SD-GOLD

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

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

(Stock Code: 1787)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS HIGHLIGHTS OF 2020

– Revenue increased to approximately RMB33,039.9 million, representing an increase of approximately 3.5% as compared to the corresponding period of last year;

– Profit for the period was approximately RMB1,268.6 million, representing an increase of approximately 101.9% as compared to the corresponding period of last year;

– The profit attributable to owners of the Company amounted to approximately RMB1,122.3 million, representing an increase of approximately 104.5% as compared to the corresponding period of last year;

– The basic earnings per share attributable to owners of the Company was approximately RMB0.26, representing an increase of 100% as compared to the corresponding period of last year; and

– The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

The Board of Shandong Gold Mining Co., Ltd. is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020 prepared in accordance with IFRS.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*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		**(384,088)**	(401,766)
Share of results of associates		**7,830**	22,769
Profit before tax		**1,646,982**	859,497
Income tax expenses	*5*	**(378,399)**	(231,326)
Profit for the period		**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
Basic earnings per share			
– Basic and diluted *(RMB)*	*7*	**0.26**	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS *(Continued)*
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:		
Item that may be reclassified subsequently to profit or loss:		
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	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*8*	**27,035,144**	26,029,464
Investment properties		**225,330**	231,459
Right-of-use assets		**493,388**	503,550
Intangible assets		**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	*9*	**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	*10*	**2,531,820**	1,916,843
Prepaid income tax		**14,804**	14,125
Financial assets at fair value through profit or loss	*9*	**1,163,881**	1,528,785
Restricted bank deposits		**260,098**	243,232
Bank balances and cash		**3,791,803**	3,019,041
		12,138,000	10,361,813
Current liabilities			
Trade and other payables	*11*	**6,645,115**	5,447,967
Lease liabilities		**13,198**	42,043
Current income tax liabilities		**280,904**	239,667
Borrowings	*12*	**8,793,338**	5,964,287
Financial liabilities at fair value through profit or loss	*13*	**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
(Continued)
AS AT 30 JUNE 2020

	Note	**As at 30 June 2020** *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Non-current liabilities			
Borrowings	*12*	**2,126,218**	2,199,267
Lease liabilities		**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		**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		**3,099,612**	3,099,612
Treasury shares		**(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
Total equity		**27,028,356**	26,068,325

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

AS AT 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. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

The interim condensed consolidated financial 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.

2.2 Application of new and amendments to IFRS

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.

2.3 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.

2.4 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.

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

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

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:

3.1 For the six months ended 30 June 2020 (unaudited)

	Gold Mining *RMB'000*	**Gold Refining** *RMB'000*	**Investment Management** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:				
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**
Revenue from other sources:				
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**

3.2 For the six months ended 30 June 2019 (unaudited)

	Gold Mining *RMB'000*	Gold Refining *RMB'000*	Investment Management *RMB'000*	Total *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:				
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 services	–	–	110,204	110,204
	1,252,706	29,848,888	814,539	31,916,133
Revenue from other sources:				
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 the 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

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.

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**

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 (loss)	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	(230,229)	(1,727)	630	–	(231,326)
Profit (loss) for the period	716,144	5,178	(81,338)	(11,813)	628,171

5. 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 RMB11,130,440 (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.

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

7. 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.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment (excluding construction in progress) 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).

9. FINANCIAL ASSETS AT FVTPL

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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

10. TRADE 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	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(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).

11. TRADE AND OTHER PAYABLES

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(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

12. BORROWINGS

During the current interim period, the Group obtained new bank loans 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 plus 10% per annum and are repayable in instalments over a period of one year.

During the current interim period, the Group issued ultra short-term financing bonds of approximately RMB2,000,000,000 (six months ended 30 June 2019: nil). These ultra short-term financing bonds carry interests at a rate ranging from 1.45% to 2.59% and are repayable within one year.

13. FINANCIAL LIABILITIES AT FVTPL

The Group obtained financing through entering into gold leasing contracts with banks to lease gold from banks and subsequently sold the gold through the Shanghai Gold Exchange. Upon maturity of those lease contracts, the Group has to return to such banks with gold of the same quantity and specification, which would be usually purchased through the Shanghai Gold Exchange. The maturity periods of gold leasing contracts are generally less than 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 values 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”.

