through profit or loss (“FVTPL”) amounting to approximately RMB7,324.3 million (31 December 2019: approximately RMB7,216.9 million), which included equity securities listed in the PRC, investment funds, asset management plans, trust plans and structured deposits.

As at 30 June 2020, 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, the principal business of which include brokerage business, online trading and investment consultation. The Group held 262,065,000 shares of Donghai Securities in aggregate, representing approximately 15.7% of the total shares of Donghai Securities. The fair value of the investment in Donghai Securities as at 30 June 2020 was approximately RMB3,813.3 million, which was approximately 6.1% of the Group’s total assets as at 30 June 2020. For the six months ended 30 June 2020, there was a fair value gain of approximately RMB45.9 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 30 June 2020.

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.

GEARING RATIO

Gearing ratio is defined as the ratio of consolidated total debt to consolidated total equity. As at 30 June 2020, the Group’s consolidated total debt was approximately RMB11,021.8 million (approximately RMB8,271.5 million as at 31 December 2019), and the Group’s consolidated total equity was approximately RMB27,028.4 million (approximately RMB26,068.3 million as at 31 December 2019). As at 30 June 2020, the Group’s gearing ratio was approximately 40.8% (31 December 2019: approximately 31.7%), or approximately 84.6% if short-term financings through gold leasing were taken into account (31 December 2019: approximately 82.2%). The movement of short-term financings through gold leasing is set out in the following table:

	Unit: '000 Currency: RMB			
	At beginning of the period	Proceeds received during the period	Settlement during the period	At end of the period
Short-term financings through gold leasing contracts	13,145,643	3,800,652	5,098,060	11,848,235

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 six months ended 30 June 2020, in the contracted but not incurred capital expenditure of the Group, the total amount for the acquisition of mining and exploration permits, property, plant and equipment, was approximately RMB461.2 million (for the six months ended 30 June 2019: approximately RMB566 million).

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

Save as disclosed under Analysis on Investment Status in this interim report, for the six months ended 30 June 2020, the Group had no major investments (including investments with an asset ratio of more than 8% in any entities) nor major acquisitions or disposals of subsidiaries, associates and joint ventures.

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

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

PLEDGE OF ASSETS

Save as disclosed in other parts of Management Discussion and Analysis, the Company did not pledge any assets as at 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: Nil).

CONTINGENCIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON INVESTMENT STATUS

Overall Analysis on External Equity Investment

During the Reporting Period, the Company has entered into agreements to acquire 100% equity interests in the Canada-based TMAC and to acquire all equity interests in Cardinal Resources through an off-market takeover offer. If the above acquisitions are successful, the Company will enter into Canada's famous gold mining area and have its first gold mining project in Ghana, West Africa, which will create a solid platform for the Company's pursuit of further overseas development. Such efforts will contribute to the Company's continuous enrichment of long-term resources/reserves, its expansion of gold reserve for the construction of key gold projects, and the consolidation of the Company's worldwide reserves of gold resources, and it will also lay a solid resource foundation for unremittingly building a world-class gold producer.

Key Equity Investments

Discloseable transaction of Acquisition of TMAC

The 33rd meeting of the fifth session of the Board held on 8 May 2020 considered and approved the Resolution on the Acquisition of TMAC and the Signing of Documents related to the Acquisition under the Arrangement Agreement. On 8 May 2020, the Company, SDG Hong Kong, an overseas wholly-owned subsidiary of the Company, and TMAC entered into an arrangement agreement. The Company, through Streamers Gold Mining Corporation Limited, a subsidiary established by SDG Hong Kong in Canada, proposed an acquisition arrangement to TMAC to acquire all 118,116,421 shares in issue and to-be-diluted shares (including restricted stock units, director share units, restricted share rights and other equity instruments of TMAC that may be converted into its shares, similarly hereinafter) of TMAC in cash at a price of CAD1.75 per share, and the Company will provide guarantee for SDG Hong Kong for its fulfillment of the arrangement agreement. At the same time when the arrangement agreement was signed, SDG Hong Kong and TMAC entered into the Concurrent Non-public Placement and Subscription Agreement. SDG Hong Kong proposed to subscribe for ordinary shares additionally issued by TMAC at a price of CAD1.75 per share with the total subscription price of USD15 million, representing 9% of the total number of shares after the additional issue. The final number of shares held is subject to the translation at the USD/CAD exchange rate announced by the central bank of Canada on 7 May 2020. Upon completion of all the above transactions, SDG Hong Kong will hold 100% equity interests in TMAC in aggregate through direct and indirect ways. The total investment of the transaction is approximately CAD230 million, equivalent to approximately RMB1,153 million or USD163 million, and the actual transaction amount is subject to the final transaction amount of the Acquisition. For details, please refer to the announcement disclosed by the Company on 9 May 2020.

On 15 June 2020, the Company received the Notice of Approval for Filing of Overseas Investment Project (《境外投資項目備案通知書》) issued by Shandong Development and Reform Commission, which approved the filing of the TMAC Acquisition. On 19 June 2020, the Company received the Enterprise Overseas Investment Certificate (《企業境外投資證書》) issued by Department of Commerce of Shandong Province, which approved the filing of the TMAC Acquisition. At present, the Foreign Investment Review Board of Canada is in the course of reviewing the acquisition.

Establishment of Canada subsidiary

On 25 May 2020, the 34th meeting of the fifth session of the Board considered and approved the Resolution on the Establishment of a Canadian Company by a Wholly-owned Subsidiary, proposing to incorporate a wholly-owned subsidiary, Streamers Gold Mining Corporation Limited in Canada, which will be principally engaged in the exploration, development and sales of gold resources. The registration of this company is aimed to complete the acquisition of TMAC. Currently, the company registration has been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Offer to acquire Cardinal Resources

The 36th meeting of the fifth session of the Board held on 18 June 2020 considered and approved the Resolution on the Acquisition of Cardinal Resources Limited and the Signing of Documents related to the Acquisition. On 18 June 2020, SDG Hong Kong, an overseas wholly-owned subsidiary of the Company, and Cardinal Resources entered into a bid implementation agreement. Pursuant to the bid implementation agreement, SDG Hong Kong proposed an off-market conditional takeover offer to shareholders holding all shares in issue of Cardinal Resources (excluding SDG Hong Kong and its connected persons) at a price of AUD0.60 per share by way of off-market takeover offer (the “**Cardinal Acquisition**”). At the same time, SDG Hong Kong subscribed for 26 million ordinary shares newly issued by Cardinal Resources at a price of AUD0.46, with a total subscription price of AUD12 million. For details, please refer to the announcement of the Company published on 19 June 2020.

The transaction in which SDG Hong Kong subscribed for 26 million shares of Cardinal Resources at a price of AUD0.46 per share has been completed on 7 July 2020, with the total subscription price of AUD11.96 million. Upon completion of the subscription transaction, SDG Hong Kong holds 26 million shares of Cardinal Resources, which represents 4.94% of issued share capital of Cardinal Resources. On 15 July 2020, Nord Gold S.E. (“**Nord Gold**”, based on publicly available information, the company holds 18.71% of all shares in issue of Cardinal Resources as at the date of this interim report) released an announcement that it proposed to acquire shares of Cardinal Resources at a price of AUD0.66 per share by way of on-market takeover offer.

On 22 July 2020, the Company received the Notice of Approval for Filing of Overseas Investment Project issued by Shandong Development and Reform Commission, which approved the filing of the acquisition. On 23 July 2020, the Company received the Enterprise Overseas Investment Certificate from the Department of Commerce of Shandong Province, which approved the filing of the acquisition. As such, the offer condition of approval of Chinese regulatory authorities stated in the bid implementation agreement has been satisfied. For details, please refer to the announcement disclosed by the Company on 23 July 2020.

The 38th meeting of the fifth session of the Board held on 29 July 2020 considered and approved the Resolution on Revising the bid implementation agreement in respect of the Acquisition of Cardinal Resources Limited. For details, please refer to the second announcement disclosed by the Company on 30 July 2020. SDG Hong Kong made an acquisition offer to the shareholders of Cardinal on 13 August 2020. At present, the subject company of the offer acquisition has obtained approval of the Foreign Investment Review Board of Australia, and the application submitted to the securities regulatory authority of Canada is in process.

