恒興黃金
HENGXING GOLD

Hengxing Gold Holding Company Limited

(incorporated in the Cayman Islands with limited liability)

stock code: 2303

2014
ANNUAL REPORT

Contents

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

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar

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

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
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 Cayman Islands law:

Appleby Trust (Cayman) Ltd.

Principal Bank

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

Corporate Profile

Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (collectively, the "Group") have been listed on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 May 2014 (Stock code: 2303).

The Company is an emerging gold mining company in China, owning and operating the Gold Mountain Mine, which is the largest gold mine in Xinjiang of China in terms of designed annual ore processing capacity and estimated gold production volume at full production level. The Gold Mountain Mine is the principal operating mine of the Group. The Company aims to continuously enhance the operation of its gold production and increase its resources and gold production volume by acquisitions.

As of 31 December 2014, the total gold resources and reserves of the Gold Mountain Mine were approximately 3.1 million troy ounces and 2.1 million troy ounces, respectively. The estimated mine life of the Gold Mountain Mine is appropriately 22 years based on the production estimates of the Independent Technical Report ("ITR") as at 31 December 2013. The designed ore processing capacity is 5.0 million tonnes per annum (or 15,000 tonnes per day assuming 330 days in operations per annum). According to the ITR, the Gold Mountain Mine is estimated to produce an average of approximately 78,000 troy ounces of gold per annum, or about 1.7 million troy ounces of gold in total, over the estimated mine life.

The Gold Mountain Mine commenced commissioning in September 2013. Ore mining operation at the Yelmand prospect commenced in July 2013 and at the Mayituobi prospect commenced in the second half of 2014. Trial production of The Gold Mountain Min has commenced in December 2013 and produced over 800 troy ounces in 2013. For the Period Under Review, the Gold Mountain Mine produced 22,824 troy ounces of gold and processed approximately 2.5 million tonnes of ore.

Xinjiang is widely recognized as a region rich in mineral resources yet under-developed in terms of mineral extraction and production. The Company is well-positioned to expand its resources and operations through selective acquisitions in Xinjiang. Meanwhile, the Company is actively seeking overseas acquisition opportunities in areas with stable jurisdictions, infrastructure supports and skilled labor force.

Chairman Statement

Dear Shareholders,

On behalf of the board of directors of Hengxing Gold Holding Company Limited, I am pleased to present the annual report of the Group for the year ended 31st December 2014 and express our gratitude to the Shareholders of the Company for your continuous support and trust.

2014 presented a major challenge for gold producers since the gold price during the year plunged to the lowest level in four years by a strong US dollar and increased chance of a rise in interest rate. 2014 was also a year of break-through for Hengxing Gold. We successfully listed on the Hong Kong Stock Exchange on 29th May 2014 and our Gold Mountain Mine has started commercial production by producing 22,824 ounces of gold, while only 803 ounces of gold was produced during 2013. Our targeted annual gold production according to the plant design is approximately 78,000 ounces. Therefore, we still have some distance to go and we need to work harder to achieve our goal.

To further improve and raise the Gold Mountain Mine production capacity, continuous efforts on technical improvement have been emphasized by our management. We have already engaged several external parties to work with us closely on three upgrading equipments which we are testing in an effort to reach our designed capacity.

To further expand our gold resources, we are cooperating with nearby Western Region Gold to jointly explore a highly prospective area within our license and a cooperation agreement has been signed in June 2014. Additional efforts will be invested by both parties preparing for a detailed exploration program for 2015.

Not only focusing on production and profitability, we also attach great importance on environmental protection, sustainable development and interaction with local communities. We strive to achieve a win-win situation for the Company and the local communities. During the year, we have received several recognitions and awards from the local government and media as being a responsible gold mining company for the environment and local communities.

We are committed to our path in 2015 to achieve the full production capacity in our Gold Mountain Mine operation, and maximize profits for all shareholders. Meanwhile, we aim to build up our resources base by exploration and acquisition. We are actively reviewing acquisition opportunities domestically and abroad. We believe our team has the knowledge and experience to select the most appropriate assets which will ultimately bring additional value to our shareholders.

Finally, on behalf of the Board, I would like to thank the management and all our staff for their contributions and services. We sincerely appreciate all the support and trust placed in us from all Shareholders, business partners and local communities.

Sincerely,

KE Xiping
Chairman

23 March 2015

Management Discussion and Analysis

Business Review

The Company's Gold Mountain Mine 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.

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.

Management Discussion and Analysis

The Company carried on its studies on the CIL Project. 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 from the use of 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.

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.

Management Discussion and Analysis

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. 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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

During the Period Under Review, no new resources or reserves has been recorded from new exploration work carried by the Company. Based on the consumption for the Period Under Review from the recent estimation results on the resources and reserves stated in the Independent Technical Report as disclosed in the prospectus dated 19 May 2014, the gold resources and reserves complied with JORC code in respect of Gold Mountain Mine as of 31 December 2014 are shown in the following table:

JORC Mineral Resources Category	Tonnage kt	Grade g/t	Contained Gold Au kg	Contained Gold 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 kt	Grade g/t	Contained Gold Au kg	Contained Gold 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

Notes:

1. The mineral resources and reserves as of 31 December 2014.
2. All mineral resources and reserves have been estimated in accordance with the JORC code.
3. Mineral reserves were estimated using the following mining and economic factors:
   (a) 8% dilution factor and 65% comprehensive dressing and smelting recovery were applied to the mining method;
   (b) Slope angle was 45 degree of fresh rock and 30 degree of loess;
   (c) A gold price of US$1,350/oz.
4. The cut-off grade for mineral reserves has been estimated at 0.3g/t.
5. The annual ore processing amount has been estimated as 5 million tonnes.
6. The results of ore resources and reserves stated as above are based on the consumption for the Period Under Review deducted from the resources and reserves stated in the Independent Technical Report as disclosed in the prospectus dated 19 May 2014, which does not impose any changes on the estimated assumptions of the resources and reserves as of 31 December 2013.

Management Discussion and Analysis

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).

Corporate Governance Report

Corporate Governance Practices

The Board has committed to maintain high standards of corporate governance and procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhance value for all the shareholders.

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange as its corporate governance code of practices and complied with all the code provisions set out in the CG Code throughout the Period Under Review.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry of all Directors of any non-compliance with the Model Code during the Period Under Review, and they have all confirmed their full compliance with the required standard as set out in the Model Code.

The Board

The overall management of the Company's business is vested in the Board. The major responsibilities of the Board include formulation of strategic plans, adoption of corporate strategies, assessment of investment projects, monitoring and controlling the Group's operating and financial performance, assessment and management of risk to which the Group is exposed. The managements of the Group are responsible for the execution of the Board's decisions and day-to-day operation of the Group.

Composition

As at 31 December 2014, the Board consists of 6 Directors, with 3 executive Directors, namely Mr. Ke Xiping (chairman), Mr. Chen, David Yu (executive Director and vice chairman) and Mr. Albert Fook Lau Ho (executive Director), and 3 independent non-executive Directors, namely Dr. Tim Sun, Ms. Wong, Yan Ki Angel, and Mr. Xiao Wei.

To the best knowledge of the Company none of the Directors of the Company are related. Relationships include financial, business, family or other material relationships. The Company's Directors are free to exercise their independent judgment.

During the Period Under Review, the positions of the chairman and president were held separately. The role of chairman was held by Mr. Ke Xiping while the role of president was held by Mr. Chen, David Yu. The segregation of duties of the chairman and president ensures a clear distinction in the chairman's responsibility to manage and provide leadership for the Board and the president's responsibility to manage the Company's business.

The Company has appointed a sufficient number of independent non-executive Directors with suitable professional qualifications, such as expertise in gold mining and production, law, and accounting and financial management, in accordance with the requirements of the Listing Rules. They actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholder. The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. During the Period Under Review, the Board has at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive Directors representing at least one-third of the Board.

As permitted under the Articles of Association of the Company, the Company has arranged directors' and officers' liability insurance for which members of the Board and officers of the Company do not have to bear any excess.

Corporate Governance Report

The term of office of the Directors (including independent non-executive Directors) is 3 years. In accordance with the Articles, at each annual general meeting of the Company, one third of the Directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Directors shall be subject to retirement at an annual general meeting at least once every three years.

