



**Hengxing Gold Holding Company Limited**

*(incorporated in the Cayman Islands with limited liability)*

stock code: 2303



**2015**  
**INTERIM REPORT**

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# CORPORATE INFORMATION

## DIRECTORS

### Executive directors

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

### Independent non-executive directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Wong Wai Ling (黃慧玲) (*ACIS, ACS*)

## AUTHORISED REPRESENTATIVES

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

## PRINCIPAL SHARE REGISTRAR

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](http://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

# CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Hengxing Gold Holding Company Limited, I am pleased to present the interim report of the Group for the six months ended 30 June 2015 and express our gratitude for our shareholders' continuous support and trust.

The first half of 2015 was a challenging time for gold producers as the gold price fell sharply from US\$1,300/oz to US\$1,077/oz, bringing about the impact of shrinking margins and reduced cash flows. Nevertheless, for Hengxing Gold, we have met a key milestone in our business, the Company's financial performance turned around with a net profit of RMB17.5 million in the first half of 2015.

A total of 482.5 kg of gold was produced in the first half of 2015, with the full year gold production estimated to be over 1,200 kg. The rise in production was mainly due to our continuous effort to upgrade and modify the current crushing system, including testing various crushers on site in consultation with specialized equipment providers. We will continue to optimize the operation to reach the designed ore processing capacity of 5 million tonnes per annum.

To further increase our production, we will develop an open pit mine at our Kuangou prospect within the Gold Mountain Mine to produce 1.5 million tonnes per annum ore for processing. The initial stripping of the Kuangou prospect has already started in August and is estimated to be completed in one year time.

To further expand our gold resources, on the one hand we continue to explore in our licensed tenements, including the joint exploration of Bohegou area with Western Region Gold Ili Company Limited. On the other hand we have been actively seeking appropriate acquisition opportunities. We are targeting not only in China, but also overseas. Our management teams are well experienced and equipped for project assessment and development, with the mandate to bring long-term value to our shareholders.

We will not only emphasize on production and profitability for shareholders' return, but also pay attention on work safety and environmental protection. We strive to be responsible stewards of our environment, strictly comply with safety standards and environmental requirements. We continued our tradition of making contributions to the local communities. The Company has been regarded by local government and media as a responsible mining company through collaboration with local communities and indigenous people.

Finally, on behalf of the Board, I sincerely appreciate all the staff's contributions and services, as well as support and trust from business partners and local communities.

Sincerely,

**KE Xiping**

*Chairman*

27 August 2015



# 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 rise in ore processed was primarily due to the company's continuous effort to upgrade and modify the current crushing system. However, The majority of final ore size (referred as P80) processed by the existing crushing and screening system was about 10 mm, which was still largely below the designed size of 6.3 mm as required to reach the optimal recovery rate determined by the feasibility study report prepared by Beijing Institute General Research of Mining & Metallurgy (北京礦冶研究總院), and further warranted by the equipment supplier. The dispute with such supplier is currently being heard by Xiamen Arbitration Commission. 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.

# BUSINESS REVIEW

## 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 IPO after deducting listing related expenses, amounted to approximately HK\$330.4 million. The use of proceeds was disclosed in the Prospectus 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)
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### 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	-	-	-



# BUSINESS REVIEW

	Planned amount per clarification announcement dated <b>28 May 2014</b> (HK\$ million)	Revisions per announcement of proposed changes dated <b>16 June 2015</b> (HK\$ million)	Amount utilized up to <b>30 June 2015</b> (HK\$ million)	Balance of unutilized IPO proceeds as at <b>30 June 2015</b> (HK\$ million)
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
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	–
<b>Total</b>	<b>330.4</b>	<b>180.3</b>	<b>150.1</b>	<b>180.3</b>



# 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 5 in 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.

# FINANCIAL REVIEW

## 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.

# FINANCIAL REVIEW

## 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.



# FINANCIAL REVIEW

## 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.

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



# FINANCIAL REVIEW

## 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:

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

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

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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. 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 “Mode 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 THE COMPANY’S LISTED SECURITIES

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

## 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).

## SHARE OPTION SCHEME

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

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

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

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

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

In addition to the information stated herein, the detailed terms of such Share Option Scheme have been disclosed in the Prospectus.

No share options under the Share Option Scheme were granted, exercised, lapsed or cancelled during the six months ended 30 June 2015. The Company has no outstanding options as at 1 January 2015 and 30 June 2015.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2015, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (with the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executives of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### Long Positions in the Shares

(i) Interest in the Company

Name of Director	Nature of interest	Number of shares interested (Note 1)	Approximate percentage of interest in the issued capital (Note 3)
Mr. Ke Xiping (Note 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 issued share capital of Gold Virtue and is its director, therefore is deemed to be interested in the 555,000,000 Shares held by Gold Virtue.
- (3) As at 30 June 2015, the total number of issued Shares of the Company was 925,000,000.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## (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%

### Notes:

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

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

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

As at 30 June 2015, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors and chief executives of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were set out as follows:

Name of Shareholders	Capacity/ Nature of interest	Number of shares interested (Note 1)	Approximate percentage of interest in the issued capital (Note 4)
Gold Virtue (Note 2)	Beneficial owner	555,000,000 (L)	60.0%
Mr. Ke Jiaqi (Note 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 share capital of Gold Virtue and is its director, 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.
- (4) As at 30 June 2015, the total number of issued Shares of the Company was 925,000,000.

Save as mentioned above, as at 30 June 2015, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors and chief executives of the Company) or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CHANGES IN DIRECTORS' INFORMATION

There is no changes in information of Directors of the Company required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

## REVIEW OF THE DEED OF OPTIONS

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

## EVENTS AFTER THE REPORTING PERIOD

The Group had no subsequent events after the reporting period.

## REVIEW OF INTERIM RESULTS

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the 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 of the Company 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.



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**  
**德勤**

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88 Queensway  
Hong Kong

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

恒興黃金控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

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

## **CONCLUSION**

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 August 2015

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

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	<b>130,635</b>	44,700
Cost of sales		<b>(90,628)</b>	(42,254)
Gross profit		<b>40,007</b>	2,446
Other income		<b>1,669</b>	112
Other gains (losses)	4	<b>1,858</b>	(1,760)
Selling and distribution expenses		<b>(88)</b>	(35)
Administrative expenses		<b>(11,488)</b>	(11,480)
Listing expenses		<b>–</b>	(3,993)
Finance costs	5	<b>(14,414)</b>	(23,607)
Profit (loss) before taxation		<b>17,544</b>	(38,317)
Income tax expense	6	<b>–</b>	–
Profit (loss) and total comprehensive income (expense) for the period	7	<b>17,544</b>	(38,317)
Earnings (loss) per share			
Basic (RMB cents)	8	<b>1.90</b>	(5.21)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30.06.2015 RMB'000 (Unaudited)	31.12.2014 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	345,235	352,248
Prepaid lease payments		16,375	16,553
Exploration and evaluation assets	10	83,987	83,987
Intangible assets	10	233,591	241,388
Deposit for purchase of property, plant and equipment		1,984	1,538
Other non-current asset		10	10
		<b>681,182</b>	695,724
<b>CURRENT ASSETS</b>			
Prepaid lease payments		357	357
Inventories	11(a)	57,124	54,705
Other receivables and prepayments	12	12,514	15,788
Futures contracts	13	1,792	38
Fixed deposit		49,002	49,002
Bank balances and cash		104,170	114,223
Other current asset	11(b)	–	33,607
		<b>224,959</b>	267,720
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	42,137	50,618
Amount due to a related company	15	50	–
Gold loans	16	92,957	137,682
Bank and other borrowings	17	75,186	17,385
		<b>210,330</b>	205,685
<b>NET CURRENT ASSETS</b>		<b>14,629</b>	62,035
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>695,811</b>	757,759
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	17	290,000	370,000
Deferred income		8,903	9,115
Provision		4,929	4,209
		<b>303,832</b>	383,324
<b>CAPITAL AND RESERVES</b>			
Share capital	18	7,362	7,362
Reserves		384,617	367,073
Equity attributable to owners of the Company		<b>391,979</b>	374,435
		<b>695,811</b>	757,759

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 2014 (audited)	1	266,412	31,523	(170,495)	127,441
Loss and total comprehensive expense for the period	–	–	–	(38,317)	(38,317)
Issue of new shares	1,840	292,643	–	–	294,483
Transaction costs attributable to issue of new shares	–	(13,482)	–	–	(13,482)
Issue of shares by capitalisation of share premium account	5,521	(5,521)	–	–	–
At 30 June 2014 (unaudited)	7,362	540,052	31,523	(208,812)	370,125
At 1 January 2015 (audited)	<b>7,362</b>	<b>540,052</b>	<b>31,523</b>	<b>(204,502)</b>	<b>374,435</b>
Profit and total comprehensive income for the period	–	–	–	<b>17,544</b>	<b>17,544</b>
At 30 June 2015 (unaudited)	<b>7,362</b>	<b>540,052</b>	<b>31,523</b>	<b>(186,958)</b>	<b>391,979</b>

Note: 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 accumulated profit.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>54,359</b>	(45,794)
<b>INVESTING ACTIVITIES</b>		
Redemption of structured deposits	<b>165,432</b>	45,187
Interest received	<b>331</b>	10
Placement of structured deposits	<b>(165,000)</b>	(60,000)
Purchase of property, plant and equipment	<b>(14,389)</b>	(12,586)
Payments of intangible assets	–	(4,146)
Payments of exploration and evaluation assets	<b>(125)</b>	(2,391)
Other investing cash flows	–	(3,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(13,751)</b>	(36,926)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of new shares	–	294,483
New bank and other borrowings raised	<b>40,000</b>	150,000
Gold loans raised	<b>33,868</b>	50,668
Loan from a shareholder	–	43,000
Advances from a related company	<b>50</b>	81
Interest paid for gold loans	<b>(4,510)</b>	(1,364)
Expenses on issue of new shares	–	(13,482)
Interest paid for bank and other borrowings	<b>(13,012)</b>	(14,860)
Repayment of Gold loans	<b>(47,057)</b>	–
Repayment of bank and other borrowings	<b>(60,000)</b>	–
Repayment of amount due to a shareholder	–	(16,893)
Repayment of loan from a shareholder	–	(237,204)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(50,661)</b>	254,429
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,053)</b>	171,709
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>114,223</b>	10,354
Effect of foreign exchange rate changes	–	(422)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE,</b> represented by bank balances and cash	<b>104,170</b>	181,641



# 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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 4. OTHER GAINS (LOSSES)

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Other gains (losses) comprise:		
Fair value gain on futures contracts (note 13)	3,440	751
Fair value gain on structured deposits	432	19
Fair value loss on gold loans (note 16)	(2,071)	(1,672)
Exchange gain (loss), net	142	(854)
Loss on disposal of property, plant and equipment	(1)	(2)
Other losses	(84)	(2)
	<b>1,858</b>	(1,760)

## 5. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (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)
	<b>14,414</b>	23,607

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 6. INCOME TAX EXPENSE

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

## 7. PROFIT (LOSS) FOR THE PERIOD

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 8. 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	<b>17,544</b>	(38,317)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	<b>925,000</b>	735,912

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

## 9. DIVIDEND

No dividends were paid or declared during the current and prior reporting 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).

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/EXPLORATION AND EVALUATION ASSETS/INTANGIBLE ASSETS

During the current interim period, the Group acquired plant and equipment and incurred construction costs of RMB7,175,000 (six months ended 30 June 2014: RMB6,761,000).

During the current interim period, no costs directly associated with exploration and evaluation assets were incurred (six months ended 30 June 2014: RMB675,000).

During the current interim period, the Group incurred costs directly associated with intangible assets of RMB1,277,000 (six months ended 30 June 2014: RMB6,856,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 11. INVENTORIES/OTHER CURRENT ASSET

### (a) Inventories

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

### (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.

## 12. OTHER RECEIVABLES AND PREPAYMENTS

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

## 13. FUTURES CONTRACTS

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 14. TRADE AND OTHER PAYABLES

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

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:

	<b>30.06.2015</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2014 RMB'000 (Audited)
0–30 days	<b>11,946</b>	4,819
31–60 days	<b>3,395</b>	3,425
over 60 days	<b>989</b>	4,561
	<b>16,330</b>	12,805

## 15. AMOUNT DUE TO A RELATED COMPANY

### Amount due to a related company

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

## **16. GOLD LOANS**

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

As at 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.

## **17. 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 18. 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		
<b>Authorised:</b>		
At 1 January 2014 (note i)	38,000,000	380
Increase on 5 May 2014 (note ii)	1,962,000,000	19,620
At 31 December 2014 and 30 June 2015	2,000,000,000	20,000
<b>Issued:</b>		
At 1 January 2014 (note i)	15	–
Issue during the period (note iii)	924,999,985	9,250
At 31 December 2014 and 30 June 2015 (unaudited)	925,000,000	9,250
	<b>30.6.2015</b>	31.12.2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Shown in the condensed consolidated statement of financial position	<b>7,362</b>	7,362

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, the ultimate controlling shareholder of the Group. 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 HK\$6,938,000 (equivalent to RMB5,521,000) from the share premium account of the Company.
- (iv) All the shares issued during the six months ended 30 June 2015 and 2014 ranked pari passu in all respects with the then existing shares in issue.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 19. 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 as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2015 RMB'000	31.12.2014 RMB'000		
Futures contracts classified as financial assets in the condensed consolidated statement of financial position	<b>Assets — 1,792</b>	Assets — 38	Level 1	Quoted price of gold futures in Shanghai Futures Exchange.
Gold loans classified as financial liabilities in the condensed consolidated statement of financial position	<b>Liabilities — 92,957</b>	Liabilities — 137,682	Level 2	Discounted cash flow with reference to quoted bid price of gold traded in active liquid market as a key input.

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

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

## 20. 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	<b>53,571</b>	51,296
— exploration and evaluation assets	<b>253</b>	253
	<b>53,824</b>	51,549

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 21. 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:

	<b>30.6.2015</b> <b>RMB'000</b>	31.12.2014 RMB'000
Within one year	<b>69</b>	47

## 22. RELATED PARTY DISCLOSURES

### (i) Related parties balances

Details of the outstanding balances with a related party are set out in note 15.

### (ii) Related party transactions

<b>Name of Related Party</b>	<b>Nature of transactions</b>	<b>Six months ended 30 June</b>	
		<b>2015</b> <b>RMB'000</b> <b>(Unaudited)</b>	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	<b>1,000</b>	–

### (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:

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

# DEFINITIONS

“associate”	has the meaning ascribed thereto in the Listing Rules
“Audit Committee”	the audit committee of the Company established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“CIL Project”	a project of the Group which is designed to utilize carbon-in-leach technology to produce gold
“Company”	Hengxing Gold Holding Company Limited
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Ke, Gold Virtue, Mr. Ke Jia Qi and/or Xi Wang Developments
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Directors(s)”	the director(s) of the Company
“Gold Mountain Mine”	金山金礦, a gold mine located in Yining County of Xinjiang, China, which covers five gold prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect
“Gold Virtue”	Gold Virtue Limited, a company incorporated under the laws of the BVI with limited liability on 16 March 2012 and a Controlling Shareholder, which is wholly-owned by Mr. Ke Xiping
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing” or “IPO”	the listing of the Shares on the Main Board of the Stock Exchange on 29 May 2014
“Listing Date”	29 May 2014
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
“Period Under Review”	the six months ended 30 June 2015
“PRC” or “China”	The People’s Republic of China

# DEFINITIONS

“Prospectus”	the prospectus of the Company dated 19 May 2014
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by the Company under the resolutions of the Shareholders dated 5 May 2014
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