POSSIBLE RISKS

Facing the severe challenges brought by the epidemic of the coronavirus pneumonia and the complex and volatile domestic and international environment, the Company effectively pushed forward the resumption of operation and production and achieved remarkable results in coordinated prevention of the epidemic and development. The Company will actively adapt to the new situation of normalized epidemic prevention and control, accelerate the establishment of an operational order that is compatible with epidemic prevention and control, and at the same time strengthen research, judgment and analysis of the international situation to minimize the impact of the epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Safety Management Risks

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

Countermeasures: Firstly, we were fully aware of the situation, and placed increasing emphasis on shouldering the responsibility of addressing the imperative need for safety as we formulated and issued the Opinions on Faithfully Implementing Safety and Environmental Protection in 2020; secondly, we established a “three in one” responsibility assessment system for safety and environmental protection, and signed the certificate of responsibility for safety at all levels; thirdly, we reinforced the “double base” management through the promotion of fundamental management and on-site standardisation construction; fourthly, we implemented the construction of a dual prevention system at full speed and made a great effort in safety risk identification and hierarchical management and established a long-term operational mechanism; fifthly, safety inspection and supervision were conducted to identify the potential risks involved and to strengthen the implementation of control measures to eliminate latent dangers; sixthly, we increased investment in “promotion of safety through science and technology” to improve the intrinsic safety level.

International Operation Risk

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

Countermeasures: Firstly, we carefully analyzed the political environment and investment environment of the target country of investment, engaged and obtained consultation from reputable domestic and foreign investment experts as well as law firms in our target countries, and in the meantime strengthened the communication and exchanges with Chinese institutes located in foreign countries and Chinese as well as foreign-funded enterprises that have already started business in the target country, in order to circumvent and control the risk of overseas investment from political, policy, and legal aspects; secondly, we proactively expanded our financing channels, innovated financing methods and strengthened cooperation with financial institutions to obtain more financing support to avert risks associated with overseas debt; thirdly, we paid 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, reverse repurchase and other instrument at reasonable time to avoid the risk of foreign interest rate fluctuations; fourthly, we strictly implemented local environmental protection requirements, maintained good relations with local government and community, organically combined resource development with environmental protection and improvement of local infrastructure, so as to achieve win-win development for the Company and local community.

Resource Reserve Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Risks in Gold Prices Fluctuation

As gold is the primary product of the Company, the fluctuation in gold prices determines the profit level of the Company to a large degree. International gold prices are affected by several factors, including expectation of inflation, U.S. dollar trend, interest rate, supply and demand in the gold market and economic development trend, which cast 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 promoted research in professional areas; secondly, we improved our decision-making mechanism for sales of gold transactions, accurately followed the price trend and centralized the sales of gold by relying on the decision-making committee for the Company's transactions and the transaction center; thirdly, we used gold forward and futures contracts or other instruments to avoid risks in price fluctuation.

Exchange Rate Volatility Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

RELATIONSHIP WITH CONTROLLING SHAREHOLDER AND CONNECTED TRANSACTIONS

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

SDG Group (excluding our Group) engages in gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialized equipment and supplies and construction materials for gold mines. The gold resources of SDG Group (excluding our Group) are mainly located in the PRC. As of the date of preparation of this interim report, it owned 30 gold mine exploration permits in the PRC with an aggregate of approximately 669.7 tonnes of gold resources initially measured with reference to PRC mining permit appraisal methods and filed with relevant authorities; and 16 gold mine mining permits in the PRC with an aggregate of approximately 51.5 tonnes of measured gold resources. Except a few exploration permits under which the gold mines are either with insignificant resources detected or subject to government approval for consolidation, all the exploration and mining permits held by SDG Group (excluding our Group) have been under entrustment arrangement pursuant to the Equity Entrustment Framework Agreement between our Company and SDG Group Co. The Company will continue to disclose the status of the transfer of the exploration and mining permits in its interim and annual reports after listing, including but not limited to, any change in the list of entrusted targets, whether the relevant permits granted to the Company under the non-competition undertaking have been exercised, the status of boundary and capacity expansion (if applicable). 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 at the Date of This Interim Report” below.

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

On 23 January 2017 and 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares respectively to Industrial and Commercial Bank of China, Shandong Branch (中國工商銀行山東省分行). As of 30 June 2020, the pledged Shares mentioned above had been adjusted to 140,000,000 Shares and 224,000,000 Shares respectively, after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 equity distribution plan. Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use, which accounted for approximately 11.74% of total number of the Shares as at 30 June 2020. 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Statistics of the resources under the exploration permits of SDG Group

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mining rights exploration	Whether under the Equity Entrustment Framework Agreement	Estimated time of transfer to the Company	Status of the boundary and capacity expansion
1	The gold mine at deep level and outer rim of 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	The supplemental general exploration report on outer rim of Jiaojia mine area in Laizhou, Shandong Province was submitted in June 2018	No	Note 1	N/A
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 Ludu Mining Investment and Development Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	85.54	Verification report was submitted in December 2016	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 Honggou mine area in Laizhou, Shandong Province (general exploration) (山東省萊州市紅石礦區深部及外圍金礦詳查)	Shandong Tiancheng Mining Co., Ltd.	East of Honggou 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 (general exploration) (山東省萊州市馬塘二礦區深部及外圍金礦詳查)	Shandong Tiancheng Mining Co., Ltd.	East of Matang Village in Jincheng Town, Laizhou, Shandong Province	Not detected yet	The general prospecting report was submitted in April 2019	Yes	Note 1	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mining rights exploration	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	0.39	The geological report was submitted in March 2019	Yes	Note 2	N/A
6	The middle and deep level of Lucun gold mine at Laizhou, Shandong Province (general exploration) (山東省萊州市留村金礦中深部詳查)	Shandong Gold Geological Mine Exploration Co., Ltd.	Huitouya 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.	Pingliadian Town, Laizhou, Shandong Province	Not detected yet	The geological report was submitted in March 2019	Yes	Note 2	N/A
8	Shangmeijia 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 - Ximu District in Laizhou City, Shandong Province (exploration) (山東省萊州市南呂-欽木地區金礦勘探)	Shandong Gold Laizhou Ludi Gold Mine Co., Ltd.	Jincheng Town, Zhuqiao Town, Laizhou, Shandong Province	133.14	The exploration report was filed in 2018	Yes	Note 1	N/A
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.	Pingliadian 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, Daluhang Town, Penglai, Shandong Province	3.86	The general exploration report was submitted in July 2017	Yes	Note 1	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mining rights exploration	Whether under the Equity Entrustment Framework Agreement	Estimated time of transfer to the Company	Status of the boundary and capacity expansion
13	The gold mine at Shanglanzhi mine area in Penglai, Shandong Province (exploration) (山東省蓬萊市上灘子礦區金礦勘探)	Shandong Gold Jinchuang Group Co., Ltd.	Yanzikuang Village, Daluohang Town, Penglai, Shandong Province	3.60	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. The expansion of boundary has been suspended due to overlapping with the coverage of environmental protection zones
16	The deep level and outer rim of Heliangou gold mine in Penglai City, Shandong Province (general exploration) (山東省蓬萊市黑嵐溝金礦深部及外圍詳查)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	1.48	In preparation of the general exploration report	Yes	Note 1	N/A
17	Baolun gold mine in Ledong County, Hainan Province (general exploration) (海南省樂東縣抱倫金礦詳查)	Hainan Stanjin Mining Co., Ltd.	Haogangjing, Baoyou 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 Stanjin Mining Co., Ltd.	Allhe 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 applying for cancellation

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mining rights exploration	Whether under the Equity Entrustment Framework Agreement	Estimated time of transfer to the Company	Status of the boundary and capacity expansion
19	The silver (gold) mine in Xiangluping mine area, Zhenghe, Fujian Province (general exploration) (福建省政和縣香爐平礦區香爐平礦區銀(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 Asha (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) (青海省都蘭縣瓦勒加金礦詳查)	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
24	The gold mine at Daligigezang District in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣達里古格達地區金礦普查)	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

