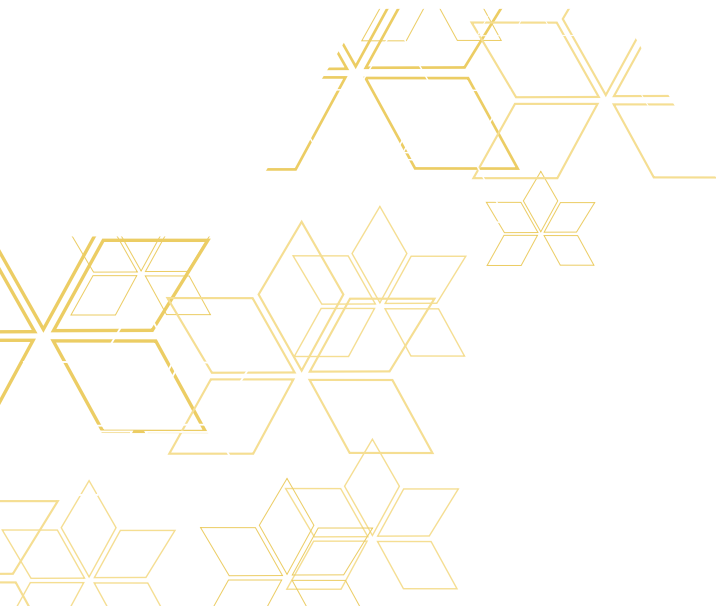
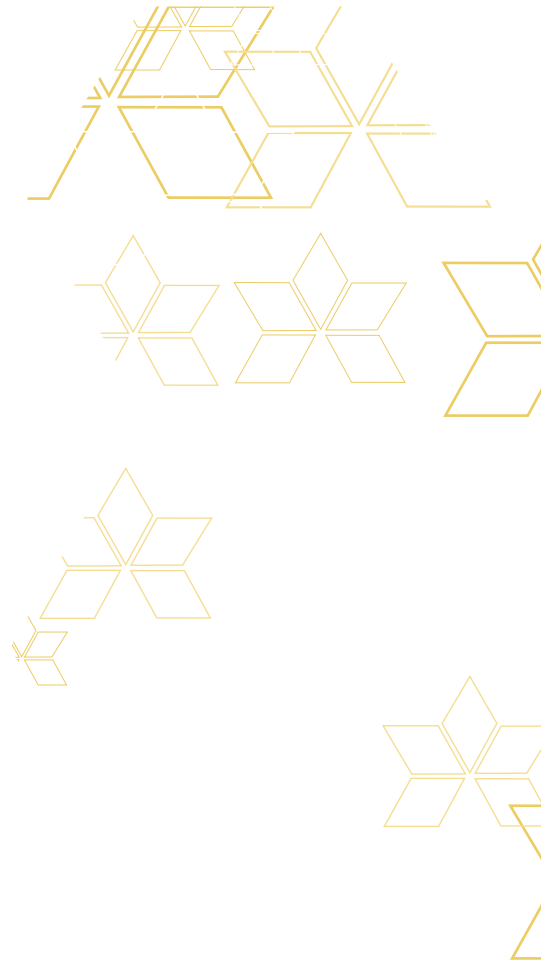




Hengxing Gold Holding Company Limited

(incorporated in the Cayman Islands with limited liability)

stock code: 2303



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Corporate Information

Directors

Executive directors

Mr. Ke Xiping (柯希平) (*Chairman*)
Mr. Chen, David Yu (陳宇) (*Vice Chairman and President*)
Mr. Albert Fook Lau Ho (何福留)

Independent non-executive directors

Ms. Wong, Yan Ki Angel (黃欣琪)
Mr. Xiao Wei (肖偉)
Dr. Tim Sun (孫鐵民)

Audit Committee

Ms. Wong, Yan Ki Angel (黃欣琪)
(*Chairlady*)
Mr. Xiao Wei (肖偉)
Dr. Tim Sun (孫鐵民)

Remuneration Committee

Mr. Xiao Wei (肖偉) (*Chairman*)
Mr. Ke Xiping (柯希平)
Ms. Wong, Yan Ki Angel (黃欣琪)

Nomination Committee

Dr. Tim Sun (孫鐵民) (*Chairman*)
Mr. Chen, David Yu (陳宇)
Ms. Wong, Yan Ki Angel (黃欣琪)

Company Secretary

Ms. Wong Wai Ling (黃慧玲) (*ACIS, ACS*)

Authorised Representatives

Mr. Chen, David Yu (陳宇)
Mr. Albert Fook Lau Ho (何福留)

Principal Share Registrar

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business and Operating Head Office in China

No. 36 Yiji Road
Yining County
Xinjiang

Principal Place of Business in Hong Kong

18/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company's Website

www.hxgoldholding.com

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
2303

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Compliance Adviser

Somerley Capital Limited

Legal Advisers

As to Hong Kong law:

Orrick, Herrington & Sutcliffe

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited

Principal Bank

Agricultural Bank of China Limited
No. 77 Airport Road
Yining City 835000
China

Chairman Statement

Dear Shareholders,

On behalf of the Board of Directors of Hengxing Gold Holding Company Limited, I am pleased to present the interim report of the Company and its subsidiaries for the six months ended 30 June 2014 and express our gratitude to the Shareholders of the Company for supporting our IPO completed in May 2014.

Partly as a result of the United States' continuous economy recovery and the territorial tension in the middle-east and Ukraine, gold price fluctuated ranging from approximately US\$1,250 to US\$1,320 per ounce during the first half of 2014. Despite the expected uncertainty of gold price in the future, we were successfully listed on the Stock Exchange on 29 May 2014. We stayed in focusing on expanding production at our Gold Mountain Mine, the largest production gold mine in Xinjiang region and achieved very positive operating results. During the six months ended 30 June 2014, Gold Mountain Mine approximately produced 7,012.1 ounces of gold in total and contributed a gross profit of approximately RMB2,446,000. The production was significantly improved during June 2014, the first month after listing, as compared with the first five months of 2014. The gold production during June 2014 was increased to 3,729.5 ounces while the average monthly gold production for the first five months of 2014 was 655.9 ounces only. The unit operating cash cost of June 2014 has decreased correspondingly as a result of increased production scale.

We mined and processed approximately 1 million tones of ore during the six months ended 30 June 2014. The daily ore processing capacity reached 12,000 tones of ore per day in June 2014, which is approximately 80% of the designed daily processing capacity. Meanwhile, we are continuing technical improvement on the current processing plants which is expected to further reduce the size of fine-crushed ore and increase the recovery rate. Therefore, we are confident in further increase in gold production and path to profit in the second half year of 2014.

We have improved our operation cash flow and working capital due to increased gold production and sales as well as the proceeds from the IPO on 29 May 2014. As of 30 June 2014, the Group's cash and cash equivalents and net current assets were approximately RMB181,641,000 and RMB138,009,000, respectively. It is expected that the debt level during the second half year of 2014 can be reduced which will result in a decrease in our finance costs.