14. 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.

15. CAPITAL COMMITMENTS

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

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

16. EVENTS AFTER REPORTING PERIOD

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

Shandong Gold Mining (HongKong) 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 AUD 0.60 per Cardinal Share; and (b) subscribe for 26 million Cardinal Shares at the price of AUD 0.46 per Cardinal Share.

The subscription for 26 million Cardinal Shares at the price of AUD 0.46 per share was completed on 7 July 2020 at a total consideration of AUD 11,960,000. 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.

(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).

17. 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.

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. Shandong Gold Mining (Xinhui) Co., Ltd. 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.

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.

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.

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.

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 Shandong Gold Mining (Laixi) Co., Ltd. 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.

(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; Shandong Gold Mining (Xinhui) Co., Ltd. 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%.

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.

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) to acquire the shares 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 announcement) 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) to acquire the shares at a price of AUD0.70 per share by way of off-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.

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. 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.

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2020, the Group recorded non-current assets and currents 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

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 announcement, 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).

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.

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.

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.

Use of Proceeds from Global Offering

The H Shares were listed on 28 September 2018 on the Main Board of the Hong Kong Stock Exchange with net proceeds amounted to approximately HK$5,245.7 million (approximately RMB4,618.8 million) after deducting transaction fees and other expenses. As of the date of this results announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus. As of 30 June 2020, approximately RMB4,601.7 million have been utilized, namely:

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

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.

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.

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 regulatory documents of the places where its shares are listed, and strives to protect and enhance its corporate image. The Company continues to improve its corporate governance structure in compliance with the PRC Company Law and the regulations and requirements of the CSRC, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

AUDIT COMMITTEE

The Audit Committee currently comprises of two non-executive Directors, Mr. Li 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 results 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 results of the Group for the six months ended 30 June 2020 are in compliance with the applicable accounting standards and relevant laws and regulations and have made sufficient disclosure.

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

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

SIGNIFICANT EVENTS DURING REPORTING PERIOD

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.

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 on 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sdhjgf.com.cn), and the 2020 interim report of the Company containing all the information required by the Hong Kong Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

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

"A Share(s)"	The domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
"Board" or "Board of Directors"	The board of directors of the Company;
"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 results announcement, Hong Kong, Macau Special Administrative Region and Taiwan;
"CSRC"	China Securities Regulatory Commission;
"Director(s)"	The director(s) of the Company;
"Group"	The Company and all of 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"	The International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB);
"MAS"	Minera Andina del Sol SRL (previously known as Minera Argentina Gold S.R.L), a sociedad de reponsabilidad limitada incorporated in Argentina on 31 January 1995, held as to 95.6906% by AGB II, 2.1547% by SDG Hong Kong, 1.9529% by Argentina Gold Corporation and 0.2018% by Compania Minera San Jose de Argentina;

"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), incorporated in Hong Kong on 27 February 2017 with limited liability and a wholly-owned subsidiary of the Company;
"SFC"	The Securities and Futures Commission of Hong Kong;
"Shandong Gold" or "Company"	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People's Republic of China with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 1787) and the Shanghai Stock Exchange (stock code: 600547) respectively;

"Shanghai Gold Exchange"	Shanghai Gold Exchange (上海黃金交易所);
"Shanghai Stock Exchange"	Shanghai Stock Exchange (上海證券交易所);
"Share(s)"	Shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
"Shareholders"	Holder(s) of the Share(s);
"Syndicated Term Loan"	The loan available under the US$960.0 million term loan facilities agreement dated 20 June 2017 entered into by, among others, SDG Hong Kong and several financial institutions, for which China Merchants Bank Co., Ltd. New York Branch acted as the facility agent;
"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; and
"Veladero Mine"	The Veladero Mine located in the high Andes Cordillers of central western Argentina. Details of which are set out in "Appendix IV – Competent Person's Report – RPA Report" to the Prospectus.

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

Jinan, the PRC, 27 August 2020

As at the date of this announcement, the executive Directors are Mr. Wang Peiyue, Mr. Li Tao and Mr. Tang Qi; the non-executive Directors are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive Directors are Mr. Gao Yongtao, Mr. Lu Bin and Ms. Hui Wing.