Hengxing Gold Holding Company Limited
恒興黃金控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2303)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- Produced 22,824 ounces of gold for the Period Under Review (the year ended 31 December 2013: 800 ounces);
- Achieved RMB159.8 million in revenue and RMB24.7 million in gross profit for the Period Under Review (the year ended 31 December 2013: RMB4.5 million in revenue and RMB19.8 million in gross loss).

The board of directors (the "**Board**") of Hengxing Gold Holding Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 (the "**Period Under Review**"), together with comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		The year ended 31 December	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**159,817**	4,480
Cost of sales		**(135,147)**	(24,327)
Gross profit (loss)		**24,670**	(19,847)
Other income		**1,842**	302
Other gains (losses)	*5*	**6,278**	(1,154)
Selling and distribution expenses		**(153)**	–
Administrative expenses		**(24,907)**	(23,783)
Impairment loss of exploration and evaluation assets		**–**	(6,134)
Listing expenses		**(3,993)**	(17,289)
Finance costs	*6*	**(37,744)**	(22,137)
Loss before taxation		**(34,007)**	(90,042)
Income tax expense	*7*	**–**	–
Loss and total comprehensive expense for the year	*8*	**(34,007)**	(90,042)
Loss per share			
Basic *(RMB cents)*	*9*	**(4)**	(15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**352,248**	334,265
Prepaid lease payments		**16,553**	16,910
Evaluation and exploration assets	*10*	**83,987**	81,998
Intangible assets		**241,388**	234,534
Deposit for purchase of property, plant and equipment		**1,538**	2,470
Other non-current assets		**10**	1,840
		695,724	672,017
CURRENT ASSETS			
Prepaid lease payments		**357**	357
Inventories	*11(a)*	**54,705**	13,909
Other receivables and prepayments		**15,788**	7,379
Futures contracts	*12*	**38**	–
Fixed deposit	*13*	**49,002**	–
Bank balances and cash	*13*	**114,223**	10,354
Other current asset	*11(b)*	**33,607**	–
		267,720	31,999
CURRENT LIABILITIES			
Trade and other payables	*14*	**50,618**	66,875
Amount due to a related company	*15*	**–**	1
Amount due to a shareholder	*15*	**–**	16,890
Gold loans	*16*	**137,682**	–
Bank and other borrowings	*17*	**17,385**	10,000
		205,685	93,766
NET CURRENT ASSETS (LIABILITIES)		**62,035**	(61,767)
TOTAL ASSETS LESS CURRENT LIABILITIES		**757,759**	610,250
NON-CURRENT LIABILITIES			
Loan from a shareholder	*15*	**–**	185,543
Bank and other borrowings	*17*	**370,000**	290,000
Deferred income		**9,115**	1,477
Provision		**4,209**	5,789
		383,324	482,809
CAPITAL AND RESERVES			
Share capital		**7,362**	1
Reserves		**367,073**	127,440
Equity attributable to owners of the Company		**374,435**	127,441
		757,759	610,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate and ultimate holding company is Gold Virtue Limited, which is wholly owned by Mr. Ke Xiping.

The principal activity of the Company is investment holding. The Company's principal subsidiary, Xinjiang Gold Mountain Mining Company Limited ("**Jinchuan Mining**"), located in Xinjiang Province, the People's Republic of China (the "**PRC**"), is engaged in mining and processing of gold and sales of processed gold products in the PRC.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs and a new Interpretation those are mandatorily effective for the current year

The Group has applied the following amendments to the HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of the amendments to the HKFRSs and a new interpretation has had no material effect on the amounts reported in the consolidated financial statements or disclosures set out in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. 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 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 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its investment with the investee; and

- has the ability to use its power to affect the returns of the investee.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

4. 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 years ended 31 December 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.