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of exploration permit	Holder of exploration permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mining rights exploration	Whether under the Equity Entrustment Framework Agreement	Estimated time of transfer to the Company	Status of the boundary and capacity expansion
25	Guoluogongwa gold mine in Dulan County, Qinghai Province (general exploration) (青海省都蘭縣果洛諾公瓦金礦詳查)	Qinghai Sharjin 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	Amage gold mine in Dulan County, Qinghai Province (general prospecting) (青海省都蘭縣阿瑪格金礦普查)	Qinghai Sharjin 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)	Sharjin Western Geological and Minerals Exploration Co., Ltd.	Dachaidan Hangwei, Haxi Prefecture, Qinghai Province	0.56	The general prospecting report was submitted in December 2012	Yes	Note 2	N/A
28	Dachaidan Hangwei Hongqiangou west gold mine in Qinghai Province (general prospecting) (青海省大柴旦行委紅燈溝西金礦普查)	Sharjin Western Geological and Minerals Exploration Co., Ltd.	Dachaidan Hangwei, Haxi Prefecture, Qinghai Province	0.04	The general prospecting report was submitted in September 2017	Yes	Note 2	N/A
29	The gold mine at south Ashira in Dulan County, Qinghai Province (pre-prospecting) (青海省都蘭縣阿斯哈南金礦預查)	Sharjin Western Geological and Minerals Exploration Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	-	The general prospecting is in progress	-	-	The mining right was obtained through bid, auction and listing in December 2019
30	The gold mine at south Walega in Dulan County, Qinghai Province (pre-prospecting) (青海省都蘭縣瓦勒朵南金礦預查)	Sharjin Western Geological and Minerals Exploration Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	-	The general prospecting is in progress	-	-	The mining right was obtained through bid, auction and listing in December 2019
Total				669.71				

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Statistics of the resources under the mining permits of SDG Group

No.	Name of mining permit	Holder of mining permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether under the Equity Entrustment Framework Agreement	Estimated time of transfer to the Company	Status of the boundary and capacity expansion
1	Shandong Tiancheng Mining Co., Ltd. Hongbu mine area (山東天承礦業有限公司紅布礦區)	Shandong Tiancheng Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	1.33	In commercial production stage.	Yes	Note 1	N/A
2	Shandong Tiancheng Mining Co., Ltd. Dongji mine area (山東天承礦業有限公司東季礦區)	Shandong Tiancheng Mining Co., Ltd.	Jincheng Town, Laizhou, Shandong Province	1.65	In commercial production stage.	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	0.92	In commercial production stage.	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	0.83	In commercial production stage.	Yes	Note 1	N/A
5	Shandong Gold Jinchuang Group Co., Ltd. Yanshan mine area (山東黃金創集團有限公司燕山礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yanshan area, Dalujiang Town, Penglai, Shandong Province	4.44	In commercial production stage.	Yes	Note 1	In the construction period of boundary and capacity expansion, to apply for the safety production license upon completion of infrastructure and application for acceptance inspections
6	Shandong Gold Jinchuang Group Co., Ltd. Yankou mine area (山東黃金創集團有限公司煙口礦區)	Shandong Gold Jinchuang Group Co., Ltd.	Yankou area, Dalujiang Town, Penglai, Shandong Province	6.32	In commercial production stage.	Yes	Note 1	In the construction period of boundary and capacity expansion, to apply for the safety production license upon completion of infrastructure and application for acceptance inspections

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of mining permit	Holder of mining permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether under the Equity Entrustment Framework Agreement	Estimated time of transfer to the Company	Status of the boundary and capacity expansion
7	Shandong Jinchuang Co., Ltd. Shangkouwangli gold mine area (山東金創股份有限公司王李金礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	3.94	In commercial production stage.	Yes	Note 1	In the construction period of boundary and capacity expansion, to apply for the safety production license upon completion of infrastructure and application for acceptance inspections
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	1.72	In commercial production stage.	Yes	Note 1	In the construction period of boundary and capacity expansion, to apply for the safety production license upon completion of infrastructure and application for acceptance inspections
9	Shandong Jinchuang Co., Ltd. Heilangou mine area (山東金創股份有限公司黑崗溝礦區)	Shandong Jinchuang Co., Ltd.	Daxindian Town, Penglai, Shandong Province	7.43	In commercial production stage.	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	1.80	In commercial production stage.	Yes	Note 1	The mining area overlapped with the ecological red line range, and the red line range has been adjusted. The approval document has not been obtained, the environmental protection report has not been reviewed, and the boundary expansion is suspended

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of mining permit	Holder of mining permit	Location	Gold content (tonnes) based on the latest assessment date	Status of mine development	Whether under the Equity Entrustment Framework Agreement	Estimated time of transfer to the Company	Status of the boundary and capacity expansion
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	4.72	In commercial production stage.	Yes	Note 1	In the construction period of boundary and capacity expansion, to apply for the safety production license upon completion of infrastructure and application for acceptance inspections
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	5.15	In commercial production stage.	Yes	Note 1	In the process of boundary and capacity expansion
13	Songxian Shanjin Mining Co., Ltd. (嵩縣山金礦業有限公司)	Songxian Shanjin Mining Co., Ltd.	Shugou Village, Dazhang Town, Song County, Luoyang	8.10	In commercial production stage.	Yes	Note 1	The boundary and capacity expansion has been completed
14	Fujian Province Zhenghe Hongkun Mining Co., Ltd. Dayaokeng gold mine (福建省政和縣宏坤礦業有限公司大寮坑金礦)	Fujian Province Zhenghe Hongkun Mining Co., Ltd.	Dayaokeng Village, Xingxi Town, Zhenghe County, Fujian Province	1.20	In commercial production stage.	Yes	Note 1	N/A
15	Qinghai Shanjin Mining Co., Ltd. Guolubongva gold mine in Dulan County (青海山金礦業有限公司都蘭縣郭魯堡金礦)	Qinghai Shanjin Mining Co., Ltd.	Gouli Town, Dulan County, Qinghai Province	1.84	In commercial production stage.	Yes	Note 2	N/A
16	Fujian Province Zhenghe Xiangluping Mining Co., Ltd. Xiangluping silver mine (福建省政和縣香壩坪礦業有限公司香壩坪銀礦)	Fujian Province Zhenghe Xiangluping Mining Co., Ltd.	Chengyuan Village, Chengyuan Town, Zhenghe County, Fujian Province	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	Yes	Note 2	N/A
Total				51.5				

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

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

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

As at 30 June 2020, so far as the Directors, Supervisors and chief executive of the Company are aware, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests and long/short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of the SFO, to be entered into the register to be kept by the Company referred to therein, or required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Nature of interest	Class of Shares	Number of Shares or underlying Shares interested	Long/Short positions	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital
SDG Group Co.	Beneficial owner ⁽¹⁾	A Shares	1,194,077,998	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%
CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1	Trustee ⁽⁴⁾	H Shares	59,645,250	Long	11.94%	1.92%
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%
Postal Savings Bank of China Co., Ltd.	Beneficiary of a trust ⁽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%
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%
Schroders Plc	Investment Manager	H Shares	31,184,500	Long	6.24%	1.01%

OTHER INFORMATION

Notes:

- (1) On 23 January 2017 and on 25 September 2017, SDG Group Co. pledged its 100,000,000 Shares and 160,000,000 Shares to Industrial and Commercial Bank of China, Shandong Branch (中國工商銀行山東省分行) respectively. As of 30 June 2020, the pledged Shares mentioned above had been adjusted to 140,000,000 Shares and 224,000,000 Shares respectively, after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 equity distribution plan. Such pledged Shares were used as the security for borrowing of SDG Group Co. for its own use, which accounted for approximately 11.74% of total number of the Shares. Industrial and Commercial Bank of China is an authorized institution under the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).
- (2) These 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, the sole shareholder of Jianxin (Beijing) Investment Fund Management Co., Ltd. (建信(北京)投資基金管理有限責任公司) as at 30 June 2020) is deemed to be interested in the Shares held by China Structural Reform Fund for the propose of the SFO. The remaining approximately 58.0% of shares of China Structural Reform Fund were ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) ("**SASAC**"). The controlling person of Postal Savings Bank of China Co., Ltd. is the trust settlor who can influence the rights of Jianxin Trust Co., Ltd. and Jianxin (Beijing) Investment Fund Management Co., Ltd. to exercise its voting powers in China Structural Reform Fund. China Structural Reform Fund has engaged GF Securities Asset Management (Guangdong) Co., Ltd., an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, in the name of CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 to subscribe for and hold such Shares on a discretionary basis on behalf of the China Structural Reform Fund.