Since the Company was listed on 29 May 2014, the Company held 3 Board meetings and none of general meeting. The attendance of individual Directors at Board meetings during the year is as follows:

Attendance record for the Board meetings during the year ended December 31, 2014	Number of Board meetings attended/held
Executive Directors	
Ke Xiping	3/3
Chen, David Yu	3/3
Albert Fook Lau Ho	3/3
Independent Non-Executive Directors	
Tim Sun	3/3
Wong, Yan Ki Angel	3/3
Xiao Wei	3/3

The draft minutes are circulated to all members of the Board for their comments and the final version of the minutes is sent to all members of the Board for their records within a reasonable time after the meeting. The minutes are also open for inspection by all members of the Board at the Company's registered office.

Directors' Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by Directors during the relevant period according to the records provided by the Directors is as follows:

	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Ke Xiping	√
Chen, David Yu	√
Albert Fook Lau Ho	√
Independent Non-Executive Directors	
Tim Sun	√
Wong, Yan Ki Angel	√
Xiao Wei	√

Corporate Governance Report

Board Committees

Audit Committee

The Company has established the Audit Committee under the Board. The Audit Committee comprised three independent non-executive Directors, namely Ms. Wong, Yan Ki Angel, who serves as chairlady of the committee, Mr. Xiao Wei and Dr. Tim Sun.

The Audit Committee's duties are mainly to review the Company's financial reports, make recommendations on the appointment, removal and remuneration of independent auditors, approve audit and audit-related services, supervise the Company's internal financial reporting procedures and management policies and oversee the internal control procedures.

At least two meetings of the Audit Committee will be convened annually to review the accounting policies, internal control and the relevant financial and accounting issues, so as to ensure fairness and accuracy of the Company's financial statements and other relevant information. The draft minutes are circulated to the committee members for comments and the final version of the minutes is sent to the committee members for their records within a reasonable time after the meeting. The minutes are also open for inspection by the committee members at the Company's registered office.

During the Period Under Review, Audit Committee meeting was held once to review the interim financial result and report, financial reporting and compliance procedures, and internal control matters. Since the Company was listed on 29 May 2014, there was only one Audit Committee meeting held. All members of the Audit Committee have attended the meeting during the year.

Remuneration Committee

The Company has established the Remuneration Committee. The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Xiao Wei, who serves as chairman of the committee and Ms. Wong, Yan Ki Angel and one executive Director, Mr. Ke Xiping. The Company has formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and in overseeing and evaluating remuneration packages of the Directors. Its duties include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration of a Director is determined with reference to his or her duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors during the Period Under Review are set out in note 11 to the financial statements of this annual report.

During the Period Under Review, there was one Remuneration Committee meeting held. All members of the Remuneration Committee attended the meeting. The Remuneration Committee assessed performance of the Directors and reviewed their remuneration.

Nomination Committee

The Company has established the Nomination Committee under the Board. Members of the Nomination Committee consists of two independent non-executive Directors, namely Dr. Tim Sun, who serves as chairman of the committee, and Ms. Wong, Yan Ki Angel and one executive Director, Mr. Chen, David Yu.

The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

During the Period Under Review, there was one Nomination Committee meeting held. All members of the Nomination Committee attended the meeting.

Corporate Governance Report

Board Diversity

With a view to enhancing the Board effectiveness and corporate governance, the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

The Company has adopted the Board Diversity Policy with measurable objectives. The Nomination Committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of services and other qualities essential to the Company's business, and merit and contribution that the selected candidates will bring to the Board. The Nomination Committee and the Board will review such measurable objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

Remuneration of The Members of The Senior Management by Band

Save as disclosed in note 11 to the financial statements of this annual report regarding the emoluments of Directors, there is other 5 individuals of senior management. Pursuant to paragraph B.1.5 of the CG Code, their remuneration by band for the year ended 31 December 2014 is set out below:

Remuneration band	Number of individuals
Within HK$1,000,000	5

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(i) to develop and review the Company's policies and practices on corporate governance;

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

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

(v) to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

The Board has reviewed the Company's policies and practices on corporate governance and this corporate governance report.

Corporate Governance Report

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The statement of the external auditor of the Company, Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditor's Report on page 31.

Auditors' Remuneration

The remuneration paid/payable to the Company's external auditors (including any entity under common control, ownership or management with the external auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) during the Period Under Review is as follows:

Nature of Services Rendered	For the year ended 31 December 2014 Fees paid/payable (RMB'000)
Audit services	
IPO audit	**1,179**
Annual audit	**1,200**
Non-audit services	
Interim review	**400**
Total	**2,779**

Internal Control

The Board has overall responsibilities to maintain a sound and effective internal control system of the Group to safeguard the shareholders' investment and the Company's assets. The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures and capital expenditures are subject to the overall budget control and approval process prior to commitment.

The Board has, through the Audit Committee of the Company, conducted the annual review of the effectiveness of the Company's system of internal controls for the Period Under Review. The review covered all material controls including financial, operational and compliance controls and risk management functions, as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. There were no significant control failings, weaknesses or significant areas of concern identified during the year which might affect shareholders.

Company Secretary

The company secretary, Ms. Wong Wai Ling, is responsible for facilitating the Board process, as well as communications among Board members, with shareholders and management. Ms. Wong's primary corporate contact person at the Company is Ms. Chen Ying, corporate affairs manager. Ms. Wong Wai Ling's biography is set out in the "Board of Directors and Senior Management" section on page 23. During the Period Under Review, Ms. Wong Wai Ling took not less than 15 hours of relevant professional training to update her skills and knowledge.

Communication with Shareholders

The Company's annual general meeting and extraordinary general meeting provide the principal channels of communication with its shareholders. They provide opportunities for shareholders to share views with the Board.

Shareholders' Rights

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Under the Company's Articles, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid up capital of the Company by sending a written notice to the Board or the company secretary at the Company's principal place of business in Hong Kong, shall convene an extraordinary general meeting to address specific issues specified in such requisition of the Company within 21 days from the date of deposit of written notice. The same requirement and procedure also apply to any proposal to be tabled at shareholders' meetings for adoption.

Enquiries to the Board

Enquiries may be put to the Board through the Company's principal place of business in Hong Kong at 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (email: hxgold@xmhxgroup.com).

Constitutional Documents

During the Period Under Review, there is no change in the Company's constitutional documents.

Board of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Ke Xiping (柯希平), aged 54, is the founder of the Group. Mr. Ke has been an executive Director and the chairman of the Board since the incorporation of the Company in April 2012, responsible for overall strategies and operations of the Group. He has also been the founder and chairman of Xiamen Hengxing since September 1994. Mr. Ke has been overseeing the Group's overall business strategies since November 2009 when Xiamen Hengxing purchased the entire equity interest in Tianshan Gold HK, which then holds 100% equity interest in Jinchuan Mining, which owns the Gold Mountain Mine. From May 1999 to May 2007, Mr. Ke was the general manager of Fujian Xinhuadu Engineering Co., Ltd (福建新華都建設工程有限責任公司). Xinhuadu Engineering is a professional engineering company and its principal business activities include mining engineering design, mining plan, mine drilling and blasting and ore extraction, loading and transportation. Mr. Ke also served as a non-executive director of Zijing Mining Group Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 2899) and Shanghai Stock Exchange (Stock Code: 601899) from August 2002 to June 2008. Since 2005, Mr. Ke has also been managing and overseeing the exploration and mining activities of various mining companies that are controlled by Xiamen Hengxing. Mr. Ke has 15 years of relevant experience in mining industry.

Mr. Ke was accredited as an economist by Xiamen Bureau of Personnel (廈門市人事局) in November 2007. He is also a member of the Twelfth Session of the National Committee of the Chinese People's Political Consultative Conference (第十二屆全國人民政治協商會議委員會), a representative of the Eleventh Session of Fujian Provincial People's Congress (福建省第十一屆人大代表) and a member of the Standing Committee of the Twelfth Session of Xiamen Municipal Committee of the Chinese People's Political Consultative Conference (廈門市第十二屆政治協商會議常務委員會). He is the chairman and president of the Twelfth Session of Xiamen Federation of Industry and Commerce (the General Chamber of Commerce and Industry) (第十二屆廈門市工商聯（總商會)).