As a newly listed public company, we are committed on improving our internal control system. At the same time, we reinforced the safety management and assessment protocol to ensure a sound level of the occupational health and safety standards.

Looking forward we are staying our course of production improvement and expansion at the Gold Mountain Mine and expect to achieve the designed capacity and cost targets by the end of 2015. We may expand our operations through selective acquisitions of high-quality gold mines in China or overseas if appropriate opportunities arise. For the exploration of the surrounding areas of Gold Mountain Mine, we have entered into partnerships with Western Region Gold Ili Company Limited to jointly explore the target areas. We are also taking a more vigorous economic analysis of the CIL projects under the current gold price. We shall report to our Shareholders once these studies are concluded.

In the face of declined gold price and challenges while the Group's trial production ramping up, we have made achievements with the contributions and efforts from our staff. On behalf of the Board, I would like to thank the management and all our staff for their contributions and sacrifices. We sincerely appreciate all the support and trust placed in us from all Shareholders, business partners and local communities.

Sincerely,

KE Xiping
Chairman

27 August 2014

Business Review

The Company's Gold Mountain Mine produced 7,012.1 ounces ("ounce" or "oz", referring to a unit of weight for precious metals, and one ounce equals 31.1035 grams) or 218.1 kg of gold for the Period Under Review. In the first half of the year, the Company achieved a positive gross profit of RMB2,446,000, and the Gold Mountain Mine achieved increase of gold production and decrease of operating cash cost in June 2014, the first month after listing, as compared with the average monthly gold production and unit operating cash cost for the period from January to May 2014. In June 2014, Gold Mountain Mine produced 3,729.5 ounce or 116.0 kg of gold while the average monthly gold production for the first five months of 2014 were 655.9 ounce or 20.4 kg. The reduction in unit operating cash cost is mainly attributable to increased production scale. It is expected that the unit cost reduction will continue in the second half of the year as gold production expands further. The unit operating cash cost target for 2015 is US\$598.2/oz (as disclosed in the Prospectus).

For the six months ended 30 June 2014, the amount of ore mined and processed was up to one million tones. As at 30 June 2014, the daily ore processing capacity reached around 12,000 tones of ore per day, which is approximately 80% of the designed daily processing capacity. The Company expects that its annual ore processing capacity on a monthly basis will ramp up to designed annual production capacity of 5 million tones, or 15,000 tones per day in the coming months.

The feasibility study of CIL Project is at its final stage and expected to be completed in coming months. The Company takes careful economic analysis on this project due to the decline of gold price. Meanwhile, the Group has implemented technical improvement on the moderate ore crushing system in the current ore processing plant by adding an additional vertical impact crusher with open-circuit to the Gold Mountain Mine. It is expected to further reduce the size of fine-crushed ore, leading to increased recovery rate. Furthermore, additional technical studies have been performed on High Pressure Grinding Roll technique as a potential alternative technical improvement and performance upgrade.

On the exploration front, Gold Mountain Mine has signed a contract with Western Region Gold Ili Company Limited (西部黃金伊犁有限責任公司) which is an independent third party on 20 June 2014 to jointly explore certain area surrounding Jinshan area (where Gold Mountain Mine is located) under the current exploration licences. The Group will focus exploration effort on the exploration targets of Bohogou (薄荷溝) which is highly prospective area covering approximately 9 sq. km. and is near A-Xi Gold Mine Deposit (阿希金礦), which has been mined by Western Region Gold Ili Company Limited (西部黃金伊犁有限責任公司) since 1993 for 50 tones of gold reserves.

During the six months ended 30 June 2014, the Group has recruited additional experienced management in gold mining and with strong technical backgrounds to strengthen over all management capabilities.

Prospects

The goal of the Group is to become a leading gold mining company in China. Looking ahead, the Group will start with the following areas:

Ramp up processing capacity and expand production operation

The Group is committed to ramping up the operations in a rapid and effective manner with the intent to achieve the designed ore processing capacity and commit to careful economic analysis on the CIL Project. In addition, the Group will make continuous efforts to invest in research and design to utilize mature and stable technologies in the operations to improve efficiency and achieve steady business growth.

Further expand resources and upgrade reserves

The Group will continue the exploration works at and in the surrounding areas of the Gold Mountain Mine where the Group hold licenses for the identification of new mining resources, and also seek cooperation opportunities with other independent third parties. The Group will also invest resources to identify regions with great potential at an early stage and to secure new exploration and mining rights.

Business Review

Expand business scope

The Group plans to expand the business scope through acquisition of high-quality gold mines and strategic cooperative relationships with high-quality gold mine owners in China and overseas. The Company will consider the sources of funding if the appropriate opportunity arises in the future. In addition, the Group has the options and the rights of first refusal to acquire the equity interests held by Mr. Ke Xiping in two companies that hold gold exploration licenses for certain mines in Shandong and Sichuan provinces. The Group may exercise the options to acquire such equity interests if economically feasible gold mining projects are identified at fair market value then. The Group currently has no intention to purchase any of these two companies.

As of 30 June 2014, the tenements held by these two companies were all at a very preliminary stage of exploration. It is highly uncertain whether there will be any economically feasible mining project and production at these tenements in the future.

Further strengthen work safety and environmental protection

Work safety and environmental protection, as for the industry, are crucial to the sustainable development. The implementation of the occupational health and safety system and environmental protection system has proved us to be committed to the pursuit of all-round safety and environmental management to minimize day-to-day operational risks. The Group will still keep attention to providing more training programs to the employees regarding work safety and environmental protection.

Use of Proceeds from the Initial Public Offering

The Company was listed on the Main Board of the Stock Exchange on 29 May 2014. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the Listing and expenses relating generally to the listing of all the Shares of the Company, whether existing or new) amounted to approximately HK\$330.4 million.

As at 30 June 2014, the net proceeds of IPO had been utilised in the following manner:

| | Planned amount per clarification announcement dated 28 May 2014 | Amount utilised up to 30 June 2014 | Balance as at 30 June 2014 |
|--|---|--|------------------------------------|
| Finance the CIL Project by the end of 2015 | Approximately HK\$150.1 million | nil | Approximately HK\$150.1 million |
| Repay a portion of outstanding loans with interests and advances from Mr. Ke Xiping | Approximately HK\$138.8 million | HK\$138.8 million | nil |
| Finance the Group's potential acquisitions of gold mineral resources and/or gold mining companies | Approximately HK\$15.1 million | nil | Approximately HK\$15.1 million |
| Finance the Group's future exploration works at the Gold Mountain Mine and its surrounding areas for which we hold exploration licenses | Approximately HK\$15.1 million | nil | Approximately HK\$15.1 million |
| Working capital and other general purposes | Approximately HK\$11.3 million | nil | Approximately HK\$11.3 million |

Financial Review

During the Period Under Review, the Group recorded a revenue of RMB44,700,000, while there was no revenue recorded for the corresponding period of 2013 since Gold Mountain Mine had not commenced production at that time. The Group continued to record a consolidated loss of the Group of RMB38,317,000 for the six months ended 30 June 2014, representing approximately an increase of 91.0% in loss compared to the corresponding period of 2013. The increase in loss is mainly due to (a) increased finance cost amounting to RMB13,447,000 as a result of interests in relation to new bank loans and other borrowings, and (b) professional expenses amount to RMB3,993,000 associated with the Listing which was completed during May 2014.

