恒興黃金
HENGXING GOLD

HENGXING GOLD
Holding Company Limited

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

ANNUAL REPORT 2019

CONTENTS

Corporate Information

Directors

Executive directors

Mr. Ke Xiping (柯希平) *(Chairman)*
Ms. YANG Yifang *(Lydia YANG, 楊宜方, President)* *Note 1*
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 directors

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)
Ms. Wong Wai Ling (黃慧玲) *(ACIS, ACS)*

Principal Share Registrar

Ocorian Trust (Cayman) Limited *Note 2*
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

Kalayagaqi Town (喀拉亞尕奇鄉)
Yining County, Yili State
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
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong

Legal Advisers

As to Cayman Islands law:
Ocorian Trust (Cayman) Limited *Note 2*

Principal Bank

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

Note 1: Ms. Yang Yifang has resigned as an executive director and president from 1 April 2020.

Note 2: Estera Trust (Cayman) Ltd. has changed entity name to Ocorian Trust (Cayman) Limited with effect from 6 April 2020.

Corporate Profile

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

The principal business objectives of the Group are to explore, develop and operate gold projects. The Group is currently operating the Gold Mountain Mine (as defined in the prospectus dated 19 May 2014 of the Company), the largest individual gold mine in Xinjiang, China in terms of annual ore processing capacity and gold production volume. For the year ended 31 December 2019 (the "**Period Under Review**"), the Gold Mountain Mine produced 85,654 ounces of gold and processed approximately 8.3 million tonnes of ore.

In the past years the Group has successfully and significantly improved the operational results of Gold Mountain Mine, it helped to secure a healthy ground for the Group for further growth. The Group 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 Group's resource and reserve basis. In the long term, the Group plans to grow to a mid-tier gold producer with a global portfolio of long-life assets.

Chairman Statement

Dear shareholders,

On behalf of the board of directors of Hengxing Gold Holding Company Limited ("**Hengxing Gold**" or the "**Company**"), I am pleased to present the annual report of the Company for the year ended 31 December 2019 and express my thanks to our shareholders for your continuous support and trust along the way.

Over the past year, companies engaged in gold production offered mixed prospects. Whilst it is a prevailing trend to see a slowdown of global economic growth, the easing monetary policy, geopolitical unrest and risk-aversion market sentiment around the world are expected to open up a strong market for the gold industry in the medium to long run. Benefited from the rising in gold price, the Company recorded the gold selling price of RMB318.6/gram in 2019, representing an increase of 17% as compared to the same period of 2018. The revenue derived from the gold mine business reached RMB845 million, representing a growth of 2% as compared to the same period last year. However, due to the decline in gold production of the Company, the net profit after tax amounted to RMB215 million, representing a decrease of 17.8% as compared to the same period last year.

In 2019, the Company achieved gold production of 85,654 ounces, representing a decrease of 13% as compared to the same period last year, with the all-in sustaining cost of RMB198/gram (equivalent to US$883/oz with exchange rate of RMB6.9762/USD as at 31 December 2019). The decrease in gold production was mainly resulted from a lower gold production in the first half of the year. It led to a lower gold production because ore processed in the first half of 2019 mainly came from the lower grade ore bodies in the Jingxi-Balake pit and Yelmand pit. The Group remains committed to continuously improving recovery rate through technical optimization, such as biological pre-oxidation test.

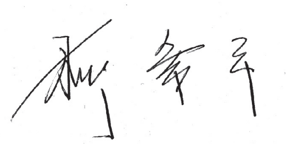
In addition, the Company is also putting efforts to make contributions to the livelihood and environment of the community at which it is located to become a responsible mining corporation. We have continued to undertake various tasks on social welfare, ecological balance, biodiversity and other aspects in the local area, which include the full reclamation of completed pits, construction of green mines and long-term involvement in anti-poverty and study aid activities in the local community.

Chairman Statement

None of any single mine can always maintain growth momentum. Therefore, we are striving to keep a steady production from the existing mines while actively seeking for high-quality gold assets both at home and abroad with the aim of expanding the gold assets portfolio of the Company. In 2019, the Company has carried out several projects, including desktop work and demonstration of on-site inspections, to lay the foundation for achieving the sustainable development of the Company. I would also like to take this opportunity to express my appreciation to Ms. Yang Yifang for her efforts made for the sustainable development, mergers and acquisitions of the Company during her tenure of office as the president within two years' time.

At last, on behalf of the board of directors, I would like to express my sincere gratitude to all our staff for their hard work and contributions, and to our cooperation partners and local community for their support and help to Hengxing Gold. We will do our utmost endeavours for the Company's sustainable and stable development.

Yours sincerely,



KE Xiping
Chairman

31 March 2020

Management Discussion and Analysis

Business Review

During the Period Under Review, benefited from the global gold price surge the Group's average realized gold price achieved RMB318.6/gram, 17% higher than the same period of 2018. Revenue from the gold mining segment for the year of 2019 increased 2% over the prior year's compared period to RMB845 million, while net profit after tax was RMB215 million, lower by 17.8% than that of the same period of 2018. The Group still has a healthy balance sheet with a debt ratio of 13% and had paid off all bank borrowings.

During the Period Under Review, the Gold Mountain Mine processed 6.4 million tonnes of newly mined ore with a feed-in grade of 0.73g/t and 1.95 million tonnes of ore in the existing pad with grade of 0.35g/t. It produced 85,654 ounces (equivalent to approximately 2,664.1 kg) of gold, decreased approximately 13% compared to the same period of 2018. The all-in sustaining cost was maintained at a competitive level of RMB198/gram (equivalent to US$883/oz with exchange rate of RMB6.9762/USD as at 31 December 2019), 31% higher than RMB150.6/gram from the same period last year due to the lower gold production and higher raw material price.

The decrease in gold production was mainly resulted from lower gold production in the first half of the year. Because ore processed in the first half of 2019 mainly comes from the lower grade ore body in the Jingxi-Balake pit and Yelmand pit, leading to a lower gold production. The Group remains committed to continuously improving recovery rate through technical optimization, such as biological pre-oxidation test.

During the Period Under Review, RMB28.02 million was invested for ecological recovery and remediation, including the reclaim work in the Mayituobe pit and other greening area approximately 132,400 square meters. The greening area added up to 573,400 square meters with more than 7,000 trees and 6,360 kilogram of grass seeds. The Group 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 Group has made in-depth desktop reviews of multiple projects across the world in the year of 2019 and the reviews are ongoing while the Group has not reached any definitive agreements in relation to any project as at the date of this report.

Management Discussion and Analysis

Development Strategy

The principal business objectives of the Group 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 Group aims at transition from a single mine company to a mid-tier gold producer through the following strategies:

Operation stability

The Group 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 at last to deliver an average annual production of approximately 80,000 ounces of gold in the next few years.

Seek sustainable growth by acquiring quality gold assets

The Group is determined to be focused on gold exploration and mining operation activities. In the past years the Group has successfully and significantly improved the operational results of Gold Mountain Mine, it helped to secure a healthy ground for the Group for further growth. With strong financial support, we consider current and near-term market condition providing an opportunity for growth by acquisitions. The Group 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 Group's resource and reserve basis. In the long term, the Group 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 Group 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.

Management Discussion and Analysis

Use of Proceeds from the Initial Public Offering

The net proceeds from the Group'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 Group relating to the IPO and further disclosed in the clarification announcement made by the Group 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 2019, the Group has used approximately HK$254.2 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 2019 (HK$ million)	Balance of unutilized IPO proceeds as at 31 December 2019 (HK$ million)	Expected timeframe for utilizing the remaining unused net proceeds
Financing the Group'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 Group's potential acquisitions of gold resources, including expenses for due diligence, environmental and exploratory studies	15.1	77.6	11.2	66.4	Within next 2 years
Financing further exploration works at the Gold Mountain Mine and its surrounding areas where the Group 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	254.2	76.2	

Management Discussion and Analysis

Financial Review

During the Period Under Review, the Group recorded revenue of the gold mining segment of RMB845,396,000, while the revenue recorded for the corresponding period of 2018 was RMB830,006,000, representing approximately increase of 2%, which is contributed by the growth of gold price.

The Group recorded a consolidated profit of the Group of RMB214,544,000 for the year ended 31 December 2019, while the consolidated profit for the corresponding period of 2018 was RMB260,897,000. The significant decrease of consolidated profit is mainly due to decline in gold production and increase of cost in 2019.

Revenue

During the Period Under Review, the Group's revenue of the gold mining segment was approximately RMB845,396,000, compared with RMB830,006,000 in the corresponding period of 2018, because the sales volume decreased due to the decline in production, which was partially offset by the increase in gold price.

Cost of sales

During the Period Under Review, the Group's cost of sales of the gold mining segment amounted to approximately RMB519,943,000 compared with RMB464,838,000 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 amortisation costs including depreciation costs of property, plant and equipment and amortisation costs of intangible assets. The increase in COGS of the gold mining segment was due to the growth of striping volume and production volume.

Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB325,453,000, compared with RMB365,168,000 in the corresponding period in 2018.

Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB378,000 compared with RMB479,000 in the corresponding period of 2018.

Administration expenses

During the Period Under Review, the Group's administration expenses were approximately RMB57,360,000 compared with RMB37,266,000 in the corresponding period of 2018. The significant increase of administration expenses was due to the increase in staff costs, depreciation expenses and the expenses for acquisition projects.

EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortisation ("**EBITDA**") was RMB378,470,000 gain while it was RMB417,423,000 in the corresponding period of 2018.

Finance costs

During the Period Under Review, the Group's finance costs was RMB3,819,000 (for the year ended 31 December 2018: RMB9,236,000), representing a decrease by 58.7%, compared with the corresponding period of 2018. The decrease was mainly due to the repayment of loans, details are set out in Note 19 and in consolidated financial statements.

Profit before taxation

As a result of the foregoing, the profit before taxation was RMB271,346,000 for the year ended 31 December 2019, compared with the profit before taxation of RMB323,767,000 in the corresponding period of 2018, which was mainly resulted from the increase of COGS and a lower gold production.