	2014	2013
	RMB'000	*RMB'000*
Sales of processed gold	**158,285**	4,480
Sales of gold metal	**1,532**	–
	159,817	4,480

5. OTHER GAINS (LOSSES)

	2014	2013
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**104**	29
Investment income of structured deposits	**162**	–
Fair value change on gold loans and gold held under gold loan contracts *(note 16)*	**8,103**	–
Fair value change on futures contracts *(note 12)*	**(350)**	–
Foreign exchange loss, net	**(1,626)**	(1,154)
Other losses	**(115)**	(29)
	6,278	(1,154)

6. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Effective interest on loan from a shareholder:		
— wholly repayable within five years	**8,661**	28,039
Interest on secured bank borrowing:		
— wholly repayable within five years	**20,992**	1,517
— not wholly repayable within five years	**–**	5,542
Interest on unsecured trust loan:		
— wholly repayable within five years	**6,077**	–
Interest on gold loans	**1,492**	–
Accretion on environmental restoration costs	**522**	686
Total borrowing costs	**37,744**	35,784
Less: amount capitalised in		
— property, plant and equipment	**–**	(10,492)
— exploration and evaluation assets and intangible assets	**–**	(3,155)
	37,744	22,137

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax nor the PRC Enterprise Income Tax (the "**EIT**") has been made as the Group had no assessable profit subject to profits tax during both years.

Under the Law of the PRC on EIT and Implementation Regulation of EIT law, the tax rate of the PRC subsidiary was 25% during both years.

The nil provision for income tax for both years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
Loss before taxation	**(34,007)**	(90,042)
Tax at EIT rate of 25%	**(8,502)**	(22,511)
Tax effect of income not taxable for tax purpose	**(253)**	(36)
Tax effect of expenses not deductible	**3,355**	7,773
Tax effect of tax loss not recognised	**5,400**	14,774
Tax charge for the year	**–**	–

At 31 December 2014, the Group had cumulative unutilised tax losses of RMB135,202,000 (2013: RMB113,602,000). The unused tax losses amounting to RMB113,602,000 (2013: RMB113,602,000) would be expired in 2017 and RMB21,600,000 (2013: RMB nil) would be expired in 2018. No deferred tax asset has been recognised in relation to such tax losses as it is not probable that taxable profit will be available against which the tax losses can be utilised.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2014	2013
	RMB'000	*RMB'000*
Directors' and chief executive's emoluments	**1,542**	990
Other staff costs	**25,869**	17,430
Retirement benefit scheme contributions, excluding those of the directors	**1,434**	747
Total staff cost	**28,845**	19,167
Less: amount capitalised in exploration and evaluation assets	**(790)**	(4,406)
Less: amount capitalised in construction in progress	**(398)**	–
Staff costs recognised in profit or loss	**27,657**	14,761
Total depreciation of property, plant and equipment	**24,084**	9,504
Less: amount capitalised in exploration and evaluation assets	**–**	(1,556)
Depreciation of property, plant and equipment recognised in profit or loss	**24,084**	7,948
Amortisation of intangible assets	**14,621**	731
Release of prepaid lease payments	**357**	354
Depreciation and amortisation recognised in profit or loss	**39,062**	9,033
Cost of inventories recognised as an expense	**135,147**	3,437
Auditor's remuneration	**1,600**	90
Minimum lease payments under operating leases in respect of properties	**94**	86

9. LOSS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(34,007)**	(90,042)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**831,233**	582,243

The weighted average numbers of ordinary shares for the purpose of calculating the basic loss per share for each of the years ended 31 December 2014 and 2013 have been retrospectively adjusted to reflect 693,749,985 shares issued upon capitalisation on 29 May 2014.

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

10. EXPLORATION AND EVALUATION ASSETS

The Group's exploration and evaluation assets for reporting purposes are as follow:

	2014	2013
	RMB'000	*RMB'000*
At beginning of the year	**81,998**	68,383
Additions	**1,989**	19,749
Impairment loss recognised in profit or loss	**–**	(6,134)
At end of the year	**83,987**	81,998

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. Exploration and evaluation assets are those expenditures for an area within the exploration tenements where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further evidence of mineralisation in existing ore bodies and to expand the capacity of a mine.