Revenue

During the Period Under Review, the Group's revenue was approximately RMB44,700,000, compared with no revenue for the Group in the corresponding period of 2013 primarily because the Group had not commenced production until late 2013.

Cost of sales

During the Period Under Review, the Group's cost of sales amounted to approximately RMB42,254,000 which primarily included mining costs, processing costs, labor costs related to mining and processing activities as well as depreciation and amortization costs including amortization costs of intangible assets and depreciation costs of property, plant and equipment. The Group was in the early stage of development and therefore did not recognize any cost of sales in the first half of 2013.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB2,446,000 since the Group commenced the production and sales of processed gold in late 2013. The Group was in the early stage of development and therefore did not recognize any gross profit or loss in the first half of 2013.

Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expense amounted to approximately RMB35,000 since the Group commenced the production and sales of processed gold in late 2013. The Group was in the early stage of development and therefore did not recognize selling and distribution expenses in the first half of 2013.

Administrative expenses

Administrative expenses increased by RMB1,317,000, or 13.0%, from approximately RMB10,163,000 for the six months ended 30 June 2013 to approximately RMB11,480,000 for the six months ended 30 June 2014, primarily due to increase in the administrative and management staff costs and depreciation and amortization costs as the Group continued to expand the construction and mining for the Period Under Review.

Listing expenses

Listing expenses increased from RMB457,000 for the six months ended 30 June 2013 to RMB3,993,000 for the six months ended 30 June 2014, mainly due to the professional expenses for the Listing.

Finance Costs

During the Period Under Review, the Group's finance costs was approximately RMB23,607,000 (for six months ended 30 June 2013, it was approximately RMB10,160,000), representing an increase of 132.4%, compared with the corresponding period of 2013. The increase was mainly due to interests on new gold loan of RMB52,340,000 and interests on a trust loan of RMB150,000,000, newly incurred for the six months ended 30 June 2014.

Loss before taxation

As a results of the foregoing, the loss before taxation was RMB38,317,000 for the six months ended 30 June 2014, as compared to RMB20,063,000 for the six months ended 30 June 2013.

Financial Review

Loss and total comprehensive expense

As a result of the foregoing, the loss and total comprehensive expense was RMB38,317,000 for the six months ended 30 June 2014, as compared to RMB20,063,000 for the six months ended 30 June 2013.

Liquidity and Financial Resources

The Group was in possession of reasonable operation cash flow and working capital due to ramp up of production starting from December 2013 and a result of Listing on 29 May 2014. As at 30 June 2014, the Group's cash and bank balances were approximately RMB181,641,000 (as of 31 December 2013, it was RMB10,354,000). Net assets were approximately RMB370,125,000 (as of 31 December 2013, it was approximately RMB127,441,000).

The Group recorded net current assets of RMB138,009,000 as of 30 June 2014, as compared to the net current liabilities of approximately RMB61,767,000 as of 31 December 2013, which was primarily due to (a) increase in bank balances and cash associated with the proceeds from the IPO, (b) increase in the Group's inventory mainly attributable to the ramp up production and (c) repayment of the loan from Mr. Ke Xiping at the date of IPO.

Current ratio and gearing ratio

As of 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was 2.1 (31 December 2013: 0.3).

As of 30 June 2014, the Group's gearing ratio (total borrowings divided by total equity) is 1.4 (31 December 2013: 3.8).

Cash flows

The following table sets out selected cash flow data from the Group's condensed consolidated interim cash flow statements for the six months ended 30 June 2014 and 30 June 2013.

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Net cash used in operating activities | (45,794) | (12,162) |
| Net cash used in investing activities | (36,926) | (64,917) |
| Net cash from financing activities | 254,429 | 161,914 |
| Net increase in cash and cash equivalents | 171,709 | 84,835 |
| Effect of foreign exchange rate changes | (422) | – |
| Cash and cash equivalents at 1 January | 10,354 | 20,431 |
| Cash and cash equivalents at 30 June | 181,641 | 105,266 |

For the Period Under Review, the net cash outflow from operating activities was RMB45,794,000, which was mainly attributable to (a) increase in inventory of RMB31,149,000, (b) increase in trade receivables, prepayment deposits and other receivables of RMB6,042,000, and (c) decrease in trade payables, accruals and other payables of RMB8,069,000.

Financial Review

For the Period Under Review, the net cash outflow from investing activities was RMB36,926,000, which was mainly attributable to (a) a placement of structured deposits of RMB60,000,000, (b) purchase of property, plant and equipment of RMB12,586,000, (c) payments of intangible assets of RMB4,146,000, and partially offset by the redemption of structured deposits of RMB45,187,000.

For the Period Under Review, the net cash inflow from financing activities was RMB254,429,000, which was primarily attributable to (a) proceeds from IPO of RMB294,483,000, (b) new bank and other borrowings raised of RMB150,000,000, (c) new gold loans raised of RMB50,668,000, (d) loan from a shareholder of RMB43,000,000, all of which were partially offset by (a) IPO expenses of RMB13,482,000, (b) interest paid for bank and other borrowings of RMB14,860,000, (c) repayment of amount due to a shareholder of RMB16,893,000, and (d) repayment of loan due to a shareholder of RMB237,204,000.

Capital Structure

On 29 May 2014, the Group issued a total of 231,250,000 ordinary shares of HK\$0.01 each at HK\$1.6 (equivalent to RMB1.273) pursuant to the initial public offering of the Group's shares. On the same date, the Group allotted and issued 693,749,985 ordinary shares of HK\$0.01 each which was credited as fully paid to the shareholders by capitalising an amount of HK\$6,938,000 (equivalent to RMB5,521,000) from the share premium account of the Group.

As of 30 June 2014, the total number of issued ordinary shares of the Company was 925,000,000 shares (as of 31 December 2013: 15 shares), each at HK\$0.01.

Bank borrowing and Trust loan

As of 30 June 2014, we had a secured bank loan of RMB300 million outstanding from Agriculture Bank of China. The effective interest rate was 7.18% per annum. The bank loan has a term of six years and bears an interest rate which equals to the base rate of PBOC and is subject to adjustments every 12 months in accordance with the then base rate of PBOC.

As of 30 June 2014, we had an unsecured trust loan of RMB150 million from Xiamen Trust. The trust loan has a term of two years, and bears a fixed effective interest rate of 9.5% per annum, which is not subject to any adjustment by the base rate of PBOC.

Indebtedness and charge on assets

The Group had repaid the loan from Mr. Ke Xiping in the first half of 2014.