Management Discussion and Analysis

Profit and total comprehensive income

As a result of the foregoing, the profit and total comprehensive income was RMB214,544,000 for the year ended 31 December 2019, compared with the profit and total comprehensive income of RMB260,897,000 in the corresponding period of 2018.

Liquidity and financial resources

The Group was in possession of reasonable operation cash flow and working capital due to a stable gold production. As at 31 December 2019, the Group's cash and cash equivalents were RMB323,845,000 (as of 31 December 2018, it was RMB301,477,000). Net assets were RMB1,060,486,000 (as of 31 December 2018, it was approximately RMB927,348,000).

The Group recorded net current assets were RMB449,303,000 as of 31 December 2019, compared with RMB306,885,000 as of 31 December 2018, which was primarily due to (a) the increase of cash and cash equivalents amounted RMB22,368,000; (b) net decrease of the financial assets at fair value through profit or loss amounted RMB10,606,000 (c) the increase of trade receivables, other receivables and prepayments amounted RMB75,287,000; (d) net increase of inventories amounted RMB34,046,000; (e) net decrease of bank borrowings amounted RMB60,000,000; (f) the increase of the current income tax liabilities amounted RMB12,097,000 and the increase of trade and other payables amounted RMB24,304,000.

Current ratio and gearing ratio

As at 31 December 2019, the Group's current ratio (current assets divided by current liabilities) was 4.43 (31 December 2018: 3.01).

As at 31 December 2019, the Group's gearing ratio (total borrowings divided by total equity) was 0 (31 December 2018: 0.06).

Cash flows

The following table sets out selected cash flow data from the Group's condensed consolidated cash flow statements for the years ended 31 December 2019 and 31 December 2018:

	Year ended	
	31 December 2019 RMB'000	31 December 2018 RMB'000
Net cash generated from operating activities	**217,669**	394,870
Net cash used in investing activities	**(51,577)**	(37,639)
Net cash used in financing activities	**(144,243)**	(219,611)
Net increase in cash and cash equivalents	**21,849**	137,620
Effect of foreign exchange rate changes	**519**	2,160
Cash and cash equivalents at 1 January	**301,477**	161,697
Cash and cash equivalents at 31 December	**323,845**	301,477

For the Period Under Review, the net cash generated from operating activities was RMB217,669,000, which was mainly attributable to (a) profit plus non cash cost as depreciation and amortisation and minus financing cost and investment gains, amounted RMB370,597,000, (b) increase in inventories of RMB34,046,000, (c) increase in trade receivables, repayment deposits and other receivables of RMB75,287,000, (d) increase in trade payables, accruals and other payables of RMB18,681,000, (e) Income tax paid RMB36,598,000, and (f) environmental restoration expenses paid RMB25,678,000.

Management Discussion and Analysis

For the Period Under Review, the net cash used in investing activities was RMB51,578,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB55,345,000, (b) payments of intangible assets of RMB14,226,000, (c) cash outflow offset by the placement and redemption of structured deposits and trust funds of RMB3,700,000, (d) interests and investment incomes received from structured deposits and trust funds of RMB8,421,000, (e) disposal of financial assets at FVPL of RMB7,987,000 and the recognition of the investment incomes of financial assets at FVPL of RMB2,143,000, and (f) disposal of property, plant and equipment of RMB28,000.

For the Period Under Review, the net cash used in financing activities was RMB144,243,000, which was primarily attributable to (a) payment of a final dividend of RMB81,406,000, (b) repayment of bank borrowings of RMB60,000,000, (c) interest paid for bank of RMB1,636,000, and (d) lease liabilities paid of RMB1,201,000.

Financial Assets:

1. *Financial assets at fair value through profit or loss ("FAs at FVTPL")*

The FAs at FVTPL, which is equity investments amounted to RMB19,883,000 as at 31 December 2019. Equity investments represented the Group's investments in a listed company and actively traded on The Stock Exchange of Hong Kong Limited.

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 is a fixed-income entrusted loan product, included RMB250,000,000 of principal and RMB4,915,000 of interest returns.

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 all 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.

Considering the Group's strategy about focusing on gold exploration and mining operation activities, the Group's selected equity investment mainly concentrate on the energy, resources and utilities sector, which is the Group's profession lies.

Capital structure

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

Management Discussion and Analysis

Contingent liabilities

As at 31 December 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 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 and certain other payables 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 2019, the Group employed approximately 392 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

For the Period Under Review, the total amount of ore processed was approximately 6,586 thousand tones. During the year of 2019, Gold Mountain Mine has conducted mining activities in three pits, including the Yelmand pit, the Jingxi-Balake pit and the Kuangou pit.

		Year ended 31 December	
	Unit	**2019**	2018
Ore mined	Kt	**6,428**	5,420
Yelmand pit	Kt	**383**	3,498
Mayituobi pit	Kt	**–**	757
Kuangou pit	Kt	**2,763**	171
Jingxi-Balake pit	Kt	**3,282**	994
Overburden mined	Kt	**34,986**	8,973
Yelmand pit	Kt	**102**	1,270
Mayituobi pit	Kt	**–**	179
Kuangou pit	Kt	**16,224**	2,170
Jingxi-Balake pit	Kt	**18,660**	5,394
Strip ratio	:	**5.44**	4.03
Ore processed	Kt	**8,347**	6,586
newly mined ore	Kt	**6,398**	5,443
ore in the existing pad	Kt	**1,949**	1,143
Feed-in grade of ore	g/t	**0.64**	0.74
newly mined ore	g/t	**0.73**	0.82
ore in the existing pad	g/t	**0.35**	0.38
Recovery rate	%	**53.7**	66.5
Gold produced	Oz	**85,654**	98,228

Management Discussion and Analysis

During the Period Under Review, the aggregate capital expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB242.3 million, as compared to approximately RMB208.2 million for the year ended 31 December 2018.

Exploration

For the Period Under Review, there is no expenditure directly relating to exploration as compared to approximately RMB1.2 million for the year ended 31 December 2018.

Resources and Reserves

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 31 December 2019:

Hengxing Gold — Resources as at 31 December 2019

Category	**Tonnes** (kt)	**Gold Grade** (g/t)	**Contained Gold** (kg)
Measured	17,360	0.78	13,570
Indicated	76,280	0.67	51,160
Total Measured + Indicated	93,640	0.69	64,730
Inferred	20,310	0.73	14,810
Total Including Inferred	113,950	0.70	79,540

Hengxing Gold — Reserves as at 31 December 2019

Category	**Tonnes** (kt)	**Gold Grade** (g/t)	**Contained Gold** (kg)
Proved	11,270	0.74	8,340
Probable	41,330	0.79	32,590
Total Proved + Probable	52,600	0.78	40,930

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 estimation as at 31 December 2018.

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

   (a) 8% dilution factor and 67% comprehensive dressing and smelting recovery were applied to the mining method;

   (b) Slope angle was 40 to 45 degree of fresh rock and 30 degree of loss;

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

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

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

Management Discussion and Analysis

Mine Development

For the year of 2019, the Company continued its construction and development activities in Gold Mountain Mine, including the expansion project of heap leaching pad, the increase of new generator and the equipment update.

For the Period Under Review, the aggregate capital expenditure on the mine development and construction amounted to approximately RMB55.3 million, as compared to approximately RMB36.1 million for the year ended 31 December 2018.

Significant Investments, Acquisitions and Disposals

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

Events after the Reporting Period

(a) Final Dividend

The Directors recommend the payment of a final dividend of HK$0.1 per share in cash, totalling approximately HK$92,500,000 (for the year ended 31 December 2018: HK$92,500,000) for the year ended 31 December 2019. The proposed dividend is subject to approval by the Company's shareholders in the forthcoming annual general meeting to be held on 2 June 2020. It is intended that the dividend will be paid on 26 June 2020 to the Company's shareholders registered on 6 June 2020.

(b) COVID-19

Since January 2020, the outbreak of Novel Coronavirus ("**COVID-19**") has impact on the global economic environment, the commodity prices and the Group's production operations in the period subsequent to the balance sheet date. The relevant precaution measures and control work has been carried out nationwide on an on-going basis. The Group will make reasonable arrangements for the production plan upon resumption of work, with an aim to mitigate the loss in production output arising from the prolonged period of closure. As such, the COVID-19 outbreak will not have material impact on the operations of the Group. Nonetheless, the epidemic will cause uncertainties in the demand of gold during a short period of time, which may lead to fluctuation of commodity prices and will have impact on our future results. The extent of this impact cannot be reliably quantified or estimated as at the date of this report. The Group will keep monitoring the development of the COVID-19 outbreak and endeavour to react promptly to its impact on the financial position and operating results of the Group.

Save as disclosed above, the Group has no other events after the balance sheet date which need to be disclosed or adjusted.

Closure of the Register of Members

The register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020 , 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 Tuesday, 2 June 2020. 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 27 May 2020.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 8 June 2020 to Tuesday, 9 June 2020, both days inclusive. During the above period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, subject to the approval of the shareholders at the annual general meeting, all transfers document 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 5 June 2020.

Corporate Governance Report

Corporate Governance Practices

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

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

Directors' Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions.

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

The Board

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

Composition

As at 31 December 2019, the Board consisted of 8 Directors, with 4 executive Directors, namely Mr. Ke Xiping (chairman), Ms. Yang Yifang (president), Mr. Chen, David Yu and Mr. Ke Jiaqi, 1 non-executive Director Mr. Albert Fook Lau Ho, and 3 independent non-executive Directors, namely Dr. Tim Sun, Ms. Wong, Yan Ki Angel and Dr. Pan Guocheng.

Mr. Ke Xiping is the father of Mr. Ke Jiaqi. Save as aforesaid, none of the Directors of the Company are related. Relationships include financial, business, family or other material relationships. The Company's Directors are free to exercise their independent judgment.

As at 31 December 2019, the positions of the chairman and president were held separately. The role of chairman was held by Mr. Ke Xiping while the role of president was held by Ms. Yang Yifang. The segregation of duties of the chairman and president ensures a clear distinction in the chairman's responsibility to manage and provide leadership for the Board and the president's responsibility to manage the Company's business.

