



HENGXING GOLD HOLDING COMPANY LIMITED

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

2019 Interim Report



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CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Ke Xiping (柯希平) (*Chairman*)
Ms. Yang Yifang (Lydia Yang, 楊宜方, *President*)
Mr. Chen, David Yu (陳宇)
Mr. Ke Jiaqi (柯家琪)

Non-executive director

Mr. Albert Fook Lau Ho (何福留)

Independent non-executive director

Ms. Wong, Yan Ki Angel (黃欣琪)
Dr. Pan Guocheng (潘國成)
Dr. Tim Sun (孫鐵民)

AUDIT COMMITTEE

Ms. Wong, Yan Ki Angel (黃欣琪) (*Chairlady*)
Dr. Pan Guocheng (潘國成)
Dr. Tim Sun (孫鐵民)

REMUNERATION COMMITTEE

Dr. Pan Guocheng (潘國成) (*Chairman*)
Mr. Ke Xiping (柯希平)
Ms. Wong, Yan Ki Angel (黃欣琪)

NOMINATION COMMITTEE

Dr. Tim Sun (孫鐵民) (*Chairman*)
Ms. Yang Yifang (Lydia Yang, 楊宜方)
Ms. Wong, Yan Ki Angel (黃欣琪)

COMPANY SECRETARY

Ms. Wong Wai Ling (黃慧玲) (*ACIS, ACS*)

AUTHORISED REPRESENTATIVES

Ms. Yang Yifang (Lydia Yang, 楊宜方)
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 54, 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
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3203, Central Plaza
18 Harbor Road
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 ADVISER

As to Cayman Islands law:
Estera Trust (Cayman) Ltd.

PRINCIPAL BANK

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



CHAIRMAN STATEMENT

Dear shareholders,

On behalf of the Board of Directors of Hengxing Gold Holding Company Limited (“Hengxing Gold”, “the Company”), I am pleased to present the interim report of the Company for the six months ended on 30 June 2019 and express my gratitude for our shareholders along the way for your continuous support and trust.

The first half of year 2019 was quite a hard time for both the global economy and the Company. The stock market was long sluggish and the impact of escalating US-China trade war shall not be underestimated. Under such complicated situation, although the gold price rose over 10% from US\$1,279 at the end of December 2018 to US\$1,409 at the end of June 2019, the income and net profit both decreased for the first half of year 2019 due to the reduction in gold production of the Company.

During the first half of year 2019, the Company achieved gold production of 35,511 oz, dropped 27% over the same period last year, with an all-in sustaining cost of RMB161/gram (equivalent to US\$731/oz based on the exchange rate of RMB6.8747/USD as at 30 June 2019). The revenue of gold sales was RMB291 million and net profit after tax amounted to RMB76 million, decreased by 24% and 37% respectively compared to those of the same period last year. However, the above situation was in line with the mine production plan. According to the mining plan, the ore mainly came from the lower grade areas in the Jingxi-Balake pit and Yelmand pit in the first half of year 2019, resulting in a lower overall mining grade; nevertheless, the mining grade has started to rebound since June 2019.

In addition, the Company is committed to making contribution to the livelihood and environment of the local community to become a responsible mining corporation. We have continued to undertake various tasks in different aspects, including social welfare, ecological balance, biodiversity, etc. The cover of the interim report of this year is a picture of actual mine scenery, representing the achievement of the greening work by the Company.

No any single mine can maintain production growth forever. Therefore, we are striving to maintain stable production from existing mines while continuously seeking high-quality domestic and overseas gold assets with the aim of expanding the gold assets portfolio of the Company. Since 2018, the Company has undergone inspection and consideration for a number of projects to consolidate the foundation for achieving sustainable development of the Company.

At last, on behalf of the Board of Directors, I would like to express my sincere gratitude to all employees for their efforts and contributions and to our business partners and local community for their support and cooperation. We will keep striving for the Company’s sustainable and stable development.

Yours sincerely,

KE Xiping

Chairman

27 August 2019



BUSINESS REVIEW

During the Period Under Review, the Company's average realized gold price was consistent with the global gold price trend and achieved RMB289.5/gram, 7% higher than the same period of 2018. The Company recorded revenue from the gold mining segment RMB291 million and net profit after tax RMB76 million, lower by 24% and 37% than that of the same period of 2018 respectively. The Company still has a healthy balance sheet with a debt ratio of 19%, while bank borrowings were reduced by RMB40 million since 31 December 2018 to RMB20 million.

During the Period Under Review, the Gold Mountain Mine processed 2.56 million tonnes of newly mined ore with a feed-in grade of 0.72g/t and 0.73 million tonnes of ore in the existing pad with grade of 0.38g/t. It produced 35,511 ounces (equivalent to approximately 1,104.5 kg) of gold, decreased approximately 27% compared to the same period of 2018. The all-in sustaining cost was maintained at a competitive level of RMB161/gram (equivalent to US\$731/oz based on the exchange rate of RMB6.8747/USD as at 30 June 2019), 7.9% higher than RMB149.2/gram from the same period last year.

The decrease in gold production was mainly due to: (1) According to the production schedule, the ore in the first half of 2019 mainly comes from the lower grade areas in the Jingxi-Balake pit and Yelmand pit, leading to a decline in the overall mining grade; and (2) Production declined during the installation of upgraded equipment. However in line with the mining plan, the grade for newly mined ore has increased to 0.77g/t by the end of June 2019, 22% higher than 0.63g/t from the first quarter of 2019.

During the Period Under Review, RMB3.5 million was invested for ecological recovery and remediation, including the reclaim work in the Mayituobe pit and other greening area approximately 45,000 square meters. The Company also recognizes that we have an important opportunity and business imperative to contribute to the positive social and economic development of our host communities.

The Company has made in-depth desktop reviews of multiple projects in the first half of 2019 and the reviews are ongoing while the Company has not reached any definitive agreements in relation to any project as at the date of this report.