As of 30 June 2014, the Group had the bank and other borrowings of approximately RMB300,000,000, which was secured by certain properties, plant and equipment amounting to approximately RMB157,026,000 and intangible assets amounting to approximately RMB139,521,000 and unsecured trust loan of approximately RMB150,000,000.

Save as stated above, as of 30 June 2014, the Group did not have other outstanding loan extended and outstanding, bank overdrafts, other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Contingent Liabilities

As of 30 June 2014, the Group did not have any material contingent liabilities or guarantees (as of 31 December 2013: nil). The Group is not currently involved in any material legal proceedings, nor is the Group aware of any pending or potential material legal proceedings, involving us. If the Group is involved in such material legal proceedings, the Group would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Financial Review

Foreign Currency Risk

All of the Group's operations are located in China and most of the transactions are carried out in RMB, the functional currency of each of the Company and its subsidiaries. The fluctuation of the RMB/HKD exchange rates may have material effects on certain bank balances and amounts due to related parties which are dominated in HKD. The Group currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Employees

As at 30 June 2014, the Group employed approximately 304 employees in the PRC and Hong Kong (31 December 2013: 258). All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC.

The Mining Production, Exploration and Development

Mining Production

Since the trial production at the end of 2013, the daily ore processing capacity of Gold Mountain Mine has reached around 12,000 tones of ore per day as of 30 June 2014, which is approximately 80% of the designed daily processing capacity. Gold Mountain Mine includes five prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect. As of 30 June 2014, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

| | Six months ended 30 June | |
|-------------------------------|--------------------------|-----------|
| | 2014 | 2013 |
| Ore mined (tones) | 1,003,600 | – |
| <i>Yelmand prospect</i> | 1,002,800 | – |
| <i>Mayituobi prospect</i> | 800 | – |
| Overburden mined (tones) | 3,881,700 | 2,477,300 |
| <i>Yelmand prospect</i> | 2,666,300 | 2,477,300 |
| <i>Mayituobi prospect</i> | 1,215,400 | – |
| Average grade of ore (g/t) | 0.71 | – |
| Ore crushed & Stacked (tones) | 1,046,260 | – |
| Ore processed (tones) | 1,046,260 | – |
| Gold Produced (oz) | 7,012.1 | – |

During the Period Under Review, the aggregate expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB29,762,000, as compared to approximately RMB19,807,000 for the corresponding period in 2013.

Financial Review

Exploration

The Company did not conduct drilling at Gold Mountain Mine during the first half year of 2014 but focused on seeking cooperation activities with other independent third parties and also conducted analysis on previously geological data collected from surrounding area of Gold Mountain Mine with external advisers.

During the Period Under Review, the expenditure directly relating to exploration was approximately RMB675,000.

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 31 December 2013:

| JORC Mineral Resource Category | Tonnage kt | Grade kt | Contained Gold Au kg | Contained Gold Au koz |
|--------------------------------|---------------|-------------|----------------------------|-----------------------------|
| Measured | 23,630 | 0.77 | 18,092 | 582 |
| Indicated | 80,190 | 0.74 | 59,569 | 1,915 |
| Total Measured and Indicated | 103,820 | 0.75 | 77,661 | 2,497 |
| Inferred | 31,905 | 0.70 | 22,423 | 721 |
| Total | 135,725 | 0.74 | 100,084 | 3,218 |

| JORC Mineral Reserve Category | Tonnage kt | Grade kt | Contained Gold Au kg | Contained Gold Au koz |
|-------------------------------|---------------|-------------|----------------------------|-----------------------------|
| Proved | 10,390 | 0.74 | 7,650 | 246 |
| Probable | 80,020 | 0.75 | 59,610 | 1,917 |
| Total | 90,410 | 0.74 | 67,280 | 2,163 |

Resources and reserves reported at a cut-off grade of 0.30 g/t.

Mine Development

For the first half year of 2014, the Company completed several auxiliary projects for the Gold Mountain Mine including the improvement on the heap leach pad, ore processing plants as well as the anti-leakage project of heap leaching.

During the Period Under Review, the expenditure on the mine development and construction amounted to approximately RMB6,761,000.

Significant Investments, Acquisitions and Disposals

During the Period Under Review, the Group has no significant investments, acquisitions or disposals.

Corporate Governance and Other Information

Compliance with the Code on Corporate Governance

Given that the Shares of the Company have only been listed on the Main Board of the Stock Exchange since 29 May 2014, the code provisions of the CG Code as set forth in Appendix 14 to Listing Rules was not applicable to the Company before the Listing. However, since the date of Listing on 29 May 2014, the Company has adopted the CG Code as its corporate governance code of practices. In the opinion of the Board, the Company has fully complied with the applicable code provisions of the CG Code from the date of Listing on 29 May 2014 to 30 June 2014.

Model Code for Securities Transactions

The Group has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Group has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code throughout the period from the date of Listing on 29 May 2014 up to 30 June 2014.

Purchase, Sale or Redemption of Listed Securities of the Company

During the period from the date of Listing on 29 May 2014 up to 30 June 2014, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013, no dividend was declared).

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme pursuant to the written resolutions of the Shareholders passed on 5 May 2014 and the resolutions of the Directors passed on 5 May 2014. The purpose of such Share Option Scheme is to provide an incentive for eligible participants to work with commitment towards enhancing the value of the Company and the Shares for the benefit of our Shareholders and to retain and attract high-caliber and working partners whose contributions are or may be beneficial to the growth and development of the Group.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number in issue as of the date of Listing, that is 92,500,000 Shares.

As for the grantee's maximum holding of the grant options, no option, unless approved by the shareholders in general meeting in the manner prescribed in the Listing Rules, may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options during any 12 month period exceeding 1% of the total Shares then in issue.

Pursuant to the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period notified by the Board in its absolute discretion, save that such period shall not be more than ten years commencing on the date on which the option is offered (the "Offer Date"). The price per share option at which a Grantee may subscribe upon exercise of an option shall also be determined by the Board and in any event shall be at least the highest of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;
- (2) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and
- (3) the nominal value of the Shares.

Corporate Governance and Other Information

The Share Option Scheme shall be valid and effective for 10 years from the Listing Date, after which time no further option will be granted but the Share Option Scheme itself shall remain in full force and effect in all other aspects.

In addition to the information stated herein, the detailed terms of such Share Option Scheme have been disclosed in the prospectus of the Company dated 19 May 2014.

No share options under the Share Option Scheme were granted, exercised, lapsed or cancelled from the listing of the Shares of the Company on the Main Board of the Stock Exchange on 29 May 2014 to 30 June 2014 and up to the date hereof.

Disclosure of Interests

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2014, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (with the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Chief Securities of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Long Positions in the Shares

(i) Interest in our Company

| Name of Director | Nature of interest | Number of shares interested (Note 1) | Approximate percentage of interest in the issued capital (Note 2) |
|------------------------|------------------------------------|---|--|
| Mr. Ke Xiping (Note 3) | Interest of controlled corporation | 555,000,000(L) | 60.0% |

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) As at 30 June 2014, the total number of issued Shares of the Company was 925,000,000.
- (3) Mr. Ke Xiping holds the entire issued share capital of Gold Virtue and therefore is deemed to be interested in the 555,000,000 Shares held by Gold Virtue.