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

Corporate Governance Report

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

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

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

Attendance record for the Board meetings during the year ended 31 December 2019	Number of Board Meetings attended/held
Executive Directors	
Ke Xiping	4/4
Yang Yifang	4/4
Chen, David Yu	4/4
Ke Jiaqi	4/4
Non-executive Director	
Albert Fook Lau Ho	4/4
Independent Non-Executive Directors	
Tim Sun	4/4
Wong, Yan Ki Angel	4/4
Pan Guocheng	4/4

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

Corporate Governance Report

Directors' Continuous Professional Development

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

Name of Director	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Ke Xiping	✓
Yang Yifang	✓
Chen, David Yu	✓
Ke Jiaqi	✓
Non-executive Director	
Albert Fook Lau Ho	✓
Independent Non-Executive Directors	
Tim Sun	✓
Wong, Yan Ki Angel	✓
Pan Guocheng	✓

Board Committees

Audit Committee

The Company has established the Audit Committee under the Board. The Audit Committee comprises three independent non-executive Directors, namely Ms. Wong, Yan Ki Angel, who serves as chairlady of the committee, Dr. Tim Sun and Dr. Pan Guocheng.

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

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

During the Period Under Review, the Company held two Audit Committee meetings to review the 2018 annual and 2019 interim financial result and report, financial reporting and compliance procedures. All members of the Audit Committee attended all Audit Committee meetings during the year.

Remuneration Committee

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

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

Details of the emoluments of Directors during the Period Under Review are set out in Note 41 to the financial statements of this annual report.

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

Nomination Committee

The Company has established the Nomination Committee under the Board. The Nomination Committee consists of two independent non-executive Directors, namely Dr. Tim Sun, who serves as chairman of the committee, and Ms. Wong, Yan Ki Angel and one executive Director, Ms. Yang Yifang.

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

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

Nomination Policy

The Board approved the Company's Nomination Policy on 29 March 2019, in which set up the selection criteria and nomination procedures.

(i) Objective

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as the Directors at general meetings or appoint as Directors to fill casual vacancies.

The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or reappointed at a general meeting, or the number of casual vacancies to be filled.

(ii) Selection Criteria

In assessing a proposed candidate for the recommendation of appointment or re-appointment of the members of the Board, the factors which would be used as reference by the Nomination Committee include but not limited to the following:

(a) integrity;

(b) accomplishment and experience in the industry of which the Company is a part;

(c) commitment in respect of available time and relevant interest;

(d) diversity in all its aspects, including but not limited to gender, age (18 years old or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

(e) fulfilment of independence guidelines for the appointment of independent non-executive Directors as set out in Rule 3.13 of the Listing Rules; and

(f) any factors as the Nomination Committee or the Board may from time to time consider appropriate.

The Nomination Committee will ask proposed candidates to submit the necessary personal information in a prescribed form.

The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

(iii) Nomination Procedures

The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from the members of the Board, if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates for consideration.

In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual candidate and make recommendations for the Board's consideration and approval.

In the context of re-appointment of any existing members of the Board, the Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

Please refer to the "Procedures for Shareholders to propose a person for election as a Director", which is available on the Company's website, for procedures for Shareholders' nomination of any proposed candidate for election as a Director.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

Corporate Governance Report

Board Diversity

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

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

Remuneration of the Members of the Senior Management by Band

Save as disclosed in Note 41 to the financial statements of this annual report regarding the emoluments of Directors, there are other 3 individuals of senior management. Pursuant to paragraph B.1.5 of the CG Code, their remuneration by band for the year ended 31 December 2019 is set out below:

Remuneration band	Number of individuals
Within HK$1,000,000	2
HK$1,000,001–HK$1,500,000	1

Corporate Governance Function

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

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

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

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

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

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

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

Corporate Governance Report

Directors' Responsibility for the Financial Statements

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

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

The statement of the external auditor of the Company, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditor's Report on pages 56 to 59.

Auditors' Remuneration

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

Nature of Services Rendered	**For the year ended 31 December 2019 Fees paid/payable** (RMB'000)
Audit services	
Annual audit	730
Non-audit services	
Interim review	350
Total	1,080

Risk Management and Internal Control

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

The Board has, together with the Audit Committee of the Company, conducted the annual review of the effectiveness of the Company's risk management and internal control systems for the Period Under Review. The review covered all material controls including financial, operational and compliance controls as well as the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. To enhance its effectiveness and adequacy, the Board adopted updated disclosure policy, comprehensive risk management policy and investment management policy on 3 January 2020. There were no significant control failings, weaknesses or significant areas of concern identified during the year.

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

Corporate Governance Report

Company Secretary

The Company's company secretary, Ms. Wong Wai Ling, is responsible for facilitating the Board process, as well as communications among Board members, with shareholders and management. Ms. Wong's principal corporate contact person at the Company is Ms. Yang Yifang, the executive Director. Ms. Wong Wai Ling's biography is set out in the "Board of Directors and Senior Management" section on page 45. During the Period Under Review, Ms. Wong Wai Ling took not less than 15 hours of relevant professional training to update her skills and knowledge.

Dividend Policy

On 29 March 2019, the Board has adopted a dividend policy, pursuant to which declaration and payment of dividends shall always remain to be determined at the sole discretion of the Board. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Company and each of the members of the Group's earning performance, financial position, investment requirements and future prospects as well as any other factors that the Board may deem appropriate.

Any dividends declared by the Company shall be approved by an ordinary resolution of Shareholders at an annual general meeting and shall not exceed the amount recommended by the Board. Dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the applicable law and regulations.

The Board will review the dividend policy from time to time and may make appropriate changes if considered necessary.

Communication With Shareholders

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

Shareholders' Rights

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

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

Enquiries to the Board

Enquiries may be put to the Board through the Company's principal place of business in Hong Kong at Suite 3203, Central Plaza, 18 Harbor Road, Wanchai, Hong Kong (email: hxgold@xmhxgroup.com).

Constitutional Documents

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

Environmental, Social and Governance Report

About This Report

Hengxing Gold Holding Company Limited (the "**Company**" or "**we**", "**our**" or "**us**") and its subsidiaries (collectively the "**Group**") strictly fulfill their sustainable development strategies as well as environmental and social responsibilities.

This report is prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in order to principally give a description on the performance in the aspect of corporate social responsibilities by Hengxing Gold Holding Company Limited during 2019. In this report, the gold mining business owned by the Group is covered.

Task Force of the Group in relation to Health, Safety, Environment Protection and Community ("SHEC")

The Group has established a SHEC task force at all levels from the board of directors of the Company (the "**Board**") to the mine production workshops. The Board of the Company is responsible to oversees the performance of the Group concerning SHEC. A safety and environment department has been established at Gold Mountain Mine with dedicated personnel responsible to perform and monitor the related work. We provide guidance and monitoring over the mines in respect of related matters. During 2019, the Company further streamlined the SHEC task force, leading to clear division of responsibility, satisfactory performance and effective overseeing.

Reporting Principles

The Group adheres to the reporting principles in preparation of the environmental, social and governance report, and takes the principles of importance, quantification, balance and consistency as the basis to determine and disclose the Group's relevant environmental, social and governance performance.

Importance:

The Group collects, assesses and presents the information disclosed in the environmental, social and governance report in a prudent manner by following the principle of importance and according to the most significant matters for the Group's business and its stakeholders. In the process of formulating the scope, the principal activities of the Group's gold mining business are considered as the determining factors of the reporting scope.

Quantification:

The reporting principle of quantification is mainly applied to the section under Environment Protection in the environmental, social and governance report, which indicates that the data on waste gas and greenhouse gas ("**greenhouse gas**") emission and resources consumption is calculated and sorted based on a range of standardized methods.

Balance:

It is critical to ensure an objective assessment of the information dispatched to the readers and avoid the readers' misunderstanding of some information by presenting the Group's environmental, social and governance performance in a fairly manner. To attach great emphasis on the application of this principle, the environmental, social and governance report not only shows the improvement of its environmental, social and governance performance, but also provides the readers with the comparative data in the previous years, so that they can obtain understanding of the achievements and room for improvement of the Group's environmental, social and governance management.

Consistency:

By maintaining a high degree of transparency and consistency in disclosure of information, it helps to convey the Group's targeted messages which have been clearly delivered to its stakeholders. Therefore, the Group continues to present its environmental, social and governance performance according to standardized calculation methods, especially when calculating greenhouse gas emission, and fully states the major reporting changes.

Stakeholders' Involvement

The Company is committed to creating a win-win community for all parties, with an aim to promote the harmony and mutual prosperity between the Company and the associated social organizations and individuals including investors, employees, customers, partners, communities, the public and governments (referred to as the "**Stakeholders**"), thereby achieving the maximum of social integrated benefits (including the maximum of enterprise earnings). Therefore, various channels are offered to the Stakeholders for participating in the operation of the Company, as well as understanding and supervising our operation conditions.

1. Shareholders and Investors

The Company communicates with market analysts, fund managers and other investors on a regular basis, and encourages its shareholders to attend and vote in person or by proxy at general meetings.

During 2019, there was one team of shareholder representatives conducting site visit at our mines.

2. Customers

The sales of Luoyang Yinhui Gold Refinery Company Limited (洛陽銀輝黃金冶煉有限公司), the Company's top customer, has accounted for 98% of the Company's sales. The Company maintains close relationship, and often communicates and shares its opinions with the customer by ways of telephone, meetings or visits.

3. Government

During 2019, Gold Mountain Mine in aggregate received over twenty times of site visits, checks or investigations concerning areas such as production safety, environment protection and business seminars by various local government authorities in Xinjiang. Subsequent to these checks or investigations, the Company always proactively took actions per the government authorities' opinions, and gave them timely feedbacks.

4. Community and Public

Please see the section entitled "Community Engagement" in this report.

5. Industry Peers

During 2019, the Company actively attended mining industry conferences to strengthen its communication and experience sharing with its peers to analyze the industry development and trends. Details of the conferences include:

(1) The BMO 29th Global Metals & Mining Conference held in Miami, the United States in February 2019;

(2) PDAC 2019 held in Canada in March 2019.