Save as disclosed above, as at 30 June 2020, the Directors, Supervisors and chief executive of the Company are not aware of any person (who are not Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be interested in 10% or more of the nominal value of any class of the share capital carrying the rights to vote in all circumstances at general meetings of our Company or required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO.

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) owned by Directors, Supervisors and chief executive of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or were deemed to have, under such provisions of the SFO; or were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Hong Kong Listing Rules are set out below:

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

Notes:

- (1) Mr. Tang Qi is interested in the 212,937 Shares as a participant under the Employee Shareholding Scheme.
 (2) Mr. Li Tao is interested in the 184,545 Shares as a participant under the Employee Shareholding Scheme.

Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors and chief executive of the Company or their associates has any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

USE OF PROCEEDS

The 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 interim report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 30 June 2020, approximately RMB4,601.7 million have been utilized by the Company, namely:

Item	Percentage	Net proceeds (RMB million)			Expected timeline for the use of the unutilised proceeds
		Available to utilise	Utilised	Unutilised	
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.

OTHER INFORMATION

STAFF OF THE GROUP

As of 30 June 2020, the Group had a total of 15,764 full-time employees (31 December 2019: 16,048 employees). For the six months ended 30 June 2020, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB1,617.0 million (six months ended 30 June 2019: RMB1,450.1 million).

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

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

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

On 17 October 2016, our Company completed registration and custody procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) of 11,645,629 Shares (adjusted to 16,303,881 Shares after bonus shares were distributed by way of conversion of capital reserve in accordance with the 2018 equity distribution plan) to 128 individuals at the price of RMB14.30 per Share under the Employee Shareholding Scheme for a subscription amount of RMB166,532,494.70. The relevant Shares were subject to a lockup period of 36 months and were unlocked and vested to the said participants. As of the date of this interim report, there were 11,424,214 unsold shares under the Employee Shareholding Scheme (inclusive of the bonus shares issued in accordance with the 2018 and 2019 equity distribution plans). As of 30 June 2020, these Shares accounted for approximately 0.37% of the total number of our Shares. Certain Directors and senior management of the Company are currently interested in our Shares under the Employee Shareholding Scheme. For details of their shareholding, please see the section headed "Disclosure of Interests and Short Positions of the Directors, Supervisors and Chief Executive of the Company" in this interim report. The Employee Shareholding Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules.

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

CORPORATE GOVERNANCE

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

The Company is committed to the maintenance of good corporate governance practices, with reference to the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Board is of the opinion that the Company had complied with the code provisions as set out in the CG Code during the six months ended 30 June 2020.

OTHER INFORMATION

MATERIAL CHANGE

Save as disclosed herein, there has been no material change in respect of the future developments in the business of the Group (including the Company's prospects for the current financial year) since the publication of the Company's 2019 Annual Report.

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

The change in Supervisors' information during the Reporting Period was as below :

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the interim report of the Group for the six months ended 30 June 2020 and further discussed the auditing, internal control and financial reporting matters. The Audit Committee considers that the interim report of the Group for the six months ended 30 June 2020, which has been agreed by the Company's auditors, is in compliance with the applicable accounting standards and relevant laws and regulations and has made sufficient disclosure.

SIGNIFICANT EVENTS DURING REPORTING PERIOD

Provision of Guarantee for Financing of SDG Hong Kong

On 24 February 2020, the Shareholders approved the provision of guarantee of no more than US\$600 million to SDG Hong Kong for meeting its production and operating capital requirements, the validity period is one year from the date of approval at the general meeting. For details, please refer to the circular of the Company dated 23 January 2020.

Continuing Connected Transaction – Revision of annual cap of Procurement and Sales Framework Agreement

On 16 April 2020, in view of the growing demand for supplies, products and services of the Company and its subsidiaries, the Company has proposed to revise the annual caps for the Procurement and Sales Framework Agreement for the year ended 31 December 2020 to facilitate the Group's operational needs. For details, please refer to the announcement of the Company dated 16 April 2020.

OTHER INFORMATION

Continuing Connected Transaction – Renewal of Mining Right Leasing Agreement

On 16 April 2020, in order to ensure the continuing operation of Jiaojia Gold Mine, the Board approved the renewal of Mining Right Leasing Agreement. The New Mining Right Leasing Agreement will be valid from 1 January 2020 to 31 December 2022. For details, please refer to the announcement of the Company dated 16 April 2020.

Continuing Connected Transaction – Renewal of Financial Services Framework Agreement

On 24 June 2020, the Company convened an annual general meeting in which the Shareholders approved the resolution on signing of the New Financial Services Framework Agreement with Shandong Gold Group Finance Co., Limited. The New Financial Services Framework Agreement will be valid from 1 January 2020 to 31 December 2022. For details, please refer to the circular of the Company dated 25 May 2020.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Dividends and Bonus Shares

The Company has completed the implementation of the 2019 equity distribution plan in August 2020. Based on the Company's total number of issued shares of 3,099,611,632 Shares as at 31 December 2019, a cash dividend of RMB0.1 (including tax) per Share was distributed, and 4 bonus shares for every 10 Shares by way of conversion of capital reserve have been issued to all Shareholders. The total cash dividend paid out was approximately RMB307,790,000. The total number of bonus shares issued was 1,239,844,651 Shares and therefore the total number of issued shares of the Company after distribution was 4,339,456,283 Shares.

The 2020 Second Extraordinary General Meeting, the 2020 Third Class Meeting for Holders of A Shares and H Shares

On 25 August 2020, the Company convened an extraordinary general meeting and the 2020 third class meeting for holders of A Shares and H Shares at which the Shareholders approved the resolution on agreeing Shandong Gold Non-ferrous Metal Mine Group Co., Ltd., Wang Zhiqiang and Yantai Jinmao Mining Co., Ltd. to extend the term of commitment in relation to remedying defects of the land and property ownership of Shandong Gold Group Penglai Mining Co., Ltd. and the resolution on share compensation plan for not realizing performance commitment of the Subject Assets under the material asset restructuring of the Company. For details, please refer to the circular of the Company dated 31 July 2020.