Corporate Governance and Other Information

(ii) Interest in associated corporations of our Company

| Name of Director | Name of associated corporation | Percentage of interest in associated corporation |
|------------------|--------------------------------|--|
| Mr. Ke Xiping | Gold Virtue (Note 1) | 100% |

Notes:

- (1) Gold Virtue holds more than 50% of the Company's Shares, therefore Gold Virtue is the holding company and an associated corporation of the Company.

Save as disclosed above, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which had been recorded in the register required maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares:

So far as is known to any Director or chief executive of the Company, as at 30 June 2014, the persons other than a Director or chief executive of the Company or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were set out as follows:

| Name of Shareholders | Nature of interest | Number of shares interested (Note 1) | Approximate percentage of interest in the issued capital (Note 2) |
|-----------------------|------------------------------------|---|--|
| Gold Virtue (Note 3) | Beneficial owner | 555,000,000(L) | 60% |
| Mr. Ke Jiaqi (Note 4) | Interest of controlled corporation | 138,750,000(L) | 15.0% |
| Xi Wang Developments | Beneficial owner | 138,750,000(L) | 15.0% |

Note:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) As at 30 June 2014, the total number of issued Shares of the Company was 925,000,000.
- (3) Mr. Ke Xiping holds the entire issued share capital of Gold Virtue and therefore is deemed to be interested in the 555,000,000 Shares held by Gold Virtue. Mr. Ke Xiping is the father of Mr. Ke Jiaqi.
- (4) Mr. Ke Jiaqi holds the entire issued share capital of Xi Wang Developments and therefore is deemed to be interested in the 138,750,000 Shares held by Xi Wang Developments. Mr. Ke Jiaqi is the son of Mr. Ke Xiping.

Save as mentioned above, as at 30 June 2014, the Directors and the chief executive of the Company are not aware of any other person other than a Director or chief executive of the Company or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance and Other Information

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Prospectus of the Company are set out below:

| Name of Directors | Details of Changes |
|------------------------------|--|
| Mr. Chen, David Yu (陳宇) | The annual director service fee and allowance is changed from HK\$1 million to HK\$1.55 million, as effective from the date of Listing on 29 May 2014 |
| Dr. Tim Sun (孫鐵民) | Dr. Sun resigned as a director and the chairman of FeOre Ltd, an iron ore mining company in Mongolia listed on the Australian Securities Exchange (Stock Code: FEO) in July 2014 |
| Ms. Wong, Yan Ki Angel (黃欣琪) | Ms. Wong was appointed as an independent non-executive director of China Shengda Packaging Group Inc. (NASDAQ: CPGI) in August 2014 |

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review of the Deed of Options

Reference is made to a deed of options dated 5 May 2014 entered into by Mr. Ke Xiping, Mineral Securities Golden Sea Limited and Xiamen Hengxing Group Co., Ltd. in relation to Shandong Yantai Golden Sea Mining Company Ltd. (山東煙台金海礦業有限公司) and Sichuan Xintianwei Mining Co., Ltd. (四川新天緯礦業有限公司) (collectively, "Excluded Companies") disclosed in the section headed "Relationship with our Controlling Shareholders" in the Prospectus. The Directors (including all independent non-executive Directors) reviewed such deed of options. Considering that (a) the tenements held by the Excluded Companies were all at a very preliminary stage of exploration, which might bring high uncertainty whether there will be any economically feasible mining project and production at these tenements in the future. Therefore, it is not in the interests of the Company and the Shareholders to include the Excluded Companies into the Group at this stage and (b) the Excluded Companies do not compete directly or indirectly with the Group's business, the Group has no intension to purchase any of the Excluded Companies or exercise any rights under such deed of options.

Events after the Reporting Period

The Group had no subsequent events after the reporting period.

Review of the Interim Results

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Wong Yan Ki Angel, Mr. Xiao Wei and Mr. Tim Sun. Ms. Wong Yan Ki Angel serves as the chairlady of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2014 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

The external auditor of the Company has reviewed the interim financial information for the six months ended 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Without qualifying its review conclusion, the external auditor of the Company draws attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2013 and the relevant explanatory notes disclosed herein have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Report on Review of Interim Condensed Consolidated Financial Statements

Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

**TO THE BOARD OF DIRECTORS OF
HENGXING GOLD HOLDING COMPANY LIMITED**

恒興黃金控股有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2014, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2013 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Revenue | 3 | 44,700 | – |
| Cost of sales | | (42,254) | – |
| Gross profit | | 2,446 | – |
| Other income | | 112 | 350 |
| Other (losses) gains | 4 | (1,760) | 367 |
| Selling and distribution expenses | | (35) | – |
| Administrative expenses | | (11,480) | (10,163) |
| Listing expenses | | (3,993) | (457) |
| Finance costs | 5 | (23,607) | (10,160) |
| Loss before taxation | | (38,317) | (20,063) |
| Income tax expense | 6 | – | – |
| Loss and total comprehensive expense for the period | 7 | (38,317) | (20,063) |
| Loss per share | | | |
| Basic (RMB cents) | 8 | (5) | (4) |

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

| | <i>Notes</i> | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|---|--------------|--|------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 329,034 | 334,265 |
| Prepaid lease payments | | 16,732 | 16,910 |
| Evaluation and exploration assets | 10 | 82,673 | 81,998 |
| Intangible assets | 10 | 238,553 | 234,534 |
| Deposit for purchase of property, plant and equipment | | 2,091 | 2,470 |
| Other non-current assets | | 10 | 1,840 |
| | | 669,093 | 672,017 |
| CURRENT ASSETS | | | |
| Prepaid lease payments | | 357 | 357 |
| Inventories | 11 | 45,058 | 13,909 |
| Other receivables and prepayments | 12 | 16,367 | 7,379 |
| Futures contracts | 13 | 6 | – |
| Structured deposits | 14 | 14,832 | – |
| Bank balances and cash | | 181,641 | 10,354 |
| | | 258,261 | 31,999 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 49,907 | 66,875 |
| Amount due to a related company | 16(a) | 82 | 1 |
| Amount due to a shareholder | 16(b) | – | 16,890 |
| Gold loans | 17 | 52,340 | – |
| Bank and other borrowings | 18 | 17,923 | 10,000 |
| | | 120,252 | 93,766 |
| NET CURRENT ASSETS (LIABILITIES) | | 138,009 | (61,767) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 807,102 | 610,250 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

| | <i>Notes</i> | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|--|--------------|--|------------------------------------|
| NON-CURRENT LIABILITIES | | | |
| Loan from a shareholder | 16(c) | – | 185,543 |
| Bank and other borrowings | 18 | 430,000 | 290,000 |
| Deferred income | | 1,443 | 1,477 |
| Provision | | 5,534 | 5,789 |
| | | 436,977 | 482,809 |
| CAPITAL AND RESERVES | | | |
| Share capital | 19 | 7,362 | 1 |
| Reserves | | 362,763 | 127,440 |
| Equity attributable to owners of the Company | | 370,125 | 127,441 |
| | | 807,102 | 610,250 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