Mr. Chen, David Yu (陳宇), aged 46, is an executive Director and the vice chairman of the Board since March 2013 and the president of the Company since September 2013. He is responsible for the Group's overall strategic planning, investment, and corporate development and operations. Mr. Chen has been a director of Jinchuan Mining since September 2012. From October 1995 to July 1999, Mr. Chen worked for Turner Broadcasting International Inc. From July 1999 to November 2000, he served as the managing director of HelloAsia Inc. From November 2000 to November 2001 he served as the chief executive officer of Beijing V2 Technology Co., Ltd (北京威速科技有限公司) and from June 2002 to June 2004 he served as the chief executive officer of The Hartcourt Companies Inc. From May 2005 to June 2009, Mr. Chen served as the chief executive officer of Shine Media Acquisition Corp. In addition, from June 2006 to May 2012, Mr. Chen acted as the non-executive chairman of Sancon Resources Recovery, Inc, a company quoted on the US OTCBB Market. Mr. Chen has been an independent director of Zhonglu Co., Ltd. (中路股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600818) from May 2009 to November 2014. Mr. Chen is the founder and a director of Huashan Capital since February 2009. He has been the non-executive chairman of Range Resources Ltd, which is a dual listed (ASX: RRS; AIM: RRL) independent exploration and development oil company since December 2014.

Mr. Chen obtained a Bachelor of Economics degree from Monash University in Australia in April 1992.

Mr. Albert Fook Lau Ho (何福留), aged 69, is an executive Director since March 2013, responsible for supervising the Group's exploration, extraction and operational management, mine construction, production and internal control. He has been a director of Jinchuan Mining since November 2009, and was the chairman of the board of Jinchuan Mining from November 2009 to September 2012. Mr. Ho has 20 years of relevant experience in exploration and/or extraction activities, all of which related to gold mines. From January 1981 to August 1988, Mr. Ho worked as a project engineer for Kilborn Engineering B.C. Ltd. Between August 1988 and May 1994, Mr. Ho acted as a partner of CSFM Engineering Ltd. From 1994 to 1997, he was appointed as the managing director of Guangxi Baise Baolun Gold Mining Company Limited (廣西百色寶侖黃金礦務有限公司) in charge of exploration work in Baise Guangxi, including the Gaolong Gold Mine (廣西百色高龍金礦). From 1997 to November 2009, Mr. Ho advised various clients in Hong Kong and China on preliminary assessment, project planning, project development and construction budget estimation, financing arrangement and internal control for mining projects.

Mr. Ho obtained a Bachelor of Applied Science (Civil Engineering) degree from University of Waterloo in Canada in 1977, and a Master of Engineering degree from University of Toronto in 1983. He has been a member of the Association of Professional Engineers and Geoscientists of British Columbia ("APEGBC"), Canada since 1982. APEGBC regulates and governs the profession under the authority of the Engineers and Geoscientists Act of Canada by setting and maintaining high academic, experience and professional practice standards for all of its members.

Independent non-executive Directors

Dr. Tim Sun (孫鐵民), aged 53, is an independent non-executive Director since April 2014. Mr. Sun obtained a Bachelor in Mineral Processing Engineering degree from Northeast University (東北大學) in June 1982. He obtained a Master in Mineral Processing Engineering degree from Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院) in 1985 and a Ph.D. degree from Queen's University, Canada, in October 1993.

Dr. Sun worked at Asia Minerals Corp. (currently American Bonanza Gold Mining Gorp.), a company listed on the Toronto Securities Exchange (Stock Code: AMP (currently BZA)), from 1993 to 1998 where he last served as vice president. From 1999 to 2000, Dr. Sun was the chief representative of China at Griffin Mining Ltd, a company listed on Alternative Investment Market of the London Stock Exchange (Stock Code: GFM). From 2002 to 2005, Dr. Sun worked in Turquoise Hill Resources Ltd (formerly Ivanhoe Mines Ltd), a company listed on the Toronto Stock Exchange (Stock Code: TRQ) where he last served as the chief representative of China. From August 2004 to May 2008, Dr. Sun acted as the president, chief executive officer, chief financial officer and a director of Geopulse Exploration, Inc., a company quoted on the OTC Markets (Stock Code: GPLS). Dr. Sun was a director of Norton Gold Fields Limited, an Australian gold mining company listed on the Australian Securities Exchange (Stock Code: NGF), from March 2010 to May 2011 and the chief strategic consultant of China Precious Metals, a gold mining company listed on the Stock Exchange (Stock Code: 1194), from January 2010 to 2011. Dr. Sun was appointed as a director and chairman of FeOre Ltd, an iron ore mining company in Mongolia listed on the Australian Securities Exchange (Stock Code: FEO), from 2011 to July 2014.

He is also a director of Minco Silver Corporation, a silver mining company listed on the Toronto Stock Exchange (Stock Code: MSV), since July 2011.

Ms. Wong, Yan Ki Angel (黃欣琪), aged 43, is an independent non-executive Director since March 2013. Ms. Wong obtained a Bachelor of Arts degree, majoring in international accounting, from Xiamen University in July 1994, a post-graduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in PRC in October 2009. Ms. Wong has been admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, full member of the Society of Registered Financial Planners in Hong Kong since November 2003 and full member of the Singapore Institute of Directors since October 2009. Ms. Wong has been the president and executive director of Advanced Capital Limited (匯財資本有限公司), where she provides consultancy services for both listed companies and companies preparing for listing.

Ms. Wong was appointed as an independent non-executive Director of China Best Group Holding Limited, a company listed on the Stock Exchange (Stock Code: 370) since June 2011 to September 2014. She was also appointed as an independent non-executive Director of China Shengda Packaging Group Inc. (NASDAQ:CPGI) since August 2014.

Mr. Xiao Wei (肖偉), aged 49, is an independent non-executive Director since March 2013. Mr. Xiao graduated from Xiamen University and obtained a Bachelor of Law degree in July 1988, a Master of Law degree in July 1991 and a Doctor of Law degree in July 2000. He was admitted as a lawyer in PRC in May 1991. Mr. Xiao has also been a council member of China Institution of Securities Law (中國證券法研究會) since December 2008 and an arbitrator of Xiamen Arbitration Commission (廈門仲裁委員會) since October 1999. He has been a lawyer at Fujian Yinghe Law Firm (福建英合律師事務所) since 1991. Mr. Xiao has been the general legal counsel and the director of Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600755), since April 1999 and an independent non-executive of Fujian Longxi Bearing Co., Ltd (福建龍溪軸承有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600592), since December 2009.Mr. Xiao has also been the independent non-executive director of Fujian Longking Co., Ltd. (福建龍淨環保股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600388) since November 2011 and from December 2002 to December 2008.

Board of Directors and Senior Management

Senior Management

Mr. Pan Jianyun (潘劍雲), aged 58, has been the chairman of the board of Jinchuan Mining since September 2012 and one of its directors since November 2009. He has 17 years relevant experience in exploration and/or extraction activities, of which 11 years related to gold mines. Mr. Pan held various positions at Sinohydro Bureau 16 Company Limited (中國水利水電第十六工程局有限公司) from September 1980 to October 1997. Between November 1997 and June 2004, he served as the deputy general manager of Xinhuadu Engineering, responsible for ore mining activities for the Zijin Mountain Gold Mine in Fujian Province. Mr. Pan later acted as a manager of the Qinghai Branch of Xinhuadu Engineering from May 2004 to October 2009, responsible for mining and stripping activities of Qinghai Deerni Copper Mine of Zijin Mining.

Mr. Pan was accredited as an automobile maintenance technician by the Ministry of Labour and Human Resources of the PRC (中華人民共和國勞動人事部) (currently known as the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) in February 1996 and a mechanical engineer by Longyan Bureau of Personnel in April 2003. He was also accredited as a Grade two mining constructor by the Department of Construction of Fujian Province (福建省建設廳) in March 2008. He has also been the vice president of the Association of Gold of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區黃金協會) since June 2012.

Mr. Pan has also been the standing vice president of Fujian Chamber of Commerce of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區福建商會) since May 2010, the vice chairman of the Industrial and Commercial Union of Kazak Autonomous Prefecture of Ili (伊犁哈薩克自治州工商業聯合會) since September 2012 and the standing vice president of Urumqi Nanping Chamber of Commerce (烏魯木齊南平商會) since November 2011.