Environmental, Social and Governance Report

Environment Protection

The Group strictly complies with environmental regulations, prevents environmental pollution, promotes energy conservation and waste reduction, utilizes resources reasonably, emphasizes on continuous improvement and develops green mines. The main objectives for the Group to carry out environment operations are to strictly control the total amount of exhausting pollutants, such as waste water, waste residue and waste gas within target emission level; implement energy saving and consumption reduction, and launch comprehensive utilization of resources; and put an end to major pollution accidents and major environmental complaints. The Group is committed to resolutely completing the restrictive indicators of energy saving and emission reduction, strictly abiding by environmental regulations, practically strengthening pollution prevention and control; strengthening the corporate commitment towards energy saving and consumption reduction and the level of technology transformation, ensuring the full realization to the goals of energy saving and consumption reduction; enhancing the operation management towards pollution management facilities, ensuring the exhaustion achieving the goal; actively implementing the clean production in each step, such as procurement, production, transportation and sales, raising the comprehensive utilization rate of resources, reducing the emission of pollutants, and ensuring zero existence of environment pollution incidents; firmly instilling the awareness of environment, resolutely realizing the committed indicators of environment protection, and accepting the supervision from the society. With the improvement of the industry standards, we promise further reducing the exhaustion of pollutants and increasing the investment in environmental protection, so that the enterprise environment protection level can keep up with the requirements of industrial development and the environmental trend to let pollutant exhausting indicators stay in the leading role in the industry and try our best to become a "resource-saving and environment-friendly" enterprise.

I. Emission

1. Pollutant standards and emissions

The main emissions in the gold production process of the Company include: dead rock, dust, noise, sulfur dioxide, nitrogen oxide, smoke and slag, in which the sulfur dioxide, nitrogen oxide, smoke and slag are emissions generated from boiler heating for winter heating. In 2019, Gold Mountain Mine has commissioned Xinjiang Kerui Environmental Technology Services Co., Ltd. (新疆科瑞環境技術服務有限公司) to monitor pollutant emission on a regular basis, and according to the information in the regular monitoring report, exhaust gas emission and noises from Jinchuan Mining are effectively managed, whereby meeting the relevant standards steadily.

In terms of waste gas control, two SZL10-1.25-AII horizontal coal-fired steam boilers are placed in the boiler room, where two sets of SF-10 composite water film desulfurizing dust collectors are installed, thus enabling the flue gas from the boilers to be finally discharged into the atmosphere through the 40-meter high iron chimney after being de-dusted and desulfurized. The system transformation of the environmental facilities and equipment of the boilers has highly improved the purifying rate of the desulfurization equipment. A JLMP6C-550 gas-box pulse-jet bag dust collector with an exhaust funnel of 15 meters high has been installed outside the coarse crushing workshop. A JLCM340-6 long-bag low-pressure pulse-jet dust collector with an exhaust funnel of 15 meters high has been installed outside the moderate and fine crushing workshop. A JLCM340-6 long-bag low-pressure pulse-jet dust collector with an exhaust funnel of 15 meters high has been installed outside the screening workshop.

Emission of Major Waste Gas Pollutants in 2019

Type of pollutant	Unit	Emission in 2019	Emission in 2018
Smoke	Kg	**2,976**	2,300
Sulfur dioxide	Kg	**9,046**	19,246
Nitrogen oxide	Kg	**14,194**	5,280
Dust	Kg	**27,595**	20,757

Remark: Emission in 2018 was calculated based on material balance calculation, while emission in 2019 was calculated based on monitoring results.

The Company places great emphasis on waste management during our production and operation, requiring the use of low harm raw materials with low toxicity and less waste generated as long as possible from the beginning. In terms of the working process, improvement will be made on the work flow such as design and operating conditions, along with a uplift of both the conversion rate of raw materials and the product yield. At the end, optimization will be made for resources reuse so as to reduce waste generation. The waste generated shall be managed relentlessly in accordance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, with a view to minimizing the impact of waste on the environment. The Company strictly identifies and manages hazardous wastes with reference to the new edition of the National Catalogue of Hazardous Wastes, and diligently carries out our operations such as temporary storage, transit and safe disposal of hazardous wastes in accordance with the Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001) and the Administrative Measures for the Transfer of Hazardous Wastes (《危險廢物轉移聯單管理辦法》).

In 2019, the Company's general industrial solid waste and hazardous waste were safely disposed of or comprehensively utilized with the disposal rate reaching 100%. The industrial solid waste generated from processing at our mines is mainly waste rock, which is concentrated at the dump. General industrial solid wastes such as cinders derived from the Company's operations are piled in legal slag tips or comprehensively utilized. The cyanide tailings generated during ore processing are concentrated and stored in our heap leach pad which is seepage proof. Waste oil generated from machine repair in our moderate and fine crushing workshop, coarse crushing workshop and screening workshop, activated carbon powder generated during the use of activated carbon regeneration loop, sludge with high level of metal content generated from the neutralization of acid cleaning wastewater, packaging materials left after the exhaustion of sodium cyanide and other hazardous wastes take priority when it comes to comprehensive utilization within the plant. The hazardous wastes such as waste engine oil as well as those which have not yet started to be reused will be concentrated and stored en masse, and will be properly disposed of by a qualified external party when the storage has reached a certain level.

Treatment and Disposal of General Industrial Waste and Hazardous Waste in 2019

Nature of waste	Type of waste	Unit	Production	Rate of disposal	Remark
General solid waste	Waste mineral oil	Tonne	11.38	100%	Internal utilization rate of 25%
Hazardous waste	Activated carbon powder	Tonne	0	100%	Commission external entities to dispose of the waste in a professional manner
Hazardous waste	Sludge produced by acid cleaning wastewater	Tonne	0	100%	Commission external entities to dispose of the waste in a professional manner
Hazardous waste	Heap leaching slag	10,000 tonnes	642	100%	Heaped centrally
Hazardous waste	Packing bags made of sodium cyanide	Tonne	1.70	100%	Placed at the bottom of heap leach pad for penetration proof after cyanide destruction
General industrial waste	Waste rock	10,000 cubic meters	1,346.9	100%	Heaped centrally

2. *Emission of greenhouse gas*

Climate change has nowadays become a major challenge to the world. As a mining company, the Group has set greenhouse gas emission reduction as one of its top priorities. The Group insists on a green office path, and reduces emissions by reducing business travel, encouraging telephone conferences, promoting a paperless office, and reducing the use of printers.

The main sources of greenhouse gas emissions of the Group in 2019 included the direct emissions from the burning boilers as well as the gasoline and diesel oil consumed by construction vehicles and self-owned vehicles and the indirect energy emissions from the electricity purchased.

Scope	Source	Emission in 2019 (Tonnes)	Emission in 2018 (Tonnes)
Direct emission	Coal consumed by boilers	**12,741**	12,896
Direct emission	Gasoline and diesel oil	**27,969**	22,425
Indirect emission	Electricity purchased	**37,517**	32,041
Total		**78,227**	67,362

3. Cleaner production implementation

In accordance with the Law of the People's Republic of China on Promoting Cleaner Production, Jinchuan Mining actively implements its clean production in accordance with the requirements of the local environmental authorities, aiming at consumption reduction, energy conservation, emission reduction and efficiency enhancement, and ties the concept of cleaner production up with production, management and operation closely. By adding the carbon recovery unit, the amount of carbon powders in barren solution is greatly reduced, resulting in a decrease in the "lost gold" brought about by the carbon powders and a boost in the metal recovery rate. The low content level of carbon powders in the barren solution can reduce the blockage of the trickling filters, ensure the smooth flow inside, prolong their service life, and thus decrease the direct material cost. By remodeling the bottom of the barren solution tank, the screen is no longer needed, completely eliminating the problems arising from its irregular replacement and the cleaning of the activated carbon accumulated at the tank bottom after its shut-down. This not only saves materials, but also substantially lessens the workload of workers and improves the machine operation factor, whereby highly deepening the adsorption effect of each unit of activated carbon. Meanwhile, the recovered carbon powders contain gold, thus increasing the amount of gold recovered and creating an output value of 4.72 million yuan per year for the Company. In March 2016, the Environmental Protection Bureau of Yili State (伊犁州環保局) approved the cleaned production inspection of Jinchuan Mining by issuance of the Yizhou Environmental Control Letter [2016] No. 17 (伊州環控函[2016]17號文).

4. Management methods for emissions

(1) Management and comprehensive utilization of stripped soil and rocks: In the stripping operation, topsoil and waste rocks are stripped and piled at the humus storage yard and the waste dump separately. The Company manages and monitors, on a daily basis, the piles of waste rock and soil at the waste dump, in order to prevent flying dusts as well as water and soil erosion. Soil and rocks separated may be used for reclamation, backfilling and construction of roads. Stripped waste rocks may be filled into the bottom of mine pits, and large rocks may be used for repair and construction of drains, while stripped topsoil is collected in a centralized manner and may be laid on the surface of mine pits during reclamation, which is helpful for the growth of vegetation and environmental restoration.

(2) Management and comprehensive utilization of heap leaching slag: Heap leaching slag is concentrated and stored at the leach pad, and the actual design, construction and management of which all comply with the relevant requirements set forth in the Standard for Pollution Control on Hazardous Waste Storage (GB18579-2001). The leach pad has a penetration proof layer at the bottom, with a structure comprising a compacted foundation +5,000g/m^2 GCL (with a hydraulic conductivity lower than 1×10-9 cm/s) + 1.5mmHDPE+600g/m^2 nonwoven geotextiles in order from the bottom up. At the downstream of the leach pad, there are two 60,000 m^3 flood control ponds with a total volume of 1.03×105 m^3, which are mainly used to contain the rain-driven flood that contains cyanogen at the leach pad. The Company manages and monitors the leach pad on a daily basis to keep the safe operation thereof.