| | Attributable to owners of the Company | | | | |
|--|---------------------------------------|--------------------------|-----------------------------|-------------------------------|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Capital reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
| At 1 January 2013 (audited) | 1 | 173,744 | 19,414 | (80,453) | 112,706 |
| Loss and total comprehensive expense for the period | – | – | – | (20,063) | (20,063) |
| Issue of shares | – | 92,668 | – | – | 92,668 |
| Deemed contribution from Mr. Ke Xiping arising from below-market-rate loans (note i) | – | – | 3,668 | – | 3,668 |
| Deemed contribution from Mr. Ke Xiping arising from waiver of a loan (note ii) | – | – | 8,146 | – | 8,146 |
| At 30 June 2013 (unaudited) | 1 | 266,412 | 31,228 | (100,516) | 197,125 |
| At 1 January 2014 (audited) | 1 | 266,412 | 31,523 | (170,495) | 127,441 |
| Loss and total comprehensive expense for the period | – | – | – | (38,317) | (38,317) |
| Issue of new shares | 1,840 | 292,643 | – | – | 294,483 |
| Transaction costs attributable to issue of new shares | – | (13,482) | – | – | (13,482) |
| Issue of shares by capitalisation of share premium account | 5,521 | (5,521) | – | – | – |
| At 30 June 2014 (unaudited) | 7,362 | 540,052 | 31,523 | (208,812) | 370,125 |

Notes:

- (i) Amount represents the benefits of a loan from Mr. Ke Xiping (note 16(c)), the controlling shareholder of the Company, at a below market rate of interests which are treated as a deemed contribution. The amount is measured at the difference between the interest charge thereon based on prevailing market interest rates and the amount charged by the controlling shareholder over the loan period in respect of loan drawn down in the respective periods.
- (ii) This represents the waiver of the amount due to Mr. Ke Xiping, the controlling shareholder of the Company, and is accounted for as deemed capital contribution from the shareholder.
- (iii) As required by relevant laws of the People's Republic of China ("PRC") and the Articles of Association of the Company's PRC subsidiaries, the Company's PRC subsidiaries are required to make appropriation of 10% of profit after taxation, until the PRC statutory reserve reaches 50% of the registered capital of the relevant subsidiaries. The statutory reserve can be applied either to set off accumulated losses or to increase capital. No appropriation has been made for each of the PRC subsidiaries during the reporting period since none of the PRC subsidiaries has made a profit.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| NET CASH USED IN OPERATING ACTIVITIES | (45,794) | (12,162) |
| INVESTING ACTIVITIES | | |
| Placement of structured deposits | (60,000) | – |
| Purchase of property, plant and equipment | (12,586) | (39,958) |
| Payments of intangible assets | (4,146) | (20,923) |
| Payments of exploration and evaluation assets | (2,391) | (5,585) |
| Redemption of structured deposits | 45,187 | – |
| Other investing cash flows | (2,990) | 1,549 |
| NET CASH USED IN INVESTING ACTIVITIES | (36,926) | (64,917) |
| FINANCING ACTIVITIES | | |
| Proceeds from issue of new shares | 294,483 | 92,668 |
| New bank and other borrowings raised | 150,000 | 121,000 |
| New gold loans raised | 50,668 | – |
| Loan from a shareholder | 43,000 | 69,193 |
| Advances from related companies | 81 | 53 |
| Interest paid for gold loans | (1,364) | – |
| Expenses on issue of new shares | (13,482) | – |
| Interest paid for bank and other borrowings | (14,860) | – |
| Repayment of amount due to a shareholder | (16,893) | – |
| Repayment of loan from a shareholder | (237,204) | (121,000) |
| Advance from a shareholder | – | 16,657 |
| Repayment to a related company | – | (16,657) |
| NET CASH FROM FINANCING ACTIVITIES | 254,429 | 161,914 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 171,709 | 84,835 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 10,354 | 20,431 |
| Effect of foreign exchange rate changes | (422) | – |
| CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash | 181,641 | 105,266 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The shares of the Company were listed on the Stock Exchange since 29 May 2014.

2. Principal accounting policies

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

Except as described below, the accounting policies and method of computation used in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's financial information for the year ended 31 December 2013 included in the Accountants' Report in Appendix I of the prospectus of the company dated 19 May 2014. The following accounting policies are adopted and applied by the Group in the current interim period as they have become applicable to the Group.

Financial instruments

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains (losses) line item in the consolidated statement of profit or loss and other comprehensive income.

Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

2. Principal accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL are those financial liabilities designated at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Gold loans, which are designated at FVTPL, are measured at fair value with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Application of a new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRS")

In the current interim period, the Group has applied, for the first time, new or revised HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Revenue and segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. During each of the six months ended 30 June 2014 and 2013, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in gold exploration in the PRC. Therefore, the management considers that the Group only has one operating segment, and no segment information is presented.

The Group operates in and all revenue is generated from the PRC. The Group's non-current assets are also located in the PRC.

| | Six months ended 30 June | |
|-------------------------|--------------------------|-------------|
| | 2014 | 2013 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Sales of processed gold | 44,700 | – |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

4. Other (losses) gains

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Other (losses) gains comprise: | | |
| Fair value gain on futures contracts (note 13) | 751 | – |
| Fair value gain on structured deposits (note 14) | 19 | – |
| Fair value loss on gold loans (note 17) | (1,672) | – |
| Exchange (loss) gain, net | (854) | 370 |
| Loss on disposal of property, plant and equipment | (2) | (3) |
| Other losses | (2) | – |
| | (1,760) | 367 |

5. Finance costs

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Effective interest on loan from a shareholder: | | |
| — wholly repayable within five years | 8,661 | 16,668 |
| Interest on secured bank borrowing: | | |
| — wholly repayable within five years | – | 107 |
| — not wholly repayable within five years | 10,831 | – |
| Interest on unsecured trust loan: | | |
| — wholly repayable within five years | 3,866 | – |
| Interest on gold loans | 249 | – |
| Accretion on environmental restoration costs | 653 | 311 |
| Total borrowing costs | 24,260 | 17,086 |
| Less: amount capitalised in | | |
| — property, plant and equipment | – | (6,152) |
| — exploration and evaluation assets | – | (463) |
| — intangible assets | (653) | (311) |
| | 23,607 | 10,160 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

6. Income tax expense

No provision for Hong Kong Profits Tax nor the PRC Enterprise Income Tax has been made as the Group had no assessable profit subject to profits tax in these jurisdictions during each of the six months ended 30 June 2014 and 2013.

