Hengxing Gold Holding Company Limited

恒興黃金
HENGXING GOLD

(incorporated in the Cayman Islands with limited liability)

stock code: 2303

2016
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

Estera 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

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

As to Cayman Islands law:

Estera 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.

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 2016 (the "**Period Under Review**"), the Gold Mountain Mine produced 66,604 ounces of gold and processed approximately 4.8 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 and share with shareholders the annual report for the year ended 31 December 2016. With the increased production and remarkable improvements in operating results, the Gold Mountain Mine, wholly owned by the Company, is the largest gold mine in Xinjiang region with highest ore quantity processed, the most gold produced and the lowest all-in cost by a single mine. Thanks for your long-term support and trust.

Great Increase in Output and Profits

In 2016, the Black Swan Event occurred frequently and had a significant impact on the international market so that the international gold price rose from USD1,030/ounce to USD1,379/ounce. With the sharp rise of the gold price, the Company followed the trend and generated good news frequently. As of 31 December 2016, the Gold Mountain Mine achieved the ore processing capacity of about 4.79 million tons and the gold production of 2,072 kg, increased by 53% compared with 2015. It also achieved the revenue of RMB733 million and the net profit after tax of RMB203 million, with the net profit after tax increased by 279% compared with 2015.

Technical Improvements

After extensive tests and trials, the decision of using high-pressure grinding roller was made in 2016 as part of overall technical upgrade. The final particle size is expected to meet the designed size, and the leaching recovery rate will be enhanced by 8%–10%.

Moreover, through the technical improvement of lime addition system, the auto-control of lime addition was achieved, greatly improving the working conditions of workers and purifying the working environment. The construction of a high-temperature carbon activation workshop was completed, and it's conducive to the recovery of activated carbon, reducing the purchase of activated carbon of about 84 tons every year and further cutting the costs.

Lowered Production Cost from Cost Control

For a gold production company, the production cost has direct impact on its profits and competitiveness. The Company works in various ways, trying to reduce the cost in a thorough, fine and feasible management way and getting a significant effect. The all-in gold production cost of the Gold Mountain Mine in 2016 was remarkably reduced by 28% to US$609/oz from US$850/oz recorded in 2015.

Chairman Statement

In addition, in 2016, The Company has completed infill drilling and supplementary drilling at the boundary of the Jingxi-Balake prospect, improving the level of resources. The Company also worked on serving the local community development, protecting the local mining environment, and making a safe and reliable working environment with the goal of building green mines.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to all our employees for their efforts and contributions and to our partners and local communities for their support and assistance. We expect to see a better future of Hengxing Gold with you.

KE Xiping
Chairman

Respectfully yours

27 March 2017

Management Discussion and Analysis

Business Review

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

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

In addition to current mining operations at the Yelmand prospect and the Mayituobi prospect within Gold Mountain Mine, the Company is planning for the construction of new open pits at the Kuangou prospect and the Jinxi-Balake prospect. As for the Kuangou prospect, the initial stripping in 2016 amounted to 3,149,327 cubic meters. Construction of haulage adit to the plant has reached 80 meters long and will be extended to the designed length of 1,139 meters. The Company plans to commence mining activities in the Kuangou prospect and the Jinxi-Balake prospect in the fourth quarter of 2017.

After in-depth studies and tests on various crushers, the decision of using high-pressure grinding roller was made in June 2016. The final particle size is expected to meet the designed size and the leaching rate can be further increased by about 8%. The Company signed the equipment procurement contract with the supplier of high-pressure grinding rollers in July 2016. The workshop construction has been completed in December 2016 and the high-pressure grinding roller is expected to be installed and tested in the first quarter of 2017.

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

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

Management Discussion and Analysis

Prospects

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

Ramp up processing capacity

The Group is committed to ramping up the operations in a steady and effective manner with a view to achieving the designed ore processing capacity. In addition, the Group will make continuous efforts to enhance operational design and utilize more mature technologies to improve efficiency and save costs.

Further expand resources and upgrade reserves

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

Seek business diversifications

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

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

Further strengthen work safety and environmental protection

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

Management Discussion and Analysis

Use of Proceeds from the Initial Public Offering

The net proceeds from the Company's issue of new shares in the initial public offering ("IPO") dated 29 May 2014, after deducting listing related expenses, amounted to approximately HK$330.4 million. The use of proceeds was disclosed in the prospectus (the "Prospectus") on 19 May 2014 issued by the Company relating to the IPO and further disclosed in the clarification announcement made by the Company on 28 May 2014. On 15 June 2015, the board has resolved to change the use of the unutilized IPO proceeds, amounting to approximately HK$180.3 million, and apply for new specific purposes, details of which are indicated in the table below. As at 31 December 2016, the Company has used approximately HK$238.8 million and intends to apply the remaining net proceeds in the manner consistent with that set out in the Prospectus and relevant announcements made thereafter.

	Planned amount per clarification announcement dated 28 May 2014 (HK$ million)	Revisions per announcement of proposed changes dated 16 June 2015 (HK$ million)	Amount utilized up to 31 December 2016 (HK$ million)	Balance of unutilized IPO proceeds as at 31 December 2016 (HK$ million)
Financing the Company's CIL Project, including:				
• Constructing and installing the carbon-in-leach production and ancillary facilities, purchases of relevant equipment	120.1	–	–	–
• Acquiring land use right, hiring project design and supervisory experts, implementing work safety measures and applying for relevant licenses	30.0	–	–	–
Upgrading the crushing system in order to improve the efficiency of current production process of Gold Mountain Mine	–	12.5	12.5	–
Developing a new open pit at the Kuangou prospect and a new leach pad to accommodate ore mined from the Kuangou prospect for the purpose of increasing production	–	27.5	27.5	–
Repaying outstanding loans with interests and advances from controlling shareholder Mr. Ke	138.8	–	138.8	–
Repaying part of the outstanding gold lease facilities	–	47.6	47.6	–
Financing the Company's potential acquisitions of gold resources, including expenses for due diligence, environmental and exploratory studies	15.1	77.6	–	77.6
Financing further exploration works at the Gold Mountain Mine and its surrounding areas where the Company holds exploration licenses	15.1	15.1	1.1	14.0
Working capital use and other general corporate purposes	11.3	–	11.3	–
Total	330.4	180.3	238.8	91.6

Management Discussion and Analysis

Financial Review

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

The Group started to record a consolidated profit of the Group of RMB203,159,000 for the year ended 31 December 2016, while the consolidated profit for the corresponding period of 2015 was RMB53,585,000. The significant increase of consolidated profit is mainly due to (a) substantial growth in gold production and sales as compared to the corresponding period in 2015, (b) improved durability of the wearable parts leads to lower unit cost of wearable parts.

Revenue

During the Period Under Review, the Group's revenue was approximately RMB733,034,000, compared with RMB284,554,000 in the corresponding period of 2015, because the gold production and sales volume and sales price increased and the Group began to involve in the trading of palm oil.

Cost of Sales ("COGS")

During the Period Under Review, the Group's cost of sales amounted to approximately RMB371,845,000 compared with RMB181,008,000 in the corresponding period of 2015, which primarily included mining costs, processing costs, labor costs related to mining and processing activities as well as depreciation and amortization costs including depreciation costs of property, plant and equipment and amortization costs of intangible assets and the purchase cost of Palm oil. The increase in COGS was due to the growth of production volume and the involvement of palm oil trading.

Gross profit

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

Selling and distribution expenses

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

Administration Expenses

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

EBITDA

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

Finance Costs

During the Period Under Review, the Group's finance costs was RMB21,069,000 (for the year ended 31 December 2015: RMB27,557,000), representing a decrease by 31%, compared with the corresponding period of 2015. The decrease was mainly due to the repayment of loans, details are set out in Note 30 and Note 31 in consolidated financial statements.

Profit (loss) before taxation

As a result of the foregoing, the profit before taxation was RMB237,259,000 for the year ended 31 December 2016, compared with the profit before taxation of RMB53,585,000 in the corresponding period of 2015.

Profit (loss) and total comprehensive income (expense)

As a result of the foregoing, the profit and total comprehensive income was RMB204,858,000 for the year ended 31 December 2016, compared with the profit and total comprehensive income of RMB53,569,000 in the corresponding period of 2015.

Liquidity and Financial Resources

The Group was in possession of reasonable operation cash flow and working capital due to the substantial growth of production. As at 31 December 2016, the Group's bank balances and cash and fixed deposit were RMB137,822,000 (as of 31 December 2015, it was RMB120,338,000). Net assets were RMB632,862,000 (as of 31 December 2015, it was approximately RMB428,004,000).

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

Current ratio and gearing ratio

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

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

Cash flows

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

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

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

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

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

Capital Structure

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

Indebtedness and charge on assets

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

Save as stated above, as of 31 December 2016, the Group did not have other outstanding loan extended and outstanding, bank overdrafts, other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees and other material contingent liabilities.

Contingent liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities or guarantees (as of 31 December 2015: nil). The Group is not currently involved in any material legal proceedings, nor is the Group is aware of any pending or potential material legal proceedings, involving us. If the Group is involved in such material legal proceedings, the Group would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Foreign Currency Risk

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

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

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

Employees

As at 31 December 2016, the Group employed approximately 328 employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC.

The Exploration, Development and Mining Production Expenditures

Mining Production

Gold Mountain Mine includes five prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect. For the Period Under Review, the total amount of ore mined and processed was approximately 4.8 million tones. As of 31 December 2016, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

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

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

Exploration

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

Mine Development

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

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

Significant Investments, Acquisitions and Disposals

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

Final Dividend

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

Closure of the Register of Members

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

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

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 2016, 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. 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, 2016	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 two Audit Committee meetings to review the 2015 annual and 2016 interim financial result and report, financial reporting and compliance procedures. 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 42 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 9 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 2016 is set out below:

Remuneration band	Number of individuals
Within HK$1,000,000	4

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, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditor's Report on page 44.

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 2016 Fees paid/payable (RMB'000)
Audit services	
Annual audit	770
Non-audit services	
Interim review	410
Total	1,180

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 34. 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.

Environment

The Company actively fulfills the social responsibility, always adheres to the concept of laying equal stress on development and environmental protection, reasonably utilizes various resources, practices environmental protection through practical action and contributes to improving ecological environment and promoting sustainable development.

I. Emission

1. Type of emission:

The main emissions in the gold production process of the Company include: dead rock, dust, noise, sulfur dioxide, nitrogen oxide, smoke and slag, in which the sulfur dioxide and nitrogen oxide are emissions generated from boiler heating for winter heating.

In 2016, 128,128 kg smoke, 73,559 kg sulfur dioxide, 58,333 kg nitrogen oxide and 295,134 kg dust were emitted. The stripping earth and rock produced was 2,208,200 m^3, and the stripping dead rock of the capital construction was 3,127,700 m^3, totally 5,336,000 m^3 stripping earth and rock, which was intensively stacked in the refuse dump for land restoration during closure; the total stripping humus was 22,832.16 m^3, all stacked in the humus storage yard for future land restoration.

2. Treatment and comprehensive utilization of emission:

(1) Dust: The ore will generate dust in the crushing, screening and transportation processes, and the dry dedusting method is used by the Company. A coarse crushing workshop, a medium and fine crushing workshop, a screening workshop and other dust production points are provided with partially sealed covers, and the exhaust gas is discharged via exhaust funnel by using pulse bag filter. A spray dust control device is installed at each main dust production point, in order to further reduce the flying dust in the workshop. The Company provides four multi-functional sprinklers for sprinkling water to the stope and ore hauling roads, roads in the living quarters every day in non-winter, in order to effectively reduce the flying dust pollution on the working face of the stope and the ore hauling roads.

(2) Flue gas: Two SF-10 composite water film desulfurating dust separators are installed in the boiler room, and the boiler flue gas is finally discharged into atmosphere by 40m-high chimney after dedusting and desulfurization. A temporary boiler slag yard is provided near the boiler room, and all slags are used for paving the road of the mining area and skid resistance of winter road.

(3) Stripping earth and rock: During stripping, the surface soil and dead rock are stripped respectively, and stacked in the refuse dump and humus storage yard respectively. The Company manages and monitors the refuse dump and humus storage yard every day, to prevent flying dust and water and soil loss. For the stripped dead rock, during closure, at the bottom of the mining pit, the earth and rock part can be used as the landfill material of restoration, and the stripped humus can be laid on the surface layer of the mining pit, which is conducive to vegetation growth and environmental restoration.

(4) Emission of exhaust gas: The gold recovery workshop is provided with gas collecting hoods above the smelting, parting equipment for guiding the exhaust gas generated into the acid fog clean tower of the environmental protection workshop through the exhaust duct, and discharging after reaching the standard through alkali liquor washing and absorption. The Company adopts the cyanide-free desorption electrolytic process equipment, and the system is enclosed; before decompression and starting the winning cell, the exhaust gas in the system is discharged through scavenging, and then discharged after neutralization and absorption.

(5) Wastewater: All wastewater is recycled after purification, without discharge to outside.

(6) Household garbage: It is transported to the garbage treatment station in Yining County for treatment. The Company classifies the garbage, and prohibits throwing or burning household garbage.

3. *Laws and regulations observed*

The main laws and regulations on environmental protection observed by the company include: Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the People's Republic of China on Promoting Clean Production, Regulations on the Administration of Construction Project Environmental Protection, Technical Policies for Prevention and Control of Hazardous Waste Pollution, Rules for Implementation of the Regulations on the Administration of Construction Project Environmental Protection in Xinjiang Uygur Autonomous Region and Regulations on Ecological Environmental Protection of Yili River Basin.

II. Use of Resources

1. *Use of mineral resources*

Mineral resource is the living basis and development power of mineral development enterprises. The Company attaches importance to the resources utilization efficiency, in order to prevent resource waste.

In 2016, the Gold Mountain Mine mined 4.824 million tons ore and crushed and processed 4.79 million tons ore. The Company strengthens field operation management, strictly controls technical indicators of mining and beneficiation, through optimizing the mining method and beneficiation technology, in order to minimize the mining loss rate and dilution rate, and improve the concentration recovery rate. In particular, after the Company continuously explored other crushing equipment, in 2016, we determined the high pressure roller mill as the crushing technology innovation program. On one hand, the high pressure roller mill can make the particle size of the ore basically reach the standard, and on the other hand, the fracture of crushing ore can be increased, consequently to improve the leaching efficiency by about 8%–10%.

2. *Use of other resources*

Except for mineral resources, other main resources used by the Company include water, electricity, coal and diesel oil. The following illustration shows use of these resources and measures to improve resource usage efficiency.

In 2016, water consumption of the Company was 109,927 t, power consumption was 23,761,320 KWH, coal consumption was 4,174.72 t, diesel fuel consumption was 5,185,591 L, and gasoline consumption was 38,336 L.

The Company offers a sewage treatment station which treated 17,577 t of sewage cumulatively in 2016. Domestic sewage enters a 200 m^3 clean water tank after being treated to reach the standard, and then is used for greening, watering and lowering dust in the mining area. Moreover, it enters the barren solution tank of cyanide smelting factory as supplementing water for the heap leaching plant. As a result, the production process water is fully recycled to reduce production water.

The fuel coal consumption is maximally reduced by reasonably regulating heating time and adjusting the boiler operating way based on temperature change.

Capacitor switching is regulated in time based on load flow change of the general step-down transformer substation, in order to improve the power factor, but reduce reactive power consumption of the power grid.

Transportation distance is shortened by optimizing the ore transportation scheme to lower diesel oil consumption.

III. Environmental and Natural Resources

1. Environmental monitoring, management, investigation, assessment and reporting

The Company and Environmental Monitor Station in Kazakh Autonomous Prefecture, Ili signed *Environmental Monitoring Consulting Contract*, through which water quality, air quality and noise of the mining area is monitored regularly, and monitoring, investigation, assessment and reporting on the biological system in the production operation area is strengthened, so as to prevent environmental accidents.

In 2016, the Company, based on the requirements of laws and regulations, involved monitoring water quality, air quality and noise as below:

Each detection requirement is decomposed into a monitoring point to monitor water quality, exhaust gas, soil and noise in a supervision manner, and test and preserve the water quality sample, displaying the fully compliant monitoring result.

Dust is detected regularly in the workshop. During operation, the Company regularly detects inhalable dust in the concentrating mill and the stope. This ensures fully detecting air quality. Besides, mining dust is controlled by spraying water by virtue of the watering cart, installing the spray dust collector, and plugging various dust produce places.

2. Land restoration:

In 2016, the Company finished preparation of *Ecological Restoration Treatment Scheme* for Gold Mountain Mine, passed review successfully, and approved by the Environmental Protection Department. Based on the *Ecological Restoration Treatment Scheme*, 290.85 ha of damaged land will be subject to restoration in the mining area, with land rehabilitation of 100%. Based on comprehensive analysis for regional natural environmental conditions, social economic conditions, local planning area and land owner’s willing, the land to be reclaimed will be rehabilitated to the use type of the original land.

Society

I. Employment:

1. Recruitment

The Company absorbs talents on the basis of principles of openness, equality, competition and internal recommendation, and insists on the idea of giving full scope to the talents.

As of December 31, 2016, the Company has 328 employees. Personnel professionalism and specialization have been realized in various posts of duty. Details for personnel with professional skills and education backgrounds are shown by the table below:

Classification of Employee Information by Functional Categories in 2016

Type of employment	Year's end population	Proportion of total year's end population	Number of turnover persons	Defection rate
Functional management	49	14.9%	8	2.46%
Mining production	23	7.0%	5	1.54%
Dressing production	96	29.3%	18	5.54%
Smelting production	59	18.0%	6	1.85%
Logistics support	101	30.8%	11	3.38%
Total	328	100%	48	14.77%

Information on Employees by Genders and Age Groups in 2016

Gender and age	Year's end population	Proportion of total year's end population	Number of turnover persons	Defection rate
Male				
18–20	5	1.5%	0	0
20–30	134	40.9%	22	6.77%
31–40	63	19.2%	6	1.85%
41–50	58	17.7%	4	1.23%
More than 50 years old	21	6.4%	8	2.46%
Subtotal	281	85.7%	40	12.31%
Female				
Less than 20 years old	0	0	0	0
20–30	27	8.2%	6	1.85%
31–40	12	3.7%	0	0
41–50	7	2.1%	0	0
More than 50 years old	1	0.3%	2	0.61%
Subtotal	47	14.3	8	2.46%

Classification of employee's qualification title and education background in 2016

Type of employment	Number of persons with college degree or above	Number of persons with college degree or below	Number of persons obtaining the titles	Proportion of total year's end population	Number of turnover persons with titles
Functional management	36	13	15	4.62%	1
Mining production	13	10	3	0.92%	2
Dressing production	16	80	13	4.00%	2
Smelting production	10	49	4	1.23%	0
Logistics support	22	79	11	3.38%	0
Total	97	231	46	14.15%	5

2. *Remuneration & welfare*

The management's remuneration of the Company consists of basic wage and performance bonus, while general employee's remuneration consists of standard salary, performance bonus and allowance subsidies.

3. *Promotion & decruitment*

The Company provides employees equal promotion prospects, offers promotion channels to various posts, and furnishes the stage to make the aspiring, competent, and diligent and hard-working employees' dream come true and show their brilliance.

As of the end of 2016, the employee defection rate of the Company was 14.77%.

4. *Working hours and vacation*

In order to give full play to the potential of employees, the Company strictly abides by the working hours and holidays stipulated by the laws of the locality. Employees in Gold Mountain Mine can enjoy seven holidays every month. Owing to the geographic particularity of the mine, employees can enjoy flexible vacation policy. Hence, they can take a centralized vacation or accumulate the vacation in the middle of the year or the end of the year. In the meanwhile, the company offers personal leave, sick leave, marriage leave, funeral leave, maternity leave, work-related injury leave, and paternity leave, through which employees can balance the work and the life conveniently.

5. *Equal opportunity*

Scrupulously abide by the principal of equality and non-discrimination employment, the company, following local laws and regulations, provides equal opportunities to the staff members and creates a fair and non-discriminatory atmosphere among them. The company treats staff members with different sex, race, religion, and culture background equally: female staff, with equal working opportunity of male, will no longer lost their jobs, be demoted or suffer a pay drop because of fertility. With the development of the company, the employee structure shows its diversified distributions, i.e., at present, 13 ethnic groups with 12 minorities among them including Uygur nationality, Kazak nationality, Hui nationality, Tibetan nationality, Tujia nationality and Russian nationality and a total of 111 people work together in the company, forming the Jinchuan big family with Han nationality as its main body. Meanwhile, considering the employment situation, we will offer a large number of working opportunities to local surplus workers; the company will never employ child laborers but will ensure the equal employment opportunities for the vulnerable groups including the disabled. Detailed information refers to the following table regarding to the staff numbers' regional distribution and the ethnic minority numbers:

Staff members distributed according to affiliated regions and the ethnic minority numbers in 2016

Region of staff members	Number of staff members	Proportion in total staff members	Number of turnover persons	Defection rate
Xinjiang	143	44%	22	6.77%
Regions outside Xinjiang	185	56%	26	8.00%
Ethnic minority numbers	111	34.15%	13	4.00%

II. Health and Safety

Adhering to the people-centered concept, the Company creates staff members with good working environment and ensures them with a good health and a safe place. The company encourages staff members to give play to their creativities and potentials, expecting that they can seek personal development from the company and achieve the mutual development.

The healthy and safe environment protection work implemented by the Company in 2016 has achieved: no death and serious injuries, no environmental and fire incident, and no criminal and malignant group event.

Occupational health work completed:

(1) The amendment of occupational health system and the establishment and normalization of its archives;

(2) The occupational physical examination of each position in 2016;

(3) Dust pollution control of coarse crushing, medium-fine grinding and in screening workshop cooperated with the concentrating mill; and model selection and system amendment of company's labor protection articles;

(4) Occupational hazard factor testing;

(5) Drawing design of the smelting workshop's ventilation system.

In 2016, 16 safety education trainings were organized, with great attention focused on the aspects including national laws and regulations, major hazard installations, explosive and combustible places, dangerous chemicals, risk factors hidden in all workplaces, traffic safety, accident case, flood season safety, risks in winter, safety production month activities, occupational health, hot work, confined space, aloft work, hazardous waste treatment and emergency rescue.

III. Development and Training

To support the implementation of corporate strategy and human development, develop and use internal intellectual resources, inherit company management and technical experience, create knowledge sharing atmosphere and meanwhile, further perfect the training system to set up a stage for staff members to exercise and grow, the company was proposed to initiate establishing the "Internal training team" in 2016. The training system has been stipulated by the company, including internal trainer regulations and internal training team building. Trainers are currently selected from internal managers and few cadre staff members and categorized into primary, intermediate, and advanced trainers in terms of their training abilities. And the training, cultivation, performance appraisal, promotions and incentive system for internal trainers will be strengthened to encourage them, improve their self-abilities, develop training courses and carry out different trainings.

Training No.	Training name	Internal trainer	Level of internal trainer	Training level	Single training class hour	Participants	Cumulative training hours
1	Maintenance precautions training	Zhang Jiasheng	Intermediate		2	All mechanics	72
2	Commencement training	Zhang Jiasheng	Intermediate		2	All employees	344
3	Occupational health education and training	Hu Pengfei	Primary		4	Concentrating mill employees	240
4	Safety education and training to new employees	Yang Fafu	Primary		4	New recruits	180
5	Production safety meeting training	Luo Wenliang	Intermediate		2	Concentrating mill leader	20
6	Orientation training to new employees	Human Resources Department			4	New recruits	180

IV. Labor Practices

The Company strictly abides by the labor practices of the business site, prohibiting the recruitment and use of child labor, ensuring the health and safety of employees and prohibiting forced labor. The employment or use of child labor or forced labor does not occur in the Company.

V. Supply Chain Management

The Company has a specific Supplier Management System to assess and select the qualified suppliers through the review to confirm that the supplier has the ability to provide products and services which meet the requirements of the Company's demands. The unified procurement, warehousing and distribution management for all the materials needed by the mines shall be implemented. According to the material requirements plan of production department and material varieties, materials purchasing shall be generally completed by bidding, price inquiry and comparison and fixed procurement. All procurements are contracted; the Company strictly monitors the performance of the contract and controls the payment of funds. The Company has a list of suppliers and regularly assesses and updates it; the Company constantly analyzes the completion of material inventory, procurement varieties and material consumption. The Company regularly evaluates the environmental and social risks of the supply chain to ensure supply chain safety.

In 2016, the major suppliers of the Company involved in the liner, sodium cyanide, belt conveying equipment, activated carbon and hardware. There were 19 suppliers in total, in which 9 chief suppliers were in Xinjiang.

The Company outsource mining activities to qualified and independent third-party contractors. We enter into agreements with them with a one-year term. Upon the expiration of these agreements, they have the priority to sign a new agreement with us provided that they have strictly performed their obligations under the current agreements.

VI. Product Responsibility

The Company attaches great importance to product quality and reputation and has developed and implemented the quality and sales management system to strengthen product quality inspection and sales management and ensure to provide customers with high-quality products.

The major product of the Company is alloyed gold. In the analytical electrolysis workshop which finally products alloyed gold, there are strict access and out management system as well as supervision and management system in the process of gold extraction. In the process of delivering the alloyed gold out of the mine, there are relevant securities measures. Measurement and quality inspection shall be carried out when the alloyed gold are delivered to customers.

VII. Anti-corruption

The Company and employees strictly abide by the relevant laws and regulations and ethical standards. In 2016, there were no corruption, bribery, extortion, fraud and money laundering cases against the Group or employees. The supervision and auditing department did not receive relevant reports.

Now, the Company has developed and implemented an auditing and reporting system, and hired the independent auditor to conduct external audits of the Company through internal and external audits to prevent and control the company's fraud or unethical behavior.

The Company is committed to comply with the laws and regulations of business operations; employees have the right to report to the company on suspicion of violation of national laws and regulations, policies and internal control problems and other behaviors of fraud and violation of corporate discipline. Informants can provide the supervision and auditing department with details by phone, letters, e-mails or reporting face to face. For tip-off out of the acceptance scope of the Supervision & Auditing Department of our company, the whistleblower may report it to the related department. However, serious problems or emergencies shall be reported to the senior management or board of directors of the company. At the same time, the company will seriously protect the private information of the reporting employee, so that the employee could be away from illegal retaliation or discrimination of all forms caused by the tip-off.

Generally, specialized clauses of "anti-corruption" are always prepared for the major contracts of our company. According to such clauses, no private violation is allowed for both parties, so that the major project that may lead corruption could be restrained.

Community Investment

I. Community Participation

With the company tenet of "depending on mining industry to serve our country and our people", we attach great importance to the development of a harmonious relationship between the company and the community in which we operate. We get to know the demands of the community from taking part in the activities of the community, and with actual actions, we try hard to make sure that the interests of community could be considered into the business activities of our company.

The communication with the community is strengthened. Adhering to the concept of "building harmonious relationship between village and company", we strengthen the communication with the community, so as to promote harmonious coexistence of village and company. Besides, based on the practical situation, series of systems for acquiring community demands and dealing with the relationship between village and company are prepared by our company, so as to ensure smooth communication and active coordination between the company and community. Moreover, we play a leading role to establish a coordination mechanism for the equal communication among the local government, village and company, so the harmonious and stable relationship between village and enterprise could be coordinated and maintained fairly.

According to the arrangement and deployment of *Implementation Schemes for Accurate Poverty Alleviation and Social Assistance (2016)* by Yining County Party Committee & Yining County Government, the corresponding assisting object of Gold Mountain Mine is the Oyiman Bulak Village in Kalayagaqi Township. Gold Mountain Mine provides the funds for indoor running water supply to 100 destitute families, with CNY500 for each family. With the help of the company, all those destitute families can use the clean running water, which completely changes the original fact that the herdsmen get living water far away from home. Besides, the company also donates 15 sets of office furniture to the village committee, so as to create better work environment for the village officials. Moreover, the company provides an operation vehicle for the village working group to solve the problems in helping work caused by decentralized residence, distant meadows and inconvenient traffic.

II. Community Environment and Community Care

We actively take part in the environmental construction of the community where we operate, and help to improve the environmental awareness of the community. In 2016, we repaired the mine entrance road for 6 times in total. The road is destroyed by the torrential flood for twice, and for once, the mountain is blocked for one week due to the snowstorm. In the whole year of 2016, we maintained more than 50km of mine entrance path and constructed 47 culverts, which ensures the smooth of the mine entrance road. This further ensures the material transport of the company. Meanwhile, it becomes much more convenient for the herdsmen to drive their livestock up & down the mountain and change meadows for their cattle and sheep.

In June 2016, rainstorm attacked the region, and houses and roads in a village of Kalayagaqi Township were destroyed. After the attack, one villager died, and one villager was missing. Upon receiving the news, Jinchuan Group Co., Ltd. immediately dispatched construction machinery to assist the disaster relief activities organized by the local government. Eight personnel, as well as two sets of loaders and one excavator were dispatched for the disaster relief, and the task was completed within 5 days.

III. Education

In November 2016, we participated the activity of "Study-Aid in Golden Fall" organized by Yining County Party Committee and Yining County Government, and donated CNY600,000 to the impoverished students.

IV. Labor Demands

We selected a batch of young hardworking Kazakhstan people with certain Chinese base and good comprehensive quality from Oyiman Bulak Village in Kalayagaqi Township, and trained them. Those met the job requirements of our company could be employed to work in the mine.

The gold ore business created more than 200 jobs in Yili area, and the number of employment accounts for 67% of the total employees of our company. Among the newly-created employment, more than 90 impoverished minority compatriots were employed, and the number accounted for 30% of the total number of employees of our company.

V. Culture

We attach great importance to the cultural activities implemented in the community, so we usually organize different forms of cultural communication activities there, and develop friendships with the surrounding herdsmen.

With the special invitation of the local government, Gold Mountain Mine sponsored CNY30,000 to organize the Apricot Blossom Festival (an important local festival). The company also appointed talented Kazakhstan girls to present shows for the festival, which spread the local culture and built a good corporate image for the company.

VI. Sports

We organized different kinds of sport activities with the village, including basketball, badminton, hiking, football, etc. Such activities not only improve the fitness of the employees but also promote the harmonious relationship between the village and the company.

Board of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Ke Xiping (柯希平), aged 56, 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. 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 16 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 Twelfth Session of Fujian Provincial People's Congress (福建省第十二屆人大代表) 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 Thirteenth Session of Xiamen Federation of Industry and Commerce (the General Chamber of Commerce and Industry) (第十三屆廈門市工商聯 (總商會)).

Mr. Chen, David Yu (陳宇), aged 48, 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 71, 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.

Independent non-executive Directors

Dr. Tim Sun (孫鐵民), aged 55, 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 Corp.), 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 45, 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, the independent non-executive Director of China Public Procurement Limited, a company listed on the Stock Exchange (Stock Code: 1094) since December 2015 and the independent non-executive Director of Yuhua Energy Holdings Limited, a company Listed on the Stock Exchange (Stock Code: 2728) since November 2016.

Mr. Xiao Wei (肖偉), aged 51, 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), from December 2009 to December 2016. Mr. Xiao has also been an 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 2014; 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 2015; an independent non-executive director of Hollyland (China) Electronic Technology Co., Ltd (好利來 (中國) 電子科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002729) since July 2016 and an independent non-executive director of Fujian Longma Environmental Sanitation Equipment Co., Ltd (福建龍馬環衛裝備股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 603686) since October 2016.

Senior Management

Mr. Ke Xizheng (柯希正), aged 54, 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 56, 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 33, 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 47, 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 36, 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 note 5 to the consolidated financial statements.

Results

The results of the Group for the Period Under Review are set out in the consolidated statement of profit or loss on page 49 of this report.

Final Dividends

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

Financial Summary

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 104 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 3 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 8 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 83.68% (2015: 79.7%)
— five largest customers 100% (2015:100%)

Purchases

— the largest supplier 35.23% (2015: 21.11%)
— five largest suppliers 76.59% (2015: 60.80%)

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 15 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 26 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the Period Under Review are set out in page 52 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. A final dividend in respect of the year ended 31 December 2016 of HK$0.1 per share, amounting to a total dividend of HK$92,500,000, is to be declared and distributed out from the Company's share premium.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in note 31 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

Report of Directors

Board of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 31 to 34 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 2016.

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.

The executive Director of Mr. Albert Fook Lau Ho has entered into a service agreement with the Company in June 2016 for a term of three years. The independent non-executive Directors of Ms. Wong, Yan Ki Angel has entered into a letter of appointment with the Company in June 2016 for a term of three years and the independent non-executive Director of Mr. Xiao Wei has entered into a letter of appointment with the Company in June 2016 for a term of three years, subject to retirement by rotation and re-election at an AGM and until terminated by not less than three months' notice in writing served by either party on the other.

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 9 and note 42 to the consolidated financial statements.

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

As at 31 December 2016, 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%

Notes:

(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 2016, 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 2016, 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 2016, 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 2016 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 2016.

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 2016.

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 2016, 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 2016 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 2016.

Connected Transaction

On 26 January 2016, a subsidiary of the Company, entered into gold loans of RMB46,894,000, which was guaranteed to Agricultural Bank of China by Xiamen Hengxing Group Company Limited and Mr. Ke Xiping. These gold loans were expired by 29 July 2016.

On 27 October 2016, a subsidiary of the Company, entered into bank borrowings of RMB50,000,000, which was guaranteed to Agricultural Bank of China by Xiamen Hengxing Group Company Limited and Mr. Ke Xiping. These bank borrowings will be expired by 27 October 2017.

Such financial assistance constituted a connected transaction. The Directors are of the view that such financial assistance was for our benefit on normal commercial terms, 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 39 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 2016.

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 15 to 20 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.

Auditor

PricewaterhouseCoopers has acted as auditor of the Company for the Period Under Review.

A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting to be held on 24 May 2017 (the "AGM").

On behalf of the Board
Ke Xiping
Chairman

Xiamen PRC, 27 March 2017

Independent Auditor's Report

羅兵咸永道

To the Members of Hengxing Gold Holding Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 103, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of exploration and evaluation assets
- Provision for restoration cost

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of exploration and evaluation assets	
Refer to note 4(a) "Critical accounting estimates and judgements on impairment of exploration and evaluation assets" and note 17" exploration and evaluation assets" of the consolidated financial statements. As at 31 December 2016, the carrying amount of the exploration and evaluation assets of the Group is RMB13,970,000. Impairment losses of RMB61,256,000 was recognised for the year ended 31 December 2016. The impairment loss for the exploration and evaluation assets was resulted from the management's assessment on the recoverable amount of exploration and evaluation assets. The significant judgement of the assessment includes the status of exploration license, the likely future commercial viability of these assets, the future revenue, the future development costs and production expense, and reclaiming ratio applied. We focused on this area due to the significance of impairment losses recognised for the exploration and evaluation assets, and significant judgements was made by management in assessing the impairment of exploration and evaluation assets.	We performed the following procedures to assess appropriateness of management's impairment review of exploration and evaluation assets: We checked original copies of the exploration right licenses and discussed with the management about the possibility of renewal of the unexpired exploration right. We read the documents of management's assessment and evaluated the reasonableness of the assessment through • Interviewing with the Group's mining department, understanding the likely future commercial viability of these assets; • Comparing the expected price of commodities used in the assessment to the market price of Shanghai Gold Exchange; • Comparing the future development costs and production expenses of different exploration areas used in the assessment to the historical information of the Group; • Validating the comprehensive reclaiming ratios used in the assessment to the testing reports prepared by the management for different sites. We held discussions with members of the Group's senior management and the Audit Committee to corroborate the above mentioned assessment with the Group's current activities and operation plan. Based on our work, we found the impairment provision made in relation to exploration and evaluation assets were supported by the evidence obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of provision for restoration	
Refer to Note 4(b) "critical accounting estimates and judgement on provision for restoration cost" and note 34 "provision for close down, restoration and environmental costs" of the consolidated financial statements. Pursuant to the relevant PRC laws and regulations, the Group is responsible for the restoration of the land damaged by mining activities. As and when the mining activities are carried out, the Group periodically performs restoration work around the areas where mining activities has been completed. As at 31 December 2016, the provision for restoration cost of the Group was RMB11,448,000. For the year ended at 31 December 2016, the Group accrued provision of RMB5,338,000. The management makes the provision for the restoration, based on the cash flow forecast for the provision of the restoration cost the rehabilitation plan prepared by third party and approved by the government. The following primary assumptions used in the cash flow forecast: • The future restoration expenditure, such as transportation and construction costs, useful lives of each mining site in the rehabilitation plan; • The discount rate applied to cash outflow for the purpose of deriving the amount of provision. Any material changes of these factors may cause the fluctuation of the provision for restoration cost. We focus on this area due to significant judgements were made by management to determine the assumptions and the complexity of calculations derived in the cash flow forecast assessment.	We performed following procedures on the cash flow forecast assessment prepared by management: We assessed the methodology adopted by management when developing the cash flow forecast model. We checked the future restoration expenditure and useful life of each mining site in the cash outflow and compared to the data in the rehabilitation plan. To assess the reliability of the estimated data input, we compared previous estimated input to the historical actual cost incurred. We assessed the discount rate used by the management by reference to the industry report and open market data. We tested the mathematical accuracy of the calculations derived from the cash flow forecast. Based on our work, we found the provision for restoration cost was supported by the evidence obtained.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information set out in the Company's 2016 Annual Report. The other information comprises the information included in the management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, corporate profile, chairman statement, corporate governance report, board of directors and senior management, report of directors and five years summary which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate information, corporate profile, chairman statement, corporate governance report, board of directors and senior management, report of directors and five years summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Siu Wing, Benny.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	5	**733,034**	284,554
Cost of sales	8	**(371,845)**	(181,008)
Gross profit		**361,189**	103,546
Selling and marketing expenses	8	**(428)**	(274)
General and administrative expenses	8	**(25,433)**	(29,393)
Impairment loss of exploration and evaluation assets	17	**(61,256)**	(8,912)
Other income	6	**585**	750
Other (losses)/gains — net	7	**(17,339)**	12,942
Operating profit		**257,318**	78,659
Finance income	10	**1,010**	2,483
Finance Expenses	10	**(21,069)**	(27,557)
Finance Expenses — net		**(20,059)**	(25,074)
Profit before income tax		**237,259**	53,585
Income tax expense	12	**(34,100)**	–
Profit for the year, all attributable to owners of the Company		**203,159**	53,585
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Fair value gains/(losses) on available-for-sale investments		**1,699**	(16)
Total comprehensive income for the year, all attributable to owners of the Company		**204,858**	53,569
Earnings per share for the year			
— Basic and diluted (expressed in RMB)	13	**0.22**	0.06

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Prepaid lease payments	*14*	**15,865**	16,222
Property, plant and equipment	*15*	**334,110**	337,454
Investment property	*16*	**8,979**	–
Exploration and evaluation assets	*17*	**13,970**	75,145
Intangible assets	*18*	**239,238**	241,953
Prepayment for purchase of property, plant and equipment		**14,588**	1,052
Deferred tax assets	*32*	**20,046**	–
Available-for-sale investments	*20*	**2,163**	473
Restricted bank balance	*24*	**10**	10
Total non-current assets		**648,969**	672,309
Current assets			
Prepaid lease payments	*14*	**357**	357
Inventories	*23*	**97,543**	85,000
Trade receivables	*21*	**17,422**	–
Other receivables and prepayments	*22*	**46,352**	9,173
Financial assets at fair value through profit or loss	*25*	**46,908**	–
Cash and cash equivalents	*24*	**137,822**	26,339
Fixed deposits	*24*	**–**	93,999
Total current assets		**346,404**	214,868
Total assets		**995,373**	887,177
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*26*	**7,362**	7,362
Reserves	*27*	**573,258**	571,559
Retained earnings/(Accumulated losses)	*28*	**52,242**	(150,917)
Total equity		**632,862**	428,004

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	As at 31 December **2016** **RMB'000**	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*31*	**140,000**	260,000
Deferred income	*33*	**8,267**	8,691
Provision for close down, restoration and environmental costs	*34*	**11,448**	6,941
Total non-current liabilities		**159,715**	275,632
Current liabilities			
Trade and other payables	*29*	**52,660**	45,210
Current income tax liabilities		**43,902**	–
Short-term borrowings	*31*	**50,000**	44,648
Current-portion of long-term borrowings	*31*	**56,234**	53,818
Gold Loans	*30*	**–**	39,865
Total current liabilities		**202,796**	183,541
Total liabilities		**362,511**	459,173
Total equity and liabilities		**995,373**	887,177

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

The consolidated financial statements set out on pages 49 to 103 were approved by the Board of Directors on 27 March 2017 and were signed on its behalf.

Mr. Ke Xiping **Mr. Chen Yu, David**

Consolidated Statement of Changes In Equity

For the year ended 31 December 2016

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Investment revaluation reserves RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2015	7,362	540,052	31,523	–	(204,502)	374,435
Comprehensive income						
Profit for the year	–	–	–	–	53,585	53,585
Other comprehensive income						
Fair value losses on available-for-sale investments	–	–	–	(16)	–	(16)
Total comprehensive income	–	–	–	(16)	53,585	53,569
Balance at 31 December 2015	7,362	540,052	31,523	(16)	(150,917)	428,004
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**203,159**	**203,159**
Other comprehensive income						
Fair value gains on available-for-sale investments	**–**	**–**	**–**	**1,699**	**–**	**1,699**
Total comprehensive income	**–**	**–**	**–**	**1,699**	**203,159**	**204,858**
Balance at 31 December 2016	**7,362**	**540,052**	**31,523**	**1,683**	**52,242**	**632,862**

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	*36(a)*	**311,504**	65,281
Income tax paid		**(10,244)**	–
Net cash generated from operating activities		**301,260**	65,281
Cash flows from investing activities			
Redemption of structured deposits		**741,927**	442,315
Proceeds from release of fixed deposits		**140,495**	49,002
Proceeds from disposal of held-for-trading investment		**3,376**	1,670
Interest received		**1,010**	2,243
Proceeds from sale of property, plant and equipment	*36(b)*	**38**	20
Proceeds from disposal of available-for-sale investments		**16**	–
Purchases of leasehold land and land use rights	*14*	**–**	(26)
Purchases of available-for-sale investments		**–**	(1,651)
Payments of exploration and evaluation assets		**(143)**	(245)
Purchases of intangible assets		**(26,921)**	(19,465)
Purchases of property, plant and equipment		**(36,594)**	(18,029)
Placement of fixed deposits		**(46,496)**	(93,999)
Purchases of held-for-trading investment		**(49,604)**	(1,651)
Placement of structured deposits		**(740,240)**	(441,500)
Net cash used in investing activities		**(13,136)**	(81,316)
Cash flows from financing activities			
New bank and other borrowings raised		**50,000**	84,602
Gold loans raised		**72,612**	75,704
Loan from a related party		**–**	8,149
Advanced from a related party		**–**	110
Repayment to a related party		**–**	(110)
Interest paid to a related party		**–**	(15)
Repayments to a related party		**–**	(8,253)
Interest paid for gold loans		**(2,436)**	(5,621)
Interest paid for bank and other borrowings		**(17,043)**	(24,217)
Repayment of gold loans		**(123,923)**	(92,198)
Repayment of bank and other borrowings		**(162,232)**	(110,000)
Net cash used in financing activities		**(183,022)**	(71,849)
Net increase/(decrease) in cash and cash equivalents		**105,102**	(87,884)
Cash and cash equivalents at beginning of year	*24*	**26,339**	114,223
Exchange gains on cash and cash equivalents		**6,381**	–
Cash and cash equivalents at end of year	*24*	**137,822**	26,339

The notes on pages 54 to 103 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1 General information

Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (together, "the Group") are engaged in mining and processing of gold and sales of processed gold products and palm oil trading in the People's Republic of China (the "PRC"). The Group has operation mainly in Xinjiang Uygur Autonomous region, the PRC.

The Company is a limited liability company incorporated and domiciled in the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O.Box 1350, Grand Cayman, KY1-1108, the Cayman Islands.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited, commencing on 29 May 2014.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, which is also the functional currency of the Company. This consolidated financial statements have been approved for issue by Board of Directors on 27 March 2017.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted

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

Amendments	**Effective for annual periods beginning on or after**
Amendments to HKAS 7 "Statement of cash flows"	1 January 2017
Amendments to HKAS 12 "Income taxes"	1 January 2017
Amendments to HKFRS 2 "Classification and Measurement of Share-based Payment Transactions"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018
HKFRS15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 16 "Leases"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	Not yet decided

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(a) *Business combinations (continued)*

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board of directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2 Summary of significant accounting policies *(Continued)*

2.4 Foreign currency translation *(Continued)*

(b) Transactions and balances *(Continued)*

All foreign exchange gains and losses are presented in statement of profit or loss within "other (losses)/gains — net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.5 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.

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 and office equipment	5 years
— Electronic equipment	3 years

The asset's resident value and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

2 Summary of significant accounting policies *(Continued)*

2.6 Investment Property

Investment property, principally comprising buildings, is held for long-term rental yields, and that is not occupied by the Group. Investment property are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

2.7 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

The Group's interest in leasehold land accounted for as an operating lease is presented as "prepaid lease payments" in the consolidation statement of financial position and is amortised over lease terms on a straight-line basis.

2.8 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 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.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use.

2 Summary of significant accounting policies *(Continued)*

2.9 Intangible assets

(a) Mining rights

Exploration and evaluation assets became demonstrable and reached the development phase in prior years, and were transferred to mining rights. At the time of transfer, the exploration and evaluation assets incorporate both mining rights (intangible) and the underlying mineral reserves (tangible) elements. The directors of the Company consider the mining rights is more significant element and hence the entire amount is classified as intangible assets. Mining rights 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.

(b) 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.

(c) Restoration costs

Land restoration and rehabilitation costs incurred to the extent to give rise to future benefit of the gold ores have been included as part of the cost of the intangible assets. 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.

(d) 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.

2.10 Impairment of non-financial assets other than exploration and evaluation assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies *(Continued)*

2.11 Financial assets

2.11.1Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, and available for sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables and prepayments", "fixed deposits" and 'bank balance and cash' in the statement of financial position (Notes 2.13 and 2.14).

(c) Available-for-sale financial investments

Available-for-sale financial investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of profit or loss within "Other (losses)/gains — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as "other (losses)/ gains — net".

2 Summary of significant accounting policies *(Continued)*

2.11 Financial assets *(Continued)*

2.11.3 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

2 Summary of significant accounting policies *(Continued)*

2.11 Financial assets *(Continued)*

2.11.3 Impairment of financial assets *(Continued)*

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2.12 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.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11.2 for further information about the Group's accounting for trade receivables and Note 2.11.3 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(Continued)*

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific 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.

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

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

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.

(b) Housing benefits

The full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 Summary of significant accounting policies *(Continued)*

2.21 Provision

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.

2.22 Safety production fund

Pursuant to regulation, enterprises in high-risk industry should accrue safety production fund under China's law and regulation, and the fund should be accrued in the retain earnings. The safety expenditures of the Group that are expenses in nature are directly debited to production costs. The safety expenditures of the Group that are formed into fixed assets through collection of construction in progress are recognised as fixed assets when the safety projects are completed and to the expected conditions for use. As expenditures occurs, the same amount of safety production fund in the retain earnings is written down.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight- line basis over the expected lives of the related assets.

2.24 Financial liabilities at fair value through profit or loss

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.

2 Summary of significant accounting policies *(Continued)*

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products and transferred the significant risks and rewards of ownership of the product to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Rental income

Rental income from investment property is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars and US dollars. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2016, if RMB had weakened/strengthened by 5% against Hong Kong dollar with all other variables held constant, post-tax profit for the year would have been approximately RMB4,044,000 (2015: RMB2,527,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars denominated bank balances and cash and other receivables.

At 31 December 2016, if RMB had weakened/strengthened by 5% against US dollar with all other variables held constant, post-tax profit for the year would have been approximately RMB727,000 (2015: RMB2,364,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars denominated bank balances and cash and trade receivables.

(ii) Price risk

The Group is principally engaged in mining and processing of gold and sales of processed gold products. Gold markets are influenced by global as well as regional supply and demand conditions. A decline in prices of gold products could adversely affect the Group's financial performance.

The Group is also engaged in the palm oil trading since October 2016, therefore the Group is exposed to international trading price risk because of the volatility of palm oil market, which is influenced by global and regional supply and demand conditions.

The Group is also exposed to equity securities price risk because of investment held by the Group and classified as available for sale financial assets and financial assets at fair value through profit or loss.

(iii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings. 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 and a bank borrowing.

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 (2015: 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 (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2016 would have been RMB750,000 higher/lower (2015: RMB1,187,000).

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The carrying amounts of deposits and receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. Management of the Group is of the opinion that adequate provision for uncollectible trade and other receivables has been made as at 31 December 2016 and 2015 after considering the Group's historical experience in collection of other receivables.

(c) 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.

	Less than 3 months RMB'000	Between 3 months and 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
Group				
At 31 December 2016				
Borrowings	**2,450**	**118,162**	**85,084**	**61,261**
Trade and other payables (excluding staff salaries payable and other tax payable)	**40,709**	**4,638**	**–**	**–**
	43,159	**122,800**	**85,084**	**61,261**
At 31 December 2015				
Borrowings	15,177	108,365	110,439	171,877
Gold loans	–	40,959	–	–
Trade and other payables (excluding staff salaries payable and other tax payable)	23,481	10,326	1,001	–
	38,658	159,650	111,440	171,877

3 Financial risk management *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Total borrowings *(Note 31)*	**246,234**	358,466
Less: cash and cash equivalents *(Note 24)*	**(137,822)**	(26,339)
Net debt	**108,412**	332,127
Total equity	**632,862**	428,004
Total capital	**741,274**	760,131
Gearing ratio	**14.63%**	43.69%

The decrease in gearing ratio during 2016 was resulted primarily from the large profit gained and more cash collected.

3 Financial risk management *(Continued)*

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 and 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that were measured at fair value at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Equity investments *(Note 25)*	45,477	–	–	45,477
Financial assets at fair value through profit or loss				
— Future contracts *(Note 25)*	1,431	–	–	1,431
Available-for-sale financial investments				
— Equity investments *(Note 20)*	2,163	–	–	2,163
Total assets	49,071	–	–	49,071

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial investments				
— Equity investments *(Note 20)*	473	–	–	473
Total assets	473	–	–	473
Liabilities				
Financial liabilities at fair value through profit or loss				
— Gold loans *(Note 30)*	–	39,865	–	39,865
Total liabilities	–	39,865	–	39,865

There were no transfers between levels 1 and 2 during the year.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) 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 estimates and judgements *(Continued)*

(b) Provision for restoration cost

The provision for restoration cost as set out in note 34 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.

(c) Amortisation and impairment of mining rights

Mining rights is amortised over its estimated useful life using the unit of production method. The estimated useful lives of the mining rights 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 rights.

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 rights 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.

(d) 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.

5 Segment information

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

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

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

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

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

	2016			2015		
	Gold mining segment RMB'000	**International trading segment RMB'000**	**Total RMB'000**	Gold mining segment RMB'000	International trading segment RMB'000	Total RMB'000
Year ended 31 December						
Revenue						
Sales to customers	**613,429**	**119,605**	**733,034**	284,554	–	284,554
Cost of sales	**(252,422)**	**(119,423)**	**(371,845)**	(181,008)	–	(181,008)
Results of reportable segments	**361,007**	**182**	**361,189**	103,546	–	103,546
A reconciliation of results of reportable segments to profit for the year is as follows:						
Results of reportable segments			**361,189**			103,546
Selling and marketing expenses			**(428)**			(274)
General and administrative expenses			**(25,433)**			(29,393)
Impairment loss of exploration and evaluation assets			**(61,256)**			(8,912)
Other income			**585**			750
Other (losses)/gains — net			**(17,339)**			12,942
Finance income			**1,010**			2,483
Finance expenses			**(21,069)**			(27,557)
Profit before income tax expense			**237,259**			53,585
Income tax expenses			**(34,100)**			–
Profit for the year			**203,159**			53,585
Amortisation	**31,604**	**–**	**31,604**	24,181	–	24,181
Depreciation	**29,832**	**–**	**29,832**	26,747	–	26,747
Impairment loss of exploration and evaluation assets	**61,256**	**–**	**61,256**	8,912	–	8,912

5 Segment information *(Continued)*

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

For year ended 31 December 2016, the Group's income of sales of processed gold from Shanghai Gold Exchange was RMB613,429,000 (2015: RMB284,554,000), which was derived from gold mining segment.

Revenue of approximately RMB119,605,000 (2015: nil) was derived from a single external customer in relation to the international trading segment.

6 Other income

	2016 RMB'000	2015 RMB'000
Government grant related to assets *(Note 33)*	**424**	424
Others	**161**	326
	585	750

7 Other (losses)/gains — net

	2016 RMB'000	2105 RMB'000
Investment (losses)/gains on futures contracts	**(11,288)**	6,111
Foreign exchange gains, net	**5,839**	3,401
Fair value change on gold loans *(Note 30)*	**(11,446)**	2,848
Investment income of structured deposits	**1,687**	815
Investment (losses)/gains of held-for-trading investments	**(751)**	19
Investment income of available-for-sale investments	**7**	–
Losses on disposal of property, plant and equipment *(Note 36(b))*	**(1,311)**	(36)
Other losses	**(76)**	(216)
	(17,339)	12,942

8 Expenses by nature

	2016 RMB'000	2015 RMB'000
Purchase of finished goods	**119,423**	–
Overburden removal costs	**77,846**	67,022
Depreciation and amortisation *(Notes 14, 15 and 18)*	**61,197**	50,928
Employee benefit expense *(Note 9)*	**45,842**	38,990
Raw materials and consumables used	**30,568**	31,747
Changes in inventories of finished goods and work in progress	**(11,633)**	(38,009)
Miscellaneous tax charges other than income tax	**29,955**	21,822
Fuel charges	**12,591**	12,498
Transportation expenses	**10,717**	10,649
Repairs and maintenance expenses	**8,887**	3,852
Utilities and office expenses	**2,513**	2,303
Auditors' remuneration	**1,180**	1,680
Other expenses	**8,620**	7,193
Total cost of sales, selling and marketing expenses and general and administrative expenses	**397,706**	210,675

9 Employee benefit expense

	2016 RMB'000	2015 RMB'000
Wages and salaries	**40,366**	34,204
Social security costs	**1,365**	1,075
Pension costs — defined contribution plans *(Note (a))*	**1,927**	1,916
Housing benefits *(Note (b))*	**1,164**	993
Others	**1,020**	802
Total employee benefit expense	**45,842**	38,990

(a) Pensions — defined contribution plans

The balance represented the Group's contributions to the defined contribution pension plans organised by the relevant municipal and provincial governments at a rate of 20% of the basic salary of permanent employees in the mainland China.

(b) Housing benefits

The balance represented the Group's contributions to government-sponsored housing funds at a rate of 12% of the basic salary of permanent employees in the mainland China.

9 Employee benefit expense *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2015: one) director whose emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other allowances	2,279	1,901
Contribution to pension scheme	24	21
	2,303	1,922

The emoluments fell within the following bands:

	Numbers of the individual	
	2016	2015
Emolument bands		
Within HKD1,000,000 (equivalent to RMB894,000)	4	4

10 Finance income and expenses

	2016 RMB'000	2015 RMB'000
Interest expenses:		
— Bank borrowings	16,501	20,696
— Gold loans	2,436	5,546
— Loan from a related party	–	15
— Accretion on environmental restoration costs *(Note 34)*	2,132	1,300
Finance expenses	21,069	27,557
Finance income:		
— Interest income on bank deposits	(1,010)	(2,483)
Finance income	(1,010)	(2,483)
Net finance expenses	20,059	25,074

11 Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2016 and 31 December 2015:

Name	Country/place of incorporation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Principal activities
Golden Planet Investments Limited	The British Virgin Islands ("BVI")	US$3	100%	100%	Investment holding
Tianshan Gold Securities (Hong Kong) Limited	Hong Kong	HK$117,000,002	–	100%	International trading
Goldfield (Xinjiang) Investment Advisory Limited *(note (i))*	The PRC	HK$500,000	–	100%	Investment holding
Jinchuan Mining *(note (ii))*	The PRC	US$51,500,000	–	100%	Mining and processing of gold and sales of processed gold products

Notes:

(i) It was a wholly owned foreign 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.

12 Income tax expense

	2016 RMB'000	2015 RMB'000
Current tax:		
Current tax on profits for the year	**54,146**	–
Total current tax	**54,146**	–
Deferred tax *(Note 32)*:		
Origination and reversal of temporary differences	**(20,046)**	–
Total deferred tax	**(20,046)**	–
Income tax expense	**34,100**	–

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

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

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

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

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

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

13 Earnings per share

(a) Basic

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

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

(b) Diluted

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

14 Prepaid lease payments

The Group's interests in prepaid lease payments represent prepaid operating lease payments and their net book value are analysed as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**16,579**	16,910
Additions	**–**	26
Amortisation of prepaid operating lease payment *(Note 8)*	**(357)**	(357)
At 31 December	**16,222**	16,579
Current portion	**357**	357
Non-current portion	**15,865**	16,222
At 31 December	**16,222**	16,579

15 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
At 1 January 2015								
Cost	77,978	264,772	21,784	4,865	767	8,098	11,472	389,736
Accumulated depreciation	(7,841)	(20,744)	(4,059)	(2,348)	(120)	(2,376)	–	(37,488)
Net book amount	70,137	244,028	17,725	2,517	647	5,722	11,472	352,248
Year ended 31 December 2015								
Opening net book amount	70,137	244,028	17,725	2,517	647	5,722	11,472	352,248
Additions	109	2,675	563	104	68	27	8,463	12,009
Transfers	5,133	6,409	86	–	–	1,124	(12,752)	–
Disposals	–	(19)	(19)	(7)	–	(11)	–	(56)
Depreciation charge *(Note 8)*	(4,797)	(17,618)	(2,087)	(819)	(151)	(1,275)	–	(26,747)
Closing net book amount	70,582	235,475	16,268	1,795	564	5,587	7,183	337,454
At 31 December 2015								
Cost	83,220	273,811	22,393	4,844	835	8,753	7,183	401,039
Accumulated depreciation	(12,638)	(38,336)	(6,125)	(3,049)	(271)	(3,166)	–	(63,585)
Net book amount	70,582	235,475	16,268	1,795	564	5,587	7,183	337,454
Year ended 31 December 2016								
Opening net book amount	**70,582**	**235,475**	**16,268**	**1,795**	**564**	**5,587**	**7,183**	**337,454**
Additions	**–**	**4,143**	**1,373**	**940**	**3**	**665**	**29,692**	**36,816**
Transfers *(Note 16)*	**(7,051)**	**7,140**	**1,821**	**–**	**–**	**2,346**	**(13,474)**	**(9,218)**
Disposals	**–**	**(158)**	**(1,106)**	**(27)**	**–**	**(58)**	**–**	**(1,349)**
Depreciation charge *(Note 8)*	**(3,565)**	**(21,839)**	**(2,302)**	**(710)**	**(199)**	**(978)**	**–**	**(29,593)**
Closing net book amount	**59,966**	**224,761**	**16,054**	**1,998**	**368**	**7,562**	**23,401**	**334,110**
At 31 December 2016								
Cost	**73,304**	**284,887**	**24,235**	**5,252**	**838**	**11,644**	**23,401**	**423,561**
Accumulated depreciation	**(13,338)**	**(60,126)**	**(8,181)**	**(3,254)**	**(470)**	**(4,082)**	**–**	**(89,451)**
Net book amount	**59,966**	**224,761**	**16,054**	**1,998**	**368**	**7,562**	**23,401**	**334,110**

15 Property, plant and equipment *(Continued)*

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

Depreciation of property, plant and equipment has been charged to cost of sales and administrative expenses as follows:

	2016 RMB'000	2015 RMB'000
Total depreciation	**29,593**	26,747
Administrative expenses	**2,837**	3,604
Cost of sales	**26,756**	23,143
	29,593	26,747

As at 31 December 2016, buildings, mining structures and equipment amounting to RMB135,866,000 (2015: RMB145,382,000) were secured to Agricultural Bank of China to secure the bank borrowing of RMB196,234,000 (2015: RMB263,759,000) (Note 31(d)(i)).

16 Investment property

	2016 RMB'000	2015 RMB'000
At 1 January		
Opening net book amount		
Transfer from property, plant and equipment *(Note 15)*	**9,218**	–
Depreciation for the year *(Note 8)*	**(239)**	–
Closing net book amount	**8,979**	–
At 31 December		
Cost	**12,082**	–
Accumulated depreciation	**(3,103)**	–
Net book amount	**8,979**	–

The above investment property is located in Xinjiang Uygur Autonomous region, PRC and depreciated on a straight-line basis over 20 years.

The Group's investment property is stated at historical cost at the end of each reporting period.

16 Investment properties *(Continued)*

Amounts recognised in profit and loss for investment property as follow:

	2016 RMB'000	2015 RMB'000
Other gains	238	–
Other losses	(239)	–
Net amount	(1)	–

17 Exploration and evaluation assets

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

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

Note:

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

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

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

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

18 Intangible assets

	Mining right RMB'000	Restoration costs RMB'000	Stripping costs RMB'000	Meadow compensation costs and others RMB'000	Total RMB'000
At 1 January 2015					
Cost	141,380	9,785	73,438	32,137	256,740
Accumulated amortisation	(3,826)	(270)	(9,563)	(1,693)	(15,352)
Net book amount	137,554	9,515	63,875	30,444	241,388
Year ended 31 December 2015					
Opening net book amount	137,554	9,515	63,875	30,444	241,388
Additions	–	3,329	20,480	580	24,389
Amortisation charge *(Note 8)*	(5,329)	(494)	(16,538)	(1,463)	(23,824)
Closing net book amount	132,225	12,350	67,817	29,561	241,953
At 31 December 2015					
Cost	141,380	13,114	93,918	32,717	281,129
Accumulated amortisation	(9,155)	(764)	(26,101)	(3,156)	(39,176)
Net book amount	132,225	12,350	67,817	29,561	241,953
Year ended 31 December 2016					
Opening net book amount	**132,225**	**12,350**	**67,817**	**29,561**	**241,953**
Additions	**–**	**3,206**	**21,223**	**4,103**	**28,532**
Amortisation charge *(Note 8)*	**(9,876)**	**(3,343)**	**(16,464)**	**(1,564)**	**(31,247)**
Closing net book amount	**122,349**	**12,213**	**72,576**	**32,100**	**239,238**
At 31 December 2016					
Cost	**141,380**	**16,320**	**115,141**	**36,820**	**309,661**
Accumulated amortisation	**(19,031)**	**(4,107)**	**(42,565)**	**(4,720)**	**(70,423)**
Net book amount	**122,349**	**12,213**	**72,576**	**32,100**	**239,238**

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 2016, mining rights of RMB122,349,000 (2015: RMB132,225,000) was pledged to Agricultural Bank of China to secure the bank borrowings of RMB196,234,000 (2015: RMB263,759,000) (Note 31(d)(i)).

19 Financial instruments by category

	Loans and receivables RMB'000	Assets at fair value through the profit & loss RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2016				
Assets as per statement of financial position				
Available-for-sale investments *(Note 20)*	–	–	2,163	2,163
Trade and other receivables excluding prepayments and deductible value-added tax ("VAT") *(Note 21 and 22)*	25,703	–	–	25,703
Financial assets at fair value through profit or loss *(Note 25)*	–	46,908	–	46,908
Bank balance and cash *(Note 24)*	137,822	–	–	137,822
Restricted bank balance *(Note 24)*	10	–	–	10
Total	163,535	46,908	2,163	212,606

	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per statement of financial position		
Borrowings *(Note 31)*	246,234	246,234
Trade and other payables excluding non-financial liabilities *(Note 29)*	45,347	45,347
Total	291,581	291,581

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2015			
Assets as per statement of financial position			
Available-for-sale investments *(Note 20)*	–	473	473
Trade and other receivables excluding prepayments and deductible VAT *(Note 21 and 22)*	4,620	–	4,620
Bank balance and cash *(Note 24)*	26,339	–	26,339
Restricted bank balance and fixed deposit *(Note 24)*	94,009	–	94,009
Total	124,968	473	125,441

19 Financial instruments by category *(Continued)*

	Liabilities at fair value through the profit and loss RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Liabilities as per statement of financial position			
Borrowings *(Note 31)*	–	358,466	358,466
Gold loans *(Note 30)*	39,865	–	39,865
Trade and other payables excluding non-financial liabilities *(Note 29)*	–	34,808	34,808
Total	39,865	393,274	433,139

20 Available-for-sale investments

	2016 RMB'000	2015 RMB'000
At 1 January	**473**	–
Additions	**–**	489
Fair value gains/(losses)	**1,699**	(16)
Disposals	**(9)**	–
At 31 December	**2,163**	473

The available-for-sale investments are equity securities of a mineral company listed on the Toronto Stock Exchange.

The maximum exposure to credit risk at the reporting date is the carrying value of the equity securities classified as available-for-sale.

As at 31 December 2016 and 2015, the Group's available-for-sale investments were all denominated in Canadian dollar.

None of these financial assets were either past due or impaired.

21 Trade receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	**17,422**	–
Less: Provision for impairment of trade receivables	**–**	
	17,422	–

As at 31 December 2016, the aging of trade receivables were within 1 month and no trade receivable were past due but not impaired.

As at 31 December 2016, the Group's trade receivables were all denominated in US dollars.

22 Other receivables and prepayments

	2016 RMB'000	2015 RMB'000
Prepayments	**33,670**	1,572
Input VAT recoverable	**4,401**	2,981
Deposits held by a securities broker *(note (i))*	**3,781**	2,860
Deposits held by an interactive broker *(note (ii))*	**26**	1,162
Deposits held by China International Capital Corporation Limited ("CICC") *(note (iii))*	**3,865**	–
Other receivables	**609**	598
	46,352	9,173

Notes:

(i) The deposits as at 31 December 2016 and 2015 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.

(ii) The deposits as at 31 December 2016 and 2015 represented the outstanding balance of cash account held by an interactive broker for equity securities transactions.

(iii) The deposits as 31 December 2016 represented the outstanding balance of cash account held by CICC for equity securities transactions.

The carrying amounts of the Group's other receivables and prepayments are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
US dollar	**30,480**	56
RMB	**7,942**	7,732
HK dollar	**7,930**	1,385
	46,352	9,173

For the year ended 31 December 2016

23 Inventories

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

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB371,845,000 (2015: RMB181,008,000).

24 Restricted bank balance/Fixed deposits/Cash and cash equivalents

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

Balances can be analysed as follows:

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

Note:

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

(ii) As at 31 December 2015, fixed deposits amounting to RMB46,078,000 was pledged for the relevant gold loans (Note 30);

(iii) As at 31 December 2015, fixed deposits amounting to RMB47,921,000 was pledged for the relevant fixed rate borrowings of RMB44,648,000 (Note 31(d)(iii)).

25 Financial assets at fair value through profit or loss

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

(a) Equity investments

Movements in equity investments are analysed as follows:

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

As at 31 December 2016, equity investment classified as financial assets at fair value through profit or loss represented the Group's equity investments in certain companies listed on The Stock Exchange of Hong Kong (2015: Nil), which are quoted in an active market.

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

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

(b) Future contracts

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

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

Changes in the fair values of gold futures contract were losses of RMB11,288,000 (2015: gains of RMB6,111,000) and were recognised in the consolidated statement of profit or loss.

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

For the year ended 31 December 2016

26 Share capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2015 and 31 December 2016	2,000,000,000	20,000
Issued:		
At 31 December 2015 and 31 December 2016 (Equivalent of RMB7,362,000)	925,000,000	9,250

There was no movement of share capital of the Company in 2016 and 2015.

27 Reserves

	Share Premium *(note a)* RMB'000	Other Reserves *(note b)* RMB'000	Investment revaluation reserves RMB'000	Total equity RMB'000
Balance at 1 January 2015	540,052	31,523	–	571,575
Fair value losses on available-for-sale investments	–	–	(16)	(16)
Balance at 31 December 2015	540,052	31,523	(16)	571,559
Fair value gains on available-for-sale investments	–	–	1,699	1,699
Balance at 31 December 2016	540,052	31,523	1,683	573,258

Notes:

(a) Share premium represents the difference between nominal value of share issued and the fair value of net assets/considerations received by the Company.

(b) Other reserves mainly represent the difference between the interest of a loan due to the controlling shareholder of the Company charge thereon based on prevailing market interest rates and the amount charged by the controlling shareholder over the loan period and the waiver of the amount due to the controlling shareholder of the Company.

28 Retained earnings/(Accumulated losses)

For the year ended 31 December 2016 and 2015, the Group did not appropriate statutory surplus reserves.

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores sold in previous year.

For the year ended 31 December 2016, the Group appropriated RMB24,119,000 (2015: RMB20,515,000) from retained earnings/accumulated losses for the safety production fund and utilised RMB6,355,000 (2015: RMB17,104,000) for the safety production expenditure according to relevant PRC regulations.

As at 31 December 2016, the consolidated retained earnings included the balance of PRC safety production fund of RMB22,687,000 (31 December 2015: RMB4,923,000) which would be specifically used to safety related expenditure and cannot be appropriated according to relevant PRC regulations.

29 Trade and other payables

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

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

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

At 31 December 2016 and 2015, the aging of payables for capital expenditure was all within 1 year.

30 Gold loans

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

Gold loans are analysed as follows:

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

As at 31 December 2015, the gold loans were denominated in RMB, interest bearing at a contract rate of 3.80% per annum with original maturity of 340 days.

As at 31 December 2015, fixed deposits amounting to RMB46,078,000 were pledged for the relevant gold loans.

31 Borrowings

(a) Long-term bank borrowings

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

(b) Short-term bank borrowings

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

31 Borrowings *(Continued)*

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

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

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

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

(d) The borrowings can be analysed as follows:

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

(i) As at 31 December 2016, the secured bank borrowings were secured by the Group's intangible assets of mining rights with a net book value of approximately RMB122,349,000 (31 December 2015: approximately RMB132,225,000) (Note 18) and property, plant and equipment with a net book value of approximately RMB135,866,000 (31 December 2015: approximately RMB145,382,000) (Note 15).

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

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

For the year ended 31 December 2016

31 Borrowings *(Continued)*

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

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

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

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

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

32 Deferred income tax

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

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

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

	2016	2015
	RMB'000	RMB'000
At 1 January	**–**	–
Credited to the statement of profit and loss *(Note 12)*	**20,046**	–
At 31 December	**20,046**	–

32 Deferred income tax *(Continued)*

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

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

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

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

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

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

33 Deferred income

Deferred income represents government grants received by the Company's subsidiary 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 were as follows:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**8,691**	9,115
Released to profit or loss	**(424)**	(424)
At 31 December	**8,267**	8,691

34 Provision for close down, restoration and environmental costs

	2016 **RMB'000**	2015 RMB'000
At 1 January	**6,941**	4,209
Additions to site reclamation	**3,206**	3,329
Accretion incurred in the year *(Note 10)*	**2,132**	1,300
Payment of close down, restoration and environmental costs	**(831)**	(1,897)
At 31 December	**11,448**	6,941

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.

35 Dividend

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

36 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2016 RMB'000	2015 RMB'000
Profit before income tax	**237,259**	53,585
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 15)*	**29,593**	26,747
— Depreciation of investment property *(Note 16)*	**239**	–
— Release of prepaid lease payments *(Note 14)*	**357**	357
— Amortisation of intangible assets *(Note 18)*	**31,247**	23,824
— Impairment losses of exploration and evaluation assets *(Note 17)*	**61,256**	8,912
— Losses on disposal of property, plant and equipment *(Note 7)*	**1,311**	36
— Finance expenses *(Note 10)*	**21,069**	27,557
— Fair value change on futures contracts *(Note 7)*	**(1,431)**	(6,111)
— Fair value change on gold loans *(Note 7)*	**11,446**	(2,848)
— Investment losses/(income) of held-for-trading investments *(Note 7)*	**369**	(19)
— Fair value losses on held-for-trading investments *(Note 7)*	**382**	–
— Investment income of structured deposits *(Note 7)*	**(1,687)**	(815)
— Investment income of available-for-sale investments *(Note 7)*	**(7)**	–
— Interest income *(Note 10)*	**(1,010)**	(2,483)
— Release of deferred income *(Note 33)*	**(424)**	(424)
— Foreign exchange gain, net *(Note 7)*	**(5,839)**	(3,401)
— Environmental restoration expenses paid *(Note 34)*	**(831)**	(1,897)
Operating cash flows before movements in working capital	**383,299**	123,020
Changes in working capital:		
Increase in inventories *(Note 23)*	**(12,543)**	(75,163)
(Increase)/decrease in trade and other receivables and prepayments	**(54,601)**	12,261
(Decrease)/Increase in trade and other payables	**(4,651)**	5,163
Cash generated from operations	**311,504**	65,281

(b) Proceeds from sale of property, plant and equipment

Proceeds from sale of property, plant and equipment comprise:

	2016 RMB'000	2015 RMB'000
Net book amount disposed *(Note 15)*	**1,349**	56
Losses on disposal *(Note 7)*	**1,311**	36
Proceeds from disposal of property, plant and equipment	**38**	20

37 Contingencies

As at 31 December 2016, the Group had no significant contingent liability (31 December 2015: Nil).

38 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	6,939	302
Exploration and evaluation assets	–	6,608
	6,939	6,910

(b) Operating 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:

	2016 RMB'000	2015 RMB'000
No later than 1 year	37	23

39 Related party transactions

The group is controlled by Gold Virtue Limited (incorporated in the British Virgin Islands), which owns 60% of the Company's shares. The ultimate controlling party of the Group is Mr. Ke Xiping.

(a) Related party transactions

Nature of transactions	Name of Related Party	2016 RMB'000	2015 RMB'000
Sales of processed gold	Xiamen Hengxing Group Company Limited	–	1,000

During the year ended 31 December 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 2015. The interest paid by the Group was HK$18,000 (equivalent to RMB15,000).

39 Related party transactions *(Continued)*

(b) Provision of guarantees by a related party for bank borrowings of the Group

Guarantor	Guaranteed party	Amount of the guarantee	Inception date of guarantee	Expiry date of guarantee
Xiamen Hengxing Group Company Limited & Ke Xiping	Jinchuan Mining	RMB46,894,000	26/01/2016	29/07/2016
Xiamen Hengxing Group Company Limited & Ke Xiping	Jinchuan Mining	RMB50,000,000	27/10/2016	27/10/2017

(c) Key management compensation

Key management includes directors (executive and independent non-executive), Chief Executive Officer, Chief Financial Officer, the Company Secretary and heads of major departments. The compensation paid or payable to key management for employee services is shown below:

	2016 RMB'000	2015 RMB'000
Salaries and other short-term employee benefits	**5,570**	4,048
Retirement benefit scheme contributions	**69**	57
Total	**5,639**	4,105

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

(d) Year-end balances arising from sales/purchases of goods/services

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

40 Events after the reporting period

There were no subsequent events which were required to disclose in the consolidated financial statements by the date of issue of financial statements.

For the year ended 31 December 2016

41 Statement of financial position and reserve movements of the Company

Statement of financial position of the Company

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**190,657**	190,657
Loans to subsidiaries		**154,932**	202,395
		345,589	393,052
Current assets			
Loans to subsidiaries		**–**	8,515
Cash and cash equivalents		**94,027**	1,765
Total assets		**439,616**	403,332
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**7,362**	7,362
Reserves	*(Note (a))*	**540,052**	540,052
Accumulated losses	*(Note (a))*	**(108,408)**	(145,034)
Total equity		**439,006**	402,380
Liabilities			
Current liabilities			
Trade and other payables		**610**	952
Total liabilities		**610**	952
Total equity and liabilities		**439,616**	403,332

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2017 and was signed on its behalf:

Mr. Ke Xiping **Mr. Chen Yu, David**

41 Statement of financial position and reserve movements of the Company

(Continued)

Note (a) Reserve movements of the Company

	Share premium RMB'000	Accumulated losses RMB'000
At 1 January 2015	540,052	(161,803)
Profit for the year	–	16,769
At 31 December 2015	540,052	(145,034)
At 1 January 2016	**540,052**	**(145,034)**
Profit for the year	**–**	**36,626**
At 31 December 2016	**540,052**	**(108,408)**

42 Benefits and interests of directors

(A) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2016:

Name	Fees RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors				
Mr. Ke Xiping	–	–	–	–
Mr. Chen Yu, David *(note)*	–	31	1,995	2,026
Mr. Ho Fook Lau, Albert	–	–	258	258
Independent non-executive directors				
Ms. Wong Wan Ki, Angel	129	–	–	129
Mr. Xiao Wei	129	–	–	129
Dr. Tim Sun	129	–	–	129
Total	387	31	2,253	2,671

42 Benefits and interests of directors *(Continued)*

(A) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2015:

Name	Fees RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking 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
Total	288	29	1,476	1,793

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) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2015: Nil).

42 Benefits and interests of directors *(Continued)*

(C) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

(D) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2016, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2015: Nil).

(E) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

43 Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

Five Years Summary

	As at 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	525,507	704,016	963,867	887,177	**995,373**
Total liabilities	412,801	576,575	589,432	459,173	**362,511**
Net assets	112,706	127,441	374,073	428,004	**632,862**
Equity attributable to owners of the Company	112,706	127,441	374,073	428,004	**632,862**

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
RESULTS					
Revenue	–	4,480	159,817	284,554	**733,034**
Profit (Loss) before taxation	(44,214)	(90,042)	(34,007)	53,585	**237,259**
Income tax	–	–	–	–	**(34,100)**
Profit (Loss) and total comprehensive expense for the year, attributable to owners of the Company	(44,214)	(90,042)	(34,007)	53,585	**203,159**

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 (恒興黃金控股有限公司), an exempted company incorporated under the laws of the Cayman Islands on 10 April 2012 with limited liability, whose Shares are listed on the main board of the Stock Exchange
"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 Jiaqi and/or Xi Wang Developments
"Corporate Governance Code"	corporate governance code 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

Definitions

"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 29 May 2014
"Listing Date"	29 May 2014
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"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 2016
"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
"Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"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 an indirect wholly-owned subsidiary of the Company
"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