ACKNOWLEDGEMENT

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

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

Jinan, the PRC, 27 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000 (Restated)
Revenue	3	33,039,934	31,924,822
Cost of sales		(29,892,246)	(29,632,471)
Gross profit		3,147,688	2,292,351
Selling and commission expenses		(46,473)	(110,778)
General and administrative expenses		(912,390)	(785,128)
Research and development expenses		(155,775)	(147,948)
Other income		11,714	3,209
Other gains and losses, net		(55,025)	(44,271)
Finance income		33,501	31,059
Finance costs	5	(384,088)	(401,766)
Share of results of associates		7,830	22,769
Profit before tax		1,646,982	859,497
Income tax expenses	6	(378,399)	(231,326)
Profit for the period	7	1,268,583	628,171
Profit for the period attributable to:			
– Owners of the Company		1,122,253	548,948
– Non-controlling interests		146,330	79,223
		1,268,583	628,171
EARNINGS PER SHARE	9		
– Basic and diluted (RMB)		0.26	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Profit for the period	1,268,583	628,171
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	66,115	8,593
Other comprehensive income for the period, net of tax	66,115	8,593
Total comprehensive income for the period	1,334,698	636,764
Total comprehensive income for the period attributable to:		
– Owners of the Company	1,188,368	557,541
– Non-controlling interests	146,330	79,223
	1,334,698	636,764

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	27,035,144	26,029,464
Investment properties		225,330	231,459
Right-of-use assets	11	493,388	503,550
Intangible assets	12	12,462,279	12,581,306
Goodwill		1,343,382	1,327,478
Investments in associates		1,156,282	1,042,259
Financial assets at fair value through other comprehensive income		2,000	2,000
Financial assets at fair value through profit or loss	13	6,160,372	5,688,098
Inventories		410,168	385,483
Deferred income tax assets		207,560	130,000
Other non-current assets		1,018,175	565,816
		50,514,080	48,486,913
Current assets			
Inventories		4,375,594	3,639,787
Trade and other receivables	14	2,531,820	1,916,843
Prepaid income tax		14,804	14,125
Financial assets at fair value through profit or loss	13	1,163,881	1,528,785
Restricted bank deposits		260,098	243,232
Bank balances and cash	15	3,791,803	3,019,041
		12,138,000	10,361,813
Current liabilities			
Trade and other payables	16	6,645,115	5,447,967
Lease liabilities	11	13,198	42,043
Current income tax liabilities		280,904	239,667
Borrowings	17	8,793,338	5,964,287
Financial liabilities at fair value through profit or loss	18	11,856,509	13,145,643
Current portion of other non-current liabilities		32,000	65,911
		27,621,064	24,905,518
Net current liabilities		(15,483,064)	(14,543,705)
Total assets less current liabilities		35,031,016	33,943,208

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Borrowings	17	2,126,218	2,199,267
Lease liabilities	11	89,064	65,940
Deferred income tax liabilities		4,291,190	4,262,779
Deferred revenue		16,163	12,444
Provision for asset retirement obligations	19	979,161	909,958
Other non-current liabilities		500,864	424,495
		8,002,660	7,874,883
Net assets			
		27,028,356	26,068,325
Capital and reserves			
Share capital	20	3,099,612	3,099,612
Treasury shares	20	(6,385)	(6,385)
Reserves		20,995,379	20,114,685
		24,088,606	23,207,912
Non-controlling interests		2,939,750	2,860,413
		27,028,356	26,068,325
Total equity			
		27,028,356	26,068,325

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000 (note (i))	Statutory and other reserve funds RMB'000 (note (ii))	Transactions with non-controlling interests RMB'000 (note (iii))	Foreign currency translation reserve RMB'000	Others RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 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 period	-	-	-	-	-	-	-	548,948	548,948	79,223	628,171
Other comprehensive income:											
Currency translation differences	-	-	-	-	-	8,593	-	-	8,593	-	8,593
Total comprehensive income for the period	-	-	-	-	-	8,593	-	548,948	557,541	79,223	636,764
Dividends to shareholders of the Company (note 8)	-	-	-	-	-	-	-	(221,401)	(221,401)	-	(221,401)
Dividends paid by subsidiaries of the Company to non-controlling interests	-	-	-	-	-	-	-	-	-	(65,261)	(65,261)
Others	-	-	(510)	-	-	-	(551)	-	(1,061)	18	(1,043)
At 30 June 2019 (unaudited)	2,214,008	(6,385)	10,430,072	575,239	(228,665)	(16,983)	2,525	11,095,860	24,065,671	1,957,825	26,023,496

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Notes:

(i) Capital reserve

The amount represented the following:

- (a) The excess of the net proceeds received from issuance of the shares of the Company and the nominal value of the shares issued;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) The capitalisation of approximately RMB885,604,000 of the capital reserve upon bonus issue of 885,603,323 shares of the Company to the existing shareholders of the Company during the year ended 31 December 2019; and
- (f) 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.

(ii) Statutory and other reserve funds

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

(iii) Transactions with non-controlling interests

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Restated)
OPERATING ACTIVITIES		
Cash generated from operations	2,117,263	2,282,474
Income tax paid	(376,007)	(476,902)
NET CASH FROM OPERATING ACTIVITIES	1,741,256	1,805,572
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	(1,940,033)	(1,889,281)
Proceeds from disposal of property, plant and equipment	790	526
Payments for right-of-use assets	–	(42,264)
Payments for purchase of intangible assets	(115,598)	(82,312)
Withdrawals of restricted bank deposits	131,390	209,375
Placement of restricted bank deposits	(134,653)	(239,109)
Purchase of equity interest in an associate	(106,193)	–
Dividends received from an associate	–	1,268
Payments for settlement of gold future/forward contracts	(16,002)	(1,355)
Interest received	–	15,089
Payments for purchase of financial assets at fair value through profit or loss	(2,799,629)	(2,023,573)
Proceeds from disposal of financial assets at fair value through profit or loss	2,883,089	1,496,124
NET CASH USED IN INVESTING ACTIVITIES	(2,096,839)	(2,555,512)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000 (Restated)
FINANCING ACTIVITIES		
Payments for listing expenses	–	(510)
Repayments of lease liabilities	(19,115)	(12,510)
New bank borrowings raised	6,878,571	1,924,964
Repayments of bank borrowings	(3,512,988)	(1,454,952)
New borrowings from related parties raised	844,640	208,720
Repayments of borrowings from related parties	(803,440)	(599,000)
New corporate bonds raised	–	999,000
Repayments of corporate bonds	(688,996)	(97,210)
Interests paid	(289,712)	(223,065)
Dividends paid to the original shareholders of SDG Capital Management	(87,624)	–
Dividends paid to non-controlling shareholders	(67,175)	(65,261)
Government grants received	14,762	–
Proceeds from gold leasing arrangements	4,489,101	7,381,164
Settlement of gold leasing arrangements	(5,713,162)	(6,259,021)
Payments for finance costs associated with gold leasing contracts	(173,671)	(172,781)
Payments of guarantee and arrangement fee for borrowings	(2,184)	–
NET CASH FROM FINANCING ACTIVITIES	869,007	1,629,538
NET INCREASE IN CASH AND CASH EQUIVALENTS	513,424	879,598
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,576,753	2,253,864
Effect of foreign exchange rate changes	10,660	747
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,100,837	3,134,209
Analysis of cash and cash equivalents:		
Bank balances and cash	3,791,803	3,624,689
Less: cash held on behalf of customers for futures contracts trading	690,966	490,480
	3,100,837	3,134,209

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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, 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.

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管理委員會), respectively.

The Company and its subsidiaries are hereinafter collectively referred to as the “Group”. The Group is principally engaged in 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, the Group is also engaged in the business of investments in 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The interim condensed consolidated financial information has 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Going concern

As at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately RMB15,483,064,000. The directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

- (i) The Group is expected to remain profitable and hence continue to generate operating cash inflows from its future business operations; and
- (ii) The Group has maintained long business relationship with its principal bankers and the principal bankers have confirmed their willingness to provide sufficient banking facilities as at 30 June 2020 and available at least next twelve months from 30 June 2020.