7. Loss for the period

Loss for the period is arrived at after charging:

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Directors' and chief executive's emoluments | 465 | 571 |
| Other staff costs | 10,911 | 6,091 |
| Retirement benefit scheme contributions, excluding those of the directors and chief executive | 570 | 251 |
| Total staff costs | 11,946 | 6,913 |
| Less: amount capitalised in exploration and evaluation assets | (610) | (1,577) |
| Less: amount capitalised in construction in progress | (173) | – |
| Staff costs recognised in profit or loss | 11,163 | 5,336 |
| Total depreciation of property, plant and equipment | 11,990 | 2,828 |
| Less: amount capitalised in exploration and evaluation assets | – | (1,237) |
| Depreciation of property, plant and equipment recognised in profit or loss | 11,990 | 1,591 |
| Release of prepaid lease payments | 178 | 175 |
| Amortisation of intangible assets | 2,837 | – |
| Depreciation and amortisation recognised in profit or loss | 15,005 | 1,766 |
| Cost of inventories recognised as an expense | 42,254 | – |
| Minimum lease payments under operating leases in respect of properties | 47 | 42 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

8. Loss per share

The calculation of basic loss per share is based on the following data:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Loss: | | |
| Loss for the period attributable to owners of the Company for the purpose of basic loss per share | (38,317) | (20,063) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands) | 735,912 | 468,888 |

The weighted average numbers of ordinary shares for the purpose of calculating the basic loss per share for each of the six months ended 30 June 2014 and 2013 have been retrospectively adjusted to reflect 693,749,985 shares issued upon capitalisation on 29 May 2014 as described in note 19.

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

9. Dividend

No dividends were paid or declared during the current and prior reporting period. The directors do not propose the payment of an interim dividend (six months ended 30 June 2013: nil).

10. Movements in property, plant and equipment/exploration and evaluation assets/intangible assets

During the current interim period, the Group acquired plant and equipment and incurred construction costs of RMB6,761,000 (six months ended 30 June 2013: RMB62,116,000).

During the current interim period, the Group incurred costs directly associated with exploration and evaluation of RMB675,000 (six months ended 30 June 2013: RMB19,749,000).

During the current interim period, the Group incurred costs directly associated with intangible assets of RMB6,856,000 (six months ended 30 June 2013: RMB68,745,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

11. Inventories

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|-----------------------------|-------------------------------------|------------------------------------|
| Raw materials | 3,704 | 3,417 |
| Gold in process | 16,815 | – |
| Gold doré bars | 12,442 | 1,011 |
| Consumables and spare parts | 12,097 | 9,481 |
| Total | 45,058 | 13,909 |

12. Other receivables and prepayments

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|--|-------------------------------------|------------------------------------|
| Prepayments | 4,039 | 2,952 |
| Consideration receivable for disposal of property, plant and equipment | 3,658 | 3,658 |
| Deposit for futures contracts (note i) | 58 | – |
| Cash held by securities broker (note ii) | 3,687 | – |
| Other receivables | 4,925 | 769 |
| Total | 16,367 | 7,379 |

Notes:

- (i) Amount represents the deposit for gold futures contracts held by the Group at the end of the reporting period. Such deposits are held in designated accounts at the Shanghai Futures Exchange.
- (ii) The cash held by securities broker as at 30 June 2014 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

13. Futures contracts

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|---|-------------------------------------|------------------------------------|
| Derivatives not under hedge accounting: | | |
| Fair value of gold futures contracts — assets | 6 | — |

During the current interim period, the Group entered into gold futures contracts maturing in December 2014 to sell gold at the price of RMB267.85 per gram. As at 30 June 2014, the aggregate notional amount of the gold futures contracts is RMB529,100 at the price of RMB264.55 per gram. All of the contracts were entered into during the current period and are maturing within one year from the end of the reporting period.

Changes in the fair values of gold futures contracts amounting to gain of RMB751,000 have been recognised in profit or loss.

14. Structured deposits

The structured deposits represent the financial product amounting to RMB14,832,000 issued by a bank in the PRC with an expected but not guaranteed return of 2.45% per annum, which depending on the market price of underlying financial instruments, including listed shares, inter-bank lending and debentures. The financial product was designated at FVTPL on initial recognition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15. Trade and other payables

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|---|-------------------------------------|------------------------------------|
| Trade payables | 4,422 | 5,516 |
| Payables for purchases of property, plant and equipment | 35,201 | 43,235 |
| Payables for expenditure on exploration and evaluation assets | 2 | 1,718 |
| Payables for listing expenses | 4,205 | 11,813 |
| Other tax payables | 2,342 | 416 |
| Other payables | 1,835 | 1,432 |
| Accrued expenses | 1,900 | 2,745 |
| | 45,485 | 61,359 |
| | 49,907 | 66,875 |

The aged analysis of the Group's trade payables, presented based on the invoice date at the end of the reporting period, is as follows:

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|--------------|-------------------------------------|------------------------------------|
| 0-30 days | 3,111 | 4,500 |
| 31-60 days | 313 | 169 |
| over 60 days | 998 | 847 |
| | 4,422 | 5,516 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

16. Amount due to a related company/a shareholder/loan from a shareholder

(a) Amount due to a related company

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|--|-------------------------------------|------------------------------------|
| Xiamen Hengxing Group Co., Ltd. (廈門恒興集團有限公司) | 82 | 1 |

The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

(b) Amount due to a shareholder

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|---------------|-------------------------------------|------------------------------------|
| Mr. Ke Xiping | - | 16,890 |

The amount was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the six month ended 30 June 2014.

(c) Loan from a shareholder

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|---------------|-------------------------------------|------------------------------------|
| Mr. Ke Xiping | - | 185,543 |

The amount as at 31 December 2013 was unsecured, interest-bearing and repayable in 2016 pursuant to the loan agreement. The amount bears interest at the quoted lending rate of the People's Bank of China ("PBOC") less 20%. The contractual interest rate as at 31 December 2013 was 5.12% per annum. The interest rate charged by shareholder is considered to be below the market, compared with prevailing market rate for comparable borrowings the Group could have been obtained from banks. The benefits of the below-market-rate loan from Mr. Ke Xiping was therefore recognised as deemed contributions from the shareholder (included in capital reserves) upon initial drawn down of the loan in prior years. The amount was fully settled during the six months ended 30 June 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17. Gold loans

Gold loans are borrowed to enhance working capital needs, and were designated as financial liabilities at fair value through profit or loss.

As at 30 June 2014, the gold loans are denominated in RMB, interest bearing at a weighted average rate of 5.40% per annum with original maturity of 181 days.

The losses arising from change in fair value of gold loans of RMB1,672,000 has been recognised in profit or loss for the six month ended 30 June 2014.

18. Bank and other borrowings

During the current interim period, the Group obtained new borrowings amounting to RMB150,000,000 (six months ended 30 June 2013: RMB121,000,000).

The outstanding borrowings of the Group carry interest at effective interest rate ranging from 7.18% to 9.50% (31 December 2013: 7.18%) per annum and are repayable in accordance with payment schedule.

The borrowings are secured by certain property, plant and equipment amounting to RMB157,026,000 (31 December 2013: RMB162,003,000) and intangible assets amounting to RMB139,521,000 (31 December 2013: RMB141,047,000) of the Group.