(3) Dust prevention and removal measures: The Company attaches importance to dust control, continuously upgrades and renovates the processing plant, and has adequate facilities and management measures for energy saving, emission reduction, dust prevention and noise reduction. For example, pulse-jet bag dust collectors and closed hoods are used to remove dusts, high-pressure sprays are used to reduce dust, and inhalable dusts are monitored and the ventilation system is maintained on a regular basis to ensure that the quality of air at the workplace meets the national requirements. For the mines and the ore transportation roads, sprinklers are used to reduce dusts by sprinkling water thereon. Bag dust collectors are equipped at the stages of crushing and screening at the processing plant and at the main plants and other workshops, spraying devices are installed at the gathering sill of the feed opening of each belt, and various measures such as high level emission are adopted to reduce the dusts from production, thus contributing to a dust removal rate of 98%.

(4) Noise reduction measures: The Company optimizes blasting design, conducts technical process transformation, uses low noise equipment, makes interior disposition for high noise sources, installs shock pads on crushing, screening and other equipment, and takes other measures to mitigate damages caused by noise. These measures are effective for noise reduction, enabling the Company to meet the requirements of the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界雜訊標準》) (GB12348-90).

(5) Recycling of wastewater with zero discharge: The wastewater generating sources of the Company mainly include the wastewater generated during processing and smelting processes, domestic sewage, water at open pit and rain-driven flood at the leach pad. The Company strictly follows the environmental impact assessment and the requirements set forth in the reply to the environmental impact assessment, and recycles the wastewater generated during the processing and smelting processes to reuse during the production process instead of discharging to the outside. An integrated buried domestic sewage treatment station is built in the working and living area of the Company, which adopts an A/O biological contact oxidation technique with a designed sewage treatment capacity of 720m^3/d. The domestic sewage is discharged into a 200 m^3 clean water tank after meeting the standards subsequent to relevant treatment, which is later used for greening, watering and dust reduction in the mining area, and is discharged into the barren solution tank of the cyanide smelting plant as supplementing water for the leach pad in winter, thus realizing complete recycling of the wastewater with zero discharge to the outside. The water at open pit mainly comes from the rain, and the Company has four sprinklers for sprinkling and greening in the mining area. The leach pad is designed to adopt a "clean water and waste water shunting" drainage system, with two flood control pools constructed in accordance with the standards that could promise safety for 100 years, which have a total volume of 1.03×10^5 m^3, and are used to temporarily store the cyanogen-containing flood that is caused by the rainstorm and is to be used later as the heap leaching solution.

(6) Reduction of off-gas emissions: The Company selects and uses diesel-powered equipment compliant with national emission standards in a reasonable fashion, and switches off equipment not running for a long time in a timely manner, so as to reduce its off-gas emissions.

(7) Treatment of domestic waste: Domestic waste produced from the accommodation area will be buried after treatment in septic tanks if it is perishable, or removed to the refuse depot for disposition if it is non-perishable. The Company promotes waste sorting and forbids employees to throw away or burn domestic waste at will.

II. Consumption of Resources

1. *Consumption of mineral resources*

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

In 2019, the output as mined from Gold Mountain Mine was 6,428,000 tonnes with the processed ore of 8,347,000 tonnes (including processing of ore in the existing pad). The Company strengthens field operation management and strictly controls technical indicators of mining and beneficiation through optimizing the mining method and beneficiation technology, in order to minimize the mining loss rate and dilution rate, and improve the beneficiation recovery rate. The gold recovery rate for 2019 was 53.7%.

2. *Consumption of natural resources*

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

Type of Resource	Consumption in 2019	Consumption in 2018	Density in 2019	Density in 2018
Water (10,000 tonnes)	**95**	33	**0.114 tonne/tonne**	0.047 tonne/tonne
Power (10,000 kwh)	**5,693**	4,862	**6.8 kwh/tonne**	7.4 kwh/tonne
Coal (Tonne)	**7,074**	7,160	**0.0008 tonne/tonne**	0.0011 tonne/tonne
Diesel oil (L)	**11,006,115**	8,255,187	**1.32 L/tonne**	1.25 L/tonne
Gasoline (L)	**33,624**	596,325	**0.004 L/tonne**	0.09 L/tonne

Note: 1. The diesel oil has included the diesel oil consumed by the mining fleet of the operators

2. Density refers to resources consumed for every tonne of ore processed

Since the ore processing capacity increased by 27% in 2019 compared to that in 2018, the consumption of various resources increased, but the resources consumed for processing each tonne of ore did not significantly increase.

In terms of water resource management, Gold Mountain Mine has a water recycling system, through which the water used for production in the mining area will be recycled and no efflux is allowed, with a view to reducing the water used for production. An integrated buried treatment plant for domestic sewage is built in the office area and the living quarter, which adopts the A/O biological contact oxidation technique with a designed sewage treatment capacity of 720m^3/d. Domestic sewage enters a 200 m^3 clean water tank after being treated to reach the standard, which is later used for greening, watering and lowering dust in the mining area. Moreover, it enters the barren solution tank of cyanide smelting factory as supplementing water for the heap leaching plant in winter. In this way, the domestic sewage will be fully recycled and no efflux is allowed. In order to enhance the production water management, such as strengthening inspection and maintenance of water pipelines and water reserve facilities, posting water saving labels and fostering a habit of water saving, water “leakage”, “over flow”, “dripping” and “seepage” can be avoided during production for the purpose of minimizing the loss of water resources.

In terms of power saving, operators of energy-consuming equipment will be provided with energy-saving education and training to arouse their energy-saving awareness and enthusiasm. The Company prefers to use the new series of energy-saving LED lamps, transducers and soft starters to realize the energy-saving and consumption reduction of the equipment. Energy-saving projects and techniques have been adopted to replace obsolete equipment in order to reduce power consumption. Our employees are required to shut down the energy-consuming equipment left idle for a long period in a timely manner, and power-saving labels are posted in the prominent places to foster their power-saving awareness and avert unnecessary waste. In 2019, the Company carried on its efforts to disseminate power-saving messages and strengthen the energy-saving education and training provided to operators of energy-consuming equipment, in the hope of fully arousing our employees' energy-saving awareness and enthusiasm. Power factor has been enhanced through installing local compensation devices to the low voltage side of distribution rooms and centralized high voltage compensation devices to the high voltage side of substations in all the workshops for the purpose of achieving the ultimate goal of improving energy efficiency and saving energy. The equipment has been utilized at full through refitting and modifying the high-power pump equipment to reduce power consumption and save power. In addition, the Company installed an effective energy-consuming management and control system to evaluate various energy-saving measures.

The diesel consumption has been cut down by means of optimizing the ore transportation plan and shortening the transportation distance.

III. Environmental Management

1. Environmental management mechanism

The Company gives top priority to environmental protection, and has established a sound environmental protection management system comprising the Company, workshops (departments of the plants) and work teams, in accordance with the requirements of the national laws and regulations, technical specification, technical standards and policies in respect of environmental protection. In order to highlight professional management, the Company has established the Safety and Environmental Protection Department, which is responsible for the day-to-day environmental protection and ecological management across the Company. Each branch company has set up its own environmental protection management function to manage the specific affairs relating to environmental protection. The Safety and Environmental Protection Department of the Company has designated a safety and environmental protection supervisor and an environmental protection administrator to take charge of the supervision and management of the environmental protection in all the plants, which, in turn, have assigned part-time environmental protection administrators to take charge of the environmental protection management in their respective regions. The Company formulated the annual implementation plan for environment monitoring, and commissioned qualified environment monitoring entities to monitor the major pollutants in the plants on a regular basis as per the monitoring plan.

In accordance with the relevant requirements stipulated in the Notice on Promulgating the Tentative Administrative Measures for the Emergency Plan in response to the Outbreak of Environmental Incidents (《關於印發突發環境事件應急預案暫行管理辦法的通知》) and the National Emergency Plans in response to the Outbreak of Environmental Incidents (《國家突發環境事故應急預案》) issued by the Ministry of Environmental Protection of the People's Republic of China, Jinchuan Mining formulated its corresponding Emergency Plans in response to the Outbreak of Environmental Incidents according to its production techniques, pollution-generating production stages and environmental risks, and reported and filed the same to the local competent authorities for environmental protection according to the relevant requirements. Moreover, the branch companies have set up command offices for emergency relief with corresponding emergency facilities and sufficient supplies in reserve, and carried out emergency drills on a regular basis to put the measures into practice for emergency prevention, pre-warning and response. These steps have ensured that the whole process is under thorough control, thus effectively preventing the outbreak of environmental incidents and mitigating environmental risks.

2. *Development of circular economy*

The Company attaches great importance to circular economy. Through independent research and development, and cooperation with scientific research institutes and universities, the Company leveraged on scientific research and technical improvement for the exploration of such resources as low-grade ores, ores with associated materials, refractory ores, tailings and waste materials from refinery, and to promote the comprehensive recovery of various kinds of valuable elements from raw materials. The Company has also established a sound resource recycling system to raise the comprehensive recovery rate of resources.

3. *Management of hazardous chemicals*

None of the raw and auxiliary materials used or the products produced by Gold Mountain Mine involve any prohibited substance under national laws, regulations and international conventions. The major hazardous chemicals involved in production and operation include sodium cyanide, sulfuric acid, hydrochloric acid and sodium hydroxide, which are stored in special containers or warehouses equipped with the relevant facilities to guard against penetration and leakage, and managed by specific personnel with two persons keeping two different keys for the same lock in accordance with the requirements of the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》).

4. *Response to climate change*

The Company pays close attention to the impact of the climate change caused by greenhouse effect on the Earth. The Company proactively and thoroughly followed the carbon emission guidelines and policies promulgated by the relevant state authorities, incorporated the idea of low carbon emission into the Company's production and operation, and carried out technological innovation on energy conservation, disposed of obsolete equipment, introduced large-scale energy conservation equipment and optimized mining, processing and refining techniques. Examples of the steps taken include conversion of the frequency of electricity, management and compensation of the harmonics of electricity, upgrade of Y-series electric generators and S7 transformers, generation of electricity with surplus energy and heat, upgrade of LED lamps, etc. Vegetation was also recovered at the mines, and the use of afforestation as carbon sink contributed to the reduction of CO_2e emission across the Company by approximately 15,000 tons per year (mainly focuses on the reduction of CO_2).

