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Hengxing Gold Holding Company Limited

恒興黃金控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2303)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

- The Company's wholly owned Gold Mountain Mine produced 15,514 ounces (equivalent to 482.5 kg) of gold for the Period Under Review, compared with 7,012 ounces (equivalent to 218.1 kg) in the corresponding period of 2014;
- The Company's revenue was RMB130.6 million and gross profit was RMB40.0 million for the Period Under Review, compared with RMB44.7 million in revenue and RMB2.4 million in gross profit in the corresponding period of 2014;
- The Company's financial performance turned around with a net profit of RMB17.5 million, compared with RMB38.3 million net loss in the corresponding period of 2014.

The board of directors (the “**Board**”) of Hengxing Gold Holding Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2015 (the “**Period Under Review**”), together with comparative figures for the corresponding period in the year 2014, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	130,635	44,700
Cost of sales		(90,628)	(42,254)
Gross profit		40,007	2,446
Other income		1,669	112
Other gains (losses)		1,858	(1,760)
Selling and distribution expenses		(88)	(35)
Administrative expenses		(11,488)	(11,480)
Listing expenses		–	(3,993)
Finance costs	4	(14,414)	(23,607)
Profit (loss) before taxation		17,544	(38,317)
Income tax expense	5	–	–
Profit (loss) and total comprehensive income (expense) for the period	6	17,544	(38,317)
Earnings (loss) per share			
Basic (<i>RMB cents</i>)	7	1.90	(5.21)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	<i>Notes</i>	30.06.2015 RMB'000 (Unaudited)	31.12.2014 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		345,235	352,248
Prepaid lease payments		16,375	16,553
Exploration and evaluation assets		83,987	83,987
Intangible assets		233,591	241,388
Deposit for purchase of property, plant and equipment		1,984	1,538
Other non-current asset		10	10
		681,182	695,724
CURRENT ASSETS			
Prepaid lease payments		357	357
Inventories	<i>9(a)</i>	57,124	54,705
Other receivables and prepayments	<i>10</i>	12,514	15,788
Futures contracts	<i>11</i>	1,792	38
Fixed deposit		49,002	49,002
Bank balances and cash		104,170	114,223
Other current asset	<i>9(b)</i>	–	33,607
		224,959	267,720
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	42,137	50,618
Amount due to a related company	<i>13</i>	50	–
Gold loans	<i>14</i>	92,957	137,682
Bank and other borrowings	<i>15</i>	75,186	17,385
		210,330	205,685
NET CURRENT ASSETS		14,629	62,035
TOTAL ASSETS LESS CURRENT LIABILITIES		695,811	757,759
NON-CURRENT LIABILITIES			
Bank and other borrowings	<i>15</i>	290,000	370,000
Deferred income		8,903	9,115
Provision		4,929	4,209
		303,832	383,324
CAPITAL AND RESERVES			
Share capital		7,362	7,362
Reserves		384,617	367,073
Equity attributable to owners of the Company		391,979	374,435
		695,811	757,759

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions;
- Amendments to HKFRSs Annual Improvements to HKFRSs 2010–2012 Cycle;
- Amendments to HKFRSs Annual Improvements to HKFRSs 2011–2013 Cycle.

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

3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. During each of the six months ended 30 June 2015 and 2014, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in gold exploration in the PRC. Therefore, the management considers that the Group only has one operating segment, and no segment information is presented.

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

	Six months ended 30 June	
	2015	2014
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Sales of processed gold	130,635	44,700

4. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Effective interest on loan from a shareholder:		
— wholly repayable within five years	—	8,661
Interest on secured bank borrowing:		
— wholly repayable within five years	9,152	—
— not wholly repayable within five years	—	10,831
Interest on unsecured trust loans:		
— wholly repayable within five years	1,661	3,866
Interest on gold loans	3,242	249
Accretion on environmental restoration costs	359	653
Total borrowing costs	14,414	24,260
Less: amount capitalised in		
— exploration and evaluation assets and intangible assets	—	(653)
	<u>14,414</u>	<u>23,607</u>

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax nor the PRC Enterprise Income Tax has been made as the Group had no assessable profit subject to profits tax in these jurisdictions during each of the six months ended 30 June 2015 and 2014.

6. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Directors' and chief executive's emoluments	888	465
Other staff costs	14,364	10,911
Retirement benefit scheme contributions excluding those of the directors and chief executive	826	570
Total staff cost	16,078	11,946
Less: amount capitalised in exploration and evaluation assets	–	(610)
Less: amount capitalised in construction in progress	–	(173)
Staff costs recognised in profit or loss	16,078	11,163
Depreciation of property, plant and equipment recognised in profit or loss	14,187	11,990
Amortisation of intangible assets	9,074	2,837
Release of prepaid lease payments	178	178
Depreciation and amortisation recognised in profit or loss	23,439	15,005
Cost of inventories recognised as an expense	90,628	42,254
Minimum lease payments under operating leases in respect of properties	46	47
Interest income	1,417	10

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Earnings (loss):		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	17,544	(38,317)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	925,000	735,912

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

8. DIVIDEND

No dividends were paid or declared during the current and prior reporting periods. The directors do not propose the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

9. INVENTORY/OTHER CURRENT ASSET

(a) Inventories

	30.06.2015 <i>RMB'000</i> (Unaudited)	31.12.2014 <i>RMB'000</i> (Audited)
Raw materials	2,271	4,729
Gold in process	38,871	16,788
Gold doré bars	563	12,527
Consumables and spare parts	15,419	20,661
	<u>57,124</u>	<u>54,705</u>
Total	<u>57,124</u>	<u>54,705</u>

(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 full amount of the relevant contracts has been settled during the current reporting period. 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.

10. OTHER RECEIVABLES AND PREPAYMENTS

	30.06.2015 <i>RMB'000</i> (Unaudited)	31.12.2014 <i>RMB'000</i> (Audited)
Prepayments	6,237	3,748
Consideration receivable for disposal of property, plant and equipment	–	1,905
Cash held by securities broker	298	5,612
Other receivables	5,979	4,523
	<u>12,514</u>	<u>15,788</u>
Total	<u>12,514</u>	<u>15,788</u>

11. FUTURES CONTRACTS

	30.06.2015 <i>RMB'000</i> (Unaudited)	31.12.2014 <i>RMB'000</i> (Audited)
Derivatives not under hedge accounting:		
Fair value of gold futures contracts — assets	1,792	38
	<u>1,792</u>	<u>38</u>

12. TRADE AND OTHER PAYABLES

	30.06.2015 RMB'000 (Unaudited)	31.12.2014 <i>RMB'000</i> (Audited)
Trade payables	<u>16,330</u>	<u>12,805</u>
Payables for purchases of property, plant and equipment	16,484	25,157
Payables for expenditure on exploration and evaluation assets	112	237
Payables for listing expenses	–	1,324
Other tax payables	3,783	3,263
Other payables	3,074	3,966
Accrued expenses	<u>2,354</u>	<u>3,866</u>
	<u>25,807</u>	<u>37,813</u>
	<u>42,137</u>	<u>50,618</u>

13. AMOUNT DUE TO A RELATED COMPANY

Amount due to a related company

		30.06.2015 RMB'000 (Unaudited)	31.12.2014 <i>RMB'000</i> (Audited)
Name of Related Party	Relationship		
Xiamen Hengxing Group Co., Ltd (廈門恒興集團有限公司)	Fellow subsidiary	<u>50</u>	<u>–</u>

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

14. GOLD LOANS

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

As at 30 June 2015, the gold loans are denominated in RMB, interest bearing at a contract rate of 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, the gold loans represented 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 30 June 2015, fixed deposit amounting to RMB49,002,000 (31 December 2014: RMB49,002,000) is pledged for the relevant gold loans.

The losses arising from change in fair value of gold loans of RMB2,071,000 (six months ended 30 June 2014: RMB1,672,000) has been recognised in profit or loss for the six months ended 30 June 2015.

15. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB40,000,000 (six months ended 30 June 2014: RMB150,000,000) and repaid borrowings of RMB60,000,000 (six months ended 30 June 2014: nil).

The outstanding borrowings of the Group carry interest at effective interest rate ranging from 4.93% to 6.39% (31 December 2014: 5.24% to 6.95%) per annum and are repayable in accordance with payment schedule.

The Group has pledged buildings, mining structures and equipment with an aggregate carrying amount of RMB150,445,000 (31 December 2014: RMB155,507,000) and intangible assets with an aggregate carrying amount of RMB135,359,000 (31 December 2014: RMB137,554,000) to secure the bank borrowings.

16. CAPITAL COMMITMENTS

	30.06.2015 RMB'000 (Unaudited)	31.12.2014 RMB'000 (Audited)
Capital expenditure contracted for but no provided for in the condensed consolidated financial statements in respect of acquisition of		
— property, plant, and equipment	53,571	51,296
— exploration and evaluation assets	253	253
	53,824	51,549

17. RELATED PARTY DISCLOSURES

(i) Related parties balances

Details of the outstanding balances with a related party are set out in note 13.

(ii) Related party transactions

Name of Related Party	Nature of transactions	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Mr. Ke Xiping	Contractual interest paid/ payable by the Group	—	2,596
Xiamen Hengxing Group Co., Ltd. (廈門恒興集團有限公司)	Sales of processed gold	1,000	—

(iii) Compensation of key management personnel

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Salaries and other allowances	1,587	1,040
Retirement benefit scheme contributions	18	6
	1,605	1,046

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company's wholly owned Gold Mountain Mine produced 15,514 ounces ("ounce" or "oz", referring to a unit of weight for precious metals, and one ounce equals 31.1035 grams) or 482.5 kg of gold for the Period Under Review, representing a substantial increase by approximately 121% as compared to 7,012 ounces (equivalent to 218.1 kg) gold produced for the same period last year. For the Period Under Review, the Company's financial performance turned around with a net profit of RMB17.5 million.

On the production front, 1,778,675 tonnes of ore were crushed and processed for the six months ended 30 June 2015, more than 70% greater than the 1,046,260 tonnes ore processed during the corresponding period of 2014. The majority of final particle size (P80) after crushing and screening was 10mm. The increase in throughput was primarily due to increased availability of crushers and improved durability of the wearable parts. The crushing system has run more effectively by adding one moderate crusher to and removing one fine crusher from the system design, which originally consisted of one coarse crusher, one moderate crusher and four fine crushers. The Company is working with several suppliers such as Beijing Golden Wheel Special Machine Co., Ltd (北京金輪坤天特種機械有限公司) and Zhengzhou Dingsheng Engineering Technology Co., Ltd (鄭州鼎盛工程技術有限公司) to test different materials for wearable parts in order to improve their durability during operations.

In addition to current mining operations at the Yelmand prospect and the Mayituobi prospect within Gold Mountain Mine, the Company plans to develop a third mining operation at the Kuangou prospect, which is designed as an open pit to accommodate 1.5 million tonnes per annum ore processing capacity. The development of the Kuangou prospect has been given priority, considering that ore from the Kuangou prospect has a relatively higher average gold grade and is relatively better oxidized compared with ore mined from other prospects within the Gold Mountain Mine. The more oxidized the ore is, the easier it can be crushed and reacts to chemicals, which will lead to a higher gold recovery rate.

On the technical upgrade front, the Company has taken continuous effort to upgrade the current crushing system by, among others, testing alternative crushers, and strive to reach the designed ore processing capacity of 5 million tonnes per annum. The on-site trial run of vibrating crusher provided by Xuzhou Qiaoxin Mining Machinery Manufacturing Company Limited (徐州喬鑫礦業機械製造有限公司) was completed in June 2015, indicating shortfalls to meet certain defined acceptance criteria and technical requirements. The Company will schedule for another round of on-site trial run after technical adjustments. Meanwhile Gaoke Crusher (高科破碎機) provided by Shenyang Metallurgy Mine Heavy Equipment Co., Ltd (瀋陽冶礦重型設備有限公司) has gone through factory testing and will be shipped to Gold Mountain Mine in September 2015 if all trial runs are passed.

In the carbon absorption workshop, the Company initiated a batch of high efficiency filter boxes for the barren solution to prevent activated carbon powder in the barren solution from going back to the leach pad and reducing gold recovery rate.

As for exploration progress, the Company has made progress in the joint exploration in Bohegou (薄荷溝) area with Western Region Gold Ili Company Limited (西部黃金伊犁有限責任公司). The Joint exploration discovered several continuous gold-in-soil anomalies in the area. The preliminary exploration design of geological mapping, trenches and drillholes has been completed in June 2015. The drilling will start in September this year after tendering of geological works.

Prospects

The Group aims at becoming a leading gold mining company in China through the following strategies:

Ramp up processing capacity and expand production operation

The Group is committed to ramping up the operations in a steady and effective manner with a view to achieving the designed ore processing capacity. In addition, the Group is paying continuous efforts to invest in research and development, and utilize mature and stable technologies in the operations to improve efficiency and realize steady business growth.

Further expand resources and upgrade reserves

The Group continues the exploration works in the surrounding areas of the Gold Mountain Mine where the Group holds licenses to explore new resources, and seek cooperation opportunities with other independent third parties. The Group will also invest time, resources and expertise to identify regions with significant potential to secure new exploration and mining rights at early stage.

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 high-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 the equity interests of the two companies if they are considered as economically feasible gold mining projects at their fair market value.

Strengthen work safety and environmental protection

Work safety and environmental protection are crucial to the sustainable development of the Group. The implementations of occupational health, safety and environmental protection systems and policies have enabled the Company to pursue an all-rounded operational management and achieve a zero-incident work environment. The Group provides trainings for emergency response, performance measurement, risk-assessment to raise employees' safety and environmental awareness.

Use of Proceeds from the Initial Public Offering

The net proceeds from the Company's issue of new shares in the initial public offering ("IPO") on 29 May 2014, after deducting listing related expenses, amounted to approximately HK\$330.4 million. The use of proceeds was disclosed in the prospectus (the "Prospectus") dated 19 May 2014 issued by the Company relating to the IPO and further disclosed in the clarification announcement made by the Company on 28 May 2014. On 15 June 2015, the Board has resolved to change the use of the unutilized IPO proceeds, amounting to approximately HK\$180.3 million, and apply for new specific purposes, details of which are indicated in the table below. As at 30 June 2015, the Company has used approximately HK\$150.1 million and intends to apply the remaining net proceeds in the manner consistent with that set out in the Prospectus and relevant announcements made thereafter.

	Planned amount per clarification announcement dated 28 May 2014 (HK\$ million)	Revisions per announcement of proposed changes dated 16 June 2015 (HK\$ million)	Amount utilized up to 30 June 2015 (HK\$ million)	Balance of unutilized IPO proceeds as at 30 June 2015 (HK\$ million)
Financing the Company's CIL Project, including:				
• Constructing and installing the carbon-in-leach production and ancillary facilities, purchases of relevant equipment	120.1	–	–	–
• Acquiring land use right, hiring project design and supervisory experts, implementing work safety measures and applying for relevant licenses	30.0	–	–	–
Upgrading the crushing system in order to improve the efficiency of current production process of Gold Mountain Mine	–	12.5	–	12.5
Developing a new open pit at the Kuangou prospect and a new leach pad to accommodate ore mined from the Kuangou prospect for the purpose of increasing production	–	27.5	–	27.5
Repaying outstanding loans with interests and advances from controlling shareholder Mr. Ke	138.8	–	138.8	–
Repaying part of the outstanding gold lease facilities	–	47.6	–	47.6

	Planned amount per clarification announcement dated 28 May 2014 (HK\$ million)	Revisions per announcement of proposed changes dated 16 June 2015 (HK\$ million)	Amount utilized up to 30 June 2015 (HK\$ million)	Balance of unutilized IPO proceeds as at 30 June 2015 (HK\$ million)
Financing the Company's potential acquisitions of gold resources, including expenses for due diligence, environmental and exploratory studies	15.1	77.6	–	77.6
Financing further exploration works at the Gold Mountain Mine and its surrounding areas where the Company holds exploration licenses	15.1	15.1	–	15.1
Working capital use and other general corporate purposes	11.3	–	11.3	–
Total	<u>330.4</u>	<u>180.3</u>	<u>150.1</u>	<u>180.3</u>

Financial Review

During the Period Under Review, the Group recorded revenue of RMB130,635,000, while the revenue recorded for the corresponding period of 2014 was RMB44,700,000, representing approximately an increase of 192%, which is contributed by the substantial growth in gold production and sales.

The Group started to record a consolidated profit of the Group of RMB17,544,000 for the six months ended 30 June 2015, while there is a loss of RMB38,317,000 in the corresponding period of 2014. The situation of profit turnaround is mainly due to (a) substantial growth in gold production and sales as compared to the corresponding period in 2014, (b) improved durability of the wearable parts leads to lower unit cost of wearable parts.

Revenue

During the Period Under Review, the Group's revenue was approximately RMB130,635,000, compared with RMB44,700,000 in the corresponding period of 2014, because the gold production and sales volume increased.

Cost of sales

During the Period Under Review, the Group's cost of sales amounted to approximately RMB90,628,000 compared with RMB42,254,000 in the corresponding period of 2014, which primarily included mining costs, processing costs, labor costs related to mining and processing activities as well as depreciation and amortization costs including depreciation costs of property, plant and equipment and amortization costs of intangible assets. The increase in COGS was due to the growth of production volume.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB40,007,000, compared with RMB2,446,000 in the corresponding period of 2014, and the GP ratio was 31%, compared with 5% in the corresponding period of 2014, resulted from the dilution of fixed cost with the substantial growth in gold production.

EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortization ("EBITDA") was RMB55,397,000 compared with RMB295,000 in the corresponding period of 2014.

Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB88,000 compared with RMB35,000 in the corresponding period of 2014.

Administration Expenses

During the Period Under Review, the Group's administration expenses was approximately RMB11,488,000 (six months ended 30 June 2014: RMB11,480,000)

Finance Costs

During the Period Under Review, the Group's finance costs was RMB14,414,000 (six months ended 30 June 2014: RMB23,607,000), representing a decrease by 39%, compared with the corresponding period of 2014. The decrease was mainly due to the repayment of loan from a shareholder and the unsecured trust loan, details are set out in note 4 in interim condensed consolidated financial statements.

Profit (loss) before taxation

As a result of the foregoing, the profit before taxation was RMB17,544,000 for the six months ended 30 June 2015, compared with a loss of RMB38,317,000 in the corresponding period of 2014.

Profit (loss) and total comprehensive income (expense)

As a result of the foregoing, the profit and total comprehensive income was RMB17,544,000 for the six months ended 30 June 2015, compared with a loss and total comprehensive expense of RMB38,317,000 in the corresponding period of 2014.

Liquidity and Financial Resources

The group was in possession of reasonable operation cash flow and working capital due to the substantial growth of production. As at 30 June 2015, the Group's bank balances and cash and fixed deposit were RMB153,172,000 (as of 31 December 2014, it was RMB163,225,000). Net assets were RMB391,979,000 (as of 31 December 2014, it was approximately RMB374,435,000).

The Group recorded net current assets of RMB14,629,000 as of 30 June 2015, compared with RMB62,035,000 as of 31 December 2014, which was primarily due to (a) decrease of other current asset amounted RMB33,607,000 and bank balance amounted RMB10,053,000 (b) net increase of current liabilities amounted RMB4,645,000.

Current ratio and gearing ratio

As of 30 June 2015, the Group's current ratio (current assets divided by current liabilities) was 1.1 (31 December 2014: 1.3).

As of 30 June 2015, the Group's gearing ratio (total borrowings divided by total equity) was 1.2 (31 December 2014: 1.4).

Cash flows

The following table sets out selected cash flow data from the Group's condensed consolidated interim cash flow statements for the six months ended 30 June 2015 and 30 June 2014.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from (use in) operating activities	54,359	(45,794)
Net cash used in investing activities	(13,751)	(36,926)
Net cash (use in) from financing activities	(50,661)	254,429
Net(decrease) increase in cash and cash equivalents	(10,053)	171,709
Effect of foreign exchange rate changes	–	(422)
Cash and cash equivalents at 1 January	114,223	10,354
Cash and cash equivalents at 30 June	104,170	181,641

For the Period Under Review, the net cash inflow from operating activities was RMB54,359,000, which was mainly attributable to (a) Profit plus non cash cost as depreciation and amortisation and minus financing cost and investing gain, amounted RMB57,910,000 (b) increase in inventory of RMB2,419,000 (c) increase in trade receivables, repayment deposits and other receivables of RMB1,719,000, and (d) increase in trade payables, accruals and other payables of RMB587,000.

For the Period Under Review, the net cash outflow from investing activities was RMB13,751,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB14,389,000, (b) payments of Exploration and evaluation assets of RMB125,000, (c) net cash inflow of RMB432,000 from the redemption of structured deposits, and (d) interest received of RMB331,000.

For the Period Under Review, the net cash outflow from financing activities was RMB50,661,000, which was primarily attributable to (a) new bank and other borrowings raised of RMB40,000,000, (b) new gold loans raised of RMB33,868,000, and (c) advance from a related company of RMB50,000 all of which were partially offset by (a) interest paid for gold loans and bank and other borrowings of RMB17,522,000, and (b) repayment of gold loans of RMB47,057,000 and bank and other borrowings of RMB60,000,000.

Capital Structure

As of 30 June 2015, the total number of issued ordinary shares of the Company was 925,000,000 shares (as of 31 December 2014: 925,000,000 shares), each at HK\$0.01.

Indebtedness and charge on assets

As at 30 June 2015, the Group had a secured bank borrowing of approximately RMB274,977,000 and unsecured trust loans of approximately RMB90,209,000. The secured bank borrowing is secured by certain buildings, mining structures and equipment with an aggregate carrying amount of RMB150,445,000 (31 December 2014: RMB155,507,000) and intangible assets with an aggregate carrying amount of RMB 135,359,000 (31 December 2014: RMB 137,554,000). In addition, the Group had gold loans of approximately RMB92,957,000 with fixed deposit amount to RMB49,002,000 pledged for.

Save as stated above, as of 30 June 2015, the Group did not have other outstanding loan extended and outstanding, bank overdrafts, other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees and other material contingent liabilities.

Contingent liabilities

As of 30 June 2015, the Group did not have any material contingent liabilities or guarantees (as of 31 December 2014: 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 and certain other payables 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 significantly foreign currency exposure should the need arise.

Employees

As at 30 June 2015, the Group employed approximately 317 employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC.

The Exploration, Development and Mining Production Expenditures

Mining Production

Gold Mountain Mine includes five prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect. For the Period Under Review, the total amount of ore mined and processed was approximately 1.78 million tones. As of 30 June 2015, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

		Six months ended 30 June	
	Unit	2015	2014
Ore mined	Kt	1,695	1,004
<i>Yelmand prospect</i>	Kt	1,533	1,003
<i>Mayituobi prospect</i>	Kt	162	1
Overburden mined	Kt	3,444	3,882
<i>Yelmand prospect</i>	Kt	2,266	2,666
<i>Mayituobi prospect</i>	Kt	1,178	1,215
Strip ratio	:	2.03	–
Feed-in grade of ore	g/t	0.73	0.71
Ore processed	Kt	1,779	1,046
Recovery rate	%	49.5	–
Gold produced	Oz	15,514	7,012

During the Period Under Review, the aggregate expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB31.1 million, as compared to approximately RMB29.8 million for the six months ended 30 June 2014.

Exploration

For the Period Under Review, the Company has no exploration expenditure. Because in the current stage the focus of exploration is on seeking cooperation with other independent third parties to jointly explore the exploration targets with future potential.

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 30 June 2015:

JORC Mineral Resources Category	Tonnage <i>kt</i>	Grade <i>g/t</i>	Contained Gold <i>Au kg</i>	Contained Gold <i>Au koz</i>
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	<u>133,077</u>	0.73	<u>97,728</u>	<u>3,142</u>

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

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

Mine Development

For the first half of 2015, the Company continued its construction and development activities in Gold Mountain Mine, including the construction of a new heap leach pad, the anti-leakage project of heap leaching, as well as the road building in the open pits. In the same time, the work on technical improvement continued on a large scale.

For the Period Under Review, the aggregate expenditure on the mine development and construction amounted to approximately RMB14.4 million, as compared to approximately RMB6.8 million for the six months ended 30 June 2014.

Significant Investments, Acquisitions and Disposals

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

CONNECTED TRANSACTION

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. The transaction contemplated under the Gold Dore Purchase Agreement constitutes a connected transaction of the Group pursuant to Chapter 14A of the Listing Rules. Details of the Gold Dore Purchase Agreement are as stated in the Company's announcement dated 26 January 2015. During the Period Under Review, the Group had not entered into any continuing connected transactions which are required to be disclosed in this announcement pursuant to the Listing Rules.

INTERIM DIVIDEND

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders of the Company. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with the Corporate Governance Code during the six months ended 30 June 2015 and up to the date hereof.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Group has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during the six months ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF THE INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Wong Yan Ki Angel, Mr. Xiao Wei and Dr. Tim SUN. Ms. Wong Yan Ki Angel serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited consolidated interim results for the six months ended 30 June 2015 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

The external auditor has reviewed the Group’s unaudited consolidated interim results for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.hxgoldholding.com>). The interim report for the Period Under Review containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 27 August 2015

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