19. Share capital

Details of movements of share capital of the Company are as follow:

| | Number of shares | Share capital HK\$'000 |
|--|---------------------|------------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 January 2013 and 31 December 2013 (<i>note i</i>) | 38,000,000 | 380 |
| Increase on 5 May 2014 (<i>note ii</i>) | 1,962,000,000 | 19,620 |
| At 30 June 2014 | 2,000,000,000 | 20,000 |
| Issued: | | |
| At 1 January 2013 (<i>note i</i>) | 10 | – |
| Issue of shares (<i>note i</i>) | 5 | – |
| At 30 June 2013 and 31 December 2013 | 15 | – |
| Issued during the period (<i>note iii</i>) | 924,999,985 | 9,250 |
| At and 30 June 2014 (unaudited) | 925,000,000 | 9,250 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

19. Share capital (Continued)

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|---|-------------------------------------|------------------------------------|
| Shown in the condensed consolidated statement of financial position | 7,362 | 1 |

Notes:

- (i) The Company was incorporated in Cayman Islands on 10 April 2012 as an exempted company with an authorised capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, 1 share of HK\$0.01 of the Company was subscribed by Gold Virtue Limited ("Gold Virtue"), which is wholly owned by Mr. Ke Xiping. On 18 June 2012, an additional 7 shares were allotted, issued, and credited as fully paid to Gold Virtue.

On 9 July 2012, an additional 2 shares, representing 20% of the then issued capital of the Company, were subscribed by Xi Wang Developments Limited ("Xi Wang"), which is wholly owned by Mr. Neo Aik Lip, an independent third party of the Group, for a consideration of US\$27,470,000 (equivalent to RMB173,745,000). Xi Wang partly financed the subscription by a term loan granted by a financial institution using the 2 shares issued by the Company as security and guaranteed by an entity owned and controlled by Mr. Ke Xiping ("Xi Wang Loan").

On 26 June 2013, a further 4 shares were subscribed by Gold Virtue for a consideration of US\$12,000,000 (equivalent to RMB74,134,000). On the same date, 1 share was also subscribed by Xi Wang for a consideration of US\$3,000,000 (equivalent to RMB18,534,000).

- (ii) Pursuant to the resolutions passed by the shareholders of the Company on 5 May 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 ordinary shares of HK\$0.01 each.
- (iii) On 29 May 2014, the Company issued a total of 231,250,000 ordinary shares of HK\$0.01 each at the HK\$1.60 (equivalent to RMB1.273) pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 693,749,985 ordinary shares of HK\$0.01 each credited as fully paid to the shareholders by capitalising of an amount of HK\$6,938,000 (equivalent to RMB5,521,000) from the share premium account of the Company.
- (iv) All the shares issued during the six months ended 30 June 2014 and 2013 ranked pari passu in all respects with the then existing shares in issue.

20. Fair value measurements of financial instruments

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

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 at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

20. Fair value measurements of financial instruments *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Financial assets/ financial liabilities | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|--|--------------------------------|-----------------------|----------------------|--|
| | 30.6.2014 RMB'000 | 31.12.2013 RMB'000 | | |
| Futures contracts classified as financial assets in the condensed consolidated statement of financial position | Assets— 6 | N/A | Level 1 | Quoted price of gold futures in Shanghai Futures Exchange. |
| Structured deposits classified as financial assets in the condensed consolidated statement of financial position | Assets— 14,832 | N/A | Level 2 | Discounted cash flow where market prices of underlying financial instruments, including listed shares, inter-bank lending and debentures are key inputs. |
| Gold loans classified as financial liabilities in the condensed consolidated statement of financial position | Liabilities— 52,340 | N/A | Level 2 | Discounted cash flow with reference to quoted bid price of gold traded in active liquid market as a key input. |

(ii) Fair value of financial instruments that are recorded at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

21. Capital commitments

| | 30.6.2014 RMB'000 (Unaudited) | 31.12.2013 RMB'000 (Audited) |
|---|-------------------------------------|------------------------------------|
| Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of | | |
| — property, plant, and equipment | 37,515 | 62,165 |
| — exploration and evaluation assets | 199 | 240 |
| | 37,714 | 62,405 |

22. Lease commitments

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 30.6.2014 RMB'000 | 31.12.2013 RMB'000 |
|-----------------|----------------------|-----------------------|
| Within one year | 69 | 49 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

23. Related party disclosures

(i) Related parties balances

Details of the outstanding balances with related parties are set out in note 16.

(ii) Related party transactions

| Name of Related Party | Nature of transactions | Six months ended 30 June | |
|-----------------------|--|--------------------------------|------------------------------|
| | | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Audited) |
| Mr. Ke Xiping | Contractual interest paid/payable by the Group | 2,596 | 9,329 |

(iii) Compensation of key management personnel

During the reporting period, the remunerations of key management personnel which represent the directors and senior management were as follows:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2014 RMB'000 (Unaudited) | 2013 RMB'000 (Unaudited) |
| Salaries and other allowances | 1,040 | 966 |
| Retirement benefit scheme contributions | 6 | 12 |
| | 1,046 | 978 |

Definitions

| | |
|---------------------------------|---|
| “associate” | has the meaning ascribed thereto in the Listing Rules |
| “Audit Committee” | the audit committee of the Company established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules |
| “Board” or “Board of Directors” | the board of Directors |
| “CG Code” | code on corporate governance practices contained in Appendix 14 to the Listing Rules |
| “CIL Project” | a project of the Group which is designed to utilize carbon-in-leach technology to produce gold |
| “Company” | Hengxing Gold Holding Company Limited |
| “Controlling Shareholders” | has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Ke, Gold Virtue, Mr. Ke Jia Qi and/or Xi Wang Developments |
| “Directors(s)” | the director(s) of the Company |
| “Gold Mountain Mine” | 金山金礦, a gold mine located in Yining County of Xinjiang, China, which covers five gold prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect |
| “Gold Virtue” | Gold Virtue Limited, a company incorporated under the laws of the BVI with limited liability on 16 March 2012 and a Controlling Shareholder, which is wholly-owned by Mr. Ke Xiping |
| “Group” | the Company and its subsidiaries |
| “HK\$” and “HK cents” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Listing” or “IPO” | the listing of the Shares on the Main Board of the Stock Exchange on 29 May 2014 |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Model Code” | model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules |
| “Period Under Review” | the six months ended 30 June 2014 |

Definitions

| | |
|------------------------|--|
| “PRC” or “China” | The People’s Republic of China |
| “Prospectus” | the prospectus of the Company dated 19 May 2014 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Share Option Scheme” | the share option scheme conditionally adopted by the Company under the resolutions of the Shareholders dated 5 May 2014 |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time |
| “Xi Wang Developments” | Xi Wang Developments Limited (熙望發展有限公司), a limited liability company incorporated in the BVI on 11 May 2012 and a Controlling Shareholders, which is wholly-owned by Mr. Ke Jiaqi, Mr. Ke Xiping’s son |
| “%” | per cent |