In view of the above, the directors of the Company are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 30 June 2020. Accordingly, the directors of the Company have prepared the interim condensed consolidated financial information on a going concern basis. The interim condensed consolidated financial information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.3 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 is principally engaged in the investments in funds, trading of gold bullion and provision of futures contracts trading services. Upon completion, the SDG Capital Management Group became subsidiaries of the Company. As SDG Capital Management and the Company are commonly controlled by 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. The interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the prior period have been restated to include the operating results of the SDG Capital Management Group as if this acquisition had been completed on 1 January 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restatement of prior years' interim condensed consolidated financial statements due to business combinations involving entities under common control

The quantitative impact on the interim condensed consolidated financial information is summarised below:

The unaudited interim condensed consolidated statement of profit or loss for the six months ended 30 June 2019:

	The Group (as previously reported) RMB'000	The SDG Capital Management Group RMB'000	Eliminations RMB'000	The Group (as restated) RMB'000
Revenue	31,194,662	815,261	(85,101)	31,924,822
Profit for the period	709,510	(81,339)	–	628,171

The unaudited interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2019:

	The Group (as previously reported) RMB'000	The SDG Capital Management Group RMB'000	Eliminations RMB'000	The Group (as restated) RMB'000
Total comprehensive income for the period	718,103	(81,339)	–	636,764

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the Amendments to Reference to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

3. REVENUE

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Sales of gold bullion, gold related products and others	32,993,153	31,805,929
Brokerage and other fees earned from provision of futures contracts trading services	40,774	110,204
	33,033,927	31,916,133
Revenue from other sources		
Rental income from investment properties	6,007	8,689
	33,039,934	31,924,822

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. REVENUE (Continued)

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

	Unaudited	
	Six months ended 30 June 2020	2019
	RMB'000	RMB'000 (Restated)
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	33,033,927	31,916,133

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

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the six months ended 30 June 2020 (unaudited)				
<i>Revenue from contracts with customers within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	1,252,103	30,928,762	812,288	32,993,153
Brokerage and other fees earned from provision of futures contracts trading services	–	–	40,774	40,774
	1,252,103	30,928,762	853,062	33,033,927
<i>Revenue from other sources:</i>				
Rental income from investment properties	5,490	–	517	6,007
	1,257,593	30,928,762	853,579	33,039,934
Geographical markets:				
The PRC, excluding Hong Kong	180,530	30,928,762	853,062	31,962,354
Outside the PRC	1,071,573	–	–	1,071,573
	1,252,103	30,928,762	853,062	33,033,927
Timing of revenue recognition:				
At a point in time	1,252,103	30,928,762	853,062	33,033,927

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. REVENUE (Continued)

	Gold Mining RMB'000	Gold Refining RMB'000	Investment Management RMB'000	Total RMB'000
For the six months ended				
30 June 2019 (unaudited)				
<i>Revenue from contracts with customers</i>				
<i>within the scope of IFRS 15:</i>				
Sales of gold bullion, gold related products and others	1,252,706	29,848,888	704,335	31,805,929
Brokerage and other fees earned from provision of futures contracts trading service	–	–	110,204	110,204
	1,252,706	29,848,888	814,539	31,916,133
<i>Revenue from other sources:</i>				
Rental income from investment properties	7,967	–	722	8,689
	1,260,673	29,848,888	815,261	31,924,822
Geographical markets:				
The PRC, excluding Hong Kong	137,673	29,848,888	814,539	30,801,100
Outside the PRC	1,115,033	–	–	1,115,033
	1,252,706	29,848,888	814,539	31,916,133
Timing of revenue recognition:				
At a point in time	1,252,706	29,848,888	814,539	31,916,133

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

4. SEGMENT INFORMATION

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

During the year ended 31 December 2019, the Group completed the acquisition of entire equity interest in SDG Capital Management, which is considered as business combination involving entities under common control. SDG Capital Management Group is principally engaged in the investments in funds, trading of gold bullion and provision of futures contracts trading services.

The segment information for the six months ended 30 June 2019 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 funds, trading of gold bullion and provision of futures contracts trading services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

For the six months ended 30 June 2020

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2019

	Gold Mining RMB'000 (Unaudited and restated)	Gold Refining RMB'000 (Unaudited and restated)	Investment Management RMB'000 (Unaudited and restated)	Inter-segment elimination RMB'000 (Unaudited and restated)	Total RMB'000 (Unaudited and restated)
Revenue	5,656,146	29,933,989	815,261	(4,480,574)	31,924,822
Less: inter-segment revenue	(4,395,473)	(85,101)	–	4,480,574	–
Revenue from external customers	1,260,673	29,848,888	815,261	–	31,924,822
Operating profit	1,221,373	8,663	(10,788)	(11,813)	1,207,435
Finance income	13,720	1,369	15,970	–	31,059
Finance costs	(311,489)	(3,127)	(87,150)	–	(401,766)
Share of results of associates	22,769	–	–	–	22,769
Profit (loss) before tax	946,373	6,905	(81,968)	(11,813)	859,497
Income tax (expenses) credit	(230,229)	(1,727)	630	–	(231,326)
Profit (loss) for the period	716,144	5,178	(81,338)	(11,813)	628,171

Segment assets and liabilities

As at 30 June 2020

	Gold Mining RMB'000 (Unaudited)	Gold Refining RMB'000 (Unaudited)	Investment Management RMB'000 (Unaudited)	Inter-segment elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Total assets	51,492,719	4,459,662	10,747,218	(4,047,519)	62,652,080
Including: Investments in associates	1,152,440	–	3,842	–	1,156,282
Total liabilities	27,221,655	3,669,009	8,765,875	(4,032,815)	35,623,724

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2019

	Gold Mining RMB'000 (Audited)	Gold Refining RMB'000 (Audited)	Investment Management RMB'000 (Audited)	Inter-segment elimination RMB'000 (Audited)	Total RMB'000 (Audited)
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

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000 (Restated)
Interest expenses from:		
– bank borrowings	115,146	110,662
– borrowings from related parties	8,150	30,992
– corporate bonds	28,777	31,641
– interest charge on unwinding of discounts from provision for asset retirement obligations	5,513	7,714
– lease liabilities	2,464	2,812
Finance costs for arranging gold leasing contracts	173,671	172,781
Realised and unrealised fair value loss of gold lease contracts	49,587	48,102
Guarantee and arrangement fees for borrowings	2,184	–
	385,492	404,704
Less: amounts capitalised on qualifying assets	(1,404)	(2,938)
	384,088	401,766

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

6. INCOME TAX EXPENSES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Current income tax:		
– The PRC, excluding Hong Kong	392,379	260,423
– Outside the PRC	48,652	85,047
	441,031	345,470
Deferred income tax	(62,632)	(114,144)
	378,399	231,326

Notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25% (2019: 25%). The EIT is calculated based on the applicable income tax rate of 25% and the estimated tax assessable profit of each of the companies comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for the Company and certain subsidiaries which are taxed at preferential tax rate of 15% (2019: 15%) based on the relevant PRC tax laws and regulations.

(b) The estimated tax assessable profit of the Group's overseas joint operation is calculated at the statutory income tax rate in Argentina of 30% (2019: 30%) in accordance with the Argentina income tax law.

In addition, the joint operation has paid withholding tax of approximately RMB11,130,000 (2019: RMB21,158,000) during the six months ended 30 June 2020 on certain inter-company interest expenses paid to Shandong Gold Mining (HongKong) Co., Limited ("SDG Hong Kong") (a wholly-owned subsidiary of the Company) which were eliminated upon the proportional consolidation.

(c) No provision for income tax has been made by SDG Hong Kong as it has no estimated taxable profits in any financial year since the date of its incorporation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

7. PROFIT FOR THE PERIOD

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Amortisation of intangible assets	268,419	236,550
Depreciation of property, plant and equipment	1,033,921	1,090,339
Depreciation of investment properties	6,129	7,891
Depreciation of right-of-use assets	29,149	27,138
Loss on disposals/write-off of property, plant and equipment	2,865	6,016
Provision for impairment of trade and other receivables, net	1,651	5,209
Government grants	11,714	3,209
Foreign exchange loss (gains), net	44,511	(3,759)
Fair value gains of financial assets at FVTPL	(29,724)	(48,734)
Amount of inventories recognised as expenses	29,588,029	29,359,463

8. DIVIDENDS

On 16 April 2020, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2019 of RMB0.1 per share to the shareholders of the Company. The dividend declared during the six months ended 30 June 2020 was approximately RMB307,790,000 (the dividends of the 3,488,674 treasury shares held by the Company amounting to approximately RMB349,000 have been eliminated). The payment of dividend was resolved by a special resolution at the shareholders' meeting of the Company on 24 June 2020, and the dividend was paid in August 2020 (the dividend of 18,211,084 A shares not subject to any dividend payment has been deducted).

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. The dividend declared during the six months ended 30 June 2019 was approximately RMB221,401,000 (the dividends of the 2,491,910 treasury shares held by the Company amounting to approximately RMB249,000 have been eliminated). The payment of dividend has been resolved by a special resolution at the shareholders' meeting of the Company on 28 June 2019, and the dividend was paid in July 2019 (the dividend of 13,015,060 A shares not subject to any dividend payment has been deducted).