5. *Conservation of biodiversity*

Throughout its production and operation, the Company attaches great importance to the conservation of wildlife nearby, relentlessly carries out publicity and educational activities on wildlife protection, and prohibits its staff from trading, killing and eating wild animals. Additionally, the Company strives to optimize the design in the course of mine development to avoid the occupation and destruction of meadows, wetland and forests, conducts re-vegetation for the areas with soil damage, and carries out afforestation, greening and reclamation, etc. by adhering to the principle of "carrying out development and remediation synchronously", in order to improve the environment in the mining area. In 2019, the Company invested a total of RMB28,016,000 for ecological recovery and remediation with 132,400 square meters of vegetation recovered, approximately 573,400 square meters of accumulated greening area and over 7,000 trees of various kinds planted as well as 6,360 kg of grass seeds sown.

6. Environment protection training and environmental information exchange

(1) Environment protection training

The Company attaches great importance to environment protection publicity, education and training, and collects the latest environmental laws and regulations, typical emergency case of environmental incident analysis through various channels, by promoting to and educating our staff with the latest environment protection policies such as environmental management, soil remediation and water conservation as well as ecological management and with a view to strengthening environmental protection awareness of all our employees.

(2) Environmental information exchange

Since its listing, Jinchuan Mining has strictly followed the Guidelines for Environmental Information Disclosure of Listed Companies (《上市公司環境資訊披露指南》) (Consultation Draft), the Administrative Measures on Environmental Information Disclosure (《環境資訊公開管理辦法》) (Trial) and the Measures for Disclosure of Environmental Information of Enterprises and Institutions (《企業事業單位環境資訊公開辦法》) (Order No. 31) by the Ministry of Environmental Protection (環境保護部) of the PRC and the CSRC with a disclosure system for corporate environmental information established. The Company publishes the "Environmental and Social Responsibility Report" every year. The report contains environment protection chapters for the disclosure of environmental information such as the Company's green concepts, environment protection measures, green mines, sustainability and energy management.

Workplace and Labor

I. Employment and Labor Practices

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

1. Equal opportunity

The Company abides by local laws and regulations and adheres to the principle of equal and non-discriminatory employment, so that we can provide our staff with equal opportunities and create a fair and non-discriminatory atmosphere. Staff are treated fairly and equally regardless of genders, races, religious beliefs and cultural backgrounds. Female employees have equal job opportunities as their male counterparts, and will neither lose their jobs, have their salaries reduced nor be demoted as a result of childbirth. Meanwhile, the Company considers the local employment situation, and provides all manner of employment opportunities to digest the local surplus manpower. Child labor is forbidden and equal employment opportunity is guaranteed for vulnerable groups such as the disabled.

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2. Diversity

Staff of Jinchuan Mining come from 14 ethnic groups, including, inter alia, 13 ethnic minorities such as the Uygur, the Kazakh, the Muslims, the Tibetans, the Tujia (土家族) and the Russians. The total number of ethnic minorities is 149. Please refer to the table below for the geographical distribution of the staff of Jinchuan Mining:

Nationality or place of the employees	Number of employees	As a percentage of the total number of employees	Turnover	Turnover rate
Xinjiang locals	243	63.6%	44	12.2%
Outside Xinjiang	139	36.4%	41	11.3%
Ethnic minority	149	39%	32	8.8%

The distribution of the Board of the Company also chimes with the diversity standards. During the year ended 31 December 2019, there were 8 members in the Board, including, inter alia, 2 female directors accounting for 25% of the Board. The background of the directors involves professional aspects of mining, capital market, investment and finance.

3. Recruitment

The Group recruits talents on the principle of openness, equality, competition and merits. As at 31 December 2019, the Group had a total of 392 employees, among whom 382 come from Jinchuan Mining. Employees in all our functions are "professional with expertise".

The employees of Jinchuan Mining by function for 2019 are categorized as follows:

Function	Number of employees at the end of the year	As a percentage of the total number of employees at the end of the year	Turnover	Turnover rate
Mining	31	8.11%	6	6.52%
Ore processing	100	26.18%	50	54.35%
Cyanide smelting	85	22.26%	10	10.87%
Production supporting services	70	18.32%	10	10.87%
Logistic function	96	25.13%	16	17.39%
Total	382		92	

The information table as to the employees of Jinchuan Mining by gender and age for 2019

Gender and age	Number of employees at the end of the year	As a percentage of the total number of employees at the end of the year	Turnover	Turnover rate
Male aged 18–20	0	0.00%	0	0.00%
Male aged 21–30	91	23.82%	37	40.22%
Male aged 31–40	128	33.50%	22	23.91%
Male aged 41–50	68	17.80%	14	15.22%
Male aged over 50	42	11.00%	5	5.43%
Subtotal of Male	329	86.12%	78	84.78%
Female aged under 20	0	0.00%	0	0.00%
Female aged 20–30	18	4.71%	9	9.78%
Female aged 31–40	22	5.76%	4	4.35%
Female aged 41–50	8	2.10%	1	1.09%
Female aged over 50	5	1.31%	0	0.00%
Subtotal of Female	53	13.88%	14	15.22%

4. Remuneration and benefits

(1) The remuneration of the senior management of Gold Mountain Mine includes basic salary and performance salary on an annual basis while the remuneration of the ordinary employees includes standard salary, performance salary and year end bonus. Employees's remuneration is subject to adjustment with reference to financial performance of the Company, the value contribution of the function the relevant employee works at, individual ability and performance, and the prevailing social development standard. The Company also make social insurance payment, provide board and lodging (for immigrant workers), and transportation and communication allowances for its employees.

(2) The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme ("**MPF Scheme**") for all its qualifying employees in Hong Kong.

To enrich employees after-work life and enhance their physical and mental health, the Company arranges health check, entertainment, sports and social activities for them every year. The Company also has a employee's club featuring, inter alia, a library and recreational and fitness facilities.

5. Promotion and layoff

The Company provides employees with equal promotion prospects, offers promotion channels to various posts, and furnishes the stage to make the aspiring, competent, diligent and hard-working employees' dream come true and show their brilliance through combination of the needs of positions and the capabilities of employees. The Company is aware of the importance of talents to its development, and tries its best to retain its core talents. The management of the Company holds production planing meeting on a regular basis to discuss with key employees their career development and planning and work related issues.

6. Working hours and holidays

The Company recognizes that having appropriate rest from work is helpful to foster the potential of its employees. The Company strictly complies with the required working hours and holidays prescribed under the laws and regulations of the jurisdictions in which the Company operates. The Company has adopted a comprehensive working hour system, whereby the production departments at each mine work in shifts according to the actual production needs. The Company also provides personal leave, sick leave, marriage leave, compassionate leave, maternity leave, work injury leave, home leave and annual leave for the balance of work and life of the employees.

II. Health and Safety

The Company adheres to the production safety approach of "Safety First, Prevention as a Key Approach and Comprehensive Management" especially on the topics of occupational health and workplace safety, by setting up a dedicated department with delegated personnel, systems and operating procedure, and enhances employees' safety awareness as well as safeguards their health and the production safety through, among other things, financial resources security, technical upgrade, performance monitoring and assessment.

1. Compliant Fulfillment of the Production Safety Responsibilities of the Entity in Charge

The Company will compliantly fulfill our responsibilities being in charge of production safety to achieve the "Five Responsibilities Defined and Five Responsibilities Performed" by strictly managing and gradually realizing our annual production safety targets one by one in view of the requirement of "those responsible for production operations are responsible for safety, and those responsible for business are responsible for safety". Production safety will be taken into account together with all our tasks when they are being arranged, inspected and assessed, and production safety investment will be increased. The sum provided for production safety will all be dedicated to the intended uses accordingly, while all manner of liability insurance will be in place for production safety. At the beginning of the years, overall goal as well as assessment indicators for reward and punishment will be formulated for production safety, with Production Safety Guarantee is signed between a director of the Safety Committee of the Company, our departments and external operators. The appraisals, which are directly linked to monthly bonuses of each department, are implemented monthly and at year-end. At the end of each month, the appraisal team will mark and rate the scores for each department, which will be directly linked to the bonuses of each employee in every department. At the end of the year, an overall appraisal is conducted, whereby, award or punishment will be given through the election of, inter alia, the Best Safety Managing Officer, the Best Safety Management Department and the Best Safety Employee.

2. Intensified check and remedies for hidden dangers risks and stringent source control

A dual prevention mechanism for security risk grading control as well as investigation and management of hidden dangers has been established to achieve closed-loop management of hidden danger reporting, review, rectification, acceptance check and account deleting by gradually conducting risk grading control as well as grading, investigation and management of hidden dangers, strengthening the management of major hidden dangers and establishing a comprehensive information system for investigation and management of hidden dangers in production safety. Throughout 2019, our mines were inspected 8 times by the State Administration of Work Safety from the county, the prefecture or the autonomous region, and were found 29 items of hidden dangers, all of which have been rectified with a rectification rate of 100%. The Company has carried out 12 comprehensive safety inspections, 6 special inspections and 326 daily inspections internally throughout the year.

3. *Strengthening of occupational disease prevention*

(1) Established and perfected the responsibility system for prevention and control of occupational diseases, clarifying the responsibilities and obligation of the principal responsible person, complement responsible person, and the management staff. The safety and environment department is responsible for the occupational health management of the Company;

(2) Established occupational health records in accordance with the Guidelines for Occupational Health Records Management (《職業衛生檔案管理規範》) issued by the State Administration of Work Safety (國家安全生產監管總局);

(3) Technical service organizations with corresponding qualifications for occupational health are engaged to conduct testing once for understanding occupational hazard ours elements;

(4) For job positions with serious occupational disease dangers, warning signs and Chinese warning instructions were set up and occupational health bulletin boards were placed in striking positions;

(5) Equip employees with labor protection products compatible with their positions that conform to national standards or industry standards, and supervise related employees to wear and use them in right way;

(6) When signing a labor contract, the new employee shall be notified of occupational hazards in the form of an attachment, and each employee shall be required to perform pre-post, on-post and off-post occupational health examinations. The human resources department of the Company is responsible for notifying the entrants of conducting the pre-post body checks and the safety and environment department is responsible for reviewing the body check results. The approval of resignation procedure by the Company's safety and environment department is subject to the off-post personnel's self body checks;

(7) From 25 July to 30 July 2019, the Company invited an autonomous region occupational disease hospital to conduct occupational health physical examinations for our employees. This time, a total of 289 employees received physical examinations, among which, 201 employees received occupational health physical examinations and 88 of them received health checks. Occupational health physical examination reports were received on 20 August and were recorded in employees' individual occupational health records according to the results of physical examinations on a timely basis. Employees with problems after the examinations were immediately provided with further medical check and rehabilitation treatment;

(8) Followed eight guidelines of dust control, namely, "reform", "water", "closed", "wind", "pipe", "education", "protection" and "inspection".

