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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 2016**

**HIGHLIGHTS**

- Gold Mountain Mine, wholly owned by the Company, produced 35,527 ounces (equivalent to 1,105 kg) of gold for the Period Under Review, compared with 15,514 ounces (equivalent to 482.5 kg) in the corresponding period of 2015;
- The Company's revenue was RMB291.5 million and net profit was RMB63.6 million for the Period Under Review, compared with RMB130.6 million in revenue and RMB17.5 million in net profit in the corresponding period of 2015;
- The all-in gold production cost for the first half of 2016 was reduced to approximately US\$660/oz, compared with US\$1,008/oz recorded by Gold Mountain Mine in first half of 2015.

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 2016 (the “**Period Under Review**”), together with comparative figures for the corresponding period in the year 2015, as follows:

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	<b>291,549</b>	130,635
Cost of sales		<b>(144,752)</b>	(90,628)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>146,797</b>	40,007
Other income		<b>233</b>	252
Other (losses)/gains — net	4	<b>(29,640)</b>	1,858
Selling and distribution expenses		<b>(171)</b>	(88)
General and administrative expenses		<b>(13,438)</b>	(11,488)
Impairment loss of exploration and evaluation assets		<b>(23,150)</b>	—
		<hr/>	<hr/>
<b>Operating profit</b>	5	<b>80,631</b>	30,541
Finance income		<b>594</b>	1,417
Finance costs		<b>(10,253)</b>	(14,414)
		<hr/>	<hr/>
<b>Profit before income tax expense</b>		<b>70,972</b>	17,544
Income tax expense	6	<b>(7,395)</b>	—
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>63,577</b>	17,544
		<hr/>	<hr/>
<b>Profit attributable to:</b>			
Owners of the Company		<b>63,577</b>	17,544
Non-controlling interests		<b>—</b>	—
		<hr/>	<hr/>
		<b>63,577</b>	17,544
		<hr/>	<hr/>
Earnings per share for profit attributable to owners of the Company during the period — Basic and diluted ( <i>in RMB cents</i> )	7	<b>6.87</b>	1.90
		<hr/>	<hr/>
Dividends			
— Dividend proposed	8	<b>—</b>	—
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the period</b>	<b>63,577</b>	17,544
<b>Other comprehensive income for the period, net of tax</b>		
<i>Items that may be reclassified to profit or loss</i>		
— Fair value gains/(losses) on available-for-sale financial assets, net of tax	<u>379</u>	<u>—</u>
<b>Total comprehensive income for the period</b>	<b><u>63,956</u></b>	<b><u>17,544</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2016*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>325,362</b>	337,454
Prepaid lease payments		<b>16,043</b>	16,222
Exploration and evaluation assets		<b>51,994</b>	75,145
Intangible assets		<b>230,923</b>	241,953
Prepayment for purchase of property, plant and equipment		<b>1,020</b>	1,052
Available-for-sale investment		<b>852</b>	473
Restricted bank balance		<b>10</b>	10
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>626,204</b>	672,309
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	<i>9</i>	<b>53,339</b>	85,000
Other receivables and prepayments	<i>10</i>	<b>41,027</b>	9,173
Derivative financial instruments	<i>11</i>	<b>11,338</b>	–
Prepaid lease payments		<b>357</b>	357
Fixed deposits		<b>140,495</b>	93,999
Bank balances and cash		<b>103,570</b>	26,339
		<hr/>	<hr/>
<b>Total current assets</b>		<b>350,126</b>	214,868
		<hr/>	<hr/>
<b>Total assets</b>		<b>976,330</b>	887,177
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>7,362</b>	7,362
Reserves		<b>571,938</b>	571,559
Accumulated losses		<b>(87,340)</b>	(150,917)
		<hr/>	<hr/>
		<b>491,960</b>	428,004
		<hr/> <hr/>	<hr/> <hr/>
<b>Non-controlling interests</b>		–	–
<b>Total equity</b>		<b>491,960</b>	428,004
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(CONTINUED)**  
*AS AT 30 JUNE 2016*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	12	<b>170,000</b>	260,000
Deferred income		<b>8,479</b>	8,691
Provision for close down, restoration and environmental costs		<b>8,023</b>	6,941
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>186,502</b>	275,632
<b>Current liabilities</b>			
Trade and other payables	13	<b>44,348</b>	45,210
Current income tax liabilities		<b>7,395</b>	–
Short-term borrowings	12	<b>44,648</b>	44,648
Current-portion of long-term borrowings	12	<b>55,009</b>	53,818
Financial liabilities at fair value through profit or loss	14	<b>146,468</b>	39,865
		<hr/>	<hr/>
<b>Total current assets</b>		<b>297,868</b>	183,541
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>484,370</b>	459,173
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>976,330</b>	887,177
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2016 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 2016 have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except for disclosed below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

- (a) Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

<b>Amendments</b>	<b>Effective for annual periods beginning on or after</b>
<i>Amendments to HKAS 1, “Presentation of financial statements” disclosure initiative</i>	<i>1 January 2016</i>
<i>Amendment to HKAS 16, “Property, plant and equipment” and HKAS 38, “Intangible assets”</i>	<i>1 January 2016</i>

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (b) Impact of standards issued but not yet applied by the entity

The following new standards and amendments published by the HKICPA that are not yet effective for the financial year ending 31 December 2016 and have not been early adopted by the Group:

<b>Standards</b>	<b>Effective for annual periods beginning on or after</b>
<i>HKFRS 9 Financial instruments</i>	<i>1 January 2018</i>
<i>HKFRS 15 Revenue from contracts with customers</i>	<i>1 January 2018</i>
<i>HKFRS 16 Leases</i>	<i>1 January 2019</i>

<b>Amendments</b>	<b>Effective for annual periods beginning on or after</b>
<i>Amendments to HKAS 7, Statement of cash flows</i>	<i>1 January 2017</i>
<i>Amendments to HKAS 12, ‘Income taxes’ on Recognition of deferred tax assets for unrealised losses</i>	<i>1 January 2017</i>
<i>Amendment to HKFRS 9, ‘Financial instruments’, on general hedge accounting</i>	<i>1 January 2018</i>
<i>Amendments to HKFRS 15, ‘Revenue from contracts with customers’ — Clarifications</i>	<i>1 January 2018</i>

Management is currently assessing the effects of applying these new standards and amendments on the Group's financial statements and has not identified areas that are likely to be affected. The group does not expect to adopt the new standards and amendments until their effective dates.

### 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 (“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 2016 and 2015, 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Sales of processed gold	<b>291,549</b>	130,635

### 4. OTHER (LOSSES)/GAINS — NET

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Exchange gain	<b>1,956</b>	319
Investment gain on structured deposit	<b>439</b>	432
Gain/(loss) on disposal of property, plant and equipment	<b>1</b>	(1)
Fair value loss on gold lease borrowings	<b>(10,662)</b>	(2,332)
Fair value (loss)/gain on futures contracts	<b>(21,374)</b>	3,440
	<b>(29,640)</b>	1,858

### 5. OPERATING PROFIT

Operating profit is stated after charging the following:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories sold/consumed	<b>73,763</b>	34,964
Staff cost	<b>17,850</b>	15,851
Depreciation of property, plant and equipment	<b>14,178</b>	14,186
Amortisation of		
— land use rights	<b>179</b>	179
— intangible assets	<b>12,350</b>	9,074
Provision for impairment of exploration assets	<b>23,151</b>	—

## 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

For the six months ended 30 June 2016, the PRC subsidiaries of the Company are subjected to an income tax rate of 25%.

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2016.

The amount of income tax expense charged to the unaudited condensed consolidated interim income statement represents:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
PRC corporate income tax expense	<u>7,395</u>	<u>–</u>

At 30 June 2016 and 31 December 2015, the Group had deductible temporary differences. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

## 7 EARNINGS (LOSS) PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of the Company's shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit attributable to owners of the Company ( <i>in RMB'000</i> )	<u>63,577</u>	<u>17,544</u>
Weighted average number of the Company's shares in issue ( <i>in thousands</i> )	<u>925,000</u>	<u>925,000</u>
Basic earnings per share ( <i>in RMB cents</i> )	<u>6.87</u>	<u>1.90</u>

Diluted earnings per share is equal to basic earnings per share as the Company has no potential dilutive shares.

## 8 DIVIDEND

No dividend was paid or proposed for the shareholders of the Company during the six months ended 30 June 2016 and the six months ended 30 June 2015. The directors do not propose the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).



## 9 INVENTORY

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Raw materials	3,422	2,782
Gold in process	17,600	39,976
Gold dore bars	18,465	27,348
Consumables and spare parts	13,852	14,894
	<u>53,339</u>	<u>85,000</u>

## 10 OTHER RECEIVABLES AND PREPAYMENTS

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Prepayments	5,492	1,572
Cash held by securities broker ( <i>Note a</i> )	30,615	2,860
Cash held by interactive broker ( <i>Note b</i> )	–	1,162
Interest receivables	822	240
Other receivables	468	358
Others	3,630	2,981
	<u>41,027</u>	<u>9,173</u>

*Note:*

- (a) Cash held by securities broker as at 30 June 2016 and 31 December 2015 represented the outstanding balance of cash account held by a securities broker for gold future contract transactions.
- (b) Cash held by interactive broker as at 30 June 2016 and 31 December 2015 represented the outstanding balance of cash account held by interactive broker for equity securities transactions

## 11 DERIVATIVE FINANCIAL INSTRUMENTS

In the derivative financial instruments, the Group has entered into gold forward contracts in accordance with the quantity, specification and repayment terms of gold to be returned to banks for the purpose of hedging certain risks arising from gold price fluctuation from gold lease borrowings.

## 12 BORROWINGS

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	Audited 31 December 2015 <i>RMB'000</i>
Non-current	<b>170,000</b>	260,000
Current	<b>99,657</b>	98,466
Total borrowings	<b>269,657</b>	358,466
Representing:		
— pledged (a)	<b>225,009</b>	263,759
— secured (b)	<b>44,648</b>	44,648
— credit	—	50,059
Total borrowings	<b>269,657</b>	358,466

(a) As at 30 June 2016, the pledged bank borrowings from banks amount in RMB225 million (31 December 2015: RMB264 million) were pledged by the Group's intangible asset with a net book value of approximately RMB130 million (31 December 2015: approximately RMB132 million) and property, plant and equipment with a net book value of approximately RMB140 million (31 December 2015: approximately RMB145 million).

(b) As at 30 June 2016, fixed deposits amounting to RMB48,934,592 (31 December 2015: RMB47,921,000) are pledged for the fixed rate borrowing of RMB44,648,000 (31 December 2015: RMB44,648,000).

Movements in borrowings are analysed as follows:

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
At 1 January	<b>358,466</b>	387,385
Additions	—	37,801
Repayments	<b>(88,809)</b>	(60,000)
At 30 June	<b>269,657</b>	365,186

### 13 TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <i>RMB'000</i>	Audited 31 December 2015 <i>RMB'000</i>
Trade payables	18,771	16,844
Payables for capital expenditure	14,967	15,740
Payables for employee expenditure	3,705	6,022
Other tax payables	5,869	4,380
Other payables	1,036	2,224
	<u>44,348</u>	<u>45,210</u>

Ageing analysis of trade payables at respective balance sheet dates are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2015</b> <i>RMB'000</i>	Audited 31 December 2015 <i>RMB'000</i>
Within 1 year	<u>18,771</u>	<u>16,844</u>

### 14 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <i>RMB'000</i>	Audited 31 December 2015 <i>RMB'000</i>
Gold lease borrowings (a)	134,477	39,865
Future Contracts (b)	11,991	–
	<u>146,468</u>	<u>39,865</u>

#### (a) Gold lease borrowings

Movements in gold lease borrowings are analysed as follows:

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
At 1 January	39,865	137,682
Fair value change	22,000	2,332
Additions	72,612	–
Repayments	–	(47,057)
At 30 June	<u>134,477</u>	<u>92,957</u>

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

<b>Amount of the gold lease borrowing</b>	<b>Amount of the pledged fixed deposit</b>	<b>Guarantor</b>
RMB78,467,000	RMB87,721,000	N/A
RMB56,010,000	RMB3,751,000	Hengxing Group & KE Xiping

**(b) Future Contracts**

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Derivatives not under hedging accounting: Fair value of gold future contracts — liabilities	<u>11,991</u>	<u>—</u>

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

**15 COMMITMENTS**

**(a) Capital Commitments**

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Purchases of capital expenditure contracted for but not yet incurred:	<u>20,970</u>	<u>6,910</u>

**(b) Lease Commitments**

	<b>Unaudited 30 June 2016 RMB'000</b>	Audited 31 December 2015 RMB'000
Within 1 year	<u>49</u>	<u>23</u>

## 16 SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2016 and 30 June 2015, save as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Transactions with related party</b>		
<i>Revenues</i>		
Sales of processed gold	–	1,000

The above significant transactions with related parties were determined based on the terms mutually agreed by the parties involved.

- (b) No outstanding balances with related parties are set out in both periods end.
- (c) Provision of guarantees by related party for bank loan of the group

<b>Guarantor</b>	<b>Guaranteed party</b>	<b>Amount of the guarantee</b>	<b>Inception date of guarantee</b>	<b>Expiry date of guarantee</b>
Xiamen Hengxing Group <sup>(1)</sup> & KE Xiping	Xinjiang Gold Mountain Mining Company Limited ("Jinchuan Mining")	RMB56,010,000	26/01/2016	29/07/2016

*Note (1):* Xiamen Hengxing Group Co., Ltd. (廈門恒興集團有限公司), a limited liability company established in China on 14 September 1994, which is owned by Mr. Ke Xiping as to 99.34% and by Ms. Liu Haiying, Mr. Ke's wife, as to 0.66%, and except where the context otherwise requires, includes all of its subsidiaries.

- (d) Key management compensation:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Salaries and other short-term benefits	2,454	2,042
Retirement benefit scheme contributions	33	30
	<b>2,487</b>	<b>2,072</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the first half of 2016, the Company recorded an upsurge in net profit of RMB63.6 million from RMB17.5 million for the same period last year. The Group's Gold Mountain Mine outperformed, thanks to the substantial increases in gold production, gold price and cost saving measures. For the Period Under Review, it produced 35,527 ounces (“ounce” or “oz”, referring to a unit of weight for precious metals, and one ounce equals 31.1035 grams) or 1,105kg of gold, up approximately 129% from 15,514 ounces (equivalent to 482.5 kg) gold produced for the same period last year.

On the production front, approximately 2.05 million tonnes of ore were crushed and processed for the six months ended 30 June 2016, 15% greater than the 1.78 million tonnes ore processed during the same period last year. The Company has continued to search for and use durable key wearable parts, such as liners of coarse crushers, which would facilitate better ore crushing results. However, it has been yet to meet the target particle size of P80-6.3 mm under the designed specifications of equipment required to reach the optimal recovery rate stated in feasibility studies and warranted by the crushing equipment supplier. In addition to the increase in ore processed, the average head grade rose from 0.73g/t to 0.91g/t on a year-on-year basis.

Due to enhanced production process and cost control measures, the all-in gold production cost of Gold Mountain Mine for the first half of 2016 is further reduced to approximately US\$660/oz from US\$1,008/oz for the corresponding period of 2015.

In addition to current mining operations at the Yelmand prospect and the Mayituobi prospect within Gold Mountain Mine, the Company is planning for the construction of new open pits at the Kuangou prospect and the Jinxi-Balake prospect. Initial stripping at the Kuangou prospect has commenced in August 2015 and is still in progress. At Jinxi-Balake prospect, metallurgical test is being conducted to help assess the gold recovery rate and with the mining design.

In respect of technical upgrade, the Company continued the testing of alternative crushers with a view to achieving the designed process capacity and particle size. After in-depth studies and tests on different crushers, the decision of using high-pressure grinding roller was made in June 2016. The final particle size is expected to meet the designed size and the leaching recovery rate will be enhanced. The Company also optimized the dumping technology to reduce future dumping cost.

As for exploration progress, the Company is cooperating with Western Region Gold Ili Company Limited (西部黄金伊犁有限公司) in exploration in the Bohegou (薄荷沟) prospect. Except for the drill hole made in 2015, other exploratory drilling plan is under consideration and expected to be finalised within 2016.

## **Prospects**

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

### *Ramp up processing capacity of Gold Mountain Mine*

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. After in-depth studies and tests on different crushers, the Group has decided to use high-pressure grinding roller in crush processing. In addition, the Group has been dedicated to continuously enhance operational design, and utilize better technologies to strengthen overall productivity.

### *Further expand resources and upgrade reserves*

The Group will continue joint exploration works by way of cooperation with independent third parties in the surrounding areas of the Gold Mountain Mine where the Group hold licenses. The Group will also invest resources to identify areas with great potential at early stage with a view to securing new exploration and mining rights. Besides, the Group is continuously sourcing high-quality gold mines for acquisitions.

### *Expand current production scope*

The Group has the options and rights of first refusal to acquire the equity interests held by Mr. Ke Xiping in two companies that hold gold exploration licenses for certain mines in Shandong and Sichuan provinces. The Group may exercise the options to acquire such equity interests in due course and once economic visibility is proven.

### *Further strengthen work safety and environmental protection*

Work safety and environmental protection are crucial to the sustainable development of our industry. We have implemented various occupational health, safety, training and environmental protection systems, demonstrating our solid commitment to sound operation and social responsibility.

## **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") dated 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") on 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 2016, the Company has used approximately HK\$197.7 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.

	<b>Planned amount per clarification announcement dated 28 May 2014 (HK\$ million)</b>	<b>Revisions per announcement of proposed changes dated 16 June 2015 (HK\$ million)</b>	<b>Amount utilized up to 30 June 2016 (HK\$ million)</b>	<b>Balance of unutilized IPO proceeds as at 30 June 2016 (HK\$ million)</b>
<b>Financing the Company's CIL Project, including:</b>				
• 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	–	–	–
<b>Upgrading the crushing system in order to improve the efficiency of current production process of Gold Mountain Mine</b>	–	12.5	–	12.5
<b>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</b>	–	27.5	–	27.5
<b>Repaying outstanding loans with interests and advances from controlling shareholder Mr. Ke</b>	138.8	–	138.8	–
<b>Repaying part of the outstanding gold lease facilities</b>	–	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 2016 (HK\$ million)	Balance of unutilized IPO proceeds as at 30 June 2016 (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	–
<b>Total</b>	<u>330.4</u>	<u>180.3</u>	<u>197.7</u>	<u>132.7</u>

## Financial Review

During the Period Under Review, the Group recorded revenue of RMB291,549,000, while the revenue recorded for the corresponding period of 2015 was RMB130,635,000 representing approximately an increase of 123%, which is contributed by the substantial growth in gold production and sales.

The Group started to record a consolidated profit of the Group of RMB63,577,000 for the six months ended 30 June 2016, while there is a profit of RMB17,544,000 in the corresponding period of 2015. The situation of profit turnaround is mainly due to (a) substantial growth in gold production and sales volume as compared to the corresponding period in 2015, (b) increase of gold sales price (c) 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 RMB291,549,000, compared with RMB130,635,000 in the corresponding period of 2015, because the gold production and sales volume and price increased.

### *Cost of sales*

During the Period Under Review, the Group's cost of sales amounted to approximately RMB144,752,000 compared with RMB90,628,000 in the corresponding period of 2015, 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 RMB146,797,000, compared with RMB40,007,000 in the corresponding period of 2015, and the GP ratio was 50%, compared with 31% in the corresponding period of 2015, 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 RMB107,972,000 compared with RMB55,397,000 in the corresponding period of 2015.

### *Selling and distribution expenses*

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB171,000 compared with RMB88,000 in the corresponding period of 2015.

### *Administration Expenses*

During the Period Under Review, the Group's administration expense was approximately RMB13,438,000 (six months ended 30 June 2015: RMB11,488,000)

### *Finance Costs*

During the Period Under Review, the Group's finance costs was RMB10,253,000 (six months ended 30 June 2015: RMB14,414,000), representing a decrease by 29%, compared with the corresponding period of 2015. The decrease was mainly due to the repayment the unsecured trust loan and the reduction of interest rate of bank borrowings, details are set out in Note 12 in interim condensed consolidated financial statements.

### *Profit before taxation*

As a result of the foregoing, the profit before taxation was RMB70,972,000 for the six months ended 30 June 2016, compared with a profit of RMB17,544,000 in the corresponding period of 2015.

### *Profit (loss) and total comprehensive income (expense)*

As a result of the foregoing, the profit and total comprehensive income was RMB63,956,000 for the six months ended 30 June 2016, compared with a profit and total comprehensive income of RMB17,544,000 in the corresponding period of 2015.

### *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 2016, the Group's bank balances and cash and fixed deposit were RMB244,065,000 (as of 31 December 2015, it was RMB120,338,000). Net assets were RMB491,960,000 (as of 31 December 2015, it was approximately RMB428,004,000).

The Group recorded net current assets were RMB52,258,000 as of 30 June 2016, compared with RMB31,327,000 as of 31 December 2015, which was primarily due to (a) increase of bank balance amounted RMB123,727,000 (b) increase of financial liabilities at fair value through profit or loss amounted RMB106,603,000.

### *Current ratio and gearing ratio*

As of 30 June 2016, the Group's current ratio (current assets divided by current liabilities) was 1.18 (31 December 2015: 1.17).

As of 30 June 2016, the Group's gearing ratio (total borrowings divided by total equity) was 0.85 (31 December 2015: 0.93).

### *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 2016 and 30 June 2015.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net cash from operating activities	<b>152,977</b>	54,359
Net cash used in investing activities	<b>(49,635)</b>	(13,751)
Net cash used in financing activities	<b>(26,111)</b>	(50,661)
Net increase/(decrease) in cash and cash equivalents	<b>77,231</b>	(10,053)
Cash and cash equivalents at 1 January	<b>26,339</b>	114,223
Cash and cash equivalents at 30 June	<b>103,570</b>	104,170

For the Period Under Review, the net cash inflow from operating activities was RMB152,977,000, which was mainly attributable to (a) profit plus non cash cost as depreciation and amortisation and financing cost minus investing gain, amounted RMB152,177,000 (b) decrease in inventory of RMB31,661,000 (c) increase in other receivables and prepayments of RMB31,854,000, and (d) increase in trade payables, accruals, other payables and provisions of RMB993,000.

For the Period Under Review, the net cash outflow from investing activities was RMB49,635,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB3,030,000, (b) purchase of intangible assets of RMB1,192,000, (c) placement of fixed deposits of RMB46,496,000, (d) Placement of structured deposits of RMB121,740,000, (e) partially offset by redemption of structured deposits of RMB122,179,000 and interests received of RMB568,000 and (f) proceeds from disposal of property, plant and equipment of RMB76,000.

For the Period Under Review, the net cash outflow from financing activities was RMB26,111,000, which was primarily attributable to (a) new gold lease borrowings raised of RMB72,612,000 which were partially offset by (b) interest paid for gold lease borrowings and bank and other borrowings of RMB9,914,000, (c) repayment of bank and other borrowings of RMB88,809,000.

#### *Capital Structure*

As of 30 June 2016, the total number of issued ordinary shares of the Company was 925,000,000 shares (as of 31 December 2015: 925,000,000 shares), each at HK\$0.01.

#### *Indebtedness and charge on assets*

As at 30 June 2016, the Group had the bank and other borrowings of approximately RMB225,009,000 which was pledged by certain buildings, mining structures and equipment with an aggregate carrying amount of RMB140,466,000 (31 December 2015: RMB145,382,000) and intangible assets with an aggregate carrying amount of RMB129,558,000 (31 December 2015: RMB132,225,000). In addition the Group had gold lease borrowings of approximately RMB44,648,000 with fix deposit amounting to RMB48,935,000 pledged for (31 December 2015: RMB47,921,000).

Save as stated above, as of 30 June 2016, 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 2016, the Group did not have any material contingent liabilities or guarantees (as of 31 December 2015: 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.

### *Possible Risks*

The Group's major source of income is from gold production, which is subject to the price movement of gold. If gold price declines dramatically, the Company may experience more pressure in production and operation. So the Company will realise a low-cost and highly effective operation as well as use proper financial instruments to avoid price fluctuation risks.

The functional currency of the Company and its subsidiaries is RMB since all of the Group's transactions are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances, certain other payables and certain amount due to a shareholder that are denominated in HK\$ and US\$. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### *Employees*

As at 30 June 2016, the Group employed approximately 323 employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC.

## **The Exploration, Development and Mining Production Expenditures**

### *Mining Production*

Gold Mountain Mine includes five prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect. For the Period Under Review, the total amount of ore mined and processed was approximately 2.05 million tones. As of 30 June 2016, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

		<b>Six months ended 30 June</b>	
	Unit	<b>2016</b>	2015
Ore mined	Kt	<b>2,053</b>	1,695
<i>Yelmand prospect</i>	Kt	<b>1,844</b>	<b>1,533</b>
<i>Mayituobi prospect</i>	Kt	<b>209</b>	<b>162</b>
Overburden mined	Kt	<b>1,294</b>	<b>3,444</b>
<i>Yelmand prospect</i>	Kt	<b>1,143</b>	<b>2,266</b>
<i>Mayituobi prospect</i>	Kt	<b>151</b>	<b>1,178</b>
Strip ratio	:	<b>0.63</b>	<b>2.03</b>
Feed-in grade of ore	g/t	<b>0.91</b>	0.73
Ore processed	Kt	<b>2,046</b>	1,779
Recovery rate	%	<b>54.5</b>	49.5
Gold produced	Oz	<b>35,527</b>	15,514

During the Period Under Review, the aggregate expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB37.9 million as compared to approximately RMB31.1 million for the six months ended 30 June 2015.

### *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 2016: (Adjusted by internal geological department on JORC Mineral Resources and reserves stated in the Independent Technical Report as disclosed in the prospectus dated 19 May 2014.)

<b>JORC Mineral Resources Category</b>	<b>Tonnage</b> <i>kt</i>	<b>Grade</b> <i>g/t</i>	<b>Contained Gold</b> <i>Au kg</i>	<b>Contained Gold</b> <i>Au koz</i>
Measured	19,932	0.75	14,971	481
Indicated	75,634	0.74	55,934	1,798
Inferred	31,123	0.70	21,914	705
<b>Total</b>	<b>126,964</b>	<b>0.73</b>	<b>92,819</b>	<b>2,984</b>

  

<b>JORC Mineral Reserves Category</b>	<b>Tonnage</b> <i>kt</i>	<b>Grade</b> <i>g/t</i>	<b>Contained Gold</b> <i>Au kg</i>	<b>Contained Gold</b> <i>Au koz</i>
Proved	6,692	0.68	4,529	146
Probable	75,464	0.74	55,975	1,800
<b>Total</b>	<b>82,156</b>	<b>0.74</b>	<b>60,504</b>	<b>1,945</b>

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

### *Mine Development*

For the first half of 2016, the Company continued its construction and development activities in Gold Mountain Mine, such as 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 RMB3.0 million, as compared to approximately RMB14.4 million for the six months ended 30 June 2015.

## **Significant Investments, Acquisitions and Disposals**

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

## **INTERIM DIVIDEND**

The Board does not declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 2016 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 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2016, 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 2016 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 2016 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](http://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, 26 August 2016

*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.*