The board of directors of the Company does not recommend the payment of a dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

9. 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:

	Unaudited	
	Six months ended 30 June	
	2020	2019 (Restated)
Profit attributable to owners of the Company (RMB'000)	1,122,253	548,948
Weighted average number of shares in issues (thousands of shares)	4,334,572	4,334,572
Basic earnings per share (RMB per share)	0.26	0.13

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

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 six months ended 30 June 2020 and 2019 has been adjusted for the bonus issue on 19 August 2020 and 20 August 2019.

As the Company did not have any dilutive instruments during the six months ended 30 June 2020 and 2019, the Group's diluted earnings per share was the same as its basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB517,429,000 (six months ended 30 June 2019: RMB526,437,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB2,173,000 (six months ended 30 June 2019: RMB8,378,000) for cash proceeds of approximately RMB790,000 (six months ended 30 June 2019: RMB2,359,000), resulting in a loss on disposal of approximately RMB1,383,000 (six months ended 30 June 2019: RMB6,019,000).

In addition, the Group incurred cost for construction in progress of approximately RMB1,449,340,000 (six months ended 30 June 2019: RMB1,434,729,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

11. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

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

Additions to right-of-use assets of approximately RMB18,941,000 (six months ended 30 June 2019: RMB48,101,000) and lease liabilities of approximately RMB18,941,000 (six months ended 30 June 2019: RMB48,101,000) represented the new leases entered into by the Group during the six months ended 30 June 2020.

(b) Amounts recognised in profit or loss

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000 (Restated)
Depreciation expense on right-of-use assets:		
– leasehold land	14,318	14,109
– buildings	5,475	2,483
– machinery and others	9,356	10,546
	29,149	27,138
Interest expense on lease liabilities	2,464	2,812
Expense relating to short-term leases	23,215	3,499

12. INTANGIBLE ASSETS

During the current interim period, the Group acquired intangible assets of approximately RMB149,392,000 (six months ended 30 June 2019: RMB163,063,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

13. FINANCIAL ASSETS AT FVTPL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets at FVTPL include the following:		
– listed equity investments	4,436,683	4,408,172
– investments in equity funds	2,811,941	2,720,685
– structured deposits	67,114	88,026
– derivative financial assets	8,515	–
	7,324,253	7,216,883
Analysed as:		
– listed in the PRC	4,445,198	4,408,172
– unlisted	2,879,055	2,808,711
	7,324,253	7,216,883
Analysed for reporting purpose as:		
– current assets	1,163,881	1,528,785
– non-current assets	6,160,372	5,688,098
	7,324,253	7,216,883

Details of the fair value measurement of financial assets at FVTPL are disclosed in note 24.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

14. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	157,218	261,012
1-2 years	24,493	22,121
2-3 years	11,638	15,636
Over 3 years	8,503	8,262
	201,852	307,031
Less: impairment of trade receivables	(17,170)	(16,888)
	184,682	290,143

In addition, included in the trade and other receivables was deposits with exchanges and non-bank financial institutions of approximately RMB1,074,416,000 (31 December 2019: RMB808,637,000).

15. BANK BALANCES AND CASH

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash on hand	416	380
Short-term deposits of original maturity within 3 months in the banks and other financial institutions	2,581,775	1,682,906
Short-term deposits in the associate, Shandong Gold Group Finance Co., Ltd.* (山東黃金集團財務有限公司) ("SDG Group Finance")	518,646	990,778
Cash held on behalf of customers for futures contracts trading (note)	690,966	344,977
	3,791,803	3,019,041

* The English name is for identification purpose only

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

16. TRADE AND OTHER PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	854,371	912,846
1-2 years	19,803	31,293
2-3 years	13,468	1,951
Over 3 years	3,463	1,731
	891,105	947,821

17. BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB6,878,571,000 (six months ended 30 June 2019: RMB2,054,964,000). The loans carry interests at fixed market rates of 1.03% to 4.35% per annum or floating interest rates of People's Bank of China's Benchmark Lending Rate multiplied by 10% per annum and are repayable in instalments over a period of one year.

Included in new bank borrowings raised during the six months ended 30 June 2020 was the issue of ultra short-term bonds by the Group of approximately RMB2,000,000,000 (six months ended 30 June 2019: nil). These ultra short-term bonds carry interests at a rate ranging from 1.45% to 2.59% and are repayable within one year.

18. FINANCIAL LIABILITIES AT FVTPL

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

19. PROVISION FOR ASSET RETIREMENT OBLIGATIONS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At the beginning of the period/year	909,958	779,061
Interest charge on unwinding of discounts	5,513	14,632
Additional provision	–	60,086
Payments	(1,590)	(20,699)
Change in discount rate	55,095	66,789
Currency translation differences	10,185	10,089
At the end of the period/year	979,161	909,958

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

20. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

Shares, issued and fully paid:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Number of shares thousands	Share capital RMB'000	Number of shares thousands	Share capital RMB'000
Domestic shares ("A shares") of RMB1.00 each				
– Held by Shandong Gold Group	1,194,078	1,194,078	1,194,078	1,194,078
– Held by other shareholders	1,405,889	1,405,889	1,405,889	1,405,889
	2,599,967	2,599,967	2,599,967	2,599,967
H shares of RMB1.00 each	499,645	499,645	499,645	499,645
	3,099,612	3,099,612	3,099,612	3,099,612

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

20. SHARE CAPITAL AND TREASURY SHARES (Continued)

(b) Treasury shares

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Number of shares thousands	Share capital RMB'000	Number of shares thousands	Share capital RMB'000
At the beginning of the period/year and the end of the period/year	3,489	6,385	3,489	6,385

21. CONTINGENCIES AND COMMITMENTS

The Veladero Mine held by MAS experienced several environmental incidents as set out below:

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

As at 30 June 2020, 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, the Group did have any other significant pending litigation which may result in a significant loss to the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS

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

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Purchases of electricity	205,565	210,285
Purchases of construction services	26,526	38,079
Purchases of processing services	12,123	1,680
Purchases of gold	783,173	693,209
Purchases of other services	77,229	32,426
Total purchases	1,104,616	975,679
Interest expenses from borrowings	8,150	30,992
Acquisition of mining and exploration rights	19,135	–
Sales of gold and other metals	2,172	13
Sales of other materials and services	3,261	5,413
Total sales	5,433	5,426
Interest income from deposits	7,931	4,106

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Property and land leasing

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000 (Restated)
Additions to right-of-use assets	2,660	37,641
Interest on lease liabilities paid	943	1,093
Rental fees paid to Shandong Gold Group and its fellow subsidiaries (note)	6,887	4,331
Rental fees received from Shandong Gold Group and its fellow subsidiaries	3,656	3,632

Note: The Group entered into leasing arrangements with SDG Group and its fellow subsidiaries, and the carrying amounts of the lease liabilities as of 30 June 2020 was approximately RMB43,232,000 (31 December 2019: RMB51,741,000).