DEVELOPMENT STRATEGY

The principal business objectives of the Company are to explore, develop and operate gold projects. We also seek acquisition opportunities domestically and globally to pursue rapid growth and expansion of our asset portfolio. The Company aims at transition from a single mine company to a mid-tier gold producer through the following strategies:

OPERATION STABILITY

The Company plans to strengthen mine plan and production schedule in the Gold Mountain Mine in order to maintain the stability of the output. The management team of the mine continues to be focused on improving the efficiency of the operation including enhancing ore processing procedures and increasing recovery rate. We anticipate the improvement would optimize the economical outcome and the Gold Mountain Mine could deliver a stable production of gold in the next few years.

SEEK SUSTAINABLE GROWTH BY ACQUIRING QUALITY GOLD ASSETS

The Company is determined to be focused on gold exploration and mining operation activities. In the past years the company has successfully and significantly improved the operational results of Gold Mountain Mine, it helped to secure a healthy ground for the Company for further growth. With strong financial support, we consider current and near-term market condition providing an opportunity for growth by acquisitions. The Company would make continual efforts to pursue high-quality gold assets from both domestic and overseas. Our primary target is pursuing gold assets in advanced stage to strengthen the Company's resource and reserve basis. In the long term, the Company plans to grow to a mid-tier gold producer with a global portfolio of long-life assets.

FURTHER STRENGTHENING WORK SAFETY AND ENVIRONMENTAL PROTECTION

The company is committed to participate in the Green Mining initiative led by the state government. We vigorously promote cautious behavior throughout our workforce with safety control and acknowledgement of the precious ecological environment surround the mine area. It is our ultimate goal to eliminate workplace injuries and illnesses, in order to do so, relevant policies focused on behaviors, leadership and risk management are being implemented. In the past years Hengxing Gold has developed several green projects cooperated with local communities for growing trees, vegetables, flowers and protection of biodiversity. There is also an employee program to select and train young people from local minority villages to work in the Gold Mountain Mine.



BUSINESS REVIEW

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares in the initial public offering ("IPO") dated 29 May 2014, after deducting listing related expenses, amounted to approximately HK\$330.4 million. The use of proceeds was disclosed in the prospectus (the "Prospectus") on 19 May 2014 issued by the Company relating to the IPO and further disclosed in the clarification announcement made by the Company on 28 May 2014. On 15 June 2015, the board has resolved to change the use of the unutilized IPO proceeds, amounting to approximately HK\$180.3 million, and apply for new specific purposes, details of which are indicated in the table below. As at 30 June 2019, the Company has used approximately HK\$252.4 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 30 June 2019 (HK\$ million)	Balance of unutilized IPO proceeds as at 30 June 2019 (HK\$ million)	Expected timeframe for utilizing the remaining unused net proceeds
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	9.4	68.2	Within next 2 years
Financing further exploration works at the Gold Mountain Mine and its surrounding areas where the Company holds exploration licenses	15.1	15.1	5.3	9.8	Within next 2 years
Working capital use and other general corporate purposes	11.3	–	11.3	–	–
Total	330.4	180.3	252.4	78.0	

Notes:

- (1) The figures in the table are approximate figures.
- (2) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the potential acquisition and the plan for further exploration works. It will be subject to change based the progress of potential acquisition and the further exploration works.
- (3) The Company has made in-depth desktop reviews of multiple acquisition targets in 2019 and the reviews are ongoing while the Company has not reached any definitive agreements in relation to any acquisition targets as at the date of this report.



FINANCIAL REVIEW

During the Period Under Review, the Group recorded revenue of processed gold of RMB290,894,000 for the six months ended 30 June 2019, while the revenue recorded for the corresponding period of 2018 was RMB383,321,000 representing approximately an decrease of 24.11%.

The Group started to record a consolidated profit of the Group of RMB75,702,000 for the six months ended 30 June 2019, while there is a profit of RMB120,654,000 in the corresponding period of 2018.

Revenue

During the Period Under Review, the Group's revenue of processed gold was approximately RMB290,894,000, compared with RMB383,321,000 in the corresponding period of 2018, because the gold production and sales volume decreased.

Cost of sales

During the Period Under Review, the Group's cost of sales amounted to approximately RMB181,301,000 compared with RMB204,251,000 in the corresponding period of 2018, which primarily included mining costs, processing costs, labor costs related to mining and processing activities as well as depreciation and amortization costs including depreciation costs of property, plant and equipment and amortization costs of intangible assets. The decrease in cost of sales was due to the decline of production volume.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB109,593,000, compared with RMB179,070,000 in the corresponding period of 2018, and the gross profit ratio of Gold mining segment was 38%, compared with 47% in the corresponding period of 2018, resulted from decrease of production volume.

EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortization ("EBITDA") was RMB132,900,000 compared with RMB203,751,000 in the corresponding period of 2018.

Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB107,000 compared with RMB197,000 in the corresponding period of 2018.

Administration Expenses

During the Period Under Review, the Group's administration expense was approximately RMB27,096,000 (six months ended 30 June 2018: RMB16,816,000).

Finance Costs

During the Period Under Review, the Group's finance costs was RMB2,349,000 (six months ended 30 June 2018: RMB4,513,000), representing a decrease by 48%, compared with the corresponding period of 2018. The decrease was mainly due to the repayment bank borrowings and the reduction of interest rate of bank borrowings, details are set out in Note 18 in interim condensed consolidated financial statements.

Profit before taxation

As a result of the foregoing, the profit before taxation was RMB90,691,000 for the six months ended 30 June 2019, compared with a profit of RMB162,127,000 in the corresponding period of 2018.

Total comprehensive income

As a result of the foregoing, the total comprehensive income was RMB75,702,000 for the six months ended 30 June 2019, compared with the total comprehensive income of RMB120,654,000 in the corresponding period of 2018.



FINANCIAL REVIEW

Liquidity and Financial Resources

The Group was in possession of reasonable operation cash flow and working capital due to the substantial growth of production. As at 30 June 2019, the Group's bank balances and cash and Financial assets at amortised cost were RMB269,579,000 (as of 31 December 2018, it was RMB301,477,000). Net assets were RMB921,681,000 (as of 31 December 2018, it was approximately RMB927,348,000).

The Group recorded net current assets were RMB323,693,000 as of 30 June 2019, compared with RMB306,885,000 as of 31 December 2018.

Current ratio and gearing ratio

As of 30 June 2019, the Group's current ratio (current assets divided by current liabilities) was 2.77 (31 December 2018: 3.01).

As of 30 June 2019, the Group's gearing ratio (total borrowings divided by total equity) was 0.02 (31 December 2018: 0.06).

Cash flows

The following table sets out selected cash flow data from the Group's condensed consolidated interim cash flow statements for the six months ended 30 June 2019 and 30 June 2018.

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net cash inflow from operating activities	28,680	95,104
Net cash (outflow)/inflow from investing activities	(267,639)	14,138
Net cash outflow from financing activities	(43,310)	(52,336)
Net (decrease)/increase in cash and cash equivalents	(282,269)	56,906
Cash and cash equivalents at 1 January	301,477	161,697
Effects of exchange rate changes on cash and cash equivalents	43	468
Cash and cash equivalents at 30 June	19,251	219,071

For the Period Under Review, the net cash inflow from operating activities was RMB28,680,000, which was mainly attributable to (a) profit plus non cash cost as depreciation and amortisation and financing cost minus investing gain, amounted to RMB127,212,000 (b) increase in inventory of RMB25,197,000 (c) increase in trade receivable and other receivables and prepayments of RMB48,188,000 (d) increase in trade payables, accruals and other payables of RMB4,068,000, and (e) enterprise income tax paid amounted to RMB29,215,000.

For the Period Under Review, the net cash outflow from investing activities was RMB267,639,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB14,270,000, (b) increase of intangible assets of RMB3,056,000, (c) placement of trust investment and debt investment of RMB1,078,000,000 and (d) partially offset by redemption of debt investment of RMB823,080,000 and interests received of RMB327,000, and (e) proceeds from debt investment and trust investment with a cash inflow of RMB4,280,000.

For the Period Under Review, the net cash outflow from financing activities was RMB43,310,000, which was primarily attributable to (a) repayment of bank and other borrowings of RMB40,000,000, (b) interest paid for bank and other borrowings of RMB3,310,000.



FINANCIAL REVIEW

Financial Assets:

1. Financial assets at fair value through profit or loss (“FAs at FVTPL”)

The FAs at FVTPL, which amounted to RMB37,757,000 as at 30 June 2019, included RMB29,107,000 of equity investments and RMB8,650,000 of debt investments. Equity investments represented the Group’s investments in certain companies listed and actively traded on The Stock Exchange of Hong Kong Limited and Toronto Stock Exchange. Debt investments represented the Group’s investments in bank financial products, such as certain principal-guaranteed structured deposit products offered by banks in the form of open-ended savings investment arrangements and fixed term savings investment arrangements.

The table below shows the investment costs, relevant dates, counterparty, fair value of the FAs at FVTPL as at 30 June 2019:

No.	Number of shares	Cost per share	Investment cost (RMB'000)	Purchase date	Counterparty	Fair value as at 30 June 2019 (RMB'000)	% of total asset	Nature
1	8,950,000	HKD3.6	28,344	5/12/2016	HKEX main board (Shanghai Dazhong Public Utilities (Group) Co., Ltd, Stock code: 01635)	23,069	2.0%	Equity investment
2	864,833	CAD1.63	7,209	From 14/05/2018 to 27/6/2018	Toronto stock exchange (Sabina Gold and Silver Corp, Stock code: SBB)	6,038	0.5%	Equity investment
3	N/A	N/A	5,000	2/4/2019	Yining Asia branch of agricultural bank of China (ABC)	5,025	0.4%	Debt investment Financial product (“安心半年開放”理財產品)
4	N/A	N/A	3,620	21/8/2018	Yili kazakh autonomous prefecture branch of Bank of China (BOC)	3,624	0.3%	Debt investment Financial product (“中銀日積月累—日計劃”理財產品)
Total			44,173			37,757	3.3%	



FINANCIAL REVIEW

The table below summarizes the movement of FAs at FVTPL as at 30 June 2019.

RMB'000	Equity investments		Debt investments		At 30 June 2019
	Stock investment Shanghai Dazhong Public Utilities (Group) Co., Ltd	Stock investment Sabina Gold and Silver Corp	Financial product ("安心半年開放" 理財產品)	Financial product ("中銀日積 月累—日計劃" 理財產品)	
At 1 January 2019	21,409	5,352	–	3,700	30,461
Additions	–	–	828,000	–	828,000
Disposals	–	–	(824,230)	(135)	(824,902)
Dividend declared	(538)	–	–	–	–
Gains on disposal	–	–	1,230	55	1,285
Fair value gains/loss	2,198	686	25	4	2,914
At 30 June 2019	23,069	6,038	5,025	3,624	37,757

The Company invested in FAs at FVTPL for treasury management purposes, to optimise the return on its surplus cash position. Such investments were funded by the Group with its surplus cash arising in the ordinary and usual course of business of the Group from time to time. They can be sold at any time at the Company's discretion.

2. Financial assets at amortised cost ("FAs at AC")

The FAs at AC, which amounted to RMB250,328,000 as at 30 June 2019 is a fixed-income entrusted loan product, included RMB250,000,000 of principal and RMB328,000 of accrued interests.

In March 2019, Jinchuan Mining entered into 3 fixed-income-trust agreements with Xiamen International Trust Co., Ltd. (廈門國際信託有限公司) ("XITCL") on 1 March 2019, 18 March 2019 and 19 March 2019 ("Trust Agreements") respectively to optimise the return on the Group's surplus cash reserves and other liquid investments.

For this purpose, Jinchuan invested RMB100 million, RMB120 million and RMB30 million (totally RMB250 million) with a view to obtaining a better return thereon. The investments specified under the Trust Agreements comprised trust lending at an interest rate of 4.81% per annum to the Top 15 integrated group enterprises among "2018 Xiamen Enterprise 100" (co-sponsored by Xiamen Enterprise and Entrepreneurs Association, Xiamen Daily News and Xiamen Radio and Television Group), which companies have an aggregate operating income of not less than RMB12 billion in 2017.

XITCL is a non-bank financial institution with legal person qualification and financial licenses approved by China Banking Regulatory Commission and to the best knowledge of the Company, XITCL and its ultimate beneficial owner(s) are third parties independent of the Group and connected persons of the Group.



FINANCIAL REVIEW

The table below shows the investment costs, relevant dates, counterparty, fair value of the FAs at AC as at 30 June 2019:

No.	Investment cost (RMB'000)	Purchase date	Redemption date in the contract (Allow early redemption after six months of initial investment)	Counterparty	Fair value as at 30 June 2019 (RMB'000)	Expected net trust return	% of total asset
1	100,000	1/3/2019	29/2/2020	Xiamen International Trust Co., Ltd.	100,132	4.35%	8.7%
2	120,000	18/3/2019	17/3/2020	Xiamen International Trust Co., Ltd.	120,157	4.35%	10.5%
3	30,000	19/3/2019	18/3/2020	Xiamen International Trust Co., Ltd.	30,039	4.35%	2.6%
Total	250,000				250,328		21.9%

Below table summarizes the movement of FAs at AC as at 30 June 2019.

	(In RMB'000)
Opening Balance as at 1 January 2019	–
Addition	250,000
Gains on trust investment	3,313
Proceeds received	(2,985)
Ending Balance as at 30 June 2019	250,328

In the board meeting on 27 August 2019, the Board had resolved that the Company to act more cautious in future investments and better invest in the term deposit products by banks if the Company considers improving the utilization of surplus cash. It was also resolved that the Company shall redeem the rest of the Trust Agreements in view of the volatile global economy. Based on the above The Company has redeemed all the FAs at AC as at 4 September 2019.

3. Future prospects

Subscriptions of both FAs at FVTPL and FAs at AC were made for treasury management purposes to maximize the return on the unutilized funds of the Group after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investment in such financial product. The bank financial products and fixed-income entrusted loan products were considered to have relatively low risk with relatively short terms of maturity or flexible redemption terms and are also in line with the internal risk management, cash management policies of the Group.



FINANCIAL REVIEW

In view of an upside of earning with a more attractive return than current saving rate under the low interest rate trend, as well as the risk nature and the relatively short term of maturity or flexible redemption terms of above bank financial products, the Group will comply with the board resolution dated on 27 August 2019, acting more cautious and selecting products with strong liquidity and safety features issued by licensed reputable banks in order to maximize investment returns and minimize potential risks.

Capital Structure

As of 30 June 2019, the total number of issued ordinary shares of the Company was 925,000,000 shares (as of 31 December 2018: 925,000,000 shares), each at HK\$0.01.

Indebtedness and charge on assets

As at 30 June 2019, the Group had the bank and other borrowings of approximately RMB20,000,000 which were secured by the Group's intangible assets of mining rights with a net book value of approximately RMB97,393,000 (31 December 2018: approximately RMB103,245,000) and property, plant and equipment with a net book value of approximately RMB111,102,000 (31 December 2018: approximately RMB116,145,000).

Save as stated above, as of 30 June 2019, the Group did not have other outstanding loan extended and outstanding, bank overdrafts, other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees and other material contingent liabilities.

Contingent liabilities

As of 30 June 2019, the Group did not have any material contingent liabilities or guarantees (as of 31 December 2018: nil). The Group is not currently involved in any material legal proceedings, nor is the Group aware of any pending or potential material legal proceedings, involving us. If the Group is involved in such material legal proceedings, the Group would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Possible Risks

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

The functional currency of the Company and its subsidiaries is RMB since all of the Group's transactions are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances, certain other payables and certain amount due to a shareholder that are denominated in HK\$, EURO€ 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 30 June 2019, the Group employed approximately 375 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.



FINANCIAL REVIEW

THE EXPLORATION, DEVELOPMENT AND MINING PRODUCTION EXPENDITURES

Mining Production

Gold Mountain Mine includes five pits, namely the Yelmand pit, the Mayituobi pit, the Jinxi-Balake pit, the Kuangou pit and the Lion pit. For the Period Under Review, the total amount of ore mined and processed was approximately 3.30 million tones. As of 30 June 2019, Gold Mountain Mine has conducted mining activities mainly in the Yelmand pit and the Jingxi-Balake pit. The Mayituobi pit has been closed and is being reclaimed.

	Unit	Six months ended 30 June	
		2019	2018
Ore mined	Kt	2,574	2,747
<i>Yelmand pit</i>	Kt	383	1,748
<i>Mayituobi pit</i>	Kt	–	309
<i>Kuangou pit</i>	Kt	959	136
<i>Jingxi-Balake pit</i>	Kt	1,232	554
Overburden mined	m ³	3,911,408	5,755,080
<i>Yelmand pit</i>	m ³	38,609	892,728
<i>Mayituobi pit</i>	m ³	–	117,520
<i>Kuangou pit</i>	m ³	1,260,398	1,341,728
<i>Jingxi-Balake pit</i>	m ³	2,612,401	3,403,104
Strip ratio	:	3.96	5.35
Ore processed	Kt	3,304	3,032
<i>newly mined ore</i>	Kt	2,574	3,032
<i>ore in the existing pad</i>	Kt	730	–
Feed-in grade of ore	g/t	0.64	0.77
<i>newly mined ore</i>	g/t	0.72	0.77
<i>ore in the existing pad</i>	g/t	0.38	–
Recovery rate	%	61.2	66.7
Gold produced	Oz	35,511	48,432

During the Period Under Review, the aggregate expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB90.0 million as compared to approximately RMB122.0 million for the six months ended 30 June 2018.



FINANCIAL REVIEW

Exploration

For the Period Under Review, there is no expenditure directly relating to exploration, as compared to approximately RMB1,369,000 for the six months ended 30 June 2018.

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 30 June 2019: (Adjusted by internal geological department on JORC Mineral Resources and reserves statement estimated 31 December 2018.)

Henxing Gold — Resources as at 30 June 2019

Category	Tonnes (kt)	Gold Grade (g/t)	Contained Gold (kg)
Measured	18,470	0.78	14,320
Indicated	79,300	0.67	53,190
Total Measured + Indicated	97,770	0.69	67,510
Inferred	20,870	0.73	15,300
Total Including Inferred	118,640	0.70	82,810

Henxing Gold — Reserves as at 30 June 2019

Category	Tonnes (kt)	Gold Grade (g/t)	Contained Gold (kg)
Proved	13,390	0.72	9,640
Probable	44,900	0.78	34,900
Total Proved + Probable	58,290	0.76	44,540

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

Mine Development

For the first half of 2019, the Company continued its construction and development activities in Gold Mountain Mine, such as the expansion project of heap leaching pad, the renovation of boiler room and the maintenance of haul road.

For the Period Under Review, the aggregate expenditure on the mine development and construction amounted to approximately RMB14.3 million, as compared to approximately RMB7.9 million for the six months ended 30 June 2018.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 its own code of corporate governance. The Company has complied with the Corporate Governance Code during the six months ended 30 June 2019 and up to the date hereof.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code as the code for securities transactions by the Directors. The Group has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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 to work with commitment towards enhancing the value of the Company and the Shares for the benefit of the 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 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 date of Listing, that is 92,500,000 Shares.

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 option 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.

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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

In addition to the information stated herein, the detailed terms of such Share Option Scheme have been disclosed in the Prospectus.

No share options under the Share Option Scheme were granted, exercised, lapsed or cancelled during the six months ended 30 June 2019. The Company has no outstanding options as at 1 January 2019 and 30 June 2019.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (with the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executives of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register 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:

Long Positions in the Shares

(i) Interest in the Company

Name of Director	Nature of Interest	Number and class of Shares (Note 1)	Approximate percentage of interest in the issued capital (Note 2)
Mr. Ke Xiping (Note 3)	Interest of controlled corporation	555,000,000 (L)	60.0%
Mr. Ke Jiaqi (Note 4)	Interest of controlled corporation	138,750,000 (L)	15.0%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) As at 30 June 2019, the total number of issued Shares of the Company was 925,000,000.
- (3) Mr. Ke Xiping holds the entire issued share capital of Gold Virtue and is its director, therefore is deemed to be interested in the 555,000,000 Shares held by Gold Virtue.
- (4) Mr. Ke Jiaqi holds the entire issued share capital of Xi Wang Developments and is its director, therefore is deemed to be interested in the 138,750,000 Shares held by Xi Wang Developments.

(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%
Mr. Ke Jiaqi	Xi Wang Developments (Note 2)	100%

Notes:

- (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.
- (2) Xi Wang Developments holds 15% of the Company's Shares, therefore Xi Wang Developments is the holding company and an associated corporation of the Company.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register required maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors and chief executives of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were set out as follows:

Name	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of interest in the issued capital (Note 2)
Gold Virtue (Note 3)	Beneficial owner	555,000,000 (L)	60.0%
Xi Wang Developments (Note 4)	Beneficial owner	138,750,000 (L)	15.0%
Central China Dragon Global Opportunity Fund SP1	Beneficial owner	55,848,000 (L)	6.04%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) As at 30 June 2019, the total number of issued Shares of the Company was 925,000,000.
- (3) Mr. Ke Xiping holds the entire issued share capital of Gold Virtue and is its director, 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 Jiaqi.
- (4) Mr. Ke Jiaqi 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 Jiaqi is the son of Mr. Ke Xiping.

Save as mentioned above, as at 30 June 2019, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors and chief executives of the Company) or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

EVENTS AFTER THE REPORTING PERIOD

The Group had no subsequent events after the reporting period.

REVIEW OF INTERIM RESULTS

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Wong Yan Ki Angel, Dr. Pan Guocheng and Dr. Tim Sun. Ms. Wong Yan Ki Angel serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2019 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal audit function and financial reporting matters as well as the risk management and internal control systems.

The external auditor of the Company has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of Hengxing Gold Holding Company Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 42, which comprises the interim condensed consolidated balance sheet of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statements of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 August 2019

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



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

For the six months ended 30 June 2019

	Note	Unaudited	
		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Revenue	5	290,894	383,321
Cost of sales		(181,301)	(204,251)
Gross profit		109,593	179,070
Other income		350	747
Other gains — net	6	9,973	3,555
Selling and marketing expenses		(107)	(197)
General and administrative expenses		(27,096)	(16,816)
Operating profit	7	92,713	166,359
Finance income		327	281
Finance costs		(2,349)	(4,513)
Finance costs — net		(2,022)	(4,232)
Profit before income tax		90,691	162,127
Income tax expense	8	(14,989)	(41,473)
Profit for the period, all attributable to owners of the Company		75,702	120,654
Total comprehensive income for the period, all attributable to owners of the Company		75,702	120,654
Earnings per share attributable to owners of the Company for the period (Express in RMB per share)			
— Basic and diluted	10	0.08	0.13

The above interim condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	338,693	351,075
Right-of-use assets	3	17,229	–
Prepaid lease payments	3	–	15,151
Intangible assets	12	271,378	282,489
Prepayment for purchase of property, plant and equipment		4,069	3,422
Deferred tax assets	13	5,663	5,822
Restricted bank balance		10	10
Total non-current assets		637,042	657,969
Current assets			
Inventories	14	131,377	106,180
Trade receivables	15	41,766	–
Other receivables and prepayments	16	25,859	21,240
Financial assets at amortised cost	17	250,328	–
Financial assets at fair value through profit or loss	18	37,757	30,489
Cash and cash equivalents		19,251	301,477
Prepaid lease payments	3	–	357
Total current assets		506,338	459,743
Total assets		1,143,380	1,117,712
EQUITY			
Equity attributable to owners of the Company			
Share capital		7,362	7,362
Reserves		285,175	366,544
Retained earnings	20	629,144	553,442
Total equity		921,681	927,348
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs	23	30,873	30,087
Deferred income	22	7,207	7,419
Lease liabilities	3	974	–
Total non-current liabilities		39,054	37,506



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Current liabilities			
Trade and other payables	24	149,111	66,809
Current portion of long-term borrowings	21	20,000	60,000
Current income tax liabilities		11,664	26,049
Financial liabilities at fair value through profit or loss	19	950	–
Lease liabilities	3	920	–
Total current liabilities		182,645	152,858
Total liabilities		221,699	190,364
Total equity and liabilities		1,143,380	1,117,712

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The condensed consolidated interim financial information on pages 19 to 42 were approved by the Board of Directors on 27 August 2019 and were signed on its behalf.

Mr. Ke Xiping
Director

Miss. Yang Yifang
Director



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Note	Unaudited				Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 1 January 2019		7,362	335,021	31,523	553,442	927,348
Comprehensive income						
Profit for the period		–	–	–	75,702	75,702
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	9	–	(81,369)	–	–	(81,369)
Balance at 30 June 2019		7,362	253,652	31,523	629,144	921,681
Balance at 1 January 2018		7,362	459,771	31,523	292,545	791,201
Comprehensive income						
Profit for the period		–	–	–	120,654	120,654
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	9	–	(120,498)	–	–	(120,498)
Balance at 30 June 2018		7,362	339,273	31,523	413,199	791,357

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	57,895	126,986
Income tax paid	(29,215)	(31,882)
Net cash inflow from operating activities	28,680	95,104
Cash flows from investing activities		
Redemption of debt investments	823,080	312,884
Proceeds from trust investments	2,985	–
Proceeds from disposal of debt investments	1,285	–
Interest received	327	291
Proceeds from disposal of property, plant and equipment	10	–
Proceeds from disposal of equity investments	–	33,152
Payments for equity investments	–	(10,382)
Payments for intangible assets	(3,056)	(1,935)
Payments for property, plant and equipment	(14,270)	(7,872)
Placement of trust investments	(250,000)	–
Placement of debt investments	(828,000)	(312,000)
Net cash (outflow)/inflow from investing activities	(267,639)	14,138
Cash flows from financing activities		
Repayment of lease liabilities	(517)	–
Interest paid for bank and other borrowings	(2,793)	(3,483)
Repayment of bank and other borrowings	(40,000)	(48,853)
Net cash outflow from financing activities	(43,310)	(52,336)
Net (decrease)/increase in cash and cash equivalents	(282,269)	56,906
Cash and cash equivalents at beginning of the period	301,477	161,697
Effects of exchange rate changes on cash and cash equivalents	43	468
Cash and cash equivalents at end of the period	19,251	219,071

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Hengxing Gold Holding Company Limited (“the Company”) and its subsidiaries (together, “the Group”) are engaged in mining and processing of gold, sales of processed gold products 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.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated, which is also the functional currency of the Company. This condensed consolidated interim financial information has not been audited and has been approved for issue by Board of Directors on 27 August 2019.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’ issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

2.1 New and amended standards adopted by the Group

A number of new or amended standards became effective on or after 1 January 2019 and applicable for the current reporting period, and the Group has changed its accounting policies as a result of adopting the following standards.

Standards

HKFRS 16 Leases

HK(IFRIC) 23 Uncertainty over income tax treatments

HKFRS 9 (Amendments) Prepayment features with negative compensation

HKAS 28 (Amendments) Long-term interests in associates and joint venture

HKAS 19 (Amendments) Plan amendment, curtailment or settlement

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3 below. The other standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

2.2 Impact of standards issued but not yet applied by the Group

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

Standards	Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	
Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17 Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, the Group considers that the application of amendments to HKFRS, amendments to HKASs and the new interpretations is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in the future.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 3.2 below.

The Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

3.1 Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.24%.

	Unaudited RMB'000
Operating lease commitments disclosed as at 31 December 2018	2,756
Less: Short-term leases recognised on a straight-line basis as expense	(199)
	2,557
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	2,375
Of which are:	
Current lease liabilities	914
Non-current lease liabilities	1,461
	2,375
Add: Reclassification of land use rights	15,508
Right-of-use assets recognised as at 1 January 2019	17,883

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	Unaudited 30 June 2019 RMB'000	1 January 2019 RMB'000
Land use rights	15,329	15,508
Offices	1,900	2,375
Total right-of-use assets	17,229	17,883
Current lease liabilities	920	914
Non-current lease liabilities	974	1,461
Total lease liabilities	1,894	2,375



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

3.1 Adjustments recognised on adoption of HKFRS 16 (continued)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	RMB'000
• Right-of-use assets — increase by	17,883
• Lease liabilities (current portion) — increase by	914
• Lease liabilities (non-current portion) — increase by	1,461
• Prepaid lease payments (current portion)— decrease by	357
• Prepaid lease payments (non-current portion)— decrease by	15,151

There was no impact on retained earnings on 1 January 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

3.2 The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Extension options

Extension options are included in a number of office leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. FINANCIAL RISK MANAGEMENT

4.1 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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year end.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

The Group's funding requirements primarily arise from exploration investments, purchases of mining machinery and repayments of bank borrowings. The Group finances its working capital requirements through a combination of funds generated from operations and additional bank borrowings.

The following tables below analyse the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at 30 June 2019 and 31 December 2018 respectively to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Unaudited			
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 30 June 2019				
Bank borrowings	20,245	-	-	-
Trade and other payables (excluding staff salaries payable and other tax payable)	140,877	-	-	-
Lease liabilities	930	983	-	-
	162,052	983	-	-
	Audited			
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2018				
Bank borrowings	61,179	-	-	-
Trade and other payables (excluding staff salaries payable and other tax payable)	45,893	-	-	-
	107,072	-	-	-



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018 on a recurring basis:

At 30 June 2019	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Financial assets at fair value through profit or loss (FVPL) <i>(Note 18)</i>				
— Equity investments	29,107	—	—	29,107
— Debt investments	—	8,650	—	8,650
	29,107	8,650	—	37,757
Liabilities				
Financial assets at fair value through profit or loss (FVPL) <i>(Note 19)</i>				
— Future contracts	950	—	—	950
	Audited			
At 31 December 2018	Level 1	Level 2	Level 3	Total
Assets	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss (FVPL) <i>(Note 18)</i>				
— Equity investments	26,761	—	—	26,761
— Future contracts	28	—	—	28
— Debt investments	—	3,700	—	3,700
	26,789	3,700	—	30,489

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value of financial assets and liabilities measured at amortisation cost

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Cash and cash equivalents
- Trade receivable
- Other receivables and prepayments
- Restricted bank balance
- Trade and other payables
- Financial assets at amortised cost
- Borrowings
- Lease liabilities

5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. During each of the six months ended 30 June 2019 and 2018, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in gold exploration in the PRC. Therefore, the management considers that the Group only has one operating segment, and no segment information is presented.

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of processed gold	290,894	383,321

The Group operates in mainland China and Hong Kong, and revenue for the six months ended 30 June 2019 is generated from mainland China. The Group's non-current assets are located in mainland China and Hong Kong.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

6. OTHER GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Investment gains on trust investments (Note 17)	3,313	–
Investment gains on futures contracts	4,007	4,264
Net fair value gains/(losses) on financial assets at fair value through profit or loss (Note 18)	2,914	(2,747)
Investment gains on debt investments (Note 18(b))	1,285	884
Investment gains on equity investments (Note 18(a))	–	420
Losses on disposal of property, plant and equipment	(153)	(208)
Net foreign exchange (losses)/gains	(443)	942
Net fair value losses on financial liabilities at fair value through profit or loss (Note 19)	(950)	–
	9,973	3,555

7. OPERATING PROFIT

In addition to the items disclosed on Note 6, the following operating items have been charged to the operating profit:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Charging:		
Raw materials and consumables used	122,025	97,213
Changes in inventories of finished goods and work in progress	(28,126)	(6,460)
Staff cost	21,294	28,655
Professional service fee	8,059	1,539
Depreciation and amortisation of		
— property, plant and equipment	22,698	21,694
— right-of-use assets	660	–
— land use rights	–	179
— intangible assets	16,502	15,794



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

8. INCOME TAX EXPENSE

The Company's Hong Kong subsidiary Tianshan Gold Securities (Hong Kong) Limited was subject to Hong Kong profits tax at tax rate of 16.5% for the six months ended 30 June 2018. Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the first HKD 2 million of assessable profits of one of the Group's companies incorporated in Hong Kong under Hong Kong profits tax during the six months ended 30 June 2019 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HKD 2 million will continue to be subject to a tax rate of 16.5%.

For the six months ended 30 June 2019, the Company's PRC subsidiary Goldfield (Xinjiang) Investment Advisory Limited are subjected to an income tax rate of 25% (for the six months ended 30 June 2018: 25%).

For the six months ended 30 June 2019, the Company's PRC subsidiary Xinjiang Jinchuan("Jinchuan Mining") are subjected to an income tax rate of 15% (for the six months ended 30 June 2018: 25%).

The amount of income tax expense charged to the interim condensed consolidated statement of profit or loss represents:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax		
— PRC profits tax	14,830	43,204
Deferred income tax	159	(1,731)
	14,989	41,473

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for six months ended 30 June 2019 is 17%, compared to 26% for the six months ended 30 June 2018.

9. DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Ordinary shares		
Dividend provided for or paid during the period	81,369	120,498

Pursuant to the resolution of Annual General Meeting dated 28 June 2019, a dividend of RMB81,369,000 (2018: RMB120,498,000) relating to the year ended 31 December 2018 (2018: relating to the year ended 31 December 2017) was declared and distributed from the share premium of the Company to the shareholders. Such dividend is paid in August 2019.

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

10. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit attributable to owners of the Company (in RMB'000)	75,702	120,654
Weighted average number of the Company's shares in issue (in thousands)	925,000	925,000
Basic earnings per share (in RMB)	0.08	0.13

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

11. PROPERTY, PLANT AND EQUIPMENT

	Unaudited							
	Buildings and structures	Mining structures and equipment	Machinery	Motor vehicles	Furniture & office equipment	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018								
Cost	122,996	309,909	56,961	7,651	2,274	16,983	5,113	521,887
Accumulated depreciation	(27,368)	(114,290)	(17,221)	(4,074)	(815)	(7,044)	-	(170,812)
Net book amount	95,628	195,619	39,740	3,577	1,459	9,939	5,113	351,075
Six months ended 30 June 2019								
Opening net book amount	95,628	195,619	39,740	3,577	1,459	9,939	5,113	351,075
Additions	-	782	448	1,586	45	661	6,966	10,488
Disposals	(23)	(56)	(78)	(9)	(2)	(4)	-	(172)
Transfers	234	1,246	146	-	-	42	(1,668)	-
Depreciation charge (Note 7)	(3,454)	(14,715)	(2,857)	(427)	(27)	(1,218)	-	(22,698)
Closing net book amount	92,385	182,876	37,399	4,727	1,475	9,420	10,411	338,693
At 30 June 2019								
Cost	123,205	311,770	57,445	9,045	2,313	17,672	10,411	531,861
Accumulated depreciation	(30,820)	(128,894)	(20,046)	(4,318)	(838)	(8,252)	-	(193,168)
Net book amount	92,385	182,876	37,399	4,727	1,475	9,420	10,411	338,693



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

12. INTANGIBLE ASSETS

	Unaudited				Total RMB'000
	Mining rights RMB'000	Restoration costs RMB'000	Stripping costs RMB'000	Meadow compensation costs and others RMB'000	
At 31 December 2018					
Cost	141,380	37,794	215,759	38,590	433,523
Accumulated amortisation	(38,135)	(17,863)	(86,775)	(8,261)	(151,034)
Net book amount	103,245	19,931	128,984	30,329	282,489
Six months ended 30 June 2019					
Opening net book amount	103,245	19,931	128,984	30,329	282,489
Additions	–	3,056	–	2,335	5,391
Amortisation charge (Note 7)	(5,852)	(1,628)	(8,044)	(978)	(16,502)
Closing net book amount	97,393	21,359	120,940	31,686	271,378
At 30 June 2019					
Cost	141,380	40,850	215,759	40,925	438,914
Accumulated amortisation	(43,987)	(19,491)	(94,819)	(9,239)	(167,536)
Net book amount	97,393	21,359	120,940	31,686	271,378

13. DEFERRED TAX ASSETS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Deferred tax assets	7,614	7,353
Deferred tax liabilities	(1,951)	(1,531)
Deferred tax assets (net)	5,663	5,822



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

14. INVENTORIES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Raw materials	3,733	3,558
Gold in process	77,446	78,132
Gold dore bars	35,115	6,303
Consumables and spare parts	15,083	18,187
	131,377	106,180

15. TRADE RECEIVABLES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade receivables	41,766	–
Less: Provision for impairment of trade receivables	–	–
	41,766	–

As at 30 June 2019, the aging of trade receivables was within 1 month.

16. OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Deposits held by a securities broker (Note (a))	9,998	3,236
Prepayments	8,331	9,921
Input VAT deductible	4,146	4,206
Deposits held by China International Capital Corporation Limited ("CICC") (Note (b))	1,573	1,566
Deposits held by an interactive broker (Note (c))	143	394
Other receivables	1,668	1,917
	25,859	21,240



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

16. OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

- (a) The deposits as at 30 June 2019 and 31 December 2018 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.
- (b) The deposits as at 30 June 2019 and 31 December 2018 represented the outstanding balance of cash account held by CICC for equity securities transactions.
- (c) The deposits as at 30 June 2019 and 31 December 2018 represented the outstanding balance of cash account held by an interactive broker for equity securities transactions.

17. FINANCIAL ASSETS AT AMORTISED COST

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
At 1 January	–	–
Additions	250,000	–
Gains on trust investment (Note 6)	3,313	–
Proceeds received	(2,985)	–
At 30 June	250,328	–

As at 30 June 2019, trust investments classified as financial assets at amortised cost represented the Group's trust investments in trust products.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Equity investments (a)	29,107	26,761
Debt investments (b)	8,650	3,700
Future contracts (c)	–	28
	37,757	30,489



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Equity investments

Movements in equity investments are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
At 1 January	26,761	54,362
Additions	–	10,360
Disposals	–	(33,130)
Dividend declared	(538)	–
Gains on disposal (Note 6)	–	420
Fair value gains/(losses) (Note 6)	2,884	(2,747)
At 30 June	29,107	29,265

As at 30 June 2019 and 31 December 2018, equity investments 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 and Toronto Stock Exchange, which are quoted in an active market.

(b) Debt investments

Movements in debt investments are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
At 1 January	3,700	–
Additions	828,000	312,000
Disposals	(824,365)	(312,884)
Gains on disposal (Note 6)	1,285	884
Fair value gains (Note 6)	30	–
At 30 June	8,650	–

As at 30 June 2019, debt investments classified as financial assets at fair value through profit or loss represented the Group's debt investments in bank financial products.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(c) Future contracts

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Derivatives not under hedging accounting: Fair value of gold future contracts — assets	—	28

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.

19. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Future contracts

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Derivatives not under hedging accounting: Fair value of gold future contracts — liabilities (Note 6)	950	—

20. RETAINED EARNINGS

As at 30 June 2019, the consolidated retained earnings included the balance of its subsidiary's reserve fund of RMB75,245,000 (31 December 2018: RMB67,959,000) which would be specifically used to offset accumulated losses or to increase capital and cannot be appropriated according to relevant PRC regulations.

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 years.

For the six months ended 30 June 2019, the Group appropriated RMB12,866,000 from retained earnings (six months ended 30 June 2018: RMB13,733,000 from retained earnings) for the safety production fund and utilised RMB1,376,000 (six months ended 30 June 2018: RMB4,779,000) for the safety production fund according to relevant PRC regulations.

As at 30 June 2019, the consolidated retained earnings included an appropriation of RMB69,349,000 (31 December 2018: RMB57,859,000) to PRC safety production fund according to relevant PRC regulations.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

21. BORROWINGS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Secured bank borrowings		
— Current	20,000	60,000

- (a) As at 30 June 2019, the bank borrowings were secured by the Group's intangible assets of mining rights with a net book value of approximately RMB97,393,000 (31 December 2018: approximately RMB103,245,000) and property, plant and equipment with a net book value of approximately RMB111,102,000 (31 December 2018: approximately RMB116,145,000).
- (b) The outstanding borrowings of the Group carry interest at effective interest rates 4.9% (31 December 2018: 4.9%) per annum and are repayable in accordance with payment schedule.

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
At 1 January	60,000	148,291
Repayments of borrowings	(40,000)	(48,853)
At 30 June	20,000	99,438

22. DEFERRED INCOME

Deferred income represents governments grants received by Jinchuan Mining for developments of mining projects. Movements of deferred income during both periods are as follows:

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
At 1 January	7,419	7,843
Released to profit or loss	(212)	(212)
At 30 June	7,207	7,631



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

23. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

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 mining has been completed. The Group provides for the present obligation of the cost of the restoration.

Movements of provision during both periods are as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
At 1 January	30,087	20,608
Additions	3,056	5,393
Accretion incurred in the year	1,205	556
Payment of close down, restoration and environmental costs	(3,475)	(308)
At 30 June	30,873	26,249

24. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Dividend payable	81,369	–
Payables for capital expenditure	47,650	28,712
Trade payables	10,026	14,394
Staff salaries payables	5,226	15,167
Other tax payables	3,008	5,749
Other payables	1,778	2,763
Accrued expenses	54	24
	149,111	66,809

At 30 June 2019, the aging analysis of the trade payables based on invoice date was as follows:

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Within 1 year	10,026	14,394



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

25. COMMITMENTS

(a) Capital commitments

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Property, plant and equipment	28,760	2,574

(b) Lease commitments

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
No later than 1 year	78	1,222
More than 1 year but no later than 2 years	–	1,023
More than 2 years but no later than 3 years	–	511
	78	2,756

26. RELATED PARTY TRANSACTIONS

- (a) No significant transactions with related parties occurred during the six months ended 30 June 2019 and 30 June 2018.
- (b) No outstanding balances with related parties are set out in both periods end.
- (c) Key management compensation:

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

	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Salaries and other short-term benefits	2,331	2,245
Retirement benefit scheme contributions	42	26
	2,373	2,271

27. CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liability (31 December 2018: Nil).

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 30 June 2019 and up to the signing date of this financial information, the Group had no material subsequent events which have not been reflected in the interim financial information.



DEFINITIONS

"Articles of Association" or "Articles"	the articles of association of the Company conditionally adopted on 5 May 2014 and effective on 29 May 2014
"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
"Jintian Investment"	Tianshan Goldfield (Xinjiang) Investment Advisory Limited (新疆天山金田投資諮詢有限公司), a limited liability company established in China on May 22, 2012 and a direct wholly owned subsidiary of Tianshan Gold HK
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 29 May 2014



DEFINITIONS

“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 six months ended 30 June 2019
“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” or “SFO”	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

