恒興黃金
HENGXING GOLD

Hengxing Gold Holding Company Limited

(incorporated in the Cayman Islands with limited liability)
stock code: 2303

2015
ANNUAL REPORT

Contents

Corporate Information

Directors

Executive directors

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

Independent non-executive directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Wong Wai Ling (黃慧玲) *(ACIS, ACS)*

Authorised Representatives

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Registered Office

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

Principal Place of Business and Operating Head Office in China

No. 36 Yiji Road
Yining County
Xinjiang

Principal Place of Business in Hong Kong

18/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company's Website

www.hxgoldholding.com

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
2303

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Compliance Adviser

Somerley Capital Limited

Legal Advisers

As to Cayman Islands law:

Appleby Trust (Cayman) Ltd.

Principal Bank

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

Corporate Profile

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

The Company is an emerging gold mining company in China, aiming to operate multiple gold mines efficiently and growing its resources by value added acquisitions. The Company is operating the Gold Mountain Mine (as defined in the prospectus dated 19 May 2014 of the Company), the largest gold mine in Xinjiang, China in terms of designed annual ore processing capacity and estimated gold production volume at full production level.

As of 31 December 2015, the total gold resources and reserves of the Gold Mountain Mine were approximately 3.0 million troy ounces and 2.0 million troy ounces, respectively. According to the Independent Technical Report as at 31 December 2013, the estimated mine life of the Gold Mountain Mine is appropriately 22 years and the designed ore processing capacity is 5.0 million tonnes per annum (or 15,000 tonnes per day assuming 330 days in operations per annum). The Gold Mountain Mine is estimated to produce an average of approximately 78,000 troy ounces of gold per annum, or about 1.7 million troy ounces of gold in total, over the estimated mine life.

The commencement of ore mining operation at the Yelmand prospect was in July 2013 and at the Mayituobi prospect was in the second half of 2014. The Gold Mountain Mine commenced trial production in December 2013. For the year ended 31 December 2015 (the "**Period Under Review**"), the Gold Mountain Mine produced 43,661 ounces of gold and processed approximately 4.2 million tonnes of ore.

Xinjiang is widely recognized as a region rich in mineral resources yet under-developed in terms of gold production. The Company is well-positioned to expand the resources and operations through selective acquisitions especially in Xinjiang. Meanwhile, the Company is also actively seeking merger and acquisition opportunities worldwide and focusing on the areas with a stable jurisdiction and excellent infrastructure.

Chairman Statement

Dear Shareholders,

On behalf of the Board of Directors of Hengxing Gold Holding Company Limited, I am pleased to present the annual report of the Group for the year ended 31 December 2015 and express my gratitude for our shareholders' continuous support and trust.

The external economic environment was complicated and challenging during the year of 2015. Gold price fell sharply from US$1,300/oz to approximately US$1,050/oz, then fluctuated around low levels. Meanwhile plummeting commodities prices, emerging global depression and the US hike rate in December 2015 have weakened the global economic performance. Manufacturers, including gold producers, faced the impact of shrinking margins and tight cash flows. Nevertheless, for Hengxing Gold, we have exercised careful operating and financial disciplines, bringing us to have attained a new milestone in our business.

For the year ended 31 December 2015, the Company produced 1,358.0 kg of gold and turned around to a net profit of RMB53.6 million on total revenue of RMB284.6 million. More importantly, the Company achieved remarkable operating indicators, with cash operating costs and all-in costs further reduced to approximately US$609/oz and US$850/oz respectively, thanks to the ongoing production and cost improvements at the Gold Mountain Mine.

In addition to the existing mining prospects, we conducted a feasibility study for Kuangou prospect within the Gold Mountain Mine and started initial stripping in the area. Metallurgical test at the Jinxi-Balake prospect is being conducted to help with the mining design.

In order to expand our gold resources cost-efficiently, we have not only explored Bohegou area in cooperation with Western Region Gold Ili Company Limited, but also are actively seeking acquisition opportunities at home and aboard. Well experienced and equipped in project assessment and development, our management team is mandated to deliver long-term value to our shareholders.

Above all, the Company is devoted to building local communities by providing a safer and more rewarding working environment for employees. The Company has been highly regarded by local government and media as a responsible mining organization in respect of collaboration with local communities and indigenous people.

Finally, on behalf of the Board, I am thankful to all the staff's contributions to our company, as well as the supports from business partners and local communities. We look forward to sharing our future successes with all of you in the years ahead.

Sincerely,

KE Xiping
Chairman

22 March 2016

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 2015. For the Period Under Review, it produced 43,661 ounces ("ounce" or "oz", referring to a unit of weight for precious metals, and one ounce equals 31.1035 grams) or 1,358.0 kg of gold, representing a substantial increase by approximately 91% as compared to 22,824 ounces (equivalent to 709.9 kg) gold produced in 2014. The Company achieved a net profit of RMB53.6 million, compared with net loss of RMB34.0 million in the corresponding period of 2014.

The management of the Group deeply believes that efficient and effective operation underpins corporate survival and therefore they have focused effort on optimising the existing business, as evidenced by the outstanding results for this year.

On the production front, approximately 4.2 million tonnes of ore were crushed and processed for the year ended 31 December 2015, more than 68% greater than the 2.5 million tonnes ore processed during the corresponding period of 2014. The Company has continued its efforts to search for more durable key wearable components, such as the liners of the coarse crushers, leading to better ore crushing results. However it has still yet to meet the target particle size of P80-6.3 mm as per the designed specifications required to reach the optimal recovery rate determined by the feasibility study report and warranted by the crushing equipment supplier. Meantime, all-in gold production cost for the full year of 2015 is further reduced to approximately US$850/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. Initial stripping at the Kuangou prospect has commenced in August 2015 and is estimated to complete in a year. At Jinxi-Balake prospect, metallurgical test is being conducted to help assess the gold recovery rate and with the mining design.

On the technical upgrade front, the Company continued the testing of alternative crushers with a view to achieving the designed process capacity and particle size. The Company is still conducting tests with various crushers available on the market on an on-going basis, in an effort to find the most optimal solution. Improvements in various aspects of the workshop is being carried out to increase the overall gold recovery rate.

As for exploration progress, the Company cooperated with Western Region Gold Ili Company Limited (西部黃金伊犁有限責任公司) and drilled a 700 meter hole in the Bohegou (薄荷溝) prospect in September 2015. Although the initial drilling showed no positive results, the Company and Western Region Gold are jointly planning for further exploration studies, including drillings in 2016.

Prospects

The mission of the Group is to become 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. The Group has carefully suspended the CIL Project proposed earlier and, considered it was not in the best interest of our shareholders after careful technical and economic analysis. In addition, the Group will make continuous efforts to enhance operational design and utilize more technologies to improve efficiency.

Further expand resources and upgrade reserves

The Group will continue the exploration works at and in the surrounding areas of the Gold Mountain Mine where the Group hold licenses for the identification of new mining resources, and also seek cooperation opportunities with other independent third parties. The Group will also invest resources to identify regions with great potential at an early stage and to secure new exploration and mining rights. As part of our effort to expand our resources cost-effectively, the Group has formed a strategic co-operation with a reputable local state-owned mining company, Western Region Gold Ili Company Limited (西部黃金伊犁有限責任公司), to jointly explore gold deposits in our licensed area. The Group is continuously sourcing of high-quality gold mines for acquisitions.

Expand current production scope

Moreover, 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 for new specific details of which are indicated in the table below. As at 31 December 2015, 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.

	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 2015** (HK$ million)	**Balance of unutilized IPO proceeds as at 31 December 2015** (HK$ million)
Financing the Company's CIL Project, including:				
• Constructing and installing the carbon-in-leach production and ancillary facilities, purchases of relevant equipment	120.1	–	–	–
• Acquiring land use right, hiring project design and supervisory experts, implementing work safety measures and applying for relevant licenses	30.0	–	–	–
Upgrading the crushing system in order to improve the efficiency of current production process of Gold Mountain Mine	–	12.5	–	12.5
Developing a new open pit at the Kuangou prospect and a new leach pad to accommodate ore mined from the Kuangou prospect for the purpose of increasing production	–	27.5	–	27.5
Repaying outstanding loans with interests and advances from controlling shareholder Mr. Ke	138.8	–	138.8	–
Repaying part of the outstanding gold lease facilities	–	47.6	47.6	–
Financing the Company's potential acquisitions of gold resources, including expenses for due diligence, environmental and exploratory studies	15.1	77.6	–	77.6
Financing further exploration works at the Gold Mountain Mine and its surrounding areas where the Company holds exploration licenses	15.1	15.1	–	15.1
Working capital use and other general corporate purposes	11.3	–	11.3	–
Total	330.4	180.3	197.7	132.7

Management Discussion and Analysis

Financial Review

During the Period Under Review, the Group recorded revenue of RMB284,554,000, while the revenue recorded for the corresponding period of 2014 was RMB159,817,000, representing approximately an increase of 78%, which is contributed by the substantial growth in gold production and sales.

The Group started to record a consolidated profit of the Group of RMB53,585,000 for the year ended 31 December 2015, while there is a loss of RMB34,007,000 in the corresponding period of 2014. The situation of profit turnaround is mainly due to (a) substantial growth in gold production and sales as compared to the corresponding period in 2014, (b) improved durability of the wearable parts leads to lower unit cost of wearable parts.

Revenue

During the Period Under Review, the Group's revenue was approximately RMB284,554,000, compared with RMB159,817,000 in the corresponding period of 2014, because the gold production and sales volume increased.

Cost of Sales ("COGS")

During the Period Under Review, the Group's cost of sales amounted to approximately RMB181,008,000 compared with RMB135,147,000 in the corresponding period of 2014, which primarily included mining costs, processing costs, labor costs related to mining and processing activities as well as depreciation and amortization costs including depreciation costs of property, plant and equipment and amortization costs of intangible assets. The increase in COGS was due to the growth of production volume.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB103,546,000, compared with RMB24,670,000 in the corresponding period in 2014.

Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB274,000 compared with RMB153,000 in the corresponding period of 2014.

Administration Expenses

During the Period Under Review, the Group's administration expense was approximately RMB29,393,000 compared with RMB24,907, 000 in the corresponding period of 2014.

EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortization ("EBITDA") was RMB132,070,000 gain while it was RMB42,799,000 loss in the corresponding period of 2014.

Finance Costs

During the Period Under Review, the Group's finance costs was RMB27,557,000 (for the year ended 31 December 2014: RMB37,744,000), representing a decrease by 27%, compared with the corresponding period of 2014. The decrease was mainly due to the repayment of loan from the unsecured trust loan, details are set out in Note 8 in consolidated financial statements.

Profit (loss) before taxation

As a result of the foregoing, the profit before taxation was RMB53,585,000 for the year ended 31 December 2015, compared with a loss of RMB34,007,000 in the corresponding period of 2014.

Profit (loss) and total comprehensive income (expense)

As a result of the foregoing, the profit and total comprehensive income was RMB53,569,000 for the year ended 31 December 2015, compared with a loss and total comprehensive expense of RMB34,007,000 in the corresponding period of 2014.

Liquidity and Financial Resources

The group was in possession of reasonable operation cash flow and working capital due to the substantial growth of production. As at 31 December 2015, the Group's bank balances and cash and fixed deposits were RMB120,338,000 (as of 31 December 2014, it was RMB163,225,000). Net assets were RMB428,004,000 (as of 31 December 2014, it was approximately RMB374,435,000).

The Group recorded net current assets were RMB31,327,000 as of 31 December 2015, compared with RMB62,035,000 as of 31 December 2014, which was primarily due to (a) decrease of other current asset amounted RMB33,607,000 and bank balance amounted RMB42,887,000 (b) net increase of inventory amounted RMB30,295,000, (c) net decrease of Gold loans and Bank and other borrowings amounted RMB16,736,000.

Current ratio and gearing ratio

As at 31 December 2015, the Group's current ratio (current assets divided by current liabilities) was 1.2 (31 December 2014: 1.3).

As at 31 December 2015, the Group's gearing ratio (total borrowings divided by total equity) was 0.9 (31 December 2014: 1.4).

Cash flows

The following table sets out selected cash flow data from the Group's consolidated cash flow statements for the year ended 31 December 2015 and 31 December 2014.

	The year ended	
	31 December 2015 RMB'000	31 December 2014 RMB'000
Net cash from (use in) operating activities	**65,281**	(67,850)
Net cash used in investing activities	**(81,316)**	(116,492)
Net cash (use in) from financing activities	**(71,849)**	288,757
Net(decrease) increase in cash and cash equivalents	**(87,884)**	104,415
Effect of foreign exchange rate changes	**–**	(546)
Cash and cash equivalents at 1 January	**114,223**	10,354
Cash and cash equivalents at 31 December	**26,339**	114,223

For the Period Under Review, the net cash inflow from operating activities was RMB65,281,000, which was mainly attributable to (a) Profit plus non cash cost as Depreciation and Amortization and minus financing cost and investing gain, amounted RMB124,917,000 (b)increase in inventory of RMB75,163,000 (c) decrease in other receivables and prepayments of RMB3,360,000, and (d) increase in trade payables, accruals and other payables of RMB5,163,000 (e) Net settlement on acquisition and disposal of futures contracts of RMB8,901,000 (f) Environmental restoration expenses paid RMB1,897,000.

For the Period Under Review, the net cash outflow from investing activities was RMB81,316,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB18,029,000, (b) payments of intangible assets of RMB19,465,000, and (c) partially offset by the redemption of structured deposits and fixed deposits of RMB44,182,000 and (d) interests received of RMB2,243,000 (e) Purchases of an available-for-sale investment of RMB1,651,000 (f) others of RMB232,000.

For the Period Under Review, the net cash outflow from financing activities was RMB71,849,000, which was primarily attributable to (a) new bank and other borrowings raised of RMB92,751,000, and (b) new gold loans raised of RMB75,704,000, all of which were partially offset by (a) interest paid for gold loans and bank and other borrowings of RMB29,853,000, (b) repayment of gold loans of RMB 92,198,000 and bank and other borrowings of RMB118,253,000.

Capital Structure

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

Indebtedness and charge on assets

As at 31 December 2015, the Group had the bank and other borrowings of approximately RMB263,759,000 which was secured by certain buildings, mining structures and equipment with an aggregate carrying amount of RMB145,382,000 (31 December 2014: RMB155,507,000) and intangible assets with an aggregate carrying amount of RMB132,225,000 (31 December 2014: RMB137,554,000), and unsecured trust loan of approximately RMB50,059,000. In addition the Group had gold loans of approximately RMB39,865,000 and Bank borrowings approximately RMB44,648,000 with fix deposit amounting to RMB93,999,000 pledged for.

Save as stated above, as of 31 December 2015, the Group did not have other outstanding loan extended and outstanding, bank overdrafts, other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees and other material contingent liabilities.

Contingent liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities or guarantees (as of 31 December 2014: nil). The Group is not currently involved in any material legal proceedings, nor is the Group 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 available-for-sale investments, fixed deposits, certain bank balances, certain other receivables and certain other payables that are denominated in HK$, US$ and CAD$.

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 2015, the Group employed approximately 329 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 4.2 million tones. As of 31 December 2015, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

		The year ended 31 December	
	Unit	**2015**	2014
Ore mined	Kt	**4,103**	2,518
Yelmand prospect	Kt	**3,424**	2,468
Mayituobi prospect	Kt	**679**	50
Overburden mined	Kt	**4,335**	6,031
Yelmand prospect	Kt	**2,534**	4,650
Mayituobi prospect	Kt	**1,801**	1,381
Strip ratio	:	**1.06**	2.40
Feed-in grade of ore	g/t	**0.77**	0.75
Ore processed	Kt	**4,156**	2,523
Recovery rate	%	**53.0**	46.9
Gold produced	Oz	**43,661**	22,824

During the Period Under Review, the aggregate capital expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB19.0 million, as compared to approximately RMB18.0 million for the year ended 31 December 2014.

Exploration

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

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 31 December 2015:

JORC Mineral Resources Category	Tonnage kt	Grade g/t	Contained Gold Au kg	Contained Gold Au koz
Measured	20,436	0.76	15,458	497
Indicated	76,896	0.74	57,029	1,833
Inferred	31,750	0.70	22,262	716
Total	**129,081**	**0.73**	**94,749**	**3,046**

JORC Mineral Reserves Category	Tonnage kt	Grade g/t	Contained Gold Au kg	Contained Gold Au koz
Proved	7,196	0.70	5,016	161
Probable	76,726	0.74	57,070	1,835
Total	**83,922**	**0.74**	**62,086**	**1,996**

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, which does not impose any changes on the estimated assumptions of the resources and reserves as of 31 December 2014.

2. 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.

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

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

Mine Development

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

For the Period Under Review, the aggregate capital expenditure on the mine development and construction amounted to approximately RMB18.0 million, as compared to approximately RMB55.7 million for the year ended 31 December 2014.

Significant Investments, Acquisitions and Disposals

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

Final Dividend

The Board of the Company did not recommend the payment of a final dividend for the year ended 31 December 2015 (for the year ended 31 December 2014: Nil).

Corporate Governance Report

Corporate Governance Practices

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

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

Directors' Securities Transactions

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

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

The Board

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

Composition

As at 31 December 2015, the Board consists of 6 Directors, with 3 executive Directors, namely Mr. Ke Xiping (chairman), Mr. Chen, David Yu (executive Director and vice chairman) and Mr. Albert Fook Lau Ho (executive Director), and 3 independent non-executive Directors, namely Dr. Tim Sun, Ms. Wong, Yan Ki Angel, and Mr. Xiao Wei.

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

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

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

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

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

During the Period Under Review, the Company held four Board meetings and one general meeting. All members of the Board attended the general meeting. The attendance of individual Directors at Board meetings during the year is as follows:

Attendance record for the Board meetings during the year ended December 31, 2015	Number of Board Meetings attended/held
Executive Directors	
Ke Xiping	4/4
Chen, David Yu	4/4
Albert Fook Lau Ho	4/4
Independent Non-Executive Directors	
Tim Sun	4/4
Wong, Yan Ki Angel	4/4
Xiao Wei	4/4

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

Directors' Continuous Professional Development

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

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

Board Committees

Audit Committee

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

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

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

During the Period Under Review, the Company held three Audit Committee meetings to review the 2014 annual and 2015 interim financial result and report , financial reporting and compliance procedures, and the amendments to terms of reference of audit committee according to the latest CG Code. All members of the Audit Committee have attended all Audit Committee meetings during the year.

Remuneration Committee

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

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and in overseeing and evaluating remuneration packages of the Directors. Its duties include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (that is, the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The remuneration of a Director is determined with reference to his or her duties and responsibilities with the Company and the prevailing market situation.

Details of the emoluments of Directors during the Period Under Review are set out in note 11 to the financial statements of this annual report.

During the Period Under Review, there were two Remuneration Committee meetings held to review the policy and structure for the directors and senior management, assess performance of the directors and review their remuneration. All members of the Remuneration Committee attended all Remuneration Committee meetings.

Nomination Committee

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

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

During the Period Under Review, there was one Nomination Committee meeting held to review and discuss the Company's nomination policy, board diversity policy and independence of the independent non-executive directors. All members of the Nomination Committee attended the Nomination Committee meeting.

Board Diversity

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

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

Remuneration of The Members of The Senior Management by Band

Save as disclosed in note 11 to the financial statements of this annual report regarding the emoluments of Directors, there are other 4 individuals of senior management. Pursuant to paragraph B.1.5 of the CG Code, their remuneration by band for the year ended 31 December 2015 is set out below:

Remuneration band	Number of individuals
Within HK$500,000	1
HK$500,001–HK$1,000,000	3

Corporate Governance Function

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

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

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

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

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

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

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

Directors' Responsibility for the Financial Statements

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

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

The statement of the external auditor of the Company, Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditor's Report on page 32.

Auditors' Remuneration

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

Nature of Services Rendered	For the year ended 31 December 2015 Fees paid/payable (RMB'000)
Audit services	
Annual audit	**1,260**
Non-audit services	
Interim review	**420**
Total	**1,680**

Risk Management and Internal Control

The Board has overall responsibilities to maintain a sound and effective risk management and internal control systems of the Group to safeguard the shareholders' investment and the Company's assets. The risk management and internal control system provides for risk assessment tools, controls for risks that commonly occur in the Company and monitoring and reporting procedures. The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures and capital expenditures are subject to the overall budget control and approval process prior to commitment.

The Board has, together with the Audit Committee of the Company, conducted the annual review of the effectiveness of the Company's risk management and internal control systems for the Period Under Review and been satisfied with its effectiveness and adequacy. The review covered all material controls including financial, operational and compliance controls as well as the adequacy of resources, staff qualifications and experience training programs and budget of the Company's accounting and financial reporting function. There were no significant control failings, weaknesses or significant areas of concern identified during the year.

The Company has an internal audit function, which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The Board has, together with the Audit Committee of the Company, conducted the annual review of the effectiveness of the Company's internal audit function and been satisfied with its effectiveness.

Company Secretary

The Company's company secretary, Ms. Wong Wai Ling, is responsible for facilitating the Board process, as well as communications among Board members, with shareholders and management. Ms. Wong's principal corporate contact person at the Company is Mr. Chen Yu David, the executive Director. Ms. Wong Wai Ling's biography is set out in the "Board of Directors and Senior Management" section on page 22. During the Period Under Review, Ms. Wong Wai Ling took not less than 15 hours of relevant professional training to update her skills and knowledge.

Communication with Shareholders

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

Shareholders' Rights

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

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

Enquiries to the Board

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

Constitutional Documents

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

Board of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Ke Xiping (柯希平), aged 55, is the founder of the Group. Mr. Ke has been an executive Director and the chairman of the Board since the incorporation of the Company in April 2012, responsible for overall strategies and operations of the Group. Mr. Ke has been the director of Gold Virtue Limited ("Gold Virtue") since April 2012. He has also been the founder of Xiamen Hengxing and its chairman of the board since September 1994. Mr. Ke has been overseeing the Group's overall business strategies since November 2009 when Xiamen Hengxing purchased the entire equity interest in Tianshan Gold HK, which then held 90% equity interest in Jinchuan Mining. From May 1999 to May 2007, Mr. Ke was the general manager of Fujian Xinhuadu Engineering Co., Ltd (福建新華都建設工程有限責任公司) for eight years. Xinhuadu Engineering is a professional engineering company and its principal business activities include mining engineering design, mining plan, mine drilling and blasting and ore extraction, loading and transportation. Mr. Ke also served as a non-executive director of Zijing Mining from August 2002 to June 2008. Since 2005, Mr. Ke has also been managing and overseeing the exploration and mining activities of various mining companies that are controlled by Xiamen Hengxing. Mr. Ke has 15 years of relevant experience in mining industry.

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

Mr. Chen, David Yu (陳宇), aged 47, is an executive Director and the Vice Chairman of the Board since March 2013 and the president of the Company since September 2013. He is responsible for the Group's strategic planning, investment, and corporate development and operations. Mr. Chen has been a director of Jinchuan Mining since September 2012. Mr. Chen began his career in sales marketing positions with international media companies. He has over 10 years of experience in venture investment and capital raising. Mr. Chen was an independent director of Zhonglu Co., Ltd. (中路股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600818) from May 2009 to November 2014. He has been the non-executive Chairman of Range Resources Ltd, (dual listed ASX: RRS; AIM: RRL) since December 2014.

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

Mr. Albert Fook Lau Ho (何福留), aged 70, is an executive Director responsible for supervising the Group's exploration, extraction and operational management, mine construction, production and internal control. He was a director of Jinchuan Mining since November 2009 to November 2015 and was the chairman of the board of Jinchuan Mining from November 2009 to September 2012. Mr. Ho has 20 years of relevant experience in exploration and/or extraction activities, all of which related to gold mines. From January 1981 to August 1988, Mr. Ho worked as a project engineer for Kilborn Engineering B.C. Ltd. Between August 1988 and May 1994, Mr. Ho acted as a partner of CSFM Engineering Ltd. From 1994 to 1997, he was appointed as the managing director of Guangxi Baise Bowland Gold Mining Company Limited (廣西百色寶侖黃金礦務有限公司) in charge of exploration work in Baise Guangxi, including the Gaolong Gold Mine (廣西百色高龍金礦). From 1997 to November 2009, Mr. Ho advised various clients in Hong Kong and China on preliminary assessment, project planning, project development and construction budget estimation, financing arrangement and internal control for mining projects.

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

Board of Directors and Senior Management

Independent non-executive Directors

Dr. Tim Sun (孫鐵民), aged 54, is an independent non-executive Director since April 2014. Mr. Sun obtained a Bachelor in Mineral Processing Engineering degree from Northeast University (東北大學) in June 1982. He obtained a Master in Mineral Processing Engineering degree from Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院) in 1985 and a Ph.D. degree from Queen's University, Canada, in October 1993.

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

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

Ms. Wong, Yan Ki Angel (黃欣琪), aged 44, is an independent non-executive Director since March 2013. Ms. Wong obtained a Bachelor of Arts degree, majoring in international accounting, from Xiamen University in July 1994, a post-graduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in PRC in October 2009. Ms. Wong has been admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, full member of the Society of Registered Financial Planners in Hong Kong since November 2003, full member of the Singapore Institute of Directors since October 2009. Ms. Wong has been also admitted as member of The Hong Kong Institute of Directors since November 2014, fellow member of the Institute of Public Accountants in Australia since April 2015 and founding member and life member of The Hong Kong Independent Non-executive Director Association since October 2015. Ms. Wong has been the president and executive director of Advanced Capital Limited (匯財資本有限公司), where she provides consultancy services for both listed companies and companies preparing for listing.

Ms. Wong was appointed as an independent non-executive Director of China Best Group Holding Limited, a company listed on the Stock Exchange (Stock Code: 370) since June 2011 to September 2014. She was also appointed as an independent non-executive Director of China Shengda Packaging Group Inc. (NASDAQ:CPGI) since August 2014 to September 2015. Ms. Wong has also been the independent non-executive Director of 500.com Limited (NYSE: WBAI) since November 2015 and the independent non-executive Director of China Public Procurement Limited, a company listed on the Stock Exchange (Stock Code: 1094) since December 2015.

Mr. Xiao Wei (肖偉), aged 50, is an independent non-executive Director since March 2013. Mr. Xiao graduated from Xiamen University and obtained a Bachelor of Law degree in July 1988, a Master of Law degree in July 1991 and a Doctor of Law degree in July 2000. He was admitted as a lawyer in PRC in May 1991. Mr. Xiao has also been a council member of China Institution of Securities Law (中國證券法研究會) since December 2008 and an arbitrator of Xiamen Arbitration Commission (廈門仲裁委員會) since October 1999. He has been a lawyer at Fujian Yinghe Law Firm (福建英合律師事務所) since 1991. Mr. Xiao has been the general legal counsel and director of Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600755), since April 1999 and an independent non-executive director of Fujian Longxi Bearing Co., Ltd (福建龍溪軸承有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600592), since December 2009. Mr. Xiao has also been the independent non-executive director of Fujian Longking Co., Ltd. (福建龍淨環保股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600388) since November 2011 and from December 2002 to December 2008 and an independent non-executive director of R&T Plumbing Technology Co., Ltd (廈門瑞爾特衛浴科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002790) since 2012.

Senior Management

Mr. Ke Xizheng (柯希正), aged 53, has been the chairman of the board of Jinchuan Mining since October 2015. Mr. Ke has around 30 years' experience in government affairs. Prior to joining the Group, he served in Xiamen, Huli District as vice minister of United Front Work Department (福建省廈門市湖里區委統戰部副部長) from February 2012 to September 2014. His substantial experience in government is expected to benefit the governance and community relations of Gold Mountain Mine.

Mr. Ke obtained a bachelor degree from Xiamen University (廈門大學), majoring in International Business and Economics in July 1984. He is the brother of Mr. Ke Xiping, who is the Chairman of the Board of the Group.

Mr. Li Shanren (李善仁), aged 55, has been the General Manager of Jinchuan Mining since October 2015. Mr. Li has 23 years' experience in gold mining industry. Prior to joining the Group, he previously served as general manager of Yunnan Guoyi Mining Group (雲南國一礦業投資有限公司) from February 2014 to July 2015. Mr. Li was the Chief Engineer of Shandong Zhaojin Group from November 2010 to February 2014 and Vice President of Zhaojin Mining Industry Company Limited (招金礦業股份有限公司) (HKSE: 1818) from December 2009 to November 2010. Before that Mr. Li has served as the deputy section chief, section chief, deputy mine operation manager, deputy mine production manager of Zhaoyuan Xiadian Gold Mine (招遠市夏甸金礦), deputy mine infrastructure manager of Zhaoyuan Dayingezhuang Gold Mine (招遠市大尹格莊金礦), the deputy mine manager of Zhaoyuan Canzhuang Gold Mine (招遠市蠶莊金礦), the general manager of Zhaojin Beijiang Mining Company Ltd. and the chairman of Kunhe Zhaojin Mining Company Limited in Aleitai, Xinjiang (阿勒泰市昆合礦業有限公司).

Mr. Li graduated from Kunming Institute of Engineering (昆明工學院), and qualified as a mining engineer.

Ms. Lin Yanjuan (林艷娟), aged 32, has been the finance director of the Group since July 2015. Prior to joining the Group, Ms. Lin previously served as the auditor of PricewaterhouseCoopers Zhong Tian LLP from August 2006 to July 2015.

Ms. Lin obtained a bachelor degree majoring in Economics from University of International Business and Economics (對外經濟貿易大學) in China in July 2006 and the CICPA qualification in June 2015.

Mr. Zhang Jinghe (張景河), aged 46, joined Jinchuan Mining as the deputy chief metallurgy engineer on June 2014 and has been the chief metallurgy engineer since January 2016. Mr. Zhang has over 20-year working experience in gold mines. He previously served as the deputy chief engineer in Sichuan Chuncan Mining Company Limited (四川純燦礦業有限公司) and in senior management positions in Xi'an Tianzhou Mining Technology Development Company Limited (西安天宙礦業科技開發有限責任公司). He started his mining career from 1992 to 2002 served as deputy section chief of metallurgy department and various positions in Lingbao Andi Gold Mine (靈寶市安底金礦) then as the deputy plant manager of Lingbao Gold Refinery Plant (靈寶市黃金精煉廠). From 2003 to 2011, he served in various management positions in Lingbao Huabao Industry Company Limited (靈寶市華寶產業有限責任公司).

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

Company Secretary

Ms. Wong Wai Ling (黃慧玲) (ACIS, ACS), aged 35, was appointed as the company secretary in August 22, 2013. She has nearly 10 years of experience in providing company secretarial services in Hong Kong.

Ms. Wong has been the assistant vice president of SW Corporate Services Group Limited (信永方圓企業服務集團有限公司) ("SWCS") since February 2013 and has been responsible for assisting listed companies in professional company secretarial work since she joined SWCS in May 2011.

Ms. Wong obtained a Bachelor of Arts degree in Marketing and Public Relations from the Hong Kong Polytechnic University in October 2007 and a degree of Master of Corporate Governance from The Open University of Hong Kong in December 2011. She became an associate of The Hong Kong Institute of Chartered Secretaries in July 2013 and an associate of the Institute of Chartered Secretaries and Administrators in the United Kingdom in July 2013.

Report of Directors

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

Global Offering

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

Principal Activities

The principal activity of the Company is investment holding and the Group is principally engaged in gold mining and production. Analysis of the principal activities of the Group including its subsidiaries during the Period Under Review is set out in the notes 1 and 37 to the consolidated financial statements.

Results

The results of the Group for the Period Under Review are set out in the consolidated income statement on page 33 of this report.

Final Dividends

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

Financial Summary

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 79 of this report. This summary does not form part of the audited consolidated financial statements.

Business Review

The business review the Group is set out in the section of "Business Review" in the Management Discussion and Analysis.

Principal Risks and Uncertainties

The financial risk the Group faced and risk management objectives and policies is set out in Note 35 to the consolidated financial statements.

Future Development

The future development of the Group is set out in the section of "Prospects" in the Management Discussion and Analysis.

Environmental Policies and Performance

The Company has established environmental policies and implemented environmental protection systems in accordance with relevant PRC rules and regulations, including the re-planting trees or grasses after the mining has been completed.

Compliance With Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and has been allocating staff resources to ensure ongoing compliance with rules and regulations. During the Period Under Review, the Group has complied, to the best of our knowledge, with the Listing Rules, the Stock Exchange's Trading Rules as well as the PRC's laws and regulations relating to mineral resources, administration of gold, environmental protection, production safety, taxation and land.

Relationships with Stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, suppliers and shareholders.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognize performing staff by providing a competitive remuneration package and implementing various occupational health, safety, training systems.

We believe that our suppliers (including contractors) are equally important in enhancing our productivity. During the Period Under Review, we proactively collaborate with our business partners (including suppliers and contractors) to improve durability of key wearable components, leading to better ore crushing results.

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

Use of Net Proceeds from Listing

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$330.4 million, which are intended to be applied in the manner consistent with that in the Company's prospectus dated 19 May 2014. On 15 June 2015, the board has resolved to change the use of the unutilized IPO proceeds, amounting to approximately HK$180.3 million for new specific purposes, set out on page 7 of this report.

Major Customers and Suppliers

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

Sales

— the largest customer 79.7% (2014: 69.4%)
— five largest customers 100% (2014: 100%)

Purchases

— the largest supplier 21.11% (2014: 20.2%)
— five largest suppliers 60.80% (2014: 52.2%)

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

Property, Plant and equipment

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

Share Capital

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

Report of Directors

Reserves

Details of movements in the reserves of the Company and the Group during the Period Under Review are set out in page 36 in the consolidated statement of changes in equity.

Distributable Reserves

Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the articles of association of the Company. For the sustainable development of the Company, no distribution reserves of the Company was recorded as at 31 December 2015.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2015 are set out in note 26 to the consolidated financial statements.

Taxation

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

Directors

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

Executive Directors:

Mr. Ke Xiping
Mr. Chen, David Yu
Mr. Albert Fook Lau Ho

Independent non-executive Directors:

Ms. Wong, Yan Ki Angel
Mr. Xiao Wei
Mr. Tim Sun

Board of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 19 to 22 of this report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2015.

Directors' Service Contracts and Letter of Appointments

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

Each of the independent non-executive Directors has been appointed for a term of three years commencing from the Listing Date. Subsequently, the letters of appointments of the independent non-executive directors will be renewed in June 2016.

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

Directors' Interests in Transaction, Arrangement or Contracts of Significance

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

Management Contracts

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

Emolument Policy

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

Remuneration of Directors and Five Individuals with Highest Emoluments

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

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

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number and class of Shares(1)	Approximate percentage of shareholding
Mr. Ke Xiping(2)	Interest of controlled corporation	555,000,000 (L)	60.0%

Note:

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

(2) Mr. Ke Xiping holds the entire share capital of Gold Virtue and therefore, is deemed to be interested in the 555,000,000 Shares held by Gold Virtue.

(ii) Interest in associated corporations of the Company

Name of Director	Name of associated corporation	Percentage of interest in associated corporation
Mr. Ke Xiping	Gold Virtue *(Note 1)*	100.0%

Note:

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

Save as disclosed above, as at 31 December 2015, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

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

Permitted Indemnity Provision

The articles of association of the Company provide that every director of the Company is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its directors and officers.

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

As at 31 December 2015, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Notes:

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

(2) Mr. Ke Xiping holds the entire issued capital of Gold Virtue and therefore, is deemed to be interested in the 555,000,000 Shares held by Gold Virtue. Mr. Ke Xiping is the father of Mr. Ke Jia Qi.

(3) Mr. Ke Jia Qi holds the entire issued share capital of Xi Wang Developments and therefore, is deemed to be interested in the 138,750,000 Shares held by Xi Wang Developments. Mr. Ke Jia Qi is the son of Mr. Ke Xiping.

Save as disclosed above, and as at 31 December 2015, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2015 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-Emptive Rights

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

Non-Competition Undertaking

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

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this report during the year ended 31 December 2015.

The independent non-executive Directors ("INEDs") have reviewed the deed of non-competition whether the Controlling Shareholders have abided by the non-competition undertaking. The INEDs confirmed that they had determined that the Controlling Shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2015.

Review of the Deed of Options

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

Directors' Interest in Competing Business

Save as disclosed in this report, as at 31 December 2015, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

Share Option Scheme

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

The Board may at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the absolute discretion of the Board has contributed or will contribute to our Group (collectively "Eligible Participants").

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

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

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

1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

2) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and

3) the nominal value of the Shares.

An offer of the grant of an option shall be made to an Eligible Participant by an offer document. The offer shall remain open for acceptance for a period of 14 business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme. An option shall be deemed to have been granted to, and accepted by, the Eligible Participant (the "Grantee") and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out above.

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

In addition to the information stated herein, the detailed terms of such Share Option Scheme have been disclosed in the prospectus of the Company dated 19 May 2014.

No share options under the Share Option Scheme were granted, exercised, lapsed or cancelled from the listing of the Shares of the Company on the Main Board of the Stock Exchange on 29 May 2014 to 31 December 2015 and up to the date hereof.

Equity-linked Agreements

Save for the Share Option Scheme of the Company as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2015.

Connected Transaction

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

On 20 November 2015, an amount of HK$10,000,000 was advanced from Excel Pearl (Hong Kong) Limited, which is wholly-owned by Mr. Ke Xiping, the controlling shareholder of the Company, to a subsidiary of the Company. The amount was unsecured, interest-bearing at fixed rate of interest of 2% per annum and has been repaid in full by the Group before the end of the reporting period. The interest paid by the Group is HK$18,000. Excel Pearl (Hong Kong) Limited is a connected person of the Company. Such financial assistance constituted a connected transaction. The Directors are of the view that such financial assistance was provided by Excel Pearl (Hong Kong) Limited for our benefit on normal commercial terms where no security over the Company's assets was granted in respect of the financial assistance, which is exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The related party transactions mentioned in note 33 to the Consolidated Financial Statements are not the transaction falls under the definition of "connected transaction" nor "continuing connected transaction" in Chapter 14A of the Listing Rules, hence it was not required to be disclosed in accordance with Chapter 14A of the Listing Rules for such transactions.

Post Balance Sheet Events

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

Audit Committee

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

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2015.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 13 to 18 of this annual report.

Sufficiency of Public Float

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

Changes in the Information of the Directors

The changes in the information of the Directors as required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules are set out below:

(1) Mr. Albert Fook Lau Ho resigned as the director of Jinchuan Mining in November 2015.

(2) Ms. Wong, Yan Ki Angel retired as the independent non-executive Director of China Shengda Packaging Group Inc. (NASDAQ:CPGI) in September 2015. Then Ms. Wong has been the independent non-executive Director of 500.com Limited (NYSE: WBAI) since November 2015 and the independent non-executive Director of China Public Procurement Limited, a company listed on the Stock Exchange (Stock Code: 1094) since December 2015.

(3) The annual salary and allowance of Mr. Chen, David Yu was changed from HK$1.55 million to US$ 300 thousand with effect from 1 January 2016.

(4) The annual director's fee, including salaries, allowances and benefits in-kinds of each of Ms. Wong, Yan Ki Angel, Mr. Xiao Wei and Dr. Tim Sun was changed from HK$120 thousand to HK$150 thousand with effect from 1 January 2016.

Auditor

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

On behalf of the Board
Ke Xiping
Chairman

Xiamen PRC, March 22, 2016

Independent Auditor's Report

Deloitte.
德勤

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

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

We have audited the consolidated financial statements of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 79, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
Revenue	*5*	**284,554**	159,817
Cost of sales		**(181,008)**	(135,147)
Gross profit		**103,546**	24,670
Other income	*6*	**3,233**	1,842
Other gains and losses	*7*	**12,942**	6,278
Selling and distribution expenses		**(274)**	(153)
Administrative expenses		**(29,393)**	(24,907)
Impairment loss of exploration and evaluation assets	*16*	**(8,912)**	–
Listing expenses		**–**	(3,993)
Finance costs	*8*	**(27,557)**	(37,744)
Profit (loss) before taxation		**53,585**	(34,007)
Taxation	*9*	**–**	–
Profit (loss) for the year	*10*	**53,585**	(34,007)
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale investments		**(16)**	–
Total comprehensive income (expense) for the year		**53,569**	(34,007)
Earnings (loss) per share			
Basic (RMB cents)	*12*	**6**	(4)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**337,454**	352,248
Prepaid lease payments	15	**16,222**	16,553
Exploration and evaluation assets	16	**75,145**	83,987
Intangible assets	17	**241,953**	241,388
Available-for-sale investments	18	**473**	–
Deposit for purchase of property, plant and equipment		**1,052**	1,538
Restricted bank balance	22	**10**	10
		672,309	695,724
CURRENT ASSETS			
Prepaid lease payments	15	**357**	357
Inventories	19	**85,000**	54,705
Other receivables and prepayments	20	**9,173**	15,788
Futures contracts	21	**–**	38
Fixed deposits	22	**93,999**	49,002
Bank balances and cash	22	**26,339**	114,223
Other current asset	23	**–**	33,607
		214,868	267,720
CURRENT LIABILITIES			
Trade and other payables	24	**45,210**	50,618
Gold loans	25	**39,865**	137,682
Bank and other borrowings	26	**98,466**	17,385
		183,541	205,685
NET CURRENT ASSETS		**31,327**	62,035
TOTAL ASSETS LESS CURRENT LIABILITIES		**703,636**	757,759

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Bank and other borrowings	26	**260,000**	370,000
Deferred income	27	**8,691**	9,115
Provision	28	**6,941**	4,209
		275,632	383,324
CAPITAL AND RESERVES			
Share capital	29	**7,362**	7,362
Reserves		**420,642**	367,073
Equity attributable to owners of the Company		**428,004**	374,435
		703,636	757,759

The consolidated financial statements on pages 33 to 79 were approved and authorised for issue by the board of directors on 22 March 2016 and are signed on its behalf by:

Mr. Ke Xiping
Director

Mr. Chen Yu, David
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Investment revaluation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	1	266,412	31,523	–	(170,495)	127,441
Loss and total comprehensive expense for the year	–	–	–	–	(34,007)	(34,007)
Issue of new shares	1,840	292,643	–	–	–	294,483
Transaction costs attributable to issue of new shares	–	(13,482)	–	–	–	(13,482)
Issue of shares by capitalisation of share premium account	5,521	(5,521)	–	–	–	–
At 31 December 2014	7,362	540,052	31,523	–	(204,502)	374,435
Profit for the year	**–**	**–**	**–**	**–**	**53,585**	**53,585**
Other comprehensive expense for the year	**–**	**–**	**–**	**(16)**	**–**	**(16)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(16)**	**53,585**	**53,569**
At 31 December 2015	**7,362**	**540,052**	**31,523**	**(16)**	**(150,917)**	**428,004**

Note: As required by relevant laws of the People's Republic of China ("PRC") and the Articles of Association of the Company's PRC subsidiaries, the Company's PRC subsidiaries are required to make appropriation of 10% of profit after taxation, until the PRC statutory reserve reaches 50% of the registered capital of the relevant subsidiaries. The statutory reserve can be applied either to set off accumulated losses or to increase capital. No appropriation has been made for each of the PRC subsidiaries during the reporting period since none of the PRC subsidiaries has made accumulated profit.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**53,585**	(34,007)
Adjustments for:			
Depreciation of property, plant and equipment		**26,747**	24,084
Amortisation of intangible assets		**23,824**	14,621
Release of prepaid lease payments		**357**	357
Impairment loss of exploration and evaluation assets		**8,912**	–
Loss (gain) on disposal of property, plant and equipment		**36**	(104)
Finance costs		**27,557**	37,744
Fair value change on futures contracts		**(6,111)**	350
Fair value change on gold loans and gold held under gold loan contracts		**(2,848)**	(8,103)
Investment income of held-for-trading investments		**(19)**	–
Investment income of structured deposits		**(815)**	(162)
Interest income		**(2,483)**	(1,188)
Release of deferred income		**(424)**	(192)
Foreign exchange (gain) loss, net		**(3,401)**	1,626
Operating cash flows before movements in working capital		**124,917**	35,026
Increase in inventories	25	**(75,163)**	(86,606)
Decrease (increase) in other receivables and prepayments		**3,360**	(6,464)
Increase in trade and other payables		**5,163**	2,097
Net settlement on acquisition and disposal of futures contracts		**8,901**	(6,000)
Cash generated from (used in) operations		**67,178**	(61,947)
Environmental restoration expenses paid		**(1,897)**	(5,903)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**65,281**	(67,850)
INVESTING ACTIVITIES			
Redemption of structured deposits		**442,315**	105,162
Release of fixed deposits		**49,002**	–
Interest received		**2,243**	1,188
Proceeds from disposal of held-for-trading investments		**1,670**	–
Proceeds from disposal of property plant and equipment		**20**	180
Government grant received		**–**	7,830
Payments of prepaid lease payments		**(26)**	–
Payments of exploration and evaluation assets		**(245)**	(3,470)
Investment in held-for-trading investments		**(1,651)**	–
Investment in available-for-sale investments		**(1,651)**	–
Purchase of property, plant and equipment		**(18,029)**	(55,706)
Payments of intangible assets		**(19,465)**	(17,674)
Placement of fixed deposits		**(93,999)**	(49,002)
Placement of structured deposits		**(441,500)**	(105,000)
NET CASH USED IN INVESTING ACTIVITIES		**(81,316)**	(116,492)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of new shares	–	294,483
New bank and other borrowings raised	84,602	150,000
Gold loans raised	75,704	157,988
Loan from a shareholder	–	43,000
Loan from a related party	8,149	–
Advance from a related company	110	141
Repayment to a related company	(110)	(142)
Interest paid for a related party	(15)	–
Interest paid for gold loans	(5,621)	(1,364)
Repayment to a related party	(8,253)	–
Interest paid for bank and other borrowings	(24,217)	(27,770)
Repayment of gold loans	(92,198)	–
Repayment of bank and other borrowings	(110,000)	(60,000)
Repayment of amount due to a shareholder	–	(16,893)
Repayment of loan from a shareholder	–	(237,204)
Expenses on issue of new shares	–	(13,482)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(71,849)	288,757
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(87,884)	104,415
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	114,223	10,354
Effect of foreign exchange rate changes	–	(546)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	26,339	114,223

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. General Information

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

The principal activity of the Company is investment holding. The Company's principal subsidiary, Xinjiang Gold Mountain Mining Company Limited ("Jinchuan Mining"), located in Xinjiang Province, PRC, is engaged in mining and processing of gold and sales of processed gold products in the PRC. Details of the Company's subsidiaries are set out in note 36.

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

The 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

The Group has applied the following amendments to the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

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

The adoption of the amendments to the HKFRSs has had no material effect on the amounts reported in the consolidated financial statements or disclosures set out in the consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

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

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

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9:

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

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

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 15 Revenue from Contracts with Customers

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

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

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

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

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

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

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

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

3. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 2015. 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 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 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.

3. Significant Accounting Policies *(Continued)*

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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

The principal accounting policies 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.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Revenue recognition

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Borrowing costs

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

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

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

Government grants

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

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

Taxation

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

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

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

Current and deferred tax is recognised in profit or loss.

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Property, plant and equipment

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Leasing

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

The Group as lessee

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

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

Leasehold land

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

Exploration and evaluation assets

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

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

Impairment of exploration and evaluation assets

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

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3. Significant Accounting Policies *(Continued)*

Exploration and evaluation assets *(Continued)*

Impairment of exploration and evaluation assets *(Continued)*

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

Intangible assets

Mining right

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

Meadow compensation costs

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

Restoration costs

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

Stripping costs

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

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

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

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

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

Inventories

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

Gold held under gold loan contracts

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

Provision for restoration cost

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

Financial instruments

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

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains and income line item in the consolidated statement of comprehensive income.

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS financial assets or are not classified as loans and receivables nor financial assets at FVTPL. The Group designated certain item (refers to available-for-sale investments) on initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

AFS financial assets (Continued)

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of the year. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income (expense) and accumulated under the heading of investment revaluation reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserves is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. When an AFS is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income (expense) are reclassified to profit or loss in the period.

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or less are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income (expense) and accumulated under the heading of investment revaluation reserves.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities as classified as at FVTPL are those financial liabilities designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Gold loans, which are designated at FVTPL, are measured at fair value with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other Financial liabilities

Financial liabilities other than gold loans including trade and other payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

Impairment of exploration and evaluation assets

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Impairment of exploration and evaluation assets *(Continued)*

At 31 December 2015, the carrying amounts of the exploration and evaluation assets of the Group are RMB75,145,000 (2014: RMB83,987,000).

Amortisation and impairment of mining right

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

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

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

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

At 31 December 2015, the carrying amounts of the mining right of the Group are RMB132,225,000 (2014: RMB137,554,000).

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of the Group's competitors. The depreciation charge will increase where useful lives are less than previously estimated.

The carrying amount of property, plant and equipment at 31 December 2015 is RMB337,454,000 (2014: RMB352,248,000). Details of the useful lives of property, plant and equipment are disclosed in note 14.

Provision for restoration cost

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

5. Revenue and Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. During each of the years ended 31 December 2015 and 2014, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in gold exploration in the PRC. Therefore, the management considers that the Group only has one operating segment, and no segment information is presented.

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

	2015 **RMB'000**	2014 RMB'000
Sales of processed gold	**284,554**	158,285
Sales of gold metal	**–**	1,532
	284,554	159,817

Included in revenue arising from sales of processed gold of RMB284,554,000 (2014: RMB158,285,000) are revenue of approximately RMB226,718,000 (2014: RMB110,852,000) which arose from sales to the Group's largest customer and which contributed to more than 10% of the revenue of the Group for the respective years.

6. Other Income

	2015 **RMB'000**	2014 RMB'000
Bank interest income	**2,483**	1,188
Government subsidy	**–**	300
Government grant related to assets *(note 27)*	**424**	192
Others	**326**	162
	3,233	1,842

7. Other Gains and Losses

	2015 RMB'000	2014 RMB'000
(Loss) gain on disposal of property, plant and equipment	**(36)**	104
Investment income of structured deposits	**815**	162
Fair value change on gold loans and gold held under gold loan contracts *(note 25)*	**2,848**	8,103
Fair value change on futures contracts *(note 21)*	**6,111**	(350)
Foreign exchange gain (loss), net	**3,401**	(1,626)
Investment income of held-for-trading investments (note)	**19**	–
Other losses	**(216)**	(115)
	12,942	6,278

Note: The held-for-trading investments are equity securities listed in Hong Kong which acquired for the purpose of selling in a short term.

8. Finance Costs

	2015 RMB'000	2014 RMB'000
Effective interest on loan from a shareholder	**–**	8,661
Interest on secured bank borrowings	**17,462**	20,992
Interest on unsecured trust loan	**3,234**	6,077
Interest on loan from a related party	**15**	–
Interest on gold loans	**5,546**	1,492
Accretion on environmental restoration costs *(note 28)*	**1,300**	522
	27,557	37,744

9. Taxation

No provision for Hong Kong Profits Tax nor the PRC Enterprise Income Tax (the "EIT") has been made as the Group had no assessable profit subject to profits tax during both years.

Under the Law of the PRC on EIT and Implementation Regulation of EIT law, the tax rate of the PRC subsidiaries were 25% during both years.

The taxation for both years can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Profit (loss) before taxation	**53,585**	(34,007)
Tax at EIT rate of 25%	**13,396**	(8,502)
Tax effect of income not taxable for tax purpose	**(697)**	(253)
Tax effect of expenses not deductible	**864**	3,355
Tax effect of tax loss not recognised	**–**	5,400
Tax effect of deductible temporary differences not recognised	**2,228**	–
Utilisation of tax losses previously not recognised	**(15,791)**	–
Taxation for the year	**–**	–

At 31 December 2015, the Group had cumulative unutilised tax losses of RMB72,038,000 (2014: RMB135,202,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Most of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

The expiry terms of the unused tax losses that no deferred tax assets have been provided are as followings:

	2015 RMB'000	2014 RMB'000
2018	**50,438**	113,602
2019	**21,600**	21,600
	72,038	135,202

10. Profit (Loss) for the Year

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

	2015 **RMB'000**	2014 RMB'000
Directors' and chief executive's emoluments *(note 11)*	**1,793**	1,542
Other staff costs	**35,495**	25,869
Retirement benefit scheme contributions, excluding those of directors and chief executive	**1,702**	1,434
Total staff costs	**38,990**	28,845
Less: amount capitalised in exploration and evaluation assets	**–**	(790)
Less: amount capitalised in construction in progress	**–**	(398)
Staff costs recognised in profit or loss	**38,990**	27,657
Depreciation of property, plant and equipment recognised in profit or loss	**26,747**	24,084
Amortisation of intangible assets	**23,824**	14,621
Release of prepaid lease payments	**357**	357
Depreciation and amortisation recognised in profit or loss	**50,928**	39,062
Cost of inventories recognised as an expense	**181,008**	135,147
Auditor's remuneration	**1,680**	1,600
Minimum lease payments under operating leases in respect of properties	**93**	94

11. Directors' and Chief Executive's Emoluments, and Five Highest Paid Employees

(a) Directors and the chief executive

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2015

Name of directors	**Fee** **RMB'000**	**Retirement benefit scheme contributions** **RMB'000**	**Other emoluments mainly salaries and other allowances** **RMB'000**	**Total** **RMB'000**
Executive directors:				
Mr. Ke Xiping	**–**	**–**	**–**	**–**
Mr. Chen Yu, David *(note)*	**–**	**29**	**1,236**	**1,265**
Mr. Ho Fook Lau, Albert	**–**	**–**	**240**	**240**
Independent non-executive directors:				
Ms. Wong Wan Ki, Angel	**96**	**–**	**–**	**96**
Mr. Xiao Wei	**96**	**–**	**–**	**96**
Dr. Tim Sun	**96**	**–**	**–**	**96**
	288	**29**	**1,476**	**1,793**

For the year ended 31 December 2014

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

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

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2014: two directors), details of whose remuneration are set out in note 11 (a) above. Details of the remuneration for the year of the remaining four (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**1,901**	817
Retirement benefit scheme contributions	**21**	9
	1,922	826

The emoluments of the above employees were all within HK$1,000,000 for both years.

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

12. Earnings (Loss) per Share

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

	2015 **RMB'000**	2014 RMB'000
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**53,585**	(34,007)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**925,000**	831,233

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

13. Dividend

No dividend was paid or proposed for ordinary shareholders of the Company during 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

14. Property, Plant and Equipment

	Buildings and structures RMB'000	Mining structures and equipment RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture & office equipment RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2014	74,853	242,938	15,786	3,853	745	4,299	5,841	348,315
Additions	621	910	2,803	1,530	82	909	35,288	42,143
Transfer	2,504	20,924	3,229	–	–	3,000	(29,657)	–
Disposals	–	–	(34)	(518)	(60)	(110)	–	(722)
At 31 December 2014	77,978	264,772	21,784	4,865	767	8,098	11,472	389,736
Additions	109	2,675	563	104	68	27	8,463	12,009
Transfer	5,133	6,409	86	–	–	1,124	(12,752)	–
Disposals	–	(45)	(40)	(125)	–	(496)	–	(706)
At 31 December 2015	83,220	273,811	22,393	4,844	835	8,753	7,183	401,039
DEPRECIATION								
At 1 January 2014	3,922	4,149	2,450	2,192	28	1,309	–	14,050
Provided for the year	3,919	16,595	1,613	648	146	1,163	–	24,084
Eliminated on disposals	–	–	(4)	(492)	(54)	(96)	–	(646)
At 31 December 2014	7,841	20,744	4,059	2,348	120	2,376	–	37,488
Provided for the year	4,797	17,618	2,087	819	151	1,275	–	26,747
Eliminated on disposals	–	(26)	(21)	(118)	–	(485)	–	(650)
At 31 December 2015	12,638	38,336	6,125	3,049	271	3,166	–	63,585
CARRYING VALUES								
At 31 December 2015	70,582	235,475	16,268	1,795	564	5,587	7,183	337,454
At 31 December 2014	70,137	244,028	17,725	2,517	647	5,722	11,472	352,248

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

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

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

As at 31 December 2015, buildings, mining structures and equipment amounting to RMB145,382,000 (2014: RMB155,507,000) have been pledged to Agricultural Bank of China to secure the bank borrowing.

15. Prepaid Lease Payments

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

	2015 RMB'000	2014 RMB'000
Current portion	**357**	357
Non-current portion	**16,222**	16,553
	16,579	16,910

16. Exploration and Evaluation Assets

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

	2015 RMB'000	2014 RMB'000
At beginning of the year	**83,987**	81,998
Additions	**70**	1,989
Impairment loss recognised in profit or loss	**(8,912)**	–
At end of the year	**75,145**	83,987

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. Exploration and evaluation assets are those expenditures for an area within the exploration tenements where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further evidence of mineralisation in existing ore bodies and to expand the capacity of a mine.

The impairment losses of RMB8,912,000 recognised during the year ended 31 December 2015 was primarily due to expiry of an exploration licenses for the Urum-Tulasu area and the full amount of the exploration and evaluation assets recognised in prior years has therefore been fully impaired.

17. Intangible Assets

The Group's intangible assets are as follow:

	Mining right RMB'000	Restoration costs RMB'000	Stripping costs RMB'000	Meadow compensation costs and others RMB'000	Total RMB'000
Cost					
At 1 January 2014	141,380	5,984	69,210	18,691	235,265
Additions	–	3,801	4,228	13,446	21,475
At 31 December 2014	141,380	9,785	73,438	32,137	256,740
Additions	–	3,329	20,480	580	24,389
At 31 December 2015	141,380	13,114	93,918	32,717	281,129
Amortisation					
At 1 January 2014	333	9	157	232	731
Charge for the year	3,493	261	9,406	1,461	14,621
At 31 December 2014	3,826	270	9,563	1,693	15,352
Charge for the year	5,329	494	16,538	1,463	23,824
At 31 December 2015	9,155	764	26,101	3,156	39,176
Carrying values					
At 31 December 2015	132,225	12,350	67,817	29,561	241,953
At 31 December 2014	137,554	9,515	63,875	30,444	241,388

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

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

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

At 31 December 2015, mining license of a gold mining project amounting to RMB132,225,000 (2014: RMB137,554,000) has been pledged to Agricultural Bank of China to secure the bank borrowing.

18. Available-For-Sale Investments

	2015 RMB'000	2014 RMB'000
Listed investment:		
Equity securities listed outside Hong Kong, at market prices	**473**	–
Analysed for reporting purposes as:		
Non-current assets	**473**	–

The available-for-sale investments are equity securities listed on the Toronto Stock Exchange, which is a mineral company incorporated in Canada.

19. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**2,782**	4,729
Gold in process	**39,976**	16,788
Gold doré bars	**27,348**	12,527
Consumables and spare parts	**14,894**	20,661
	85,000	54,705

20. Other Receivables and Prepayments

	2015 RMB'000	2014 RMB'000
Prepayments	**4,553**	3,748
Cash held by securities broker *(note i)*	**2,860**	2,894
Cash held by interactive broker *(note ii)*	**1,162**	–
Interest receivables	**240**	–
Consideration receivable for disposal of property, plant and equipment	**–**	1,905
Deposit for futures contracts *(note iii)*	**–**	2,718
Other receivables	**358**	4,523
Total	**9,173**	15,788

Notes:

(i) The cash held by securities broker as at each of the years ended 31 December 2015 and 2014 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.

(ii) The cash held by interactive broker as at the year ended 31 December 2015 represented the outstanding balance of cash account held by interactive broker for equity securities transactions.

(iii) Amount represents the deposit for gold futures contracts held by the Group as at 31 December 2014. Such deposits are held in designated accounts at the Shanghai Futures Exchange.

21. Futures Contracts

	2015 RMB'000	2014 RMB'000
Derivatives not under hedge accounting:		
Fair value of gold futures contracts — assets	**–**	38

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

The full amount of the futures contracts has been settled during the current year.

Changes in the fair values of gold futures contacts amounting to gain of RMB6,111,000 (2014: loss of RMB350,000) have been recognised in profit or loss.

22. Restricted Bank Balance/Fixed Deposits/Bank Balances and Cash

Restricted bank balance, fixed deposits and bank balances and cash of the Group carry interest at market rates as follows:

	2015 %	2014 %
Range of interest rates (per annum)	**0.001–1.25**	0.001–3.80

The fixed deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015 RMB'000	2014 RMB'000
Hong Kong dollars ("HK$")	**49,454**	60,905
US dollars ("US$")	**47,873**	710
	97,327	61,615

23. Other Current Asset

The other current asset represented gold held under gold loan contracts amounting to RMB33,607,000 as at 31 December 2014. The full amount of the relevant contracts has been settled during the current reporting period. The fair value of gold held under gold loan contracts are determined based on the quoted bid price of gold traded in active liquid market which is classified in level 1 in the fair value hierarchy.

24. Trade and Other Payables

	2015 RMB'000	2014 RMB'000
Trade payables	**13,053**	12,805
Payables for purchases of property, plant and equipment	**16,746**	25,157
Payables for expenditure on intangible assets	**1,595**	–
Payables for expenditure on exploration and evaluation assets	**62**	237
Payables for listing expenses	**–**	1,324
Other tax payables	**4,380**	3,263
Other payables	**3,156**	3,966
Accrued expenses	**6,218**	3,866
	32,157	37,813
	45,210	50,618

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

	2015 RMB'000	2014 RMB'000
0–30 days	**5,979**	4,819
31–60 days	**2,763**	3,425
Over 60 days	**4,311**	4,561
	13,053	12,805

25. Gold Loans

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

As at 31 December 2015, the gold loans are denominated in RMB, interest bearing at a contract rate of 3.80% per annum with original maturity of 340 days. As at 31 December 2014, the gold loans represented interest bearing at a contract rate of 5.20% per annum with original maturity of 181 days, 5.20% per annum with original maturity of 364 days and 3.80% per annum with original maturity of 329 days.

As at 31 December 2015, fixed deposit amounting to HK$55,000,000 (equivalent to RMB46,078,000) (2014: RMB49,002,000) is pledged for the relevant gold loan.

In addition, Jinchuan Mining repaid gold loans with a fair value of RMB44,868,000 (2014: RMB45,810,000) by using its processed gold. These transactions therefore represent major non-cash transactions of the Group for the year ended 31 December 2015.

The net gain arising from change in fair value of gold loans and gold held under gold loan contracts of RMB2,848,000 (2014: RMB8,103,000) has been recognised in profit or loss for the year ended 31 December 2015.

26. Bank and Other Borrowings

	2015 RMB'000	2014 RMB'000
Secured bank borrowings		
— floating rate	**263,759**	287,286
— fixed rate	**44,648**	–
Unsecured trust loan		
— fixed rate	**50,059**	100,099
	358,466	387,385
The amount is repayable as per follows:		
— within one year	**98,466**	17,385
— more than one year, but not exceeding two years	**100,000**	150,000
— more than two year, but not exceeding five years	**160,000**	220,000
	358,466	387,385
Less: amount due within one year shown under current liabilities	**98,466**	17,385
Amount shown under non-current liabilities	**260,000**	370,000

The ranges of effective interest rates on the Group's borrowings are as follows:

	2015 %	2014 %
Effective interest rate (per annum)		
— fixed-rate borrowing	**3.78 to 4.85**	5.24
— floating-rate borrowing	**6.08**	6.95

The Group's floating-rate borrowing is mainly subject to interest at the quoted lending rate of the People's Bank Of China ("PBOC"). Interest is reset every year.

As at 31 December 2015, fixed deposits amounting to US$7,363,000 (equivalent to RMB47,811,000) and RMB110,000 are pledged for the fixed rate borrowing from China Merchants Bank.

Subsequent to the end of the reporting period, the Group agreed with the lender to early settle the trust loan in full.

27. Deferred Income

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

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

	2015 RMB'000	2014 RMB'000
Government grant related to assets:		
At beginning of the year	**9,115**	1,477
Additions	**–**	7,830
Released to profit or loss	**(424)**	(192)
At end of the year	**8,691**	9,115

28. Provision

	2015 RMB'000	2014 RMB'000
At beginning of the year	**4,209**	5,789
Additions to site reclamation	**3,329**	3,801
Accretion incurred in the year	**1,300**	522
Payment of restoration cost	**(1,897)**	(5,903)
At end of the year	**6,941**	4,209

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

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

29. Share Capital

Details of movements of share capital of the Company are as follow:

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2014 *(note i)*	38,000,000	380
Increase on 5 May 2014 *(note ii)*	1,962,000,000	19,620
At 31 December 2014 and 31 December 2015	2,000,000,000	20,000
Issued:		
At 1 January 2014 *(note i)*	15	–
Issued during the year *(note iii)*	924,999,985	9,250
At 31 December 2014 and 31 December 2015	925,000,000	9,250

	2015 RMB'000	2014 RMB'000
Shown in the consolidated statement of financial position	**7,362**	7,362

Notes:

(i) The Company was incorporated in the Cayman Islands on 10 April 2012 as an exempted company with an authorised capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, 1 share of HK$0.01 each of the Company was subscribed by Gold Virtue Limited ("Gold Virtue"), which is wholly owned by Mr. Ke Xiping. On 18 June 2012, an additional 7 shares were allotted, issued, and credited as fully paid to Gold Virtue.

On 9 July 2012, an additional 2 shares, representing 20% of the then issued capital of the Company, were subscribed by Xi Wang Developments Limited ("Xi Wang"), which is wholly owned by Mr. Neo Aik Lip, an independent third party of the Group, for a consideration of US$27,470,000 (equivalent to RMB173,745,000). Xi Wang partly financed the subscription by a term loan granted by a financial institution using the 2 shares issued by the Company as security and guaranteed by an entity owned and controlled by Mr. Ke Xiping ("Xi Wang Loan").

On 26 June 2013, a further 4 shares were subscribed by Gold Virtue for a consideration of US$12,000,000 (equivalent to RMB74,134,000). On the same date, 1 share was also subscribed by Xi Wang for a consideration of US$3,000,000 (equivalent to RMB18,534,000).

(ii) Pursuant to the resolutions passed by the shareholders of the Company on 5 May 2014, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of additional 1,962,000,000 ordinary shares of HK$0.01 each.

(iii) On 29 May 2014, the Company issued a total of 231,250,000 ordinary shares of HK$0.01 each at the HK$1.60 (equivalent to RMB1.273) pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 693,749,985 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by capitalising of an amount of HK$6,938,000 (equivalent to RMB5,521,000) from the share premium account of the Company.

(iv) All the shares issued during both years ranked pari passu in all respects with the then existing shares in issue.

30. Capital Commitments

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of		
— property, plant and equipment	**13,580**	51,296
— exploration and evaluation assets	**–**	253
	13,580	51,549

31. Lease Commitments

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**47**	47

32. Retirement Benefit Schemes

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

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

Total cost recognised in profit or loss in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2015 is RMB1,731,000 (2014: RMB1,452,000).

33. Related Party Transactions

(a) Related parties balances

No outstanding balances with related parties are set out in both years end.

(b) Related party transactions

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

During the year, an amount of HK$10,000,000 (2014: nil) was advance from Excel Pearl (Hong Kong) Limited, which is wholly-owned by Mr. Ke Xiping, the controlling shareholder of the Company, to a subsidiary of the Company. The amount was unsecured, interest-bearing at fixed rate of interest of 2% per annum and has been repaid in full by the Group before the end of the reporting period. The interest paid by the Group is HK$18,000 (equivalent to RMB15,000) (2014: nil).

(c) Compensation of key management personnel

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

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	4,048	2,545
Retirement benefit scheme contributions	57	31
	4,105	2,576

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

34. Capital Risk Management

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

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

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

35. Financial Instruments

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
At FVTPL — held for trading — futures contracts	–	38
Available-for-sale investments	473	–
Loans and receivables (including cash and cash equivalents)	124,968	173,370
	125,441	173,408
Financial liabilities		
Amortised cost	393,078	430,874
Designated at FVTPL — gold loans	39,865	137,682
	432,943	568,556

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

The Group's exposure to foreign currency risk related primarily to available-for-sale investments, fixed deposits, certain bank balances, certain other receivables and certain other payables that are denominated in HK$, US$ and CAD$.

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

35. Financial Instruments *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

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

	2015 RMB'000	2014 RMB'000
Assets		
HK$	50,838	60,905
US$	47,930	710
CAD$	473	–
Liabilities		
HK$	302	277
US$	654	616

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

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in RMB against HK$, US$ and CAD$. 5% (2014: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of the Group's foreign currency denominated monetary assets and liabilities at the year-end by a 5% (2014: 5%) change in the respective foreign currency rates.

	2015 RMB'000	2014 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Decrease in profit or increase in loss for the year	(2,527)	(3,031)
5% depreciation of RMB against HK$		
Increase in profit or decrease in loss for the year	2,527	3,031
US$ impact:		
5% appreciation of RMB against US$		
Decrease in profit or increase in loss for the year	(2,364)	(5)
5% depreciation of RMB against US$		
Increase in profit or decrease in loss for the year	2,364	5
CAD$ impact:		
5% appreciation of RMB against CAD$		
Decrease in profit or increase in loss for the year	(24)	–
5% depreciation of RMB against CAD$		
Increase in profit or decrease in loss for the year	24	–

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

35. Financial Instruments *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (note 26) and gold loans (note 25). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure when the need arises.

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

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

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates of variable rate bank balances and loans at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or 50 basis points decrease (2014: 50 basis points increase or decrease) represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2015 would decrease by RMB1,187,000/increase by RMB1,187,000 (2014: loss before taxation increase by RMB865,000/decrease by RMB865,000).

(iii) Other price risk

The Group's other price risk is mainly concentrated on the gold loans and equity securities accounted for as available-for-sale investments. Details are set out in notes 25 and 18, respectively.

For the outstanding gold loans, if the market price of gold had been 10% higher/lower, profit before taxation for the year ended 31 December 2015 would decrease/increase by RMB4,096,000 (2014: RMB14,163,000) as a result of the changes in the market price of gold.

The Group is exposed to equity securities price risk because the fair value of certain available-for-sale investments are measured by reference to quoted prices. Details of the available-for-sale investments are set out in note 18. No sensitivity analysis is presented for available-for-sale investments due to the management of the Company considered the amount is insignificant.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

35. Financial Instruments *(Continued)*

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

Liquidity risk

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

Liquidity tables

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

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

	Weighted average effective interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2015						
Non-derivative financial liabilities						
Trade and other payables		**23,285**	**10,326**	**1,001**	**34,612**	**34,612**
Bank and other borrowings						
— floating rate	6.08	**4,150**	**61,199**	**241,503**	**306,852**	**263,759**
— fixed rate	4.77	**11,027**	**47,166**	**40,813**	**99,006**	**94,707**
		38,462	**118,691**	**283,317**	**440,470**	**393,078**
Gold loans	3.80	**–**	**40,959**	**–**	**40,959**	**39,865**
As at 31 December 2014						
Non-derivative financial liabilities						
Trade and other payables		31,228	12,261	–	43,489	43,489
Bank and other borrowings						
— floating rate	6.95	5,042	34,715	312,142	351,899	287,286
— fixed rate	5.24	1,311	4,005	101,194	106,510	100,099
		37,581	50,981	413,336	501,898	430,874
Gold loans	4.75	–	143,632	–	143,632	137,682

35. Financial Instruments *(Continued)*

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Financial assets/financial liabilities	Fair value 2015 RMB'000	Fair value 2014 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale investments classified as financial assets in the consolidated statement of financial position	**Assets — 473**	–	Level 1	Quoted price of stock in Toronto Stock Exchange.
Futures contracts classified as financial assets in the consolidated statement of financial position	**–**	Assets — 38	Level 1	Quoted price of gold futures in Shanghai Futures Exchange.
Gold loans classified as financial liabilities in the consolidated statement of financial position	**Liabilities — 39,865**	Liabilities — 137,682	Level 2	Discounted cash flow with reference to quoted bid price of gold traded in active liquid market as a key input.

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

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

36. Subsidiaries

Details of the Company's subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2015	Equity interest attributable to the Group 2014	Principal activities
Directly owned					
Golden Planet Investments Limited	The British Virgin Islands	US$3	**100%**	100%	Investment holding
Indirectly owned					
Tianshan Gold Securities (Hong Kong) Limited	Hong Kong	HK$117,000,002	**100%**	100%	Investment holding
Tianshan Goldfield (Xinjiang) Investment Advisory Limited *(note i)*	The PRC	HK$500,000	**100%**	100%	Investment holding
Jinchuan Mining *(note ii)*	The PRC	US$51,500,000	**100%**	100%	Mining and processing of gold and sales of processed gold products

Notes:

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

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

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

37. Statement of Financial Position of the Company

	2015 RMB'000	2014 RMB'000
Non-current Assets		
Investments in subsidiaries	**190,657**	190,657
Amounts due from subsidiaries	**202,395**	191,119
	393,052	381,776
Current Assets		
Amount due from subsidiaries	**8,515**	–
Bank balances and cash	**1,765**	4,724
	10,280	4,724
Current liabilities		
Trade and other payables	**952**	889
Net current assets	**9,328**	3,835
Total assets less current liabilities	**402,380**	385,611
Capital and Reserves		
Share capital	**7,362**	7,362
Reserves	**395,018**	378,249
Total equity	**402,380**	385,611

Movement in reserves

	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2014	266,412	(152,588)	113,824
Issue of new shares	292,643	–	292,643
Issue of shares by capitalisation of share premium account	(5,521)	–	(5,521)
Transaction costs attributable to issue of new shares	(13,482)	–	(13,482)
Loss and total comprehensive expense for the year	–	(9,215)	(9,215)
At 31 December 2014	540,052	(161,803)	378,249
Profit and total comprehensive income for the year	–	16,769	16,769
At 31 December 2015	540,052	(145,034)	395,018

Five Years Summary

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	264,513	525,507	704,016	963,444	**887,177**
Total liabilities	259,970	412,801	576,575	589,009	**459,173**
Net assets	4,543	112,706	127,441	374,435	**428,004**
Equity attributable to owners of the Company	4,543	112,706	127,441	374,435	**428,004**

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
RESULTS					
Revenue	–	–	4,480	159,817	**284,554**
(Loss) profit before taxation	(5,496)	(44,214)	(90,042)	(34,007)	**53,585**
Taxation	–	–	–	–	**–**
(Loss) profit for the year	(5,496)	(44,214)	(90,042)	(34,007)	**53,585**
Total comprehensive (expense) income for the year, attributable to owners of the Company	(5,496)	(44,214)	(90,042)	(34,007)	**53,569**

DEFINITIONS

"Articles of Association" or "Articles"	the articles of association of the Company conditionally adopted on 5 May 2014, which will become effective upon the Listing, as amended from time to time.
"associate"	has the meaning ascribed thereto in the Listing Rules
"Audit Committee"	the audit committee of the Company established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"CIL Project"	a project of the Group which is designed to utilize carbon-in-leach technology to produce gold
"Company"	Hengxing Gold Holding Company Limited
"Company Law" or "Cayman Company Law"	The Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Ke, Gold Virtue, Mr Ke Jia Qi and/or Xi Wang Developments
"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Gold Mountain Mine"	金山金礦, a gold mine located in Yining County of Xinjiang, China, which covers five gold prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect
"Gold Virtue"	Gold Virtue Limited, a company incorporated under the laws of the BVI with limited liability on 16 March 2012 and a Controlling Shareholder, which is wholly-owned by Mr. Ke Xiping
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Jinchuan Mining"	Xinjiang Gold Mountain Mining Co., Ltd (新疆金川礦業有限公司), a limited liability company established in China on 20 June 2003 and owned as to 93.6% by Tianshan Gold HK and 6.4% by Jintian Investment
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 29 May 2014

DEFINITIONS

"Listing Day"	29 May 2014
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company established in compliance with Rule A.5.1 and Rule A.5.2 of the Listing Rules
"Period Under Review"	the year ended 31 December 2015
"PRC" or "China"	The People's Republic of China
"Prospectus"	the prospectus of the Company dated 19 May 2014
"Remuneration Committee"	the remuneration committee of the Company established in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company under the resolutions of the Shareholders dated 5 May 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianshan Gold HK"	Tianshan Gold Securities (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on 16 April 2008 and a direct wholly-owned subsidiary of Golden Planet
"Xiamen Hengxing"	Xiamen Hengxing Group Co., Ltd. (廈門恒興集團有限公司), a limited liability company established in China on 14 September 1994, which is owned by Mr. Ke Xiping as to 99.34% and by Ms. Liu Haiying, Mr. Ke's wife, as to 0.66%, and except where the context otherwise requires, includes all of its subsidiaries
"Xi Wang Developments"	Xi Wang Developments Limited (熙望發展有限公司), a limited liability company incorporated in the BVI on 11 May 2012 and a Controlling Shareholders, which is wholly-owned by Mr. Ke Jiaqi, Mr. Ke Xiping's son
%	per cent