(c) Borrowings obtained from related parties

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000 (Restated)
Borrowings obtained from SDG Group Finance:		
At the beginning of the period	253,520	608,400
Drawdown during the period	844,640	208,720
Repayment during the period	(803,440)	(599,000)
At the end of the period	294,720	218,120

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
		(Restated)
Interest rates	3.5%-4.35%	4.35%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS (Continued)

(d) Period-end balances

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Receivables from related parties		
Trade receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	51,657	56,424
Less: provision for impairment	(6,415)	(728)
Trade receivables, net	45,242	55,696
Prepayments		
– Shandong Gold Group and its fellow subsidiaries	4,358	2,346
Other receivables, gross		
– Shandong Gold Group and its fellow subsidiaries	30,267	8,298
Less: provision for impairment	(1,500)	(715)
Other receivables, net	28,767	7,583
Balance with a financial institution		
– SDG Group Finance	518,646	990,778
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	2,559	16,651
	655,572	1,129,054
Payables to related parties		
Trade payables		
– Shandong Gold Group and its fellow subsidiaries	234,071	159,225
Notes payables		
– Shandong Gold Group and its fellow subsidiaries	35,810	58,129
Contract liabilities		
– Shandong Gold Group and its fellow subsidiaries	54	–
Other payables		
– Shandong Gold Group and its fellow subsidiaries	76,159	354,147
Dividend payables		
– Shandong Gold Group and its fellow subsidiaries	165,879	123,953
	511,973	695,454

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS (Continued)

(e) Key management personnel compensation

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Salaries and other short-term employee benefits		
– Directors and supervisors of the Company	2,428	2,556
– Other key management personnel	1,712	819
	4,140	3,375

(f) Guarantee provided by a related party

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Shandong Gold Group	–	688,996

On 30 March 2015, the Company issued 13,000,000 corporate bonds with a par value of RMB100 each and received total proceeds of RMB1,300,000,000. 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. On 30 March 2020, the remaining portion of the corporate bonds have been fully redeemed on schedule and the corresponding guarantee has been released subsequently.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS (Continued)

(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 (the “State-controlled Entities”). In addition, the Group is significant influenced indirectly by Shandong Gold Group, a state-owned enterprise established in the PRC.

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

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

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

23. CAPITAL COMMITMENTS

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

	30 June 2020 RMB’000 (Unaudited)	31 December 2019 RMB’000 (Audited)
Property, plant and equipment	398,678	476,849
Mining and exploration rights	62,539	23,637
	461,217	500,486

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

	Fair value hierarchy	Fair value as at 30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	Valuation technique(s) and key input(s)
Financial assets at FVTPL:				
– Listed equity investments	Level 1	623,375	640,725	Quoted price in an active market
– Listed equity investments	Level 2	3,813,308	3,767,447	Market approach – price to book ratio
– Investments in equity funds	Level 2	1,175,414	1,016,925	Quoted price in the fund's statements
– Investments in equity funds	Level 3	1,636,527	1,703,760	Combined approach – market comparison approach for unlisted shares and income approach for other assets held by equity funds
– Structured deposits	Level 2	67,114	88,026	Quoted rate of return by issuing bank
– Derivative financial assets	Level 1	8,515		– Quoted price in an active market
		7,324,253	7,216,883	
Financial liabilities at FVTPL				
– Gold leasing contracts and gold forward/futures contracts	Level 2	11,848,235	13,145,643	Market approach – reference to the similar contracts
– Derivative financial liabilities	Level 1	8,274		– Quoted price in an active market
		11,856,509	13,145,643	

There were no transfers between Level 1 and 2 of fair value hierarchy in the current period and prior periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

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

	Financial assets at FVTPL – investments in other equity funds RMB'000
At 1 January 2019 (audited)	1,296,493
Purchases	570,129
Disposals	(79,450)
Realised gains in profit or loss	2,998
Unrealised gains	42,685
At 30 June 2019 (unaudited)	1,832,855
At 1 January 2020 (audited)	1,703,760
Purchases	100,003
Disposals	(190,662)
Realised gains in profit or loss	4,541
Unrealised gains	18,885
At 30 June 2020 (unaudited)	1,636,527

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

25. EVENTS AFTER REPORTING PERIOD

(i) Offer to acquire and subscribe for shares of Cardinal Resources Limited

Shandong Gold Mining (Hong Kong) Co., Ltd., a wholly-owned subsidiary of Shandong Gold Mining Co., Ltd., agreed to (a) make offer to all Cardinal Shareholders (other than SDG Hong Kong) to acquire all of their Cardinal Shares by way of an off-market conditional takeover offer at the price of AUD0.60 per Cardinal Share; and (b) subscribe for 26 million Cardinal Shares at the price of AUD0.46 per Cardinal Share.

The subscription for 26 million Cardinal Shares at the price of AUD0.46 per share was completed on 7 July 2020 at a total consideration of AUD11,960,000. Upon completion of the subscription, SDG Hong Kong currently holds 26 million Cardinal Shares, representing 4.94% of the enlarged issued share capital of Cardinal Resources. On 15 July 2020, Nord Gold (based on publicly available information, the company holds 18.71% of all shares in issue of Cardinal Resources as at the date of this interim report) released an announcement that it proposed to acquire shares of Cardinal Resources at a price of AUD0.66 per share by way of on-market takeover offer. SDG Hong Kong made a revised offer to Cardinal Resources on 22 July 2020, pursuant to which, SDG Hong Kong proposed to make an off-market conditional takeover offer to shareholders holding all shares in issue of Cardinal Resources (excluding SDG Hong Kong and its connected persons) at a price of AUD0.70 per share by way of off-market takeover offer.

(ii) Bonus issue

Subsequent to the end of the reporting period on 20 August 2020, the Company issued bonus shares on the basis of four shares for every ten existing shares of the Company, resulting in additional issuance of 1,239,844,651 Shares of the Company, consisting of 1,039,986,532 A Shares and 199,858,119 H Shares.

On 16 April 2020, the Board of the Company proposed the payment of a final dividend for the year ended 31 December 2019 of RMB0.1 per Share to the Shareholders of the Company. The dividend declared during the six months ended 30 June 2020 was approximately RMB307,790,000 (the dividends of the 3,488,674 treasury Shares held by the Company amounting to approximately RMB349,000 have been eliminated). The payment of dividend was resolved by a special resolution at the Shareholders' meeting of the Company on 24 June 2020, and the dividend was paid in August 2020 (the dividend of 18,211,084 A Shares not subject to any dividend payment has been deducted).

26. COMPARATIVE FIGURES

Except for the restatement of comparative figures as a result of business combination involving entities under common control as further described, certain comparative figures in the interim condensed consolidated financial information has been reclassified to conform to current period's presentation.

DEFINITIONS

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

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

DEFINITIONS

“Laixi Company”	Shandong Gold Mining (Laixi) Co., Ltd., a limited liability company incorporated in the PRC on 11 October 2006 and a wholly-owned subsidiary of the Company;
“MAS”	Minera Andina del Sol SRL (previously known as Minera Argentina Gold S.R.L), a sociedad de responsabilidad 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;
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules;
“PRC Company Law”	The Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time;
“Prospectus”	The prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;
“Reporting Period”	From 1 January 2020 to 30 June 2020;
“RMB”	Renminbi, the lawful currency of China;
“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a company incorporated in the PRC with limited liability on 16 July 1996, the controlling Shareholder of the Company, and is held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“SDG Group Finance”	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a company incorporated in the PRC with limited liability on 17 July 2013, which is held as to 30% by the Company and as to 70% by SDG Group Co.;
“SDG Hong Kong”	Shandong Gold Mining (HongKong) Co., Limited (山東黃金礦業(香港)有限公司), a company incorporated in Hong Kong with limited liability on 27 February 2017 and a wholly-owned subsidiary of the Company;
“SFC”	The Securities and Futures Commission of Hong Kong;

DEFINITIONS

“Shandong Gold” or “Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 1787) and the Shanghai Stock Exchange (stock code: 600547) respectively;
“Shanghai Gold Exchange”	Shanghai Gold Exchange (上海黃金交易所);
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所);
“Share(s)”	Shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
“Shareholders”	Holder(s) of the Share(s);
“Syndicated Term Loan”	The loan available under the US\$960.0 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent;
“TMAC”	TMAC Resources Inc., a company incorporated in Canada on 30 October 2012, the shares of which are listed on the Toronto Stock Exchange (stock code: TMR);
“USD”	United States dollar, the lawful currency of the United States;
“Veladero Mine”	The Veladero Mine located in the high Andes Cordillera of central western Argentina. Details of which are set out in “Appendix IV – Competent Person’s Report – RPA Report” to the Prospectus; and
“Xinhui Company”	Shandong Gold Mining (Xinhui) Co., Ltd. (山東黃金礦業(鑫匯)有限公司), a limited liability company established in the PRC on 7 August 2008 and a wholly-owned subsidiary of the Company.