4. *Improvement on emergency rescue capabilities*

In June 2019, warehouses for emergency rescue operations in the Company were checked and managed in an orderly manner, while two new containers were purchased as storage facilities for emergency rescue materials, which in turn have improved its reserves of the materials, ensured those materials remain intact and effective, and kept in line with emergency plans.

During 2019, the Company conducted an on-site drill for mechanical damage, a comprehensive emergency drill for leakage of hazardous chemicals, an emergency rescue drill for geological disasters and an on-site drill for leakage of hazardous chemicals.

5. Being well-prepared for related work about "Month of Publicity of Production Safety"

The Company completed a wide range of work during the production safety month in June with a theme of "Prevention of Risk, Elimination of Hidden Dangers and Mitigation of Incidents", including organizing and holding a variety of activities, such as team safety forum, keynote speech contest, safety knowledge contest as well as warning education and training on production safety.

III. Development and Training

The Company understands that the improvement of the overall quality and professional technical skills of all staff not only means the improvement of the staff's own ability, but also the enhancement of the Company's overall competitiveness. The Company pays much attention to the employees' development and training, and has developed and implemented the training management system, training system and process in respect of its employees, with an aim to promote the improvement of both employees and the Company. The ongoing training program include induction training, on-site training, safety training, and security and counter-terrorism training.

1. Training for directors and management

The Company places great emphasis on trainings for directors and management, and requires its directors to learn the Guidelines on Disclosure of Inside Information issued by the SFC and training materials provided by the Stock Exchange. The company secretary shall attend not less than 15 hours of professional training courses every year. In addition, a variety of training programs and seminars have been organised by the Company.

2. Internal trainers

In 2019, Jinchuan Mining started the establishment of the "internal trainer team", so as to support the realization of the Company's strategy and human resources development plan by developing and utilizing our internal intellectual resources, inheriting our corporate management and technical experience and creating a knowledge-sharing atmosphere and to further refine our training system and provide our staff with a platform for their training and growth. The Company has set up a training system including internal trainer management methods for building a team of internal trainers. The internal trainers are currently selected from the internal management and some key employees of the Company, and are divided into three levels (elementary, intermediate or advanced) according to their training ability. We are also going to improve our evaluation, training, assessment on, promotion of and incentives for internal trainers, aiming at encouraging internal trainers to raise their own abilities and develop training courses as well as other types of training. The internal training records for 2019 are as follows:

No.	Training course name	Internal trainer	Level of internal trainer	Duration of single training session	Number of participant	Accumulated training hour
1	Winter operations safety management	張家勝	Intermediate	2	All the mechanics	12
2	Slope protection	張家勝	Intermediate	2	All the staff	5
3	Training on occupational health education	張哲熹	Elementary	4	Staff at the mineral processing plant	87
4	Safety education training for new staff	楊發福	Elementary	4	New staff	176
5	Hazards identification and prevention	李國棟	Intermediate	2	Person in charge of the mineral processing plant	20
6	Mid-level leadership	呂文寶	Advanced	4	Mid-level management	18

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IV. Labor Practices

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

V. Supply Chain Management

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

During 2019, the Company entered into 150 purchase and sale agreements in aggregate. The involving suppliers mainly come from the sectors such as liner, sodium cyanide, centrifugal pump, generator set equipment, activated carbon and hardware, including, inter alia, 59 local suppliers from Xinjiang.

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

VI. Product Responsibility

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

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

VII. Anti-corruption

The Company and its employees have strictly abided by the relevant laws and regulations and ethical standards. In 2019, there were no corruption, bribery, extortion, fraud and money laundering cases against the Group or its employees. The supervision and auditing department of the Company did not receive relevant reports. The Company has developed and implemented an auditing and reporting system, and hired the independent auditor to conduct external audits of the Company through internal and external audits to prevent and control the Company's fraud or unethical behavior.

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

Generally, specialised clauses of “anti-corruption” are always stipulated in our major contracts. According to such clauses, no private violation is allowed for both parties, so that the major project that may lead corruption could be restrained.

Community Relationship

Developing a harmonious corporate and social relationship between the community in which we operate and us is always the focus of the Company. We get to know the demands of the community from taking part in the activities of the community actively, and, with actual actions, we try hard to make sure that the interests of the community would be considered during the Company’s execution of its business activities.

1. The strengthened communication with the community

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

2. Community environment

In 2019, the Group invested in RMB28.02 million for ecological recovery and remediation. It completed ecological recovery and remediation work for waste dumps and pit slopes, and sowed grass seeds in the Mayituobe pit, with an annual greening area of approximately 132,400 square meters.

We actively take part in the environmental construction of the community where we operate, and help to improve the environmental awareness of the community. In the whole year, we maintained more than 50km of mine entrance path, which ensures the mine entrance road is clear. This further ensures the material transportation of the Company. Meanwhile, it becomes much more convenient for the herdsmen to drive their livestock up and down the mountain and change meadows for their cattle and sheep.

3. Community care

The Company cares about and offers help to the people in need from the communities in which it operates. We offer daily necessities including rice, flour and edible oil and provide support as much as we can to impoverished employees and their families in the communities in which we have operations before Hari Raya, Eid al-Adha and Spring Festival every year.

In response to the state’s call of “100 enterprises support 100 villages” activity to help the poor and alleviate poverty, 100,000 yuan was donated to Tuohula Village, Alahage Township, Kuche County to help the recipients actively carry out rural welfare activities. In July 2019, office supplies and daily necessities with an amount of 20,000 yuan were donated to public security bureau cadres stationed in Baoerqi Village, Yingtamu Township, Yining County for improvement of office and living conditions. A clothing donation activity was organized and launched in September to assist companies in helping the poor in targeted anti-poverty villages spend their winter time.

4. Education

In August 2019, we participated in the activity of "Study-Aid in Golden Fall" organized by the Party Committee and the Government in Yining County, and donated 900,000 yuan to the impoverished students. Gold Mountain Mine has participated in "Study-Aid in Golden Fall" for six consecutive years with accumulated charitable donations of more than 4 million yuan.

5. Labor demands

We selected and trained a batch of young Kazakhstan people with certain Chinese base and good comprehensive quality from Oyiman Bulak Village in Kalayagaqi Township in Yining County. Those met the job requirements of our Company could be employed to work in the mine. During the year ended 31 December 2019, 121 and 245 locals in Yining County and Yili State have been helped to get their jobs, respectively.

6. Culture

We attach great importance to the cultural activities in the community, so we usually organize different forms of cultural exchanges there. Various activities are held within the Company from time to time, such as a wild walk in May, a safety knowledge contest and fire safety contest in June, as well as a national flag-raising ceremony and mass parade on the National Day in October.

Labor skills competitions were organized any times, in order to further stimulate the eagerness of a vast number of employees in learning, practising and competing for technology and skills, and to build a platform for front-line workers' exchange and demonstration on their abilities. An electrician skills competition was held in July, while a labor skills competition related to trickling filter installation and that related to triaxial screening were launched in October and November, respectively.

Specially sponsored by the local government with 100,000 yuan, we held the 9th "Xinjiang Yili Apricot Flower Cultural Tourism Festival" (新疆 • 伊犁杏花文化旅遊節) to not only spread the local culture, but also establish a good corporate image.

7. Sports

We organized different kinds of sports activities with the community and village, including basketball, hiking, football, etc. Such activities not only improve the fitness of the employees, but also promote the harmonious relationship between the village and the company. The Company encourages its employees to participate in the sports activities organized by local residents, such as racing horse with local residents.

Board of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Ke Xiping (柯希平), aged 59, is the founder of the Group. Mr. Ke has been an executive Director and the chairman of the Board since the incorporation of the Company in April 2012, responsible for overall strategies and operations of the Group. He served as the President since April 2020. He has also been the founder of Xiamen Hengxing and its chairman of the board since September 1994. From May 1999 to May 2007, Mr. Ke was the general manager of Fujian Xinhuadu Engineering Co., Ltd. (福建新華都建設工程有限責任公司) for eight years. Fujian Xinhuadu Engineering Co., Ltd. is a professional engineering company and its principal business activities include mining engineering design, mining plan, mine drilling and blasting and ore extraction, loading and transportation. Mr. Ke also served as a non-executive director of Zijin Mining Group Co., Ltd. (a company listed both on the Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 601899/02899) from August 2002 to June 2008. Since 2005, Mr. Ke has also been managing and overseeing the exploration and mining activities of various mining companies that are controlled by Xiamen Hengxing. Mr. Ke has 18 years of relevant experience in mining industry. He is the brother of Mr. Ke Xizheng and the father of Mr. Ke Jiaqi.

Mr. Ke was accredited as an economist by Xiamen Bureau of Personnel (廈門市人事局) in November 2007. He is also a member of the Thirteenth Session of the National Committee of the Chinese People's Political Consultative Conference (第十三屆全國人民政治協商會議委員會), and a member of the Standing Committee of the Thirteenth Session of Xiamen Municipal Committee of the Chinese People's Political Consultative Conference (廈門市第十三屆政治協商會議常務委員會). He is the chairman of Xiamen Federation of Industry and Commerce (the General Chamber of Commerce and Industry) (廈門市工商聯(總商會)), the vice chairman of Fujian Federation of Industry and Commerce (福建省工商聯) and a member of the Standing Committee of National Association of Industry and Commerce (全國工商聯常務委員會).

