恒興黃金
HENGXING GOLD

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2303)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

The highlights operating and financial results of the Group for the year ended 31 December 2017 are as follows:

- Proposed final dividend is HK$0.155 per share in cash, totalling approximately HK$143,375,000; and dividend payout ratio is increased by 22% to 50%;
- Gold production is increased by 27% to 84,849 ounces from 2016;
- Revenue is increased by 31% to RMB961 million from 2016;
- Net profit after tax is increased by 18% to RMB240 million from 2016;
- Total debt is RMB294 million, compared with RMB363 million as of 31 December 2016 and debt ratio is 27%, compared with 36% as of 31 December 2016;
- All-in gold production cost is RMB145.9 per gram (equivalent to US$694.5 per oz based on the exchange rate of RMB6.5342 to USD as of 31 December 2017).

The board of directors (the "**Board**") of Hengxing Gold Holding Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Period Under Review**"), together with comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*4*	**960,516**	733,034
Cost of sales	*4*	**(569,236)**	(371,845)
Gross profit		**391,280**	361,189
Other income	*5*	**711**	585
Other losses — net	*6*	**(7,795)**	(17,339)
Selling and marketing expenses		**(713)**	(428)
General and administrative expenses		**(32,362)**	(25,433)
Write off/impairment loss of exploration and evaluation assets		**(13,970)**	(61,256)
Operating profit		**337,151**	257,318
Finance income	*7*	**74**	1,010
Finance costs	*7*	**(12,911)**	(21,069)
Finance costs — net		**(12,837)**	(20,059)
Profit before income tax		**324,314**	237,259
Income tax expense	*8*	**(84,011)**	(34,100)
Profit for the year, all attributable to owners of the Company		**240,303**	203,159
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Fair value (losses)/gains on available-for-sale assets		**(1,683)**	1,699
Total comprehensive income for the year, all attributable to owners of the Company		**238,620**	204,858
Earnings per share for the year			
(expressed in RMB per share)			
— Basic and diluted	*9*	**0.26**	0.22

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Prepaid lease payments		**15,508**	15,865
Property, plant and equipment		**384,622**	334,110
Investment properties		**8,405**	8,979
Exploration and evaluation assets	*11*	**–**	13,970
Intangible assets		**289,187**	239,238
Prepayment for purchase of property, plant and equipment		**4,265**	14,588
Deferred tax assets	*19*	**9,565**	20,046
Available-for-sale financial assets		**–**	2,163
Restricted bank balance		**10**	10
Total non-current assets		**711,562**	648,969
Current assets			
Prepaid lease payments		**357**	357
Inventories	*12*	**107,566**	97,543
Trade receivables	*13*	**24,687**	17,422
Other receivables and prepayments	*14*	**23,726**	46,352
Financial assets at fair value through profit or loss	*15*	**26,534**	46,908
Available-for-sale financial assets		**29,000**	–
Cash and cash equivalents	*16*	**161,697**	137,822
Total current assets		**373,567**	346,404
Total assets		**1,085,129**	995,373
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**7,362**	7,362
Reserves		**491,294**	573,258
Retained earnings		**292,545**	52,242
Total equity		**791,201**	632,862

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	**As at 31 December** **2017** ***RMB'000***	2016 *RMB'000*
Liabilities			
Non-current liabilities			
Long-term borrowings	*18*	**60,000**	140,000
Deferred income		**7,843**	8,267
Provision for close down, restoration and environmental costs		**20,608**	11,448
Total non-current liabilities		**88,451**	159,715
Current liabilities			
Trade and other payables	*17*	**80,002**	52,660
Current tax liabilities		**37,184**	43,902
Short-term borrowings	*18*	**–**	50,000
Current-portion of long-term borrowings	*18*	**88,291**	56,234
Total current liabilities		**205,477**	202,796
Total liabilities		**293,928**	362,511
Total equity and liabilities		**1,085,129**	995,373

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to HKFRSs those are mandatorily effective for the current year

(a) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to HKAS 12, and
- Disclosure initiative — amendments to HKAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

Amendments	**Effective for annual periods beginning on or after**
HKFRS 9 "Financial instruments"	1 January 2018
HKFRS 15 "Revenue from contracts with customers"	1 January 2018
Amendments to HKFRS 2, "Classification and Measurement of Share-based Payment Transactions"	1 January 2018
Amendments to HKFRS 4, Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018 or when the entity first applies HKFRS 9
Amendment to HKAS 28, "Investments in associates and joint ventures"	1 January 2018
Amendments to HKAS 40, "Transfers of investment property"	1 January 2018
HK (IFRIC) 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018
HKFRS 16 "Leases"	1 January 2019 or when the entity first applies HKFRS 15
HK (IFRIC) 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Amendments to HKFRS 10 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transaction.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments), and

- assets held for sale — measured at fair value less cost of disposal

Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group, and
- 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, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by CODM, being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. For the years ended 31 December 2017, the Group is primarily engaged in gold exploration and International trading in the PRC. Therefore, for the year ended 31 December 2017, the management considers that the Group had two (note a and b) reportable segments respectively.

(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 and iron ore trading.

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:

	2017			2016		
	Gold mining segment	**International trading segment**	**Total**	Gold mining segment	International trading segment	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December						
Revenue						
Sales to customers	**748,166**	**212,350**	**960,516**	613,429	119,605	733,034
Cost of sales	**(357,351)**	**(211,885)**	**(569,236)**	(252,422)	(119,423)	(371,845)
Results of reportable segments	**390,815**	**465**	**391,280**	361,007	182	361,189

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

Results of reportable segments			**391,280**			361,189
Selling and marketing expenses			**(713)**			(428)
General and administrative expenses			**(32,362)**			(25,433)
Write off/impairment loss of exploration and evaluation assets			**(13,970)**			(61,256)
Other income			**711**			585
Other losses — net			**(7,795)**			(17,339)
Finance income			**74**			1,010
Finance expenses			**(12,911)**			(21,069)
Profit before income tax expense			**324,314**			237,259
Income tax expense			**(84,011)**			(34,100)
Profit for the year			**240,303**			203,159
Amortisation	**39,203**	**–**	**39,203**	31,604	–	31,604
Depreciation	**34,972**	**–**	**34,972**	29,832	–	29,832
Write off/impairment loss of exploration and evaluation assets	**13,970**	**–**	**13,970**	61,256	–	61,256

The Group operates in mainland China and Hong Kong, the revenue is also generated from mainland China and Hong Kong. The Group's non-current assets are also located in mainland China and Hong Kong.

For year ended 31 December 2017, the Group's income of sales of processed gold from Shanghai Gold Exchange was RMB748,166,000 (2016: RMB613,429,000), which was derived from gold mining segment.

Revenue of approximately RMB212,350,000 (2016: RMB119,605,000) was derived from external customers, in relation to the international trading segment.

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grants related to assets	**424**	424
Other	**287**	161
	711	585

6. OTHER LOSSES — NET

	2017	2016
	RMB'000	*RMB'000*
Investment gains/(losses) on future contracts	**5,726**	(11,288)
Investment income of structured deposits	**2,076**	1,687
Investment income of available-for-sale financial assets	**2,045**	7
Fair value change on gold loans	**–**	(11,446)
Investment losses of held-for-trading investments	**(2,317)**	(751)
Net foreign exchange (losses)/gains	**(6,459)**	5,839
Net losses on disposal of property, plant and equipment	**(8,768)**	(1,311)
Other losses	**(98)**	(76)
	(7,795)	(17,339)

7. FINANCE INCOME AND COSTS

	2017	2016
	RMB'000	*RMB'000*
Finance income:		
— Interest income on bank deposits	**(74)**	(1,010)
Finance income	**(74)**	(1,010)
Finance costs:		
— Bank borrowings	**12,618**	16,501
— Accretion on environmental restoration costs	**293**	2,132
— Gold loans	**–**	2,436
Finance costs	**12,911**	21,069
Net finance costs	**12,837**	20,059

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Current tax on profit for the year	**73,530**	54,146
Total current tax expense	**73,530**	54,146
Deferred income tax:		
Decrease/(increase) in deferred tax assets *(Note 19)*	**10,518**	(20,404)
(Increase)/decrease in deferred tax liabilities *(Note 19)*	**(37)**	358
Total deferred tax expense/(benefit)	**10,481**	(20,046)
Income tax expense	**84,011**	34,100
Income tax expense is attributable to:		
Profit from continuing operations	**84,011**	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 2016 and 2017.

The applicable tax rate of Goldfield (Xinjiang) Investment Advisory Limited and Jinchuan Mining for each of the years ended 31 December 2016 and 2017 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:

	2017	2016
	RMB'000	*RMB'000*
Profit before income tax expense	**324,314**	237,259
Tax calculated at domestic tax rates applicable to profits in the respective countries	**86,542**	56,717
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
— Income not taxable for tax purpose	**(3,300)**	(259)
— Expenses not deductible	**638**	2,872
— Utilisation of previously unrecognised tax losses	**(23)**	(21,395)
— Recognise previously unrecognised deferred tax assets	**–**	(3,963)
— Tax losses for which no deferred income tax assets was recognised	**154**	128
Income tax expense	**84,011**	34,100

9. EARNINGS PER SHARE

(a) Basic earnings per share

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.

	2017	2016
	RMB'000	*RMB'000*
Profit attributable to owners of the Company for the purpose of basic earnings per share	**240,303**	203,159
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)*	**0.26**	0.22

(b) Diluted earnings per share

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

10. DIVIDEND

A dividend in respect of the year ended 31 December 2017 of HK$0.155 (equivalent to RMB0.130) per share, amounting to a total dividend of HK$143,375,000 (equivalent to RMB119,849,000), is to be declared and distributed out from the Company's share premium. Such dividend was proposed by the Board of Directors on 20 March 2018. 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.

11. EXPLORATION AND EVALUATION ASSETS

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

	2017	2016
	RMB'000	*RMB'000*
Non-current assets		
At beginning of the year	**13,970**	75,145
Additions	**–**	81
Write off as expense *(Note (i))*	**(13,970)**	–
Impairment losses recognised in profit or loss	**–**	(61,256)
At end of the year	**–**	13,970
At 31 December		
Cost	**53,878**	84,138
Impairment losses recognised in profit or loss	**(53,878)**	(70,168)
Net book amount	**–**	13,970

Notes:

(i) The write off of RMB13,970,000 for exploration and evaluation assets recognised during the year ended 31 December 2017 primarily related to the Yelmand West area of which economic benefit was significantly decreased and exploration license has been cancelled.

(ii) Impairment losses of RMB16,290,000 related to the Urum-Tulasu area was written off during the year ended 31 December 2017 cause the exploration license has been cancelled in 2017:

(iii) As at 31 December 2017, the impairment losses of RMB53,878,000 for exploration and evaluation assets recognised comprise of following items:

— Impairment losses of RMB18,935,000 related to the Gold Mountain Periphery area of which the exploration license was expired in September 2016. Management intends to write off the exploration license and decides to make tax special declaration in 2019, so the deferred income tax asset attributable to this impairment loss have not be recovered.

— Impairment losses of RMB34,943,000 related to the Talede and Nalensayi areas of which the exploration licenses were expired in June 2017. Management intends to write off the exploration licenses and decides to make tax special declaration before May 2018.

12. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**2,826**	5,271
Gold in process	**82,737**	77,777
Gold dore bars	**5,227**	1,180
Consumables and spare parts	**16,776**	13,315
	107,566	97,543

13. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Current assets		
Trade receivables	**24,687**	17,422
Provision for impairment	**–**	–
	24,687	17,422

As at 31 December 2017 and 31 December 2016, the aging of trade receivables was within 1 month and no trade receivables were either past due or impaired.

As at 31 December 2017, all trade receivables were denominated in RMB (2016: US dollars).

14. OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2017, the aging of other receivables and prepayments were within 6 months.

	2017	2016
	RMB'000	*RMB'000*
Current assets		
Prepayments	**4,840**	33,670
Input VAT recoverable	**3,912**	4,401
Deposits held by a securities broker *(note (i))*	**12,467**	3,781
Deposits held by an interactive broker *(note (ii))*	**652**	26
Deposits held by China International Capital Corporation Limited ("**CICC**") *(note (iii))*	**994**	3,865
Other receivables	**861**	609
	23,726	46,352

Notes:

(i) The deposits as at 31 December 2017 and 2016 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.

(ii) The deposits as at 31 December 2017 and 2016 represented the outstanding balance of cash account held by an interactive broker for equity securities transactions.

(iii) The deposits as 31 December 2017 represented the outstanding balance of cash account held by CICC for equity securities transactions.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'000	*RMB'000*
Equity investments *(a)*	**25,362**	45,477
Futures contracts *(b)*	**1,172**	1,431
	26,534	46,908

(a) Equity investments

Movements in equity investments are analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**45,477**	–
Additions	**7,309**	49,109
Disposals	**(24,347)**	(3,250)
Fair value losses	**(3,077)**	(382)
At 31 December	**25,362**	45,477

As at 31 December 2017 and 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, 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 — 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 2017 in the stock exchange.

(b) Futures contracts

	2017	2016
	RMB'000	*RMB'000*
Derivatives not under hedging accounting:		
Fair value of gold futures contracts — assets	**1,172**	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 contracts were gains of RMB5,726,000 (2016: losses of RMB11,288,000) and were recognised in the consolidated statement of profit or loss.

As at 31 December 2017, notional amount of gold futures contract was RMB72,417,550 (31 December 2016: RMB19,465,200).

16. CASH AND CASH EQUIVALENTS/RESTRICTED BANK BALANCE

	2017	2016
	RMB'000	*RMB'000*
Cash in hands	**178**	175
Cash at banks	**111,519**	137,647
Bank deposits	**50,000**	–
Cash and cash equivalents	**161,697**	137,822
Restricted bank balance	**10**	10
	161,707	137,832

Balances can be analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Denominated in:		
— RMB	**90,171**	43,279
— Hong Kong dollars	**23,132**	94,469
— US dollars	**48,404**	84
	161,707	137,832

Note:

(i) The cash at banks and bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on cash at banks and bank deposits ranged from 0.01% to 5% per annum as at 31 December 2017 (31 December 2016: 0.001% to 0.38 %).

17. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**14,243**	12,584
Payables for capital expenditure	**43,287**	30,504
Staff salaries payables	**14,220**	6,353
Other tax payables	**5,423**	960
Other payables	**2,497**	2,011
Accrued expenses	**332**	248
	80,002	52,660

At 31 December 2017, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

	2017	2016
	RMB'000	*RMB'000*
0–30 days	**2,375**	6,625
31–60 days	**3,325**	1,188
Over 60 days	**8,543**	4,771
	14,243	12,584

18. BORROWINGS

(a) Long-term bank borrowings

	2017	2016
	RMB'000	*RMB'000*
Non-current	**60,000**	140,000
Current	**88,291**	56,234
	148,291	196,234

(b) Short-term bank borrowings

	2017	2016
	RMB'000	*RMB'000*
Short-term borrowings	**–**	50,000

(c) At 31 December 2017, the Group's borrowings were repayable as follows:

	2017 *RMB'000*	2016 *RMB'000*
Bank borrowings		
Within 1 year	**88,291**	106,234
Between 1 and 2 years	**60,000**	80,000
Between 2 and 5 years	**–**	60,000
	148,291	246,234

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:

	2017 *RMB'000*	2016 *RMB'000*
Bank borrowings		
6 months or less	**148,291**	196,234
6–12 months	**–**	50,000
	148,291	246,234

(d) The borrowings can be analysed as follows:

	2017 *RMB'000*	2016 *RMB'000*
Representing:		
— secured *(Note (i))*	**148,291**	196,234
— guaranteed *(Note (ii))*	**–**	50,000
	148,291	246,234

(i) As at 31 December 2017, the secured bank borrowings were secured by the Group's intangible assets of mining rights with a net book value of approximately RMB113,517,000 (31 December 2016: approximately RMB122,349,000) and property, plant and equipment with a net book value of approximately RMB125,830,000 (31 December 2016: approximately RMB135,866,000)

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

(e) The outstanding borrowings of the Group carry interest at effective interest rates 4.9% (31 December 2016: ranging from 4.35% to 5.15%) 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 2017 and 2016.

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

	Carrying amount		Fair Value	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank borrowings	**60,000**	140,000	**62,153**	144,268

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

19. DEFERRED INCOME TAX

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

	2017	2016
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	**9,143**	20,071
— Deferred tax assets to be recovered within 12 months	**743**	333
	9,886	20,404
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered within 12 months	**(321)**	(358)
Deferred tax assets (net)	**9,565**	20,046

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**20,046**	–
(Charged)/credited to the consolidated statement of profit and loss	**(10,481)**	20,046
At 31 December	**9,565**	20,046

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**	**Provisions and accruals**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016 and 31 December 2016	17,542	2,862	20,404
(Charged)/credited to the consolidated statement of profit or loss	(12,808)	2,290	(10,518)
At 31 December 2017	**4,734**	**5,152**	**9,886**

Deferred tax liabilities	**Fair value gain**	**Total**
	RMB'000	*RMB'000*
At 1 January 2016 and 31 December 2016	(358)	(358)
Charged to the consolidated statement of profit or loss	37	37
At 31 December 2017	**(321)**	**(321)**

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 2017 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 PRC can be carried forward infinitively in which the loss was originated to offset future taxable profits. At 31 December 2017, the Group had cumulative unutilised tax losses of RMB1,870,000 (2016: RMB1,393,000).

As at 31 December 2017 deferred income tax assets are attributable to impairment losses of RMB18,935,000 related to the Gold Mountain Periphery area and provision for close down, restoration and environmental cost of RMB20,608,000.

As at 31 December 2017, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's Gold Mountain Mine (as defined in the prospectus dated 19 May 2014 of the Company) increases its gold production and profit markedly in 2017. For the Period Under Review, it produced 84,849 ounces ("**ounce**" or "**oz**", referring to a unit of weight for precious metals, and one ounce equals 31.1035 grams) or 2,728 kg of gold, representing an increase of 27% compared to that of the same time last year. The Company achieved a net profit of RMB240.3 million, up approximately 18.3% from the same period of 2016.

On the production front, approximately 5.45 million tonnes of ore were crushed and processed for the year ended 31 December 2017, more than 14% greater than the 4.8 million tonnes ore processed during the corresponding period of 2016. As gold price soared from US$1,147/oz to US$1,362/oz during 2017, the average realized gold price for 2017 rose to RMB277.1/gram, 3.5% higher than RMB267.6/gram for 2016. Meantime, the Company managed to maintain the all-in gold production cost (cash operating costs plus amortization and depreciation) at a competitive low level of RMB145.9 per gram (equivalent to US$694.5 per oz based on the exchange rate of RMB6.5342 to USD as of 31 December 2017).

As at 31 December 2017, Gold Mountain Mine has three prospects commencing mining activities, namely the Yelmand prospect, the Mayituobi prospect and the Jingxi-Balake prospect. The Kuangou prospect is expected to commence mining activities in 2018. The table below illustrated the production details of each prospect in the year of 2017. Owing to the increased initial stripping volumes at Jingxi-Balake and Kuangou, the average overall strip ratio for Gold Mountain Mine of 2017 is 4.09 as of 31 December 2017.

Prospect	**Stripping volume (tonnes)**	**Ore mined (tonnes)**
Yelmand	4,358,899	4,560,795
Mayituobi	690,957	707,284
Jingxi-Balake	12,102,615	104,094
Kuangou	4,819,931	–
Total	**21,972,402**	**5,372,173**

As part of overall technical upgrade, a high-pressure grinding roller was adopted for trial run in March 2017 and put into commercial operation since April 2017. The newly installed high-pressure grinding roller has effectively produced finer particle size. In addition, the Company is developing cyanide-free solution and leaching agent which can further increase the recovery rate. The recovery rate for Gold Mountain Mine in 2017 is up to approximately 65%. Meanwhile the Company optimised dumping technology to reduce future dumping cost.

As for exploration progress, the initial results from the 2017 drilling campaign have been encouraging, especially with drilling in the south-eastern part of the Jingxi-Balake prospect. As at 31 December 2017, 7 holes totalling 2,021 meters in depth have been drilled. Combining with results from 2016 drill holes, they provide a strong possibility of finding high-grade resources. Key recent drilling highlights include:

DD17JX187: 35m@5.15g/t, including 7m@19.67g/t;
DD17JX184: 29m@2.11g/t, including 6m@7.84g/t

Prospects

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

Ramp up processing capacity and enhance gold recovery rate

The Group is committed to ramp up the ongoing operations with a view to achieve the designed ore processing capacity. In addition, the Group put continuous efforts to optimise operational design and adopt cost-effective technologies to enhance gold recovery rate.

Further expand resources and upgrade reserves

The Group will continue the exploration works at and in the surrounding areas of the Gold Mountain Mine, where the Group hold licenses for identifying new mining resources. In addition, the Group seeks cooperation with independent strategic parties for joint explorations.

Seek sustainable development by acquiring quality gold mines

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 reaching such economically viable situation.

In addition the Company makes continual efforts for sourcing high-quality gold mines both from home and aboard for acquisitions.

Further strengthen work safety and environmental protection

Work safety and environmental protection are crucial to the sustainable development of our industry. The Group has established internal training teams for cultivating managers into trainers and organising training programs, with focus on explosive and combustible places, dangerous chemicals and risk factors in workplaces. The Group also mobilised employees to plant trees around the workplace to fulfil our commitment to occupational health and social responsibility.

Use of Proceeds from the Initial Public Offering

The net proceeds from the Company's issue of new shares in the initial public offering ("**IPO**") dated 29 May 2014, after deducting listing related expenses, amounted to approximately HK$330.4 million. The use of proceeds was disclosed in the prospectus (the "**Prospectus**") on 19 May 2014 issued by the Company relating to the IPO and further disclosed in the clarification announcement made by the Company on 28 May 2014. On 15 June 2015, the board has resolved to change the use of the unutilized IPO proceeds, amounting to approximately HK$180.3 million, and apply for new specific purposes, details of which are indicated in the table below. As at 31 December 2016, the Company has used approximately HK$198.8 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 2017 *(HK$ million)*	Balance of unutilized IPO proceeds as at 31 December 2017 *(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	0.6	77.0
Financing further exploration works at the Gold Mountain Mine and its surrounding areas where the Company holds exploration licenses	15.1	15.1	3.7	11.4
Working capital use and other general corporate purposes	11.3	–	11.3	–
Total	330.4	180.3	242.0	88.4

Financial Review

During the Period Under Review, the Group recorded revenue of RMB960,516,000, while the revenue recorded for the corresponding period of 2016 was RMB733,034,000, representing approximately an increase of 31%, which is contributed by the substantial growth in gold production and sales and the international trading.

The Group recorded a consolidated profit of the Group of RMB240,303,000 for the year ended 31 December 2017, while the consolidated profit for the corresponding period of 2016 was RMB203,159,000. The significant increase of consolidated profit is mainly due to substantial growth in gold production and sales as compared to the corresponding period in 2016.

Revenue

During the Period Under Review, the Group's revenue was approximately RMB960,516,000, compared with RMB733,034,000 in the corresponding period of 2016, because the gold production and sales volume and sales price increased, and the involvement of Palm oil trading and iron ore trading.

Cost of sales

During the Period Under Review, the Group's cost of sales amounted to approximately RMB569,236,000 compared with RMB371,845,000 in the corresponding period of 2016, which primarily included mining costs, processing costs, labor costs related to mining and processing activities as well as depreciation and amortisation costs including depreciation costs of property, plant and equipment and amortisation costs of intangible assets and the purchase cost of Palm oil and iron ore. The increase in cost of sales (COGS) was due to the growth of production volume and the involvement of Palm oil trading and iron ore trading.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB391,280,000, compared with RMB361,189,000 in the corresponding period in 2016.

Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB713,000 compared with RMB428,000 in the corresponding period of 2016.

Administration expenses

During the Period Under Review, the Group's administration expenses were approximately RMB32,362,000 compared with RMB25,433,000 in the corresponding period of 2016.

EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortization ("**EBITDA**") was RMB411,108,000 while it was RMB317,632,000 in the corresponding period of 2016.

Finance costs

During the Period Under Review, the Group's finance costs was RMB12,911,000 (for the year ended 31 December 2016: RMB21,069,000), representing a decrease by 38.7%, compared with the corresponding period of 2016. The decrease was mainly due to the repayment of loans, details are set out in Note 7 of the above condensed consolidated financial statements.

Profit before taxation

As a result of the foregoing, the profit before taxation was RMB324,314,000 for the year ended 31 December 2017, compared with the profit before taxation of RMB237,259,000 in the corresponding period of 2016.

Profit and total comprehensive income

As a result of the foregoing, the total comprehensive income was RMB238,620,000 for the year ended 31 December 2017, compared with the total comprehensive income of RMB204,858,000 in the corresponding period of 2016.

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 2017, the Group's cash and cash equivalents were RMB161,697,000 (as of 31 December 2016, it was RMB137,822,000). Net assets were RMB791,201,000 (as of 31 December 2016, it was approximately RMB632,862,000).

The Group recorded net current assets were RMB168,090,000 as of 31 December 2017, compared with RMB143,608,000 as of 31 December 2016, which was primarily due to (a) the increase of bank balance amounted RMB23,875,000 and trade receivables amounted RMB7,265,000; the decrease of other receivables and prepayments and financial assets at fair value through profit or loss amounted RMB43,000,000; (b) net increase of inventories amounted RMB10,203,000; (c) net decrease of bank borrowings amounted RMB17,943,000; (d) the decrease of the current income tax liabilities amounted RMB6,718,000 and the increase of trade and other payables amounted RMB27,342,000; and (e) the increase of available-for-sale financial assets amounted RMB29,000,000.

Current ratio and gearing ratio

As at 31 December 2017, the Group's current ratio (current assets divided by current liabilities) was 1.82 (31 December 2016: 1.70).

As at 31 December 2017, the Group's gearing ratio (total borrowings divided by total equity) was 0.19 (31 December 2016: 0.39).

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 2017 and 31 December 2016.

	The year ended	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**376,875**	301,260
Net cash (outflow) from investing activities	**(155,699)**	(13,136)
Net cash (outflow) from financing activities	**(191,841)**	(183,022)
Net increase in cash and cash equivalents	**29,335**	105,102
Effect of foreign exchange rate changes	**(5,460)**	6,381
Cash and cash equivalents at 1 January	**137,822**	26,339
Cash and cash equivalents at 31 December	**161,697**	137,822

For the Period Under Review, the net cash inflow from operating activities was RMB376,875,000, which was mainly attributable to (a) Profit plus non cash items of to depreciation and amortisation and minus financing cost and investment gains, amounted RMB438,554,000; (b) increase in inventories of RMB10,023,000; (c) decrease in trade receivables, repayment deposits and other receivables of RMB15,361,000; (d) increase in trade payables, accruals and other payables of RMB14,560,000; (e) income tax paid 80,248,000; and (f) environmental restoration expenses paid RMB1,329,000.

For the Period Under Review, the net cash outflow from investing activities was RMB155,699,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB70,759,000; (b) payments of intangible assets of RMB78,599,000; (c) cash flow out offset by the placement and redemption of structured deposits and fixed deposits of RMB2,076,000; (d) interests received of RMB74,000; (e) Purchases of an held-for-trading investment of RMB7,383,000 and the disposal of held-for-trading investment of RMB25,181,000; (f) Payments for available-for-sale financial assets of RMB29,000,000 and disposal of available-for-sale financial assets of RMB2,525,000; and (g) other in-flows of RMB186,000.

For the Period Under Review, the net cash outflow from financing activities was RMB191,841,000, which was primarily attributable to (a) payment of a final dividend of RMB80,281,000; (b) interest paid for bank and other borrowings of RMB13,617,000; and (c) repayment of bank and other borrowings of RMB97,943,000.

Capital Structure

As at 31 December 2017, the total number of issued ordinary shares of the Company was 925,000,000 shares (as of 31 December 2016: 925,000,000 shares), each at HK$0.01.

Indebtedness and charge on assets

As at 31 December 2017, the Group had the bank borrowings of approximately RMB148,291,000 which was secured by certain buildings, mining structures and equipment with an aggregate carrying amount of RMB125,830,000 (31 December 2016: RMB135,866,000) and intangible assets with an aggregate carrying amount of RMB113,517,000 (31 December 2016: RMB122,349,000).

Save as stated above, as of 31 December 2017, 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 2017, the Group did not have any material contingent liabilities or guarantees (as of 31 December 2016: 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 2017, the Group employed approximately 350 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 5,456 million tones. As of 31 December 2017, Gold Mountain Mine has conducted mining activities in the Yelmand prospect and the Mayituobi prospect.

		The year ended 31 December	
	Unit	**2017**	2016
Ore mined	Kt	**5,372**	4,824
Yelmand prospect	Kt	**4,561**	4,285
Mayituobi prospect	Kt	**707**	539
Jingxi-Balake prospect	Kt	**104**	–
Overburden mined	Kt	**21,972**	5,894
Yelmand prospect	Kt	**4,359**	5,354
Mayituobi prospect	Kt	**691**	541
Kuangou prospect	Kt	**4,820**	–
Jingxi-Balake prospect	Kt	**12,102**	–
Strip ratio	:	**4.09**	1.22
Feed-in grade of ore	g/t	**0.85**	0.95
Ore processed	Kt	**5,456**	4,790
Recovery rate	%	**64.8**	57.0
Gold produced	Oz	**84,849**	66,604

During the Period Under Review, the aggregate capital expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB164.9 million, as compared to approximately RMB77.85 million for the year ended 31 December 2016.

Exploration

For the Period Under Review, the expenditure directly relating to exploration was approximately RMB2.6 million, as compared to approximately RMB0.95 million for the year ended 31 December 2016. The Company has completed drillings in the south-eastern part of the Jingxi-Balake prospect. As at 31 December 2017, 7 holes totalling 2,021 meters in depth have been drilled.

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as at 31 December 2017:

JORC Mineral Resources Category	**Tonnage**	**Grade**	**Contained Gold**	**Contained Gold**
	kt	*g/t*	*Au kg*	*Au koz*
Measured	20,519	0.76	15,509	499
Indicated	69,843	0.73	50,979	1,639
Inferred	27,850	0.68	19,057	613
Total	**118,212**	**0.72**	**85,546**	**2,750**

JORC Mineral Reserves Category	**Tonnage**	**Grade**	**Contained Gold**	**Contained Gold**
	kt	*g/t*	*Au kg*	*Au koz*
Proved	8,546	0.72	6,137	197
Probable	65,817	0.73	47,822	1,538
Total	**74,363**	**0.73**	**53,960**	**1,735**

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 2017, the Company continued its construction and development activities in Gold Mountain Mine, including the construction of a new heap leach pad, the improvement of high pressure grind roller and the river diversion project.

For the Period Under Review, the aggregate capital expenditure on the mine development and construction amounted to approximately RMB70.8 million, as compared to approximately RMB36.6 million for the year ended 31 December 2016.

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$0.155 per share in cash, totalling approximately HK$143,375,000 (for the year ended 31 December 2016: 92,500,000) for the year ended 31 December 2017. The proposed dividend is subject to approval by the Company's shareholders in the forthcoming annual general meeting to be held on 28 June 2018. It is intended that the dividend will be paid on 27 August 2018 to the Company's shareholders registered on 10 July 2018. 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 Monday, 25 June 2018 to Thursday, 28 June 2018, 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 Thursday, 28 June 2018. All transfers documents 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 Friday, 22 June 2018.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Monday, 9 July 2018 to Tuesday, 10 July 2018, 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 Friday, 6 July 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with the Corporate Governance Code during the year ended 31 December 2017 and up to the date hereof.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Group has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE PERIOD UNDER REVIEW

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

REVIEW OF THE ANNUAL RESULTS

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

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers Certified Public Accountants Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

Xiamen, the PRC, 20 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. KE Xiping, Mr. CHEN Yu, David and Mr. Ho Albert Fook Lau, and the independent non-executive directors of the Company are Ms. Wong Yan Ki Angel, Mr. Xiao Wei and Mr. Tim SUN.