Mr. Chen Shancheng (陳善成), aged 34, has been the finance director of the Group since July 2014. Prior to joining the Group, Mr. Chen served as the finance director of Abazhou Minfeng Lithium Co., Ltd (阿壩州閩鋒鋰業有限公司) and Maerkang Jinxin Mining Company Limited (瑪爾康金鑫礦業有限公司) from August 2011 to June 2014, both being the subsidiaries of Fujian Zhonghe Co. Limited (福建眾和股份有限公司) (a listed company on Shenzhen Stock Exchange, stock code: 002070). He also acted as the finance manager for ABInBev Business Service Centre in Xiamen, China from July 2009 to July 2011, and as the accounting supervisor as Xiamen ABB Switch Company Limited from July 2007 to June 2009 and Xiamen ITG Group Corp., Ltd (廈門國貿集團股份有限公司) (a listed company on Shanghai Stock Exchange, stock code; 600755) from July 2004 to June 2007.

Mr. Chen obtained a Bachelor and a Master degree in accounting from Xiamen University in July 2004 and June 2014, respectively.

Mr. Ge Xinqi (葛新琦), aged 45, joined as the chief metallurgy engineer and deputy general manager of Jinchuan Mining since July 2014. He has more than 15 years working experience in gold mine and previously served as metallurgical plant manager of Heqing Beiya Mining Company Limited (鶴慶北衙礦業股份有限公司), which is a gold mine subsidiary of Yunnan Gold & Mining Group Co., Ltd (雲南黃金礦業集團股份有限公司). Prior to that, he also served as metallurgy engineer in Tanjianshan Gold Mine and White Mountain Gold Mine of Eldorado Gold Corp. in China, and various positions in Shaanxi Taibai Gold Mining Limited Liability Company (陝西太白黃金礦業有限責任公司).

Mr. Ge obtained a bachelor degree from School of General Education of Northeastern University (東北大學基礎學院) (previously known as Shenyang Gold Institute (瀋陽黃金學院)) majoring in ore processing engineering in July 1995.

Board of Directors and Senior Management

Ms. Jiang Shengmei (姜勝梅), aged 48, has been the chief geologist of Jinchuan Mining since September 2014, and has also taken in charge of the mining department since January 2015. She has approximately 26 years of relevant experience in exploration and/or mining management of gold mines. Before joining the Company, Ms. Jiang served as the chief geologist of Inner Mongolia Pacific Mining Co., Ltd (內蒙古太平礦業有限公司) from June 2009 to August 2014, responsible for geological technical and management work. From August 2004 to May 2009, Ms. Jiang worked as the deputy department head of geology of Hunchun Zijin Mining Company Limited (琿春紫金礦業有限公司), a wholly owned subsidiary of Zijing Mining. She had several positions in geology department of Jilin Haigou Gold Mining Co., Ltd (吉林海溝黃金礦業有限責任公司) from August 1988 to July 2004.

Ms. Jiang obtained a diploma in mine geology from School of General Education of Northeastern University (東北大學基礎學院) (previously known as Shenyang Gold Institute (瀋陽黃金學院)) in July 1988. She was accredited as a senior engineer in mining geology and exploration by China National Gold Group Corporation (中國黃金集團公司) in October 2010.

Mr. Zhang Jinghe (張景河), aged 45, joined Jinchuan Mining as the deputy chief metallurgy engineer on June 2014. He has over 20-year working experience in gold mines. He previously served as the deputy chief engineer in Sichuan Chuncan Mining Company Limited (四川純燦礦業有限公司) and in senior management positions in Xi'an Tianzhou Mining Technology Development Company Limited (西安天宙礦業科技開發有限責任公司). He started his mining career from 1992 to 2002 served as deputy section chief of metallurgy department and various positions in Lingbao Andi Gold Mine (靈寶市安底金礦) then as the deputy plant manager of Lingbao Gold Refinery Plant (靈寶市黃金精煉廠). From 2003 to 2011, he served in various management positions in Lingbao Huabao Industry Company Limited (靈寶市華寶產業有限責任公司).

He obtained a bachelor degree from School of General Education of Northeastern University (東北大學基礎學院) (previously known as Shenyang Gold Institute (瀋陽黃金學院)) majoring in ore processing engineering in June 1992. He was also accredited as engineer of mine by the People's Government of Sanmenxia (三門峽人民政府) in May 2000.

Company Secretary

Ms. Wong Wai Ling (黃慧玲) *(ACIS, ACS)*, aged 34, was appointed as the company secretary in 22 August 2013. She has nearly 10 years of experience in providing company secretarial services in Hong Kong.

Ms. Wong is the assistant vice president of SW Corporate Services Group Limited (信永方圓企業服務集團有限公司) ("SWCS") and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS, she worked in a corporate service provider and the corporate secretarial division of an international accounting firm.

Ms. Wong obtained a Bachelor of Arts degree in Marketing and Public Relations from the Hong Kong Polytechnic University and a degree of Master of Corporate Governance from The Open University of Hong Kong. She is an associate of The Hong Kong Institute of Chartered Secretaries and an associate of the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Period Under Review.

Global Offering

The Company was incorporated in Cayman Islands on 10 April 2012 as an exempted company with limited liability under the Cayman Company Law. The Company's Shares were listed on the Stock Exchange on 29 May 2014.

Principal Activities

The principal activity of the Company is investment holding and the Group is principally engaged in gold mining and production. Analysis of the principal activities of the Group during the Period Under Review is set out in the note 1 to the consolidated financial statements.

Results

The results of the Group for the Period Under Review are set out in the consolidated income statement on page 32 of this report.

Final Dividends

The Board did not recommend the payment of a final dividend for the Period Under Review.

Financial Summary

A summary of the Group's results, assets, liabilities for the last four financial years are set out on page 80 of this report. This summary does not form part of the audited consolidated financial statements.

Use of Net Proceeds from Listing

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$330.4 million, which are intended to be applied in the manner consistent with that in the Company's prospectus dated 19 May 2014.

Major Customers and Suppliers

The percentages of sales and purchases for the Period Under Review attributable to the Group's major customers and suppliers are as follows:

Sales

— the largest customer 69.4% (2013: 100%)
— five largest customers 100% (2013: 100%)

Purchases

— the largest supplier 20.2% (2013: 21.6%)
— five largest suppliers 52.2% (2013: 60.1%)

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the Period Under Review are set out in note 14 to the consolidated financial statements.

Report of Directors

Share Capital

Details of movements in the share capital of the Company during the Period Under Review are set out in note 29 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the Period Under Review are set out on page 35 in the consolidated statement of changes in equity.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 26 to the consolidated financial statements.

Taxation

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares of the Company, they are advised to consult their tax adviser.

Directors

The Directors during the Period Under Review and up to the date of this report were:

Executive Directors:

Mr. Ke Xiping (appointed on April 2012)
Mr. Chen, David Yu (appointed on March 2013)
Dr. Albert Fook Lau Ho (appointed on March 2013)

Independent non-executive Directors:

Ms. Wong, Yan Ki Angel (appointed on March 2013)
Mr. Xiao Wei (appointed on March 2013)
Mr. Tim Sun (appointed on April 2014)

Board of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 20 to 23 of this report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent since the Listing Date up to 31 December 2014.

Directors' Service Contracts and Letter of Appointments

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles of Association.

Each of the independent non-executive Directors has been appointed for a term of three years commencing from the Listing Date.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

No Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period Under Review.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period Under Review.

Emolument Policy

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five highest paid individuals are set out in note 11 to the consolidated financial statements.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number and class of Shares[1]	Approximate percentage of shareholding
Mr. Ke Xiping[2]	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) Mr. Ke Xiping holds the entire share capital of Gold Virtue and therefore, is deemed to be interested in the 555,000,000 Shares held by Gold Virtue.

(ii) Interest in associated corporations of the Company

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

Note:

(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.

Report of Directors

Save as disclosed above, as at 31 December 2014, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this report, at no time during the Period Under Review were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

As at 31 December 2014, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Gold Virtue[2]	Beneficial owner	555,000,000 (L)	60.0%
Mr. Ke Jiaqi[3]	Interest of controlled corporation	138,750,000 (L)	15.0%
Xi Wang Developments	Beneficial owner	138,750,000 (L)	15.0%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Mr. Ke Xiping holds the entire issued 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.

(3) 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 disclosed above, and as at 31 December 2014, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Purchase, Sale or Redemption of Listed Securities

During the period from the Listing Date to 31 December 2014 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Non-Competition Undertaking

Each of Mr. Ke Xiping, Gold Virtue, Mr. Ke Jia Qi and Xi Wang Developments has executed a deed of non-competition through which they have irrevocably and unconditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company).

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this report during the period from the Listing Date to 31 December 2014.

The independent non-executive Directors ("INEDs") have reviewed the deed of non-competition whether the Controlling Shareholders have abided by the non-competition undertaking. The INEDs confirmed that they had determined that the Controlling Shareholders have not been in breach of the non-competition undertaking during the Listing Date to 31 December 2014.

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.

Directors' Interest in Competing Business

Save as disclosed in this report, as at 31 December 2014, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

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 Listing Date, 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 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.

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 31 December 2014 and up to the date hereof.

Connected Transaction

During the period from the Listing Date to 31 December 2014, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules. The related party transactions mentioned in note 33 to the Consolidated Financial Statements are not the transaction falls under the definition of "connected transaction" nor "continuing connected transaction" in Chapter 14A of the Listing Rules, hence it was not disclosure requirements in accordance with Chapter 14A of the Listing Rules for such transactions.

On 26 January 2015, Jinchuan Mining, a subsidiary of the Company, entered into the Gold Dore Purchase Agreement with Xiamen Hengxing pursuant to which the Group agrees to sell and Xiamen Hengxing agrees to purchase the gold dore for a consideration of RMB1,000,000 to be used in transaction to facilitate its gold lease financing with commercial banks. Details of the Gold Dore Purchase Agreement are as stated in the Company's announcement dated 26 January 2015.

Charitable Donations

During the Period Under Review, the Group made charitable donation to the Community Chest of Hong Kong amounting to HK$1,000,000.

Post Balance Sheet Events

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

Audit Committee

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Period Under Review.

Report of Directors

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the period from the Listing Date to 31 December 2014.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 14 to 19 of this annual report.

Sufficiency of Public Float

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

Auditor

Deloitte Touche Tohmatsu of Hong Kong has acted as auditor of the Company for the Period Under Review.

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Ke Xiping
Chairman

Xiamen PRC, 23 March 2015

Independent Auditor's Report

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
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35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF HENGXING GOLD HOLDING COMPANY LIMITED
（恒興黃金控股有限公司）
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 79, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Revenue	*5*	**159,817**	4,480
Cost of sales		**(135,147)**	(24,327)
Gross profit (loss)		**24,670**	(19,847)
Other income	*6*	**1,842**	302
Other gains (losses)	*7*	**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	*8*	**(37,744)**	(22,137)
Loss before taxation		**(34,007)**	(90,042)
Income tax expense	*9*	**–**	–
Loss and total comprehensive expense for the year	*10*	**(34,007)**	(90,042)
Loss per share			
Basic (RMB cents)	*12*	**(4)**	(15)

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**352,248**	334,265
Prepaid lease payments	*15*	**16,553**	16,910
Exploration and evaluation assets	*16*	**83,987**	81,998
Intangible assets	*17*	**241,388**	234,534
Deposit for purchase of property, plant and equipment		**1,538**	2,470
Other non-current assets	*18*	**10**	1,840
		695,724	672,017
CURRENT ASSETS			
Prepaid lease payments	*15*	**357**	357
Inventories	*19(a)*	**54,705**	13,909
Other receivables and prepayments	*20*	**15,788**	7,379
Futures contracts	*21*	**38**	–
Fixed deposit	*22*	**49,002**	–
Bank balances and cash	*22*	**114,223**	10,354
Other current asset	*19(b)*	**33,607**	–
		267,720	31,999
CURRENT LIABILITIES			
Trade and other payables	*23*	**50,618**	66,875
Amount due to a related company	*24(a)*	**–**	1
Amount due to a shareholder	*24(b)*	**–**	16,890
Gold loans	*25*	**137,682**	–
Bank and other borrowings	*26*	**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

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Loan from a shareholder	24(c)	–	185,543
Bank and other borrowings	26	370,000	290,000
Deferred income	27	9,115	1,477
Provision	28	4,209	5,789
		383,324	482,809
CAPITAL AND RESERVES			
Share capital	29	7,362	1
Reserves		367,073	127,440
Equity attributable to owners of the Company		374,435	127,441
		757,759	610,250

The consolidated financial statements on pages 32 to 79 were approved and authorised for issue by the board of directors on 23 March 2015 and are signed on its behalf by:

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 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	1	173,744	19,414	(80,453)	112,706
Loss and total comprehensive expense for the year	–	–	–	(90,042)	(90,042)
Issue of shares	–	92,668	–	–	92,668
Deemed contribution from Mr. Ke Xiping arising from below-market-rate loans (note i)	–	–	3,963	–	3,963
Deemed contribution from Mr. Ke Xiping arising from waiver of a loan (note ii)	–	–	8,146	–	8,146
At 31 December 2013	1	266,412	31,523	(170,495)	127,441
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(34,007)**	**(34,007)**
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 31 December 2014	**7,362**	**540,052**	**31,523**	**(204,502)**	**374,435**

Notes:

(i) Amount represents the benefits of a loan from Mr. Ke Xiping (note 24(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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Loss before taxation		**(34,007)**	(90,042)
Adjustments for:			
Depreciation of property, plant and equipment		**24,084**	7,948
Amortisation of intangible assets		**14,621**	731
Release of prepaid lease payments		**357**	354
Gain on disposal of property, plant and equipment		**(104)**	(29)
Impairment loss of exploration and evaluation assets		**–**	6,134
Finance costs		**37,744**	22,137
Fair value change on futures contracts		**350**	–
Fair value change on gold loans and gold held under gold loan contracts		**(8,103)**	–
Investment income of structured deposits		**(162)**	–
Interest income		**(1,188)**	–
Release of deferred income		**(192)**	(23)
Foreign exchange loss, net		**1,626**	1,154
Operating cash flows before movements in working capital		**35,026**	(51,636)
Increase in inventories	*25*	**(86,606)**	(13,448)
Increase in other receivables and prepayments		**(6,464)**	(787)
Increase in trade and other payables		**2,097**	19,329
Net settlement on acquisition and disposal of futures contracts		**(6,000)**	–
Cash used in operations		**(61,947)**	(46,542)
Environmental restoration expenses paid		**(5,903)**	(195)
NET CASH USED IN OPERATING ACTIVITIES		**(67,850)**	(46,737)
INVESTING ACTIVITIES			
Redemption of structured deposits		**105,162**	–
Government grant received		**7,830**	1,500
Interest received		**1,188**	–
Proceeds from disposal of property plant and equipment		**180**	39
Payments of exploration and evaluation assets		**(3,470)**	(16,847)
Payments of intangible assets		**(17,674)**	(68,745)
Placement of fixed deposit		**(49,002)**	–
Purchase of property, plant and equipment		**(55,706)**	(75,589)
Placement of structured deposits		**(105,000)**	–
Increase in restricted bank balance		**–**	(10)
NET CASH USED IN INVESTING ACTIVITIES		**(116,492)**	(159,652)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	**2014 RMB'000**	2013 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of new shares		**294,483**	92,668
Gold loans raised		**157,988**	–
Bank and other borrowings raised		**150,000**	421,000
Loan from a shareholder		**43,000**	264,720
Advance from a shareholder		**–**	16,657
Advance from a related company		**141**	–
Repayment to related companies		**(142)**	(16,718)
Interest paid for gold loans		**(1,364)**	–
Expenses on issue of new shares		**(13,482)**	–
Repayment of amount due to a shareholder		**(16,893)**	–
Interest paid for bank and other borrowings		**(27,770)**	(8,972)
Repayment of bank and other borrowings		**(60,000)**	(121,000)
Repayment of loan from a shareholder		**(237,204)**	(451,000)
NET CASH FROM FINANCING ACTIVITIES		**288,757**	197,355
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**104,415**	(9,034)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**10,354**	20,431
Effect of foreign exchange rate changes		**(546)**	(1,043)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**114,223**	10,354

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, PRC, is engaged in mining and processing of gold and sales of processed gold products in the PRC. Details of the Company's subsidiaries are set out in note 36.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a significant impact on the consolidated financial statements.

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.

3. Significant accounting policies *(Continued)*

Basis of preparation *(Continued)*

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.

3. Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3. Significant accounting policies *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

3. Significant accounting policies *(Continued)*

Retirement benefit costs

Payments made to the Mandatory Provident Fund schemes in Hong Kong and PRC state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of that service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash flows expected to be made by the Group in respect of services provided by the employees up to the reporting date.

Inventories

Inventories are stated at the lower of costs and net realisable value. Costs of inventories, including stripping costs incurred during the production phase of the mine to the extent that waste removal activities produce usable materials used to produce inventories, are calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Gold held under gold loan contracts

Gold held under gold loan contracts are initially and subsequently measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of assets less their residual values, over their estimated useful life, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents mining structures, buildings and machinery in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Deprecation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant accounting policies *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land

Interest in leasehold land accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight-line basis.

Exploration and evaluation assets

All costs directly associated with exploration and evaluation are initially capitalised. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified to intangible assets. These assets are assessed for impairment annually and before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. Significant accounting policies *(Continued)*

Intangible assets

Mining right

Mining right with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the unit of production method based on the actual volume mined over the estimated total proven and probable reserves of the ore mine within the terms of the mining license.

Meadow compensation costs

The amount is initially recognised at the fair value of the consideration paid by the Group for the rights to use the agricultural meadow over the relevant terms of contracts and are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the straight-line method over the relevant terms of contracts granted or the terms of the Group's mining license.

Restoration costs

The amount represents the present value of the estimated present obligation of the restoration costs for any land damaged as a result of the Group's exploration or mining activities. Amortisation is provided using the unit of production method based on the actual volume mined over the estimated total proven and probable reserves of the mine within the terms of the mining license.

Stripping costs

Stripping costs resulted from the waste removal activities of the Group's surface mines during the development phase of the mine (before production begins) are carried at cost less accumulated amortisation and impairment. Amortisation is provided using the unit of production method over the identified component of the ore body, the access to which has been improved by the stripping activity.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than exploration and evaluation assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

3. Significant accounting policies *(Continued)*

Impairment of tangible and intangible assets other than exploration and evaluation assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial assets are either held for trading or it is designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss (Continued)

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 and income line item in the consolidated statement of comprehensive income.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including restricted bank balance, other receivables, fixed deposit and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets other than those at FVIPL, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities other than gold loans including trade and other payables, amounts due to a related company and a shareholder, loan from a shareholder and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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.

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Provision for restoration cost

The Group is required to make payments for restoration of the land after the mining has been terminated. Provision for restoration cost is recognised when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the end of the reporting period, and using the cash flows forecast to estimate the present obligation, and is discounted to their present value where the effect is material.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable amount. The assessment of the recoverable amount involves judgment as to (i) the likely future commercial viability of the asset and when such commercial viability should be determined; (ii) future revenues based on forecasted gold prices; (iii) future development costs and production expenses; (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable amount; and (v) potential value to future exploration and evaluation activities of any geological and geographical data acquired. Any material adverse changes of these factors may cause impairment of the carrying value of the exploration and evaluation assets.

At 31 December 2014, the carrying amounts of the exploration and evaluation assets of the Group are RMB83,987,000 (2013: RMB81,998,000).

Amortisation and impairment of mining right

Mining right is amortised over its estimated useful life using the unit of production method. The estimated useful lives of the mining right is assessed according to the total gold reserves estimate taking into accounts the maximum amount of gold ores that are allowed to be mined daily and annually as specified in the gold mining permit and mining license respectively, which is reviewed by the Group annually and any material decrease in the amount of the reserves may cause material change of amortisation or impairment of the carrying value of the mining right.

Reserves are estimates of the amount of gold ores that can be economically and legally extracted from the mines. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices, the maximum amount of gold ores that are allowed to be mined daily and annually specified in the mining license, among others.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserve changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in estimated reserves may affect the Group's financial results and financial position in a number of ways. Amortisation and impairment of mining right charged to profit or loss are determined by the unit-of-production basis. Such amounts might change where reserve estimates change or the useful economic lives of these assets change.

4. Critical accounting judgements and key sources of estimation uncertainty

(Continued)

Provision for restoration cost

The provision for restoration cost as set out in note 28 has been estimated by the management based on current regulatory requirements and is discounted to the present value where the effect is material. However, significant changes in the regulation in relation to the restoration requirement will result in changes to provision from period to period.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of the Group's competitors. The depreciation charge will increase where useful lives are less than previously estimated. The carrying amount of property, plant and equipment at 31 December 2014 was RMB352,248,000 (2013: RMB 334,265,000). Details of the useful lives of property, plant and equipment are disclosed in note 14.

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

Included in revenue arising from sales of processed gold of RMB158,285,000 (2013: RMB4,480,000) are revenue of approximately RMB110,852,000 (2013: RMB4,480,000) which arose from sales to the Group's largest customer and which contributed to more than 10% of the revenue of the Group for the respective years.

6. Other income

	2014 RMB'000	2013 RMB'000
Bank interest income	**1,188**	–
Government subsidy	**300**	–
Government grant related to assets (note 27)	**192**	23
Others	**162**	279
	1,842	302

7. Other gains (losses)

	2014 RMB'000	2013 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 loans contracts (note 25)	**8,103**	–
Fair value change on futures contracts (note 21)	**(350)**	–
Foreign exchange loss, net	**(1,626)**	(1,154)
Other losses	**(115)**	(29)
	6,278	(1,154)

8. Finance costs

	2014 RMB'000	2013 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 (note 28)	**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

The weighted average capitalisation rate on the borrowings for the years ended 31 December 2013 is 6.40% per annum.

9. 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 **RMB'000**	2013 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: RMBnil) 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.

10. Loss for the year

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

	2014 RMB'000	2013 RMB'000
Directors' and chief executive's emoluments (note 11)	**1,542**	990
Other staff costs	**25,869**	17,430
Retirement benefit scheme contributions, excluding those of directors	**1,434**	747
Total staff costs	**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

11. Directors', Chief Executive's and Employees' Emoluments

(a) Directors and the chief executive

Details of the emoluments paid or payable to the directors and the chief executive of the Company during the year are as follows:

For the year ended 31 December 2014

Name of directors	**Fee RMB'000**	**Retirement benefit scheme contributions RMB'000**	**Other emoluments mainly salaries and other allowances RMB'000**	**Total RMB'000**
Executive directors:				
Mr. Ke Xiping	**–**	**–**	**–**	**–**
Mr. Chen Yu, David (note i)	**–**	**18**	**1,081**	**1,099**
Mr. Ho Fook Lau, Albert	**–**	**–**	**238**	**238**
Independent non-executive directors:				
Ms. Wong Wan Ki, Angel	**75**	**–**	**–**	**75**
Mr. Xiao Wei	**75**	**–**	**–**	**75**
Dr. Tim Sun	**55**	**–**	**–**	**55**
	205	**18**	**1,319**	**1,542**

For the year ended 31 December 2013

Name of directors	Fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and other allowances RMB'000	Total RMB'000
Executive directors:				
Mr. Ke Xiping	–	–	–	–
Mr. Chen Yu, David (note i)	–	–	666	666
Mr. Ho Fook Lau, Albert (note ii)	–	–	250	250
Independent non-executive directors:				
Ms. Wong Wan Ki, Angel (note ii)	37	–	–	37
Mr. Xiao Wei (note ii)	37	–	–	37
Dr. Tim Sun (note iii)	–	–	–	–
	74	–	916	990

11. Directors', Chief Executive's and Employees' Emoluments *(Continued)*

(a) Directors and the chief executive *(Continued)*

Notes:

(i) Mr. Chen Yu, David is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Being appointed as directors of the Company in March 2013.

(iii) Being appointed as directors of the Company in September 2013.

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining three (2013: three) individual were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other allowances	**817**	978
Retirement benefit scheme contributions	**9**	16
	826	994

Their emoluments were all within HK$1,000,000.

During both years, no emoluments were paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the chief executive of the Company waived any emoluments during both years.

12. Loss per Share

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

	2014 RMB'000	2013 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

12. Loss per Share *(Continued)*

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 as described in note 29.

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

13. Dividend

No dividend was paid or proposed during 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

14. Property, Plant and Equipment

	Buildings and structures	Mining structures and equipment	Machinery	Motor vehicles	Furniture & office equipment	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1 January 2013	33,285	–	24,799	3,956	87	1,482	191,152	254,761
Additions	13	–	514	–	658	1,240	100,950	103,375
Transfer	41,555	242,938	185	–	–	1,583	(286,261)	–
Disposals	–	–	(9,712)	(103)	–	(6)	–	(9,821)
At 31 December 2013	74,853	242,938	15,786	3,853	745	4,299	5,841	348,315
Additions	621	910	2,803	1,530	82	909	35,288	42,143
Transfer	2,504	20,924	3,229	–	–	3,000	(29,657)	–
Disposals	–	–	(34)	(518)	(60)	(110)	–	(722)
At 31 December 2014	77,978	264,772	21,784	4,865	767	8,098	11,472	389,736
DEPRECIATION								
At 1 January 2013	1,454	–	3,097	1,594	11	886	–	7,042
Provided for the year	2,468	4,149	1,782	659	17	429	–	9,504
Eliminated on disposals	–	–	(2,429)	(61)	–	(6)	–	(2,496)
At 31 December 2013	3,922	4,149	2,450	2,192	28	1,309	–	14,050
Provided for the year	3,919	16,595	1,613	648	146	1,163	–	24,084
Eliminated on disposals	–	–	(4)	(492)	(54)	(96)	–	(646)
At 31 December 2014	7,841	20,744	4,059	2,348	120	2,376	–	37,488
CARRYING VALUES								
At 31 December 2014	70,137	244,028	17,725	2,517	647	5,722	11,472	352,248
At 31 December 2013	70,931	238,789	13,336	1,661	717	2,990	5,841	334,265

All buildings are erected on land with land use rights under medium-term leases in the PRC.

14. Property, Plant and Equipment *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following estimated useful life:

Buildings and structures	20 years
Mining structures and equipment	5–20 years
Machinery	10 years
Motor vehicles	4 years
Furniture & office equipment	5 years
Electronic equipment	3 years

As at 31 December 2013, building certificates of building and structures with aggregate amounts of RMB29,552,000 have not been granted to the Group (2014: RMB nil).

As at 31 December 2014, the Group has pledged buildings, mining structures and equipment with an aggregate carrying amount of RMB155,507,000 (2013: RMB162,003,000) to secure the bank borrowings.

15. Prepaid Lease Payments

The prepaid lease payments of the Group represent land use rights in the PRC held under medium-term leases and are analysed for reporting purposes as follows:

	2014 RMB'000	2013 RMB'000
Current portion	**357**	357
Non-current portion	**16,553**	16,910
	16,910	17,267

16. Exploration and Evaluation Assets

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

	2014 RMB'000	2013 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.

16. Exploration and Evaluation Assets *(Continued)*

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 or 2014.

17. Intangible Assets

The Group's intangible assets are as follow:

	Mining right RMB'000	**Restoration costs** RMB'000	**Stripping costs** RMB'000	**Meadow compensation costs and others** RMB'000	**Total** RMB'000
Cost					
At 1 January 2013	138,246	1,992	13,294	12,988	166,520
Additions	3,134	3,992	55,916	5,703	68,745
At 31 December 2013	141,380	5,984	69,210	18,691	235,265
Additions	–	3,801	4,228	13,446	21,475
At 31 December 2014	141,380	9,785	73,438	32,137	256,740
Amortisation					
At 1 January 2013	–	–	–	–	–
Charge for the year	333	9	157	232	731
At 31 December 2013	333	9	157	232	731
Charge for the year	3,493	261	9,406	1,461	14,621
At 31 December 2014	3,826	270	9,563	1,693	15,352
Carrying values					
At 31 December 2014	137,554	9,515	63,875	30,444	241,388
At 31 December 2013	141,047	5,975	69,053	18,459	234,534

Exploration and evaluation assets in respect of a gold mining project located in Xinjiang Province, the PRC, became demonstrable and reached the development phase in prior years, and were transferred to mining right above. Geological and geophysical costs, meadow compensation costs, land restoration and rehabilitation costs, drilling and stripping costs incurred to the extent to give rise to future benefit of the gold ores have also been included above as part of the cost of the intangible assets.

17. Intangible Assets *(Continued)*

At the time of transfer, the exploration and evaluation assets incorporate both mining right (intangible) and the underlying mineral reserves (tangible) elements. The directors of the Company consider the mining right is more significant element and hence the entire amount is classified as intangible assets.

The mining license and gold mining permit of the relevant gold mining project have been granted to the Group in 2012, which allow the Group to mine up to a predetermined level of ore every year from the date of grant through the expiry of the mining license.

At 31 December 2014, mining license of a gold mining project amounting to RMB137,554,000 (2013:RMB141,047,000) has been pledged to a bank to secure the bank borrowings.

18. Other Non-current Assets

	2014 RMB'000	2013 RMB'000
Consideration receivable for disposal of property, plant and equipment	**–**	1,830
Restricted bank balance	**10**	10
	10	1,840

19. Inventories/Other Current Asset

(a) Inventories

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

(b) Other current asset

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

20. Other Receivables and Prepayments

	2014 RMB'000	2013 RMB'000
Prepayments	**3,748**	2,952
Consideration receivable for disposal of property, plant and equipment	**1,905**	3,658
Deposit for futures contracts (note i)	**2,718**	–
Cash held by securities broker (note ii)	**2,894**	–
Other receivables	**4,523**	769
Total	**15,788**	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 31 December 2014 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.

21. Futures Contracts

	2014 RMB'000	2013 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.

22. 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

23. 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

24. 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 RMB'000	2013 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 RMB'000	2013 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.

25. 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.

26. Bank and other Borrowings

	2014 RMB'000	2013 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

The Group's floating-rate borrowing is mainly subject to interest at the quoted lending rate of PBOC. Interest is reset every year. The effective interest rates on the Group's borrowing were as follows:

	2014 %	2013 %
Effective interest rate (per annum)	**6.95**	7.18

The Group's fixed rate borrowing carries interest at 5.24% per annum.

27. Deferred Income

Deferred income represents government grants received by Jinchuan Mining for developments of mining projects.

The deferred income is released to income over the expected useful life of the relevant assets resulting from the developments of the mining projects. Movements of deferred income during both years are as follows:

	2014 RMB'000	2013 RMB'000
Government grant related to assets:		
At beginning of the year	1,477	–
Additions	7,830	1,500
Released to profit or loss	(192)	(23)
At end of the year	9,115	1,477

28. Provision

	2014 RMB'000	2013 RMB'000
At beginning of the year	5,789	1,992
Additions to site reclamation	3,801	3,306
Accretion incurred in the year	522	686
Payment of restoration cost	(5,903)	(195)
At end of the year	4,209	5,789

In accordance with relevant PRC rules and regulations, if any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, a mining enterprise must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures, as appropriate, after the mining has been completed. The Group provides for the present obligation of the cost of the restoration.

The provision for restoration costs has been determined by the directors of the Company based on their best estimates for the restoration upon the closure of the mine sites taking consideration of the amount and timing of future cash flows that a third party may be required to perform the required work of restoration, including material cost and labor cost, escalated for inflation, and discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability to reflect the present value of the expenditures expected to be required to settle such obligation.

29. 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 (note i)	38,000,000	380
Increase on 5 May 2014 (note ii)	1,962,000,000	19,620
At 31 December 2014	2,000,000,000	20,000
Issued:		
At 1 January 2013 (note i)	10	–
Issue of shares (note i)	5	–
At 31 December 2013	15	–
Issued during the year (note iii)	924,999,985	9,250
At 31 December 2014	925,000,000	9,250

	2014 RMB'000	2013 RMB'000
Shown in the consolidated statement of financial position	**7,362**	1

Notes:

(i) The Company was incorporated in the 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 both years ranked pari passu in all respects with the then existing shares in issue.

30. Capital Commitments

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not 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

31. 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:

	2014 RMB'000	2013 RMB'000
Within one year	**47**	49

32. Retirement Benefit Schemes

The Group operates a Mandatory Provident Fund Scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of Mandatory Provident Fund Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 12% to 20%, of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost recognised in profit or loss in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2014 is RMB1,452,000 (2013: RMB747,000).

33. Related Party Transactions

(a) Related parties balances

Details of the outstanding balances with related parties are set out in note 24.

(b) Related party transactions

Name of Related Party	Nature of transactions	2014 RMB'000	2013 RMB'000
Mr. Ke Xiping	Contractual interest paid/payable by the Group	**2,596**	16,347

(c) 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:

	2014 RMB'000	2013 RMB'000
Salaries and other allowances	**2,545**	2,241
Retirement benefit scheme contributions	**31**	24
	2,576	2,265

The remuneration of directors is determined having regard to the performance of individuals and market trends.

34. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include bank and other borrowings, loan from a shareholder, amount due to a shareholder, gold loans and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issue and the issue of new debt or the repayment of existing debt.

35. Financial Instruments

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
At FVTPL — held for trading — futures contracts	38	–
Loans and receivables (including cash and cash equivalents)	173,370	11,133
	173,408	11,133
Financial liabilities		
Amortised cost	430,874	566,148
Designated at FVTPL — gold loans	137,682	–
	568,556	566,148

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivables, futures contracts, bank balances and cash, fixed deposit, restricted bank balance, trade and other payables, amount due to a related company, amount due to a shareholder, loan from a shareholder, gold loans, bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) 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.

35. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

Assets

	2014 RMB'000	2013 RMB'000
HK$	60,905	770
US$	710	3,016

Liabilities

	2014 RMB'000	2013 RMB'000
HK$	277	298
US$	616	11,871

Sensitivity analysis
The Group exposes foreign currency risk on fluctuation of HK$ and US$ during the reporting period.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against HK$ and US$. 5% (2013: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of the Group's foreign currency denominated monetary assets and liabilities at the year-end by a 5% (2013: 5%) change in the respective foreign currency rates.

	2014 RMB'000	2013 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Increase in loss for the year	3,031	24
5% depreciation of RMB against HK$		
Decrease in loss for the year	(3,031)	(24)
US$ impact:		
5% appreciation of RMB against US$		
Increase (decrease) in loss for the year	5	(443)
5% appreciation of RMB against US$		
Decrease (increase) in loss for the year	(5)	443

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

35. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to a fixed-rate trust loan (note 26). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure when the need arises.

The Group is exposed to cash flow interest rate risk in relation to the floating-rate bank balance (note 22), loan from a shareholder (note 24(c)) and a bank borrowing (note 26).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of prevailing rate quoted by the PBOC for the loan from a shareholder and the bank borrowing are the major sources of the cash flow interest rate risks of the Group.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of variable rate bank balances and loans at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or 50 basis points decrease (2013: 50 basis points increase or decrease) represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2014 would increase by RMB865,000/decrease by RMB865,000 (2013: increase by RMB1,467,000/decrease by RMB1,467,000).

(iii) Other price risk

The Group's other price risk is mainly concentrated on the futures contracts and the gold loans. Details are set out in notes 21 and 25.

For the outstanding futures contracts, if the market price of futures gold had been 10% (2013: nil) higher/lower, loss before taxation for the year ended 31 December 2014 would increase/decrease by RMB3,882,000 (2013: nil) as a result of the changes in the market price of gold.

For the outstanding gold loans, if the market price of gold had been 10% (2013: nil) higher/lower, loss before taxation for the year ended 31 December 2014 would increase/decrease by RMB3,361,000 (2013: nil) as a result of the changes in the market price of gold.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, which is also the agreed repayment date, on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

35. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

The amounts included below for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average effective interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2014							
Non-derivative financial liabilities							
Trade and other payables		31,228	12,261	–	–	43,489	43,489
Bank and other borrowings							
— floating rate	6.95	5,042	34,715	312,142	–	351,899	287,286
— fixed rate	5.24	1,311	4,005	101,194	–	106,510	100,099
		37,581	50,981	413,336	–	501,898	430,874
Gold loans		–	143,632	–	–	143,632	137,682
As at 31 December 2013							
Non-derivative financial liabilities							
Trade and other payables		54,145	9,569	–	–	63,714	63,714
Amounts due to a related company		1	–	–	–	1	1
Amount due to a shareholder		16,890	–	–	–	16,890	16,890
Loan from a shareholder	6.40	–	–	214,877	–	214,877	185,543
Bank and other borrowings	7.18	5,385	26,289	272,686	81,229	385,589	300,000
		76,421	35,858	487,563	81,229	681,071	566,148

35. Financial Instruments *(Continued)*

(c) 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

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.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Financial assets/financial liabilities	Fair value 2014 RMB'000	2013 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Futures contracts classified as financial assets in the consolidated statement of financial position	**Assets — 38**	N/A	Level 1	Quoted price of gold futures in Shanghai Futures Exchange.
Gold loans classified as financial liabilities in the consolidated statement of financial position	**Liabilities — 137,682**	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 consolidated financial statements approximate their fair values.

36. Subsidiaries

Details of the Company's subsidiaries as at 31 December 2014 and 2013 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2014	2013	Principal activities
Directly owned					
Golden Planet Investments Limited	The British Virgin Islands	US$3	**100%**	100%	Investment holding
Indirectly owned					
Tianshan Gold Securities (Hong Kong) Limited	Hong Kong	HK$117,000,002	**100%**	100%	Investment holding
Tianshan Goldfield (Xinjiang) Investment Advisory Limited (note i)	The PRC	HK$500,000	**100%**	100%	Investment holding
Jinchuan Mining (note ii)	The PRC	US$51,500,000	**100%**	100%	Mining and processing of gold and sales of processed gold products

Notes:

(i) It was a wholly foreign owned enterprise established in the PRC.

(ii) Jinchuan Mining was established as a sino-foreign co-operative joint venture enterprise with limited liability, and became a sino-foreign equity joint venture enterprise with limited liability on 31 August 2010.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

37. Statement of Financial Position of the Company

	2014 RMB'000	2013 RMB'000
Non-current Assets		
Investment in a subsidiary	190,657	127,220
Amount due from subsidiaries	191,119	11
	381,776	127,231
Current Assets		
Bank balances and cash	4,724	1,982
Current liabilities		
Trade and other payables	889	12,012
Amount due to a shareholder	–	77
Amount due to a subsidiary	–	3,299
	889	15,388
Net current assets (liabilities)	3,835	(13,406)
Total assets less current liabilities	385,611	113,825
Capital and Reserves		
Share capital	7,362	1
Reserves	378,249	113,824
Total equity	385,611	113,825

37. Statement of Financial Position of the Company *(Continued)*

Movement in reserves

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	173,744	(77,510)	96,234
Issue of shares	92,668	–	92,668
Loss and total comprehensive expense for the year	–	(75,078)	(75,078)
At 31 December 2013	266,412	(152,588)	113,824
Issue of new shares	292,643	–	292,643
Issue of shares by capitalisation of share premium account	(5,521)	–	(5,521)
Transaction costs attributable to issue of new shares	(13,482)	–	(13,482)
Loss and total comprehensive expense for the year	–	(9,215)	(9,215)
At 31 December 2014	540,052	(161,803)	378,249

Four Years Summary

	As at 31 December			
	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
ASSETS AND LIABILITIES				
Total assets	264,513	525,507	704,016	**963,444**
Total liabilities	259,970	412,801	576,575	**589,009**
Net assets	4,543	112,706	127,441	**374,435**
Equity attributable to owners of the Company	4,543	112,706	127,441	**374,435**

	Year ended 31 December			
	2011	2012	2013	**2014**
RESULTS				
Revenue	–	–	4,480	**159,817**
(Loss) before taxation	(5,496)	(44,214)	(90,042)	**(34,007)**
Income tax	–	–	–	**–**
(Loss) and total comprehensive expense for the year, attributable to owners of the Company	(5,496)	(44,214)	(90,042)	**(34,007)**

Definitions

"Articles of Association" or "Articles"	the articles of association of the Company conditionally adopted on 5 May 2014, which will become effective upon the Listing, as amended from time to time
"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
"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
"Company Law" or "Cayman Company Law"	The Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"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
"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Director(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 16 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
"Jinchuan Mining"	Xinjiang Gold Mountain Mining Co., Ltd (新疆金川礦業有限公司), a limited liability company established in China on 20 June 2003 and owned as to 93.6% by Tianshan Gold HK and 6.4% by Jintian Investment
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 29 May 2014
"Listing Day"	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
"Nomination Committee"	the nomination committee of the Company established in compliance with Rule A.5.1 and Rule A.5.2 of the Listing Rules
"Period Under Review"	the year ended 31 December 2014
"PRC" or "China"	The People's Republic of China
"Prospectus"	the prospectus of the Company dated 19 May 2014
"Remuneration Committee"	the remuneration committee of the Company established in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianshan Gold HK"	Tianshan Gold Securities (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on 16 April 2008 and a direct wholly-owned subsidiary of Golden Planet
"Xiamen Hengxing"	Xiamen Hengxing Group Co., Ltd. (廈門恒興集團有限公司), a limited liability company established in China on 14 September 1994, which is owned by Mr. Ke Xiping as to 99.34% and by Ms. Liu Haiying, Mr. Ke's wife, as to 0.66%, and except where the context otherwise requires, includes all of its subsidiaries
"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