Ms. Yang Yifang (楊宜方), aged 42, was an executive Director and the president of the Company from June 2018 to April 2020. Ms. Yang has extensive experience in global mining industry, focus on strategic planning, mergers & acquisitions, business development and management of public companies. Before joining our company, Ms. Yang was appointed as assistant to Chairman in Zijin Mining Group Co., Ltd (a company listed both on the Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 601899/02899), and was also assigned to various senior management positions in the Group's affiliates in China, Hong Kong, Canada, UK and Peru. During this period, she was the manager director of Gold Mountains (HK) International Mining Co, Ltd., the executive chairman of Xiamen Zijin Tongguan Investment Development Co., Ltd and the president of Rio Blanco Copper S.A. During 2011 to 2013, she was the executive director and CEO of CST Mining Group (Stock Code: 00985).

Ms. Yang obtained Bachelor Degree of Arts in Tamkang University in Taiwan in 2000.

Board of Directors and Senior Management

Mr. Chen, David Yu (陳宇), aged 51, is an executive Director since March 2013. He was the Vice Chairman of the Board and the president of the Company from September 2013 to May 2018. Mr. Chen has been a director of Jinchuan Mining since September 2012.

Mr. Chen has over 15 years of experience in venture investment and capital raising. Mr. Chen was an independent director of Zhonglu Co., Ltd. (中路股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600818) from May 2009 to November 2014 and the non-executive Chairman of Range Resources Ltd. (dual listed ASX: RRS; AIM: RRL) from December 2014 to November 2016. He was an independent non-executive director of Sinco Pharmaceuticals Holdings Limited, a company listed on the Stock Exchange (Stock Code: 6833) from January 2018 to May 2018.

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

Mr. Ke Jiaqi (柯家琪), aged 29, is an executive Director of the Company since June 2018. Mr. Ke was appointed as a director and vice president of Xiamen Hengxing in 2014 and takes charge of investment business of Xiamen Hengxing from 2017. Mr. Ke is the son of Mr. Ke Xiping, the Chairman of the Company.

Mr. Albert Fook Lau Ho (何福留), aged 74, is a non-executive Director of the Company since June 2018 and has been an executive Director from March 2013 to May 2018. He was a director of Jinchuan Mining since November 2009 to November 2015 and was the chairman of the board of Jinchuan Mining from November 2009 to September 2012. Mr. Ho has 20 years of relevant experience in exploration and/or extraction activities, all of which related to gold mines. From January 1981 to August 1988, Mr. Ho worked as a project engineer for Kilborn Engineering B.C. Ltd. Between August 1988 and May 1994, Mr. Ho acted as a partner of CSFM Engineering Ltd. From 1994 to 1997, he was appointed as the managing director of Guangxi Baise Bowland Gold Mining Company Limited (廣西百色寶侖黃金礦務有限公司) in charge of exploration work in Baise Guangxi, including the Gaolong Gold Mine (廣西百色高龍金礦). From 1997 to November 2009, Mr. Ho advised various clients in Hong Kong and China on preliminary assessment, project planning, project development and construction budget estimation, financing arrangement and internal control for mining projects.

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

Board of Directors and Senior Management

Independent non-executive Directors

Dr. Tim Sun (孫鐵民), aged 58, is an independent non-executive Director since April 2014. Mr. Sun obtained a Bachelor in Mineral Processing Engineering degree from Northeast University (東北大學) in June 1982. He obtained a Master in Mineral Processing Engineering degree from Beijing General Research Institute of Mining and Metallurgy (北京礦冶研究總院) in 1985 and a Ph.D. degree from Queen's University, Canada, in October 1993.

Dr. Sun was a director of Norton Gold Fields Limited, an Australian gold mining company listed on the Australian Stock Exchange (Stock Code: NGF), from March 2010 to May 2011 and the chief strategic consultant of China Precious Metals, a gold mining company listed on the Stock Exchange (Stock Code: 1194), from January 2010 to 2011. Dr. Sun was appointed as a director and chairman of FeOre Ltd, an iron ore mining company in Mongolia listed on the Australian Stock Exchange (Stock Code: FEO), from 2011 to July 2014. He is also a director of Minco Silver Corporation, a silver mining company listed on the Toronto Stock Exchange (Stock Code: MSV), since July 2011.

Ms. Wong, Yan Ki Angel (黃欣琪), aged 48, is an independent non-executive Director since March 2013. Ms. Wong obtained a Bachelor of Arts degree, majoring in international accounting, from Xiamen University in July 1994, a post-graduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in PRC in October 2009. Ms. Wong has been admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, full member of the Society of Registered Financial Planners in Hong Kong since November 2003, full member of the Singapore Institute of Directors since October 2009, member of the Hong Kong Institute of Directors since November 2014, fellow member (FIPA, Australia) of the Institute of Public Accountants since April 2015, founding member of the Hong Kong Independent Non-Executive Director Association since October 2015 and fellow member of CPA Australia since May 2017. Ms. Wong has been the president and executive director of Advanced Capital Limited (匯財資本有限公司), where she provides consultancy services for both listed companies and companies preparing for listing.

Ms. Wong was appointed as an independent non-executive director of China Best Group Holding Limited (Stock Code: 370) since June 2011 to September 2014, China Public Procurement Limited (Stock Code: 1094) since December 2015 to July 2018, Miko International Holdings Limited (Stock Code: 1247) since July 2017 to July 2018, Yuhua Energy Holdings Limited (now know as Jintai Energy Holdings Limited) (Stock Code: 2728) since November 2016 to December 2018. She was also appointed as an independent non-executive director of China Shengda Packaging Group Inc. (NASDAQ: CPGI) since August 2014 to September 2015. Since November 2015, Ms. Wong has been an independent non-executive director of 500.com Limited (NYSE: WBAI).

Dr. Pan Guocheng (潘國成), aged 62, is an independent non-executive Director since June 2018. He was appointed as an executive director, CEO and President in China Hanking Holdings Limited ("**Hanking Holdings**") (Stock Code: 03788) from September 2011 to March 2018. Dr. Pan is a non-executive director in Hanking Holdings and vice chairman in Hanking Industrial Group Ltd. Before joining Hanking Group, Mr. Pan held technical and management positions in several mining companies, including director of technical development department at AngloGold North America, President of GeoSight, Inc. and General Manager of the China region of Gold Fields (BVI) Ltd.

Dr. Pan obtained a Bachelor in Geochemistry from Peking University in 1982, a Master Degree of Mathematical Geology from Changchun College of Geosciences in 1985 and a Ph.D. Degree of Mineral Economics from University of Arizona in 1989.

Board of Directors and Senior Management

Senior Management

Mr. Ke Xizheng (柯希正), aged 57, has been the chairman of the board of Jinchuan Mining since October 2015 and served as the general manager of Jinchuan Mining from March 2019 to December 2019. Mr. Ke has around 30 years' experience in government affairs. Prior to joining the Group, he served in Xiamen, Huli District as vice minister of United Front Work Department (福建省廈門市湖里區委統戰部副部長) from February 2012 to September 2014. His substantial experience in government is expected to benefit the governance and community relations of Gold Mountain Mine.

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

Mr. Zhang Jinghe (張景河), aged 50, is the general manager of Jinchuan Mining since December 2019. Mr. Zhang joined Jinchuan Mining as the deputy chief metallurgy engineer on June 2014 and successively served as chief metallurgy engineer and executive deputy general manager since January 2016. He has over 20-year working experience in gold mines. He previously served as the deputy chief engineer in Sichuan Chuncan Mining Company Limited (四川純燦礦業有限公司) and in senior management positions in Xi'an Tianzhou Mining Technology Development Company Limited (西安天宙礦業科技開發有限責任公司). He started his mining career from 1992 to 2002 served as deputy section chief of metallurgy department and various positions in Lingbao Andi Gold Mine (靈寶市安底金礦) then as the deputy plant manager of Lingbao Gold Refinery Plant (靈寶市黃金精煉廠). From 2003 to 2011, he served in various management positions in Lingbao Huabao Industry Company Limited (靈寶市華寶產業有限責任公司).

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

Ms. Lin Yanjuan (林艷娟), aged 36, has been the finance director of the Group since July 2015. Prior to joining the Group, Ms. Lin previously served as the auditor of PricewaterhouseCoopers Zhong Tian LLP from August 2006 to July 2015.

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

Company Secretary

Ms. Wong Wai Ling (黃慧玲) (ACIS, ACS), aged 40, was appointed as the company secretary in 22 August 2013. She has over 10 years of experience in providing company secretarial services in Hong Kong.

Ms. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**") and has been responsible for assisting listed companies in professional company secretarial work since she joined SWCS in May 2011.

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

Report of Directors

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

Global Offering

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

Principal Activities

The principal activity of the Company is investment holding and the Group is principally engaged in gold mining and production. Analysis of the principal activities of the Group including its subsidiaries during the Period Under Review is set out in the Note 5 to the consolidated financial statements.

Results

The results of the Group for the Period Under Review are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this report.

Final Dividends

The Directors recommend the payment of a final dividend of HK$0.1 (inclusive of tax) per share in cash, totaling approximately HK$92,500,000 (for the year ended 31 December 2018: HK$92,500,000) for the year ended 31 December 2019. The proposed dividend is subject to approval by the Company's shareholders in the forthcoming annual general meeting to be held on 2 June 2020. It is intended that the dividend will be paid on 26 June 2020 to the Company's shareholders registered on 6 June 2020.

Financial Summary

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 120 of this report. This summary does not form part of the audited consolidated financial statements.

Business Review

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

Principal Risks and Uncertainties

The financial risk the Group faced and risk management objectives and policies are set out in Note 3 to the consolidated financial statements.

Future Development

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

Environmental Policies and Performance

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

Report of Directors

Compliance With Laws and Regulations

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

Relationships With Stakeholders

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

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

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

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

Use of Net Proceeds From Listing

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$330.4 million, which are intended to be applied in the manner consistent with that in the Company's prospectus dated 19 May 2014. On 15 June 2015, the board has resolved to change the use of the unutilized IPO proceeