恒興黃金
HENGXING GOLD

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2303)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

The financial results of the Group for the year ended 31 December 2016 is highlighted as follows:

- Final dividend was proposed to be at HK$0.1 per share in cash, totalling approximately HK$92,500,000; and dividend payout ratio was 41%;
- Net profit after tax upsurged by 279% year on year to RMB203.2 million;
- Revenue increased by 158% year on year to RMB733.0 million;
- Gold production rose by 53% year on year to 66,604 ounces;
- All-in gold production cost and cash cost decreased by 28% and 12% year on year to US$609/oz and US$537 respectively;
- Borrowings and gold loans reduced by RMB152 million compared with RMB398 million in 2015; and debt ratio reduced by 30% year on year to 36.42%.

The board of directors (the "**Board**") of Hengxing Gold Holding Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Period Under Review**"), together with comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December **2016** *RMB'000*	2015 *RMB'000*
Revenue	*4*	**733,034**	284,554
Cost of sales		**(371,845)**	(181,008)
Gross profit		**361,189**	103,546
Selling and marketing expenses		**(428)**	(274)
General and administrative expenses		**(25,433)**	(29,393)
Impairment loss of exploration and evaluation assets		**(61,256)**	(8,912)
Other income	*5*	**585**	750
Other (losses)/gains — net	*6*	**(17,339)**	12,942
Operating profit		**257,318**	78,659
Finance income	*7*	**1,010**	2,483
Finance Expenses	*7*	**(21,069)**	(27,557)
Finance Expenses — net		**(20,059)**	(25,074)
Profit before income tax		**237,259**	53,585
Income tax expense	*8*	**(34,100)**	–
Profit for the year, all attributable to owners of the Company		**203,159**	53,585
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
— Fair value gains/(losses) on available-for-sale investments		**1,699**	(16)
Total comprehensive income for the year, all attributable to owners of the Company		**204,858**	53,569
Earnings per share for the year			
— Basic and diluted (expressed in RMB)	*9*	**0.22**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2016**	2015
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Prepaid lease payments		**15,865**	16,222
Property, plant and equipment		**334,110**	337,454
Investment property		**8,979**	–
Exploration and evaluation assets	*11*	**13,970**	75,145
Intangible assets		**239,238**	241,953
Prepayment for purchase of property, plant and equipment		**14,588**	1,052
Deferred tax assets	*20*	**20,046**	–
Available-for-sale investments		**2,163**	473
Restricted bank balance		**10**	10
Total non-current assets		**648,969**	672,309
Current assets			
Prepaid lease payments		**357**	357
Inventories	*12*	**97,543**	85,000
Trade receivables	*13*	**17,422**	–
Other receivables and prepayments	*14*	**46,352**	9,173
Financial assets at fair value through profit or loss	*15*	**46,908**	–
Cash and cash equivalents	*16*	**137,822**	26,339
Fixed deposits		**–**	93,999
Total current assets		**346,404**	214,868
Total assets		**995,373**	887,177
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**7,362**	7,362
Reserves		**573,258**	571,559
Retained earnings/(Accumulated losses)		**52,242**	(150,917)
Total equity		**632,862**	428,004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
	Notes	**2016**	2015
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*18*	**140,000**	260,000
Deferred income		**8,267**	8,691
Provision for close down, restoration and environmental costs		**11,448**	6,941
Total non-current liabilities		**159,715**	275,632
Current liabilities			
Trade and other payables	*17*	**52,660**	45,210
Current income tax liabilities		**43,902**	–
Short-term borrowings	*18*	**50,000**	44,648
Current-portion of long-term borrowings	*18*	**56,234**	53,818
Gold Loans	*19*	**–**	39,865
Total current liabilities		**202,796**	183,541
Total liabilities		**362,511**	459,173
Total equity and liabilities		**995,373**	887,177

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to HKFRSs those are mandatorily effective for the current year

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Amendments to HKFRS 7 "Financial instruments: Disclosures condensed interim financial statements" clarifies that the additional disclosure required by the amendments to HKFRS 7, "Disclosure — Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by HKAS 34.

- Amendments to HKAS 19 "Employee benefits" clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

- Amendments to HKAS 34 "Interim financial reporting" clarifies what is meant by the reference in the standard to "information disclosed elsewhere in the interim financial report". It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information. This amendments is retrospective.

The following new standards and amendments are effective for the first time for the financial year beginning on 1 January 2016 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events):

		Effective for annual periods beginning on or after
HKAS 1 Amendment	Disclosure initiative	1 January 2016
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2016
HKAS 19 (Amendment)	Employee benefits	1 January 2016
HKAS 27 (Amendment)	Separate financial statements	1 January 2016
HKAS 38 (Amendment)	Intangible assets	1 January 2016
HKAS 41 (Amendment)	Agriculture	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Application of the disclosure requirements to a servicing contract	1 January 2016
HKFRS 11 (Amendment)	Joint arrangements	1 January 2016
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2016

(b) New standards and interpretations not yet adopted

The following new standards and amendments published by the HKICPA that are effective for the annual period beginning at 1 January 2016 and have not been early adopted by the Group:

Amendments	Effective for annual periods beginning on or after
Amendments to HKAS 7 — Statement of cash flows	1 January 2017
Amendments to HKAS 12, "Income taxes"	1 January 2017
HKFRS 9 "Financial Instruments"	1 January 2018
HKFRS15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 16 "Leases"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	1 January 2019

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2016 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the reconsolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by CODM, being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. For the years ended 31 December 2016, the Group is primarily engaged in gold exploration and palm oil trading in the PRC. Therefore, for the year ended 31 December 2016, the management considers that the Group had two (notes a and b) reportable segments respectively.

For the year ended 31 December 2016, the Group had two (notes a and b) reportable segments:

(a) Processed gold segments which held a gold mines and was mainly engaged in the mining, ore processing and sales of gold products;

(b) International trading segments was mainly engaged in the palm oil trading since October 2016.

The CODM assesses the performance of the operating segments based on gross profit. Interest income and expenditure at the level of Group are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to CODM for review.

	2016			2015		
	Gold mining segment	**International trading segment**	**Total**	Gold mining segment	International trading segment	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December						
Revenue						
Sales to customers	**613,429**	**119,605**	**733,034**	284,554	–	284,554
Cost of sales	**(252,422)**	**(119,423)**	**(371,845)**	(181,008)	–	(181,008)
Results of reportable segments	**361,007**	**182**	**361,189**	103,546	–	103,546

A reconciliation of results of reportable segments to profit for the year is as follows:

	2016	2015
Results of reportable segments	**361,189**	103,546
Selling and marketing expenses	**(428)**	(274)
General and administrative expenses	**(25,433)**	(29,393)
Impairment loss of exploration and evaluation assets	**(61,256)**	(8,912)
Other income	**585**	750
Other (losses)/gains — net	**(17,339)**	12,942
Finance income	**1,010**	2,483
Finance expense	**(21,069)**	(27,557)
Profit before income tax expense	**237,259**	53,585
Income tax expenses	**(34,100)**	–
Profit for the year	**203,159**	53,585

	Gold mining segment	**International trading segment**	**Total**	Gold mining segment	International trading segment	Total
Amortisation	**31,604**	**–**	**31,604**	24,181	–	24,181
Depreciation	**29,832**	**–**	**29,832**	26,747	–	26,747
Impairment loss of exploration and evaluation assets	**61,256**	**–**	**61,256**	8,912	–	8,912

5. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grant related to assets	**424**	424
Others	**161**	326
	585	750

6. OTHER (LOSSES)/GAINS — NET

	2016	2105
	RMB'000	*RMB'000*
Investment (losses)/gains on futures contracts	**(11,288)**	6,111
Foreign exchange gains, net	**5,839**	3,401
Fair value change on gold loans *(Note 19)*	**(11,446)**	2,848
Investment income of structured deposits	**1,687**	815
Investment (losses)/gains of held-for-trading investments	**(751)**	19
Investment income of available-for-sale investments	**7**	–
Losses on disposal of property, plant and equipment	**(1,311)**	(36)
Other losses	**(76)**	(216)
	(17,339)	12,942

7. FINANCE INCOME AND EXPENSES

	2016	2015
	RMB'000	*RMB'000*
Interest expenses:		
— Bank borrowings	**16,501**	20,696
— Gold loans	**2,436**	5,546
— Loan from a related party	**–**	15
— Accretion on environmental restoration costs	**2,132**	1,300
Finance expenses	**21,069**	27,557
Finance income:		
— Interest income on bank deposits	**(1,010)**	(2,483)
Finance income	**(1,010)**	(2,483)
Net finance expenses	**20,059**	25,074

8. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
Current tax on profits for the year	**54,146**	–
Total current tax	**54,146**	–
Deferred tax *(Note 20)*:		
Origination and reversal of temporary differences	**(20,046)**	–
Total deferred tax	**(20,046)**	–
Income tax expense	**34,100**	–

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

Golden Planet Investments Limited are exempted companies incorporated in the BVI and, as such, are not liable for taxation in the BVI on their non-BVI income.

Tianshan Gold Securities (Hong Kong) Limited were subject to Hong Kong profits tax at tax rate of 16.5% for each of the years ended 31 December 2015 and 2016.

The applicable tax rate of Goldfield (Xinjiang) Investment Advisory Limited and Xinjiang Gold Mountain Mining Co., Ltd for each of the years ended 31 December 2015 and 2016 were 25%.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**237,259**	53,585
Tax calculated at domestic tax rates applicable to profits in the respective countries	**56,717**	13,396
Tax effects of:		
— Income not taxable for tax purpose	**(259)**	(697)
— Expenses not deductible	**2,872**	864
— Deductible temporary differences for which no deferred income tax assets was recognised	**–**	2,228
— Utilisation of previously unrecognised tax losses	**(21,395)**	(15,791)
— Recognise previously unrecognised deferred tax assets	**(3,963)**	–
— Tax losses for which no deferred income tax assets was recognised	**128**	–
Tax charge	**34,100**	–

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to owners of the Company for the purpose of basic earnings per share	**203,159**	53,585
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share *(in thousands)*	**925,000**	925,000
Basic and diluted earnings per share *(RMB)*	**0.22**	0.06

(b) Diluted

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

10. DIVIDEND

A final dividend in respect of the year ended 31 December 2016 of HK$0.1 (equivalent to RMB0.09) per share, amounting to a total dividend of HK$92,500,000 (equivalent to RMB82,741,250), is to be declared and distributed out from the Company's share premium. Such dividend proposed by the Board of Directors on 27 March 2017. This proposal is subject to the approval by the Company's share holders in forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable. In the opinion of the directors, the dividend distribution is in compliance with the Company's Articles of Association and the Companies Law of the Cayman Islands.

11. EXPLORATION AND EVALUATION ASSETS

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

	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	**75,145**	83,987
Additions	**81**	70
Impairment losses recognised in profit or loss	**(61,256)**	(8,912)
At end of the year	**13,970**	75,145
At 31 December		
Cost	**84,138**	84,057
Impairment losses recognised in profit or loss	**(70,168)**	(8,912)
Net book amount	**13,970**	75,145

Note:

(i) The impairment losses of RMB8,912,000 for exploration and evaluation assets recognised during the year ended 31 December 2015 were primarily related to the Urum-Tulasu area, of which the exploration license has been expired.

(ii) The impairment losses of RMB61,256,000 for exploration and evaluation assets recognised during the year ended 31 December 2016 comprise of following items:

— Impairment loss of RMB23,150,000 related to the Gold mountain Periphery area of which the exploration license was expired in September 2016;

— Impairment loss of RMB38,106,000 related to the Talede and Nalensayi areas of which the exploration will expire in June 2017. Management considers to provide impairment losses for exploration and evaluation assets was due to the economic benefits of these two area was significantly decreased as the exploration area was reduced and the possibility to renew the exploration licenses in 2017 was remote.

12. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**5,271**	2,782
Gold in process	**77,777**	39,976
Gold dore bars	**1,180**	27,348
Consumables and spare parts	**13,315**	14,894
	97,543	85,000

13. TRADE RECEIVABLES

The aging analysis of the Group's trade receivables, presented based on the invoice date at the end of reporting period, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**17,422**	–

As at 31 December 2016, the Group's trade receivables were all denominated in US dollar, no trade receivable were past due but not impaired.

14. OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2016, the aging of other receivables and prepayments were within 6 months.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	RMB'000	*RMB'000*
Equity investments *(a)*	**45,477**	–
Future contracts *(b)*	**1,431**	–
	46,908	–

(a) Equity investments

Movements in equity investments are analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**–**	–
Additions	**49,109**	–
Disposals	**(3,250)**	–
Fair value losses	**(382)**	–
At 31 December	**45,477**	–

As at 31 December 2016, equity investment classified as financial assets at fair value through profit or loss represented the Group's equity investments in certain companies listed on The Stock Exchange of Hong Kong (2015: None), which are quoted in an active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Other (losses)/gains — net" in the consolidated statement of profit or loss.

The fair values of all equity securities are based on their quoted prices as of 31 December 2016 in the stock exchange.

(b) Future contracts

	2016	2015
	RMB'000	*RMB'000*
Derivatives not under hedging accounting:		
Fair value of gold future contracts — assets	**1,431**	–

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.

Changes in the fair values of gold futures contract's amounted to losses of RMB11,288,000 (2015: gain of RMB6,111,000) have been recognised in the consolidated statement of profit or loss.

As at 31 December 2016, notional amount of gold future contract was RMB19,465,200 (2015: Nil).

16. RESTRICTED BANK BALANCE/FIXED DEPOSIT/CASH AND CASH EQUIVALENTS

	2016	2015
	RMB'000	*RMB'000*
Cash on hand	**175**	88
Cash at bank	**137,647**	26,251
Cash and cash equivalents	**137,822**	26,339
Fixed Deposit	**–**	93,999
Restricted Bank Balance	**10**	10
	137,832	120,348

Balances can be analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Denominated in:		
— RMB	**43,279**	23,021
— Hong Kong dollars	**94,469**	49,454
— US dollars	**84**	47,873
	137,832	120,348

Note:

(i) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.001% to 0.38% per annum as at 31 December 2016 (2015: 0.001% to 1.25%).

17. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**12,584**	13,053
Payables for capital expenditure	**30,504**	18,403
Staff salaries payables	**6,353**	6,022
Other payables	**2,011**	3,156
Other tax payables	**960**	4,380
Accrued expenses	**248**	196
	52,660	45,210

At 31 December 2016, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**6,625**	5,979
31 – 60 days	**1,188**	2,763
Over 60 days	**4,771**	4,311
	12,584	13,053

18. BANK AND OTHER BORROWINGS

(a) Long-term bank borrowings

	2016	2015
	RMB'000	*RMB'000*
Non-current	**140,000**	260,000
Current	**56,234**	53,818
	196,234	313,818

(b) Short-term bank borrowings

	2016	2015
	RMB'000	*RMB'000*
Short-term borrowings	**50,000**	44,648

(c) At 31 December 2016, the Group's borrowings were repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Bank borrowings		
Within 1 year	**106,234**	98,466
Between 1 and 2 years	**80,000**	100,000
Between 2 and 5 years	**60,000**	160,000
	246,234	358,466

The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2016	2015
	RMB'000	*RMB'000*
Bank borrowings		
6 months or less	**196,234**	313,818
6–12 months	**50,000**	44,648
	246,234	358,466

(d) The borrowings can be analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Representing:		
— secured *(Note (i))*	**196,234**	263,759
— guaranteed *(Note (ii))*	**50,000**	–
— pledged *(Note (iii))*	**–**	44,648
— unsecured	**–**	50,059
	246,234	358,466

(i) As at 31 December 2016, the secured bank borrowings were secured by the Group's intangible assets of mining right with a net book value of approximately RMB122,349,000 (31 December 2015: approximately RMB132,225,000) and property, plant and equipment with a net book value of approximately RMB135,866,000 (31 December 2015: approximately RMB145,382,000).

(ii) As at 31 December 2016, bank borrowings of RMB50,000,000 were guaranteed by Xiamen Hengxing Group Company Limited and Ke Xiping.

(iii) As at 31 December 2015, fixed rate bank borrowing of RMB44,648,000 were pledged by fixed deposits amounting to RMB47,921,000.

(e) The outstanding borrowings of the Group carry interest at effective interest rate ranging from 4.35% to 5.15% (31 December 2015: 3.78% to 6.08%) per annum and are repayable in accordance with payment schedule.

(f) The carrying amounts of the Group's borrowings were all denominated in RMB at 31 December 2016 and 2015.

(g) The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		**Fair Value**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank borrowings	**140,000**	260,000	**144,268**	263,189

The fair values of current borrowings approximate to their carrying amounts, as the impact of discounting is not significant.

19. GOLD LOANS

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

Gold loans are analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**39,865**	137,682
Fair value change	**11,446**	(2,848)
Additions	**72,612**	41,094
Repayments	**(123,923)**	(136,063)
At 31 December	**–**	39,865

20. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**20,071**	–
— Deferred tax asset to be recovered within 12 months	**333**	–
	20,404	–
Deferred tax liabilities:		
— Deferred tax liability to be recovered within 12 months	**(358)**	–
Deferred tax assets (net)	**20,046**	–

The gross movement on the deferred income tax account are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**–**	–
Credited to the statement of profit and loss *(Note 8)*	**20,046**	–
At 31 December	**20,046**	–

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Impairment losses**	**Provisions and accruals**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015 and 31 December 2015	–	–	–
Credited to the statement of profit or loss	17,542	2,862	20,404
At 31 December 2016	**17,542**	**2,862**	**20,404**

Deferred tax liabilities	**Fair value gain**	**Total**
	RMB'000	*RMB'000*
At 1 January 2015 and 31 December 2015	–	–
Charged to the statement of profit or loss	(358)	(358)
At 31 December 2016	**(358)**	**(358)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. No deferred income tax assets were recognised for tax losses as at 31 December 2016 as there is uncertainty on whether the unused tax losses can be utilised in the future.

The unused tax losses of the Company and subsidiaries in HK and BVI can be carried forward infinitively in which the loss was originated to offset future taxable profits. At 31 December 2016, the Group had cumulative unutilised tax losses of RMB1,393,000 (2015: RMB72,038,000).

As at 31 December 2016, deferred income tax liabilities have not been recognised for the withholding income tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries in the PRC. The unremitted earnings will be permanently reinvested.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's Gold Mountain Mine (as defined in the prospectus dated 19 May 2014 of the Company) marked substantial increases in gold production and profit in 2016. For the Period Under Review, it produced 66,604 ounces ("**ounce**" or "**oz**", referring to a unit of weight for precious metals, and one ounce equals 31.1035 grams) or 2,072.0 kg of gold, representing a substantial increase by approximately 53% as compared to 43,661 ounces (equivalent to 1,358.0 kg) of gold produced in 2015. The Company achieved a net profit of RMB203.2 million, increased by approximately 279% from the same period of 2015.

On the production front, approximately 4.8 million tonnes of ore were crushed and processed for the year ended 31 December 2016, more than 14% greater than the 4.2 million tonnes ore processed during the corresponding period of 2015. As gold price soared from US$1,073/oz to US$1,379/oz during 2016, the average realized gold price for 2016 rose to RMB267.6/gram, 12% higher than RMB239.3/gram for 2015. Meantime, all-in gold production cost for the full year of 2016 is further reduced to approximately US$609/oz, as a result of enhanced production process and cost control measures.

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. As for the Kuangou prospect, the initial stripping in 2016 amounted to 3,149,327 cubic meters. Construction of haulage adit to the plant has reached 80 meters long and will be extended to the designed length of 1,139 meters. The Company plans to commence mining activities in the Kuangou prospect and the Jinxi-Balake prospect in the fourth quarter of 2017.

After in-depth studies and tests on various 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 rate can be further increased by about 8%. The Company signed the equipment procurement contract with the supplier of high-pressure grinding rollers in July 2016. The workshop construction has been completed in December 2016 and the high-pressure grinding roller is expected to be installed and tested in the first quarter of 2017.

As part of the Company's ongoing cost reduction initiatives, the Company constructed a new carbon recovery workshop and the high-temperature carbon activation equipment has been in operation from October 2016. It will enable the recycling of activated carbon and reduce the use of activated carbon by 84 tonnes each year leading to further cost cutting. The Company also updated desorption-electrolysis equipment in October 2016, leading to the achievement of above 99% desorption rate.

As for exploration progress, the Company has completed infill drilling and supplementary drilling at the boundary of the Jingxi-Balake prospect. As at 31 December 2016, 12 holes totalling 3,110 meters in depth have been drilled. The mineral resource estimate will be updated to reflect both increase in the resources amount and the average grade of the Jingxi-Balake prospect.

Prospects

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

Ramp up processing capacity

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 will make continuous efforts to enhance operational design and utilize more mature technologies to improve efficiency and save costs.

Further expand resources and upgrade reserves

As disclosed in the Prospectus, the Group will continue the exploration works at and in the surrounding areas of the Gold Mountain Mine where the Group holds licenses for the identification of new mining resources, especially the deep part of the existing Mining Lease, and also seek cooperation opportunities with other independent third parties. The Group will continue the sourcing of high-quality gold mines for acquisitions.

Seek business diversifications

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 economically viable situation.

Besides developing the mining business, the Group also seek opportunities in other aspects, such as trading, health care and education industry to diversify the source of income.

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 31 December 2016, the Company has used approximately HK$238.8 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 31 December 2016** *(HK$ million)*	**Balance of unutilized IPO proceeds as at 31 December 2016** *(HK$ million)*
Financing the Company's CIL Project, including:				
• Constructing and installing the carbon-in-leach production and ancillary facilities, purchases of relevant equipment	120.1	–	–	–
• Acquiring land use right, hiring project design and supervisory experts, implementing work safety measures and applying for relevant licenses	30.0	–	–	–
Upgrading the crushing system in order to improve the efficiency of current production process of Gold Mountain Mine	–	12.5	12.5	–
Developing a new open pit at the Kuangou prospect and a new leach pad to accommodate ore mined from the Kuangou prospect for the purpose of increasing production	–	27.5	27.5	–
Repaying outstanding loans with interests and advances from controlling shareholder Mr. Ke	138.8	–	138.8	–
Repaying part of the outstanding gold lease facilities	–	47.6	47.6	–
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	1.1	14.0
Working capital use and other general corporate purposes	11.3	–	11.3	–
Total	330.4	180.3	238.8	91.6

Financial Review

During the Period Under Review, the Group recorded revenue of RMB733,034,000, while the revenue recorded for the corresponding period of 2015 was RMB284,554,000, representing approximately an increase of 158%, which is contributed by the substantial growth in gold production and sales and the palm oil trading.

The Group started to record a consolidated profit of the Group of RMB203,159,000 for the year ended 31 December 2016, while the consolidated profit for the corresponding period of 2015 was RMB53,585,000. The significant increase of consolidated profit is mainly due to (a) substantial growth in gold production and sales as compared to the corresponding period in 2015, (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 RMB733,034,000, compared with RMB284,554,000 in the corresponding period of 2015, because the gold production and sales volume and sales price increased and the Group began to involve in the trading of palm oil.

Cost of Sales ("COGS")

During the Period Under Review, the Group's cost of sales amounted to approximately RMB371,845,000 compared with RMB181,008,000 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 and the purchase cost of Palm oil. The increase in COGS was due to the growth of production volume and the involvement of palm oil trading.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB361,189,000, compared with RMB103,546,000 in the corresponding period in 2015.

Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB428,000 compared with RMB274,000 in the corresponding period of 2015.

Administration Expenses

During the Period Under Review, the Group's administration expense was approximately RMB25,433,000 compared with RMB29,393,000 in the corresponding period of 2015.

EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortization ("**EBITDA**") was RMB317,632,000 gain while it was RMB130,770,000 in the corresponding period of 2015.

Finance Costs

During the Period Under Review, the Group's finance costs was RMB21,069,000 (for the year ended 31 December 2015: RMB27,557,000), representing a decrease by 31%, compared with the corresponding period of 2015. The decrease was mainly due to the repayment of loans, details are set out in Note 18 and Note 19 in consolidated financial statements.

Profit (loss) before taxation

As a result of the foregoing, the profit before taxation was RMB237,259,000 for the year ended 31 December 2016, compared with the profit before taxation of RMB53,585,000 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 RMB204,858,000 for the year ended 31 December 2016, compared with the profit and total comprehensive income of RMB53,569,000 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 31 December 2016, the Group's bank balances and cash and fixed deposit were RMB137,822,000 (as of 31 December 2015, it was RMB120,338,000). Net assets were RMB632,862,000 (as of 31 December 2015, it was approximately RMB428,004,000).

The Group recorded net current assets were RMB143,608,000 as of 31 December 2016, compared with RMB31,327,000 as of 31 December 2015, which was primarily due to (a) increase of other current asset amounted RMB101,509,000 and bank balance amounted RMB17,484,000; (b) net increase of inventory amounted RMB12,543,000; (c) net decrease of Gold loans and Bank and other borrowings amounted RMB32,097,000; and (d) the increase current income tax liabilities amounted RMB43,902,000 and the trade and other payables amounted RMB7,450,000.

Current ratio and gearing ratio

As at 31 December 2016, the Group's current ratio (current assets divided by current liabilities) was 1.7 (31 December 2015: 1.2).

As at 31 December 2016, the Group's gearing ratio (total borrowings divided by total equity) was 0.4 (31 December 2015: 0.9).

Cash flows

The following table sets out selected cash flow data from the Group's condensed consolidated cash flow statements for the year ended 31 December 2016 and 31 December 2015.

	The year ended	
	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Net cash from operating activities	**301,260**	65,281
Net cash used in investing activities	**(13,136)**	(81,316)
Net cash used in financing activities	**(183,022)**	(71,849)
Net increase/(decrease) in cash and cash equivalents	**105,102**	(87,884)
Effect of foreign exchange rate changes	**6,381**	–
Cash and cash equivalents at 1 January	**26,339**	114,223
Cash and cash equivalents at 31 December	**137,822**	26,339

For the Period Under Review, the net cash inflow from operating activities was RMB301,260,000, which was mainly attributable to (a) Profit plus non cash cost as Depreciation and Amortization and minus financing cost and investing gain, amounted RMB384,130,000; (b) increase in inventory of RMB12,545,000; (c) increase in trade receivables, prepayment deposits and other receivables of RMB54,601,000; (d) decrease in trade payables, accruals and other payables of RMB4,651,000; (e) income tax paid RMB10,244,000; and (f) environmental restoration expenses paid RMB831,000.

For the Period Under Review, the net cash outflow from investing activities was RMB13,136,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB36,594,000; (b) payments of intangible assets of RMB26,921,000; (c) cash flow in offset by the placement and redemption of structured deposits and fixed deposits of RMB95,686,000; (d) interests received of RMB1,010,000; (e) Purchases of an held-for-trading investment of RMB49,604,000 and the disposal of held-for-trading investment of RMB3,376,000; and (f) other out-flows of RMB89,000.

For the Period Under Review, the net cash outflow from financing activities was RMB183,022,000, which was primarily attributable to (a) new bank and other borrowings raised of RMB50,000,000; and (b) new gold loans raised of RMB72,612,000, all of which were partially offset by (a) interest paid for gold loans and bank and other borrowings of RMB19,479,000; (b) repayment of gold loans of RMB123,923,000 and bank and other borrowings of RMB162,232,000 .

Capital Structure

As at 31 December 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 31 December 2016, the Group had the bank and other borrowings of approximately RMB196,234,000 which was secured by certain buildings, mining structures and equipment with an aggregate carrying amount of RMB135,866,000 (31 December 2015: RMB145,382,000) and intangible assets with an aggregate carrying amount of RMB122,349,000 (31 December 2015: RMB132,225,000).

Save as stated above, as of 31 December 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 at 31 December 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 is aware of any pending or potential material legal proceedings, involving us. If the Group is involved in such material legal proceedings, the Group would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Foreign Currency Risk

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

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

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

Employees

As at 31 December 2016, the Group employed approximately 328 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 4.8 million tones. As of 31 December 2016, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

		The year ended 31 December	
	Unit	**2016**	2015
Ore mined	Kt	**4,824**	4,103
Yelmand prospect	Kt	**4,285**	3,424
Mayituobi prospect	Kt	**539**	679
Overburden mined	Kt	**5,894**	4,335
Yelmand prospect	Kt	**5,354**	2,534
Mayituobi prospect	Kt	**541**	1,801
Strip ratio	:	**1.22**	1.06
Feed-in grade of ore	g/t	**0.95**	0.77
Ore processed	Kt	**4,790**	4,156
Recovery rate	%	**57.0**	53.0
Gold produced	Oz	**66,604**	43,661

During the Period Under Review, the aggregate capital expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB77.85 million, as compared to approximately RMB67.02 million for the year ended 31 December 2015.

Exploration

For the Period Under Review, the expenditure directly relating to exploration was approximately RMB0.95 million. The Company has completed infill drilling and supplementary drilling at the boundary of the Jingxi-Balake prospect. As at 31 December 2016, 12 holes totalling 3,110 meters in depth have been drilled.

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 31 December 2016:

JORC Mineral Resources Category	**Tonnage**	**Grade**	**Contained Gold**	**Contained Gold**
	kt	*g/t*	*Au kg*	*Au koz*
Measured	21,411	0.76	16,362	526
Indicated	71,825	0.74	53,433	1,718
Inferred	28,658	0.70	20,104	646
Total	**121,894**	**0.74**	**89,899**	**2,890**

JORC Mineral Reserves Category	**Tonnage**	**Grade**	**Contained Gold**	**Contained Gold**
	kt	*g/t*	*Au kg*	*Au koz*
Proved	9,022	0.73	6,605	212
Probable	69,958	0.73	51,141	1,644
Total	**78,979**	**0.73**	**57,746**	**1,857**

Notes:

1. The resources and reserves stated as above are adjusted by internal geological department based on the consumption deducted from the JORC resources and reserves stated in the Independent Technical Report as disclosed in the prospectus dated 19 May 2014.

2. The infill drilling at the boundary of the Jingxi-Balake prospect has increased the measured resource and proved reserve.

3. Mineral reserves were estimated using the following mining and economic factors:

   (a) 8% dilution factor and 65% comprehensive dressing and smelting recovery were applied to the mining method;

   (b) slope angle was 45 degree of fresh rock and 30 degree of loess;

   (c) a gold price of US$1,350/oz.

4. The cut-off grade for mineral reserves has been estimated at 0.3g/t.

5. The annual ore processing amount has been estimated as 5 million tonnes.

Mine Development

For the year of 2016, the Company continued its construction and development activities in Gold Mountain Mine, including the construction of a haulage adit from the Kuangou prospect to the plants, the carbon recovery workshop and the high-pressure grinding roller workshop. In the same time, the work on technical improvement continued on a large scale.

For the Period Under Review, the aggregate capital expenditure on the mine development and construction amounted to approximately RMB36.6 million, as compared to approximately RMB18.0 million for the year ended 31 December 2015.

Significant Investments, Acquisitions and Disposals

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

Final Dividend

The Directors recommend the payment of a final dividend of HK$0.1 per share in cash, totalling approximately HK$92,500,000 (for the year ended 31 December 2015: nil) for the year ended 31 December 2016. The proposed dividend is subject to approval by the Company's shareholders in the forthcoming annual general meeting to be held on 24 May 2017. It is intended that the dividend will be paid on 14 June 2017 to the Company's shareholders registered on 1 June 2017. Further information relating to the payment of the dividend will be made by the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on Wednesday, 24 May 2017. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 18 May 2017.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Wednesday, 31 May 2017 to Thursday, 1 June 2017, both days inclusive. During the above period, no transfer of Share will be registered. In order to qualify for the entitlement to the proposed final dividend, subject to the approval of the Shareholders at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 29 May 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

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 year ended 31 December 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 year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE PERIOD UNDER REVIEW

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

REVIEW OF THE ANNUAL RESULTS

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers Certified Public Accountants Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

Xiamen, the PRC, 27 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. KE Xiping, Mr. CHEN, David Yu 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.