The impairment charges recognised during the year ended 31 December 2013 were primarily due to the change of the Group's business plans in respect of one exploration tenement located in Xinjiang Province, the PRC. After taking into account the opinion of the independent technical advisers and other experts, it is considered that there is no prospect of mining in these areas due to economic reasons. The Group therefore determined not to proceed with further developments and the relevant exploration and evaluation assets were fully impaired. The relevant exploration licenses expired in 2013 to 2014.

11. INVENTORIES/OTHER CURRENT ASSET

(a) Inventories

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**4,729**	3,417
Gold in process	**16,788**	–
Gold dore' bars	**12,527**	1,011
Consumables and spare parts	**20,661**	9,481
Total	**54,705**	13,909

(b) Other current asset

The other current asset as at 31 December 2014 represented gold held under gold loan contracts amounting to RMB33,607,000.

The fair value of gold held under gold loan contracts are determined based on the quoted bid price of gold traded in active liquid market which is classified in level 1 in the fair value hierarchy.

12. FUTURES CONTRACTS

	2014	2013
	RMB'000	*RMB'000*
Derivatives not under hedge accounting:		
Fair value of gold futures contracts — assets	**38**	–

The Group used futures contracts to reduce its exposure to fluctuations in the gold prices. The Group does not currently designate any hedging relationship on the gold futures contracts for the purpose of hedge accounting.

During the current year, the Group entered into gold futures contracts maturing in June 2015 to sell gold at the price ranging from RMB239.50 to RMB247.40 per gram. As at 31 December 2014, the outstanding gold futures contracts held by the Group had an aggregate notional quantity of 160 units (1 unit equals to 1,000 gram). All of the contracts were entered into during the current year and will mature within one year from the end of the reporting period.

Changes in the fair values of gold futures contacts amounting to loss of RMB350,000 have been recognised in profit or loss.

13. BANK BALANCES AND CASH/FIXED DEPOSIT

The bank balances and fixed deposit of the Group and the Company carry interest at market rates as follows:

	2014	2013
	%	*%*
Range of interest rates (per annum)	**0.001~3.80**	0.001~0.35

The bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2014	2013
	RMB'000	*RMB'000*
Hong Kong dollars ("HK$")	**60,905**	770
US dollars ("US$")	**710**	3,016
	61,615	3,786

14. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**12,805**	5,516
Payables for purchases of property, plant and equipment	**25,157**	43,235
Payables for expenditure on exploration and evaluation assets	**237**	1,718
Payables for listing expenses	**1,324**	11,813
Other tax payables	**3,263**	416
Other payables	**3,966**	1,432
Accrued expenses	**3,866**	2,745
	37,813	61,359
	50,618	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:

	2014	2013
	RMB'000	*RMB'000*
0–30 days	**4,819**	4,500
31–60 days	**3,425**	169
over 60 days	**4,561**	847
	12,805	5,516

15. AMOUNT DUE TO A RELATED COMPANY/A SHAREHOLDER/LOAN FROM A SHAREHOLDER

(a) Amount due to a related company

Name of Related Party	**Relationship**	**2014** ***RMB'000***	2013 *RMB'000*
Xiamen Hengxing Group Co., Ltd. (廈門恒興集團有限公司)	Fellow subsidiary	**–**	1

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

(b) Amount due to a shareholder

	2014	2013
	RMB'000	*RMB'000*
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 year ended 31 December 2014.

(c) Loan from a shareholder

	2014	2013
	RMB'000	*RMB'000*
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 2014.

16. 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 31 December 2014, the gold loans are denominated in RMB, interest bearing at a contract rate of 5.20% per annum with original maturity of 181 days, 5.20% per annum with original maturity of 364 days and 3.80% per annum with original maturity of 329 days.

As at 31 December 2014, gold products amounting to RMB33,607,000 received under a gold loan contract signed between a bank in the PRC and Jinchuan Mining were still on hand. Fixed deposit amounting to RMB49,002,000 is pledged for the relevant gold loan.

In addition, Jinchuan Mining repaid gold loans with a fair value of RMB45,810,000 by using its processed gold. These transactions therefore represent major non-cash transactions of the Group for the year ended 31 December 2014.

The net gain arising from change in fair value of gold loans and gold held under gold loan contracts of RMB8,103,000 has been recognised in profit or loss for the year ended 31 December 2014.

17. BANK AND OTHER BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Secured bank borrowing		
— Floating rate	**287,286**	300,000
Unsecured trust loan		
— Fixed rate	**100,099**	–
	387,385	300,000
The amount is repayable as per follows:		
— within one year	**17,385**	10,000
— more than one year, but not exceeding two years	**150,000**	20,000
— more than two year, but not exceeding five years	**220,000**	190,000
— more than five years	**–**	80,000
	387,385	300,000
Less: amount due within one year shown under current liabilities	**17,385**	10,000
Amount shown under non-current liabilities	**370,000**	290,000

18. CAPITAL COMMITMENTS

	2014	2013
	RMB'000	*RMB'000*
Capital expenditure contracted for but no provided for in the consolidated financial statements in respect of acquisition of		
— property, plant, and equipment	**51,296**	62,165
— exploration and evaluation assets	**253**	240
	51,549	62,405

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company's Gold Mountain Mine (as defined in the prospectus dated 19 May 2014 of the Company) underwent trial operation and produced 22,824 ounces ("ounce" or "oz") or 709.9 kg of gold for the fiscal year of 2014. Compared to the financial results of 2013, with approximately RMB19.8 million gross loss and RMB90 million net loss, the Company turned around the operations for 2014 to a gross profit of approximately RMB24.7 million and reduce the net loss by 62% to RMB34 million.

In the second half of 2014, gold production of the Company increased substantially to 15,812 ounces, more than double of the 7,012 ounces gold produced in the first half of 2014. The Company managed to achieve a full turnaround in operations for the second half of 2014, with approximately RMB22.3 million gross profit and RMB4.3 million net profit recorded as compared with the gross profit of RMB2.4 million and net loss of RMB38.3 million for the first half of 2014.

Given the continuing expansion of production scales, the unit operating cash cost of the Gold Mountain Mine is expected to be trending down, in line with the management expectations of the Company. When the Gold Mountain Mine operates at a full capacity, the target unit operating cash cost is expected to decrease by over 40% to approximately US$598.2/oz (as estimated in the ITR disclosed in the prospectus dated 19 May 2014 of the Company).

For the Period Under Review, the amount of ore processed in Gold Mountain Mine was approximately 2.5 million tones of which 1.5 million tones was attributable for the second half of 2014. A significant progress has been made during the third quarter and 1 million tones of ore were processed, reaching approximately 80% of its designed capacity on a quarterly basis. However, the amount of ores processed fell to 0.5 million tones during the fourth quarter of 2014, accounting for only 40% of its designed capacity, due to the breakdown of conveyer belt and related downtime for repair. Additional down time was required in cleaning system due to the high ore moisture content and heavy snow fall in the winter. As a result, the amount of ore processed during the fourth quarter of 2014 dropped dramatically, which was less than half of the amount of ore processed during the third quarter of 2014. The reduction in ore processing affected gold production for the year. The Company has made necessary personnel changes and measures to ensure overall system uptime.

The Company emphasizes continuous technical improvements of the mining and processing systems, with a view to efficiently reducing the size of fine-crushed ore and increasing recovery rate. As part of the ongoing effort, the management of Gold Mountain Mine concluded that the recent installation of a vertical crusher in June 2014 was not a feasible upgrade to the current processing system due to its lack of overall adaptability, higher energy consumption and high wear rate of equipment parts. As stated in the announcement of Operational Updates of Gold Mountain Mine for the Fourth Quarter of 2014 of the Company on 9 January 2015, the Company was negotiating with the supplier of the vertical impact crusher, Zhong Kuang Hua Yuan Engineering Equipment (Beijing) Company Limited (中礦華源工程設備(北京)有限公司) for remedies under the equipment warranties from Trio China Ltd. (上海傑弗朗機械設備有限公司). Nevertheless, the Company continues its efforts on the technical upgrades of the processing system and, has identified alternative crushers from other manufacturers. So far, three alternative upgrading methods have been considered, including a vibrating crusher manufactured by Xuzhou Qiaoxin Mining Machinery Manufacturing Company Limited (徐州喬鑫礦業機械製造有限公司), a rotor centrifugal crusher of Zhengzhou Dingsheng Engineering Technology Co., Ltd (鄭州鼎盛工程技術有限公司), (which is the sales representative of BHS Sonthofen from Germany) and a Gaoke Crusher (高科破碎機) from Shenyang Metallurgy Mine Heavy Equipment Co., Ltd (瀋陽冶礦重型設備有限公司). In addition, technical studies using high pressure grinding roll technique have been conducted as a potential alternative of technical improvement and performance upgrade.

The Company carried on its studies on the CIL Project (as defined in the prospectus dated 19 May 2014 of the Company). The Company's preliminary economic analysis indicates the net present value of the CIL Project would be significantly influenced by gold price as lower gold price undercuts gold sales revenue generated from the additional gold production from the CIL Project, which in turn lengthens the payback period of the CIL Project investment. According to the clarification announcement by the Company dated 28 May 2014, approximately HK$150.1 million of the proceeds from the global offering would be allocated towards the capital expenditure on CIL Project. The Company plans to engage internal and independent experts to finalize the feasibility study of the CIL Project when the future production reaches its designed capacity. Such review would determine the economic feasibility of the CIL Project and make appropriate recommendations to the Company. The Company considers the holdover of the part of the proceeds from global offering originally intended for the CIL Project would keep investment option open, allowing more time to optimize its use and serve the best interest of the shareholders.

On the exploration front, the Company is cooperating with Western Region Gold Ili Company Limited (西部黃金伊犁有限責任公司) ("**Western Region Gold**") to jointly explore the Bohegou (薄荷溝) area, a highly prospective area for gold within the exploration licence area of the Company. Western Region Gold has been operating the A-XI Gold Mine (阿希金礦) neighboring the Bohegou area since 1993 and discovered over 50 tones of gold reserves. According to the surface geochemistry work conducted in the Bohegou area, several continuous gold-in-soil anomalies have been observed with the highest sample being up to 81.3 Au ppb (parts per billion). Based on the results of the preliminary exploration work, Western Region Gold and the Company have defined the drilling targets and prepared the exploration working plan. The drilling program of 2014 was re-scheduled to better address the local community concerns. Considering the high potential of Bohegou area, the management of Gold Mountain Mine is investing additional efforts to prepare a detailed exploration program for 2015 and ahead.

Prospects

The mission of the Group is to become a leading gold mining company in China via the following strategies:

Ramp up processing capacity and expand production

The Group is committed to ramping up the operations in a steady and effective manner with the intent to attain the designed ore processing capacity, continuous technical upgrading and the deliberate economic analysis on the CIL Project. In addition, the Group will make continuous efforts to invest in research and design using mature and stable technologies, in order to achieve operational efficiency and steady business growth.

The cash operating costs of the Gold Mountain Mine for 2014 is approximately US$1,011/oz and is expected to fall below US$900 per oz for 2015. The target cash operating costs is approximately US$598.2/oz, in line with the estimates of the ITR disclosed in the prospectus dated 19 May 2014 of the Company.

Increase resources and upgrade reserves

The Group will continue the exploration of new resources at and in the surrounding areas of the Gold Mountain Mine where the Group hold exploration licenses and 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.

Acquire gold resources with wider geographical coverage

The Group plans to expand the business through acquisition of high-quality gold mines and strategic cooperative relationships with quality gold mine owners in China and overseas. In addition, the Group has the options and 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 they are considered as economically feasible gold mining projects at then fair market value.

Strengthen work safety and environmental protection

Work safety and environmental protection are crucial to the sustainable development of the Group. The implementation of occupational health, safety and environmental protection systems has enabled the Company to pursue an all-round operational management and minimize daily operational risk. The Group will continue to provide employees with more training in 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 ("**Listing**" or "**IPO**"). 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 31 December 2014, the net proceeds of IPO has been utilized in the following manner:

	Planned amount per clarification announcement dated 28 May 2014	Amount utilized up to 31 December 2014	Balance as at 31 December 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	Approximately HK$11.3 million	Nil

Financial Review

During the Period Under Review, the Group recorded revenue of RMB159,817,000, while there was approximately RMB4,480,000 revenue recorded for the corresponding period of 2013 since Gold Mountain Mine had only one month production back to that time. The Group continued to record a consolidated loss of the Group of RMB34,007,000 for the Period Under Review, representing approximately a decrease of 62.2% in loss compared to the corresponding period of 2013.

Revenue

During the Period Under Review, the Group's revenue was approximately RMB159,817,000, compared with one month production in December for the Group in the corresponding period of 2013, which was approximately RMB4,480,000.

Cost of Sales

During the Period Under Review, the Group's cost of sales amounted to approximately RMB135,147,000, 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's cost of sales was approximately RMB24,327,000 for the year ended 31 December 2013, due to one month production in late 2013.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB24,670,000 , compared with the corresponding period in 2013, which was an approximately RMB19,847,000 in loss, since the Group commenced the production and sales of processed gold in late 2013.

Administrative expenses

Administrative expenses increased by approximately RMB1,124,000, or 5%, from approximately RMB23,783,000 for the year ended 31 December 2013 to approximately RMB24,907,000 for the Period Under Review.

Selling and Distribution Expenses

During the period under review, the Group's selling and distribution expenses amounted to approximately RMB153,000. The Group was in the early stage of development and therefore did not recognize selling and distribution expenses in late 2013.

Listing expenses

Listing expenses decreased from approximately RMB17,289,000 for the year ended 31 December 2013 to approximately RMB3,993,000 for the Period Under Review, mainly due to the Group completed Initial Public Offering on 29 May 2014.

EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortization ("**EBITDA**") was RMB42,799,000 gain while it was RMB58,872,000 loss in the corresponding period of 2013.

Finance Costs

During the Period Under Review, the Group's finance costs was RMB37,744,000 (for the year ended 31 December 2013: RMB22,137,000), representing an increase by 71%, compared with the corresponding period of 2013. The increase was mainly due to new gold loan raised by RMB137,682,000 during the year and borrowing costs capitalising amount decreased as most of the construction projects transferred to plant, property and equipment in late 2013.

Loss before taxation

As a results of the foregoing, the loss before taxation was approximately RMB34,007,000 for the Period Under Review, as compared to approximately RMB90,042,000 for the year ended 31 December 2013.

Loss and total comprehensive expense

As a results of the foregoing, the loss and total comprehensive expense was approximately RMB34,007,000 for the Period Under Review, as compare to approximately RMB90,042,000 for the corresponding period of 2013.

Current ratio and gearing ratio

As of 31 December 2014, the Group's current ratio (current assets divided by current liabilities) was 1.3 (as at 31 December 2013: 0.3).

As of 31 December 2014, the Group's gearing ratio (total borrowing divided by total equity) was 1.4 (as at 31 December 2013: 3.9).

Cash flows

The following table sets out selected cash flow data from the Group's consolidated cash flow statements for the year ended 31 December 2014 and 31 December 2013.

	The Year Ended	
	31 December 2014 *RMB'000*	31 December 2013 *RMB'000*
Net cash used in operating activities	**(67,850)**	(46,737)
Net cash used in investing activities	**(116,492)**	(159,652)
Net cash from financing activities	**288,757**	197,355
Net increase in cash and cash equivalents	**104,415**	(9,034)
Effect of foreign exchange rate changes	**(546)**	(1,043)
Cash and cash equivalents at 1 January	**10,354**	20,431
Cash and cash equivalents at 31 December	**114,223**	10,354

For the Period Under Review, the net cash outflow used in operation activities was RMB67,850,000 which was mainly attributable to (a) increase in inventory of RMB86,606,000 (b) increase in trade receivables, prepayment deposits and other receivables of RMB6,464,000 and (c) increase in trade payables, accruals and other payables of RMB2,097,000.

For the Period Under Review, the net cash outflow used in investing activities was RMB116,492,000, which was mainly attributable to (a) a placement of structured deposits of RMB105,000,000 (b) purchase of property, plant and equipment of RMB55,706,000 (c) payments of intangible assets of RMB17,674,000 and partially offset by the redemption of structured deposits of RMB105,162,000.

For the Period Under Review, the net cash inflow from financing activities was RMB288,757,000 , which was primarily attributable to (a) proceeds from IPO of RMB294,483,000 (b) new bank and other borrowing of RMB150,000,000 (c) new gold loans of RMB157,988,000 (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 RMB27,770,000 (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.

Liquidity and Financial Resources

The Group was in possession of reasonable operation cash flow and working capital due to ramp up production started from this year and being initial public offering on 29 May 2014. As at 31 December 2014, the Group's cash and bank balances were RMB114,223,000 (as at 31 December 2013: RMB10,354,000). Net assets were RMB374,435,000 (as at 31 December 2013: RMB127,441,000) and net current assets were RMB61,513,000 while net current liabilities were RMB61,767,000 as at 31 December 2013.

Capital Structure

On 29 May 2014, the Group issued a total of 231,250,000 ordinary shares of HK$0.01 each at the HK$1.6 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 credited as fully paid to the shareholders by capitalising an amount of HK$6,938,000 (equivalent to RMB5,521,000) in the share premium account of the Group.

Bank borrowing and Trust loan

As at 31 December 2014, the Group had a secured bank loan of RMB290 million outstanding from Agriculture Bank of China. The effective interest rate was 6.95% 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 adjustment every 12 months in accordance with the then base rate of PBOC.

As at 31 December 2014, we had an unsecured trust loan of RMB100 million from Xiamen Trust. The trust loan has a term of two years, and bears a fixed effective interest rate of 5.24% per annum, which is not subject to any adjustment by the base rate of PBOC.

Indebtedness and charge on assets

As at 31 December 2014, the Group had unsecured trust loan of approximately RMB100,000,000, and the bank and other borrowings of approximately RMB290,000,000 which was secured by certain properties, plant and equipment amounting to approximately RMB155,507,000 and intangible assets amounting to approximately RMB137,554,000. In addition, the Group had gold loans of approximately RMB137,682,000 with fixed deposit amounting to RMB49,002,000 pledged for.

Contingent Liabilities

As at 31 December 2014, the Group did not have any material contingent liabilities of guarantees (as at 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.

Foreign Currency Risk

The functional currency of the Company and its subsidiaries is RMB since all of the Group's transactions are denominated in RMB.

The Group's exposure to foreign currency risk related primarily to certain bank balances , certain other payables and certain amount due to a shareholder that are denominated in HK$ and US$.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees

As at 31 December 2014, the Group employed approximately 311 employees in the PRC and Hong Kong. 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 Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC.

The Exploration, Development and Mining Production Expenditures

Mining Production

Gold Mountain Mine includes five prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect. For the Period Under Review, the total amount of ore mined and processed was approximately 2.5 million tones. As of 31 December 2014, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

		The year ended 31 December	
	Unit	**2014**	2013
Ore mined	Kt	**2,518**	428
Yelmand prospect	Kt	**2,468**	428
Mayituobi prospect	Kt	**50**	–
Overburden mined	Kt	**6,031**	7,856
Yelmand prospect	Kt	**4,650**	7,856
Mayituobi prospect	Kt	**1,381**	–
Strip ratio	:	**2.40**	18.36
Feed-in grade of ore	g/t	**0.75**	0.78
Ore processed	Kt	**2,523**	257
Recovery rate	%	**46.9**	64.0
Gold produced	Oz	**22,824**	800

During the Period Under Review, the aggregate capital expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB18 million, as compared to approximately RMB69 million for the year ended 31 December 2013.

Exploration

For the Period Under Review, the Company has conducted limited exploration work within the area of the exploration licenses with 275 meters of drilling and geochemical exploration for an area of 2.2 square kilometers. The drill cores have been sampled and sent for test. However, the focus of exploration is on seeking cooperation with other independent third parties to jointly explore the exploration targets with future potential.

The capital expenditure directly relating to exploration was approximately RMB3.5 million.

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 31 December 2014:

JORC Mineral Resources Category	Tonnage	Grade	Contained Gold	Contained Gold
	kt	*g/t*	*Au kg*	*Au koz*
Measured	20,767	0.76	15,797	508
Indicated	80,130	0.74	59,509	1,913
Inferred	31,905	0.70	22,423	721
Total	133,077	0.73	97,728	3,142

JORC Mineral Reserves Category	Tonnage	Grade	Contained Gold	Contained Gold
	kt	*g/t*	*Au kg*	*Au koz*
Proved	7,670	0.71	5,470	176
Probable	79,963	0.74	59,553	1,915
Total	87,633	0.74	65,042	2,091

Resources and reserves reported at a cut-off grade of 0.3 g/t.

Mine Development

For the year of 2014, the Company continued its construction and development activities in Gold Mountain Mine. The Company completed several auxiliary projects including improvements on the ore processing plants, the anti-leakage project of the heap leach pad as well as the environmental protection projects. During the second half of 2014, the Company started the second stage construction work of the heap leach pad. At the same time, large-scale work on other technical improvements continued.

For the Period Under Review, the aggregate capital expenditure on the mine development and construction amounted to approximately RMB55.7 million.

Significant Investments, Acquisitions and Disposals

The Company and an independent third party (the "**Independent Third Party**") have commenced discussion in relation to a possible acquisition ("**Possible Acquisition**") of an overseas company that is controlled by the Independent Third Party, the principal business of which is gold mining and production. The Company has signed a non-disclosure agreement with the Independent Third Party and is performing desktop review of the technical reports, production records, resources and geological data provided by the Independent Third Party, with the view of conducting a field trip and holding additional in-depth discussion.

Final Dividend

The Board of the Company did not recommend the payment of a final dividend for the year ended 31 December 2014 (for the year ended 31 December 2013: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 June 2015 to 8 June 2015, both days inclusive, during which period no share transfers can be registered. In order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on 8 June 2015. All transfers documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 3 June 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Given that the shares of the Company have only been listed on the main board of the Stock Exchange (the "**Listing**") since 29 May 2014, the code provisions of the Corporate Governance Code ("**CG Code**") as set forth in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**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 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (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 31 December 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 31 December 2014, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE PERIOD UNDER REVIEW

The Group had no material subsequent events after the Period Under Review.

REVIEW OF THE ANNUAL RESULTS

The audit committee of the Company (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 chairman of the Audit Committee.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2014 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.hxgoldholding.com). The annual report containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and available on the same websites in due course.

By order of the Board
Hengxing Gold Holding Company Limited
KE Xiping
Chairman

Xiamen, the PRC, 23 March 2015

As at the date of this announcement, the executive directors of the Company are Mr. KE Xiping, Mr. CHEN Yu, David and Mr. HO Albert Fook Lau, and the independent non-executive directors of the Company are Ms. WONG Yan Ki Angel, Mr. XIAO Wei and Mr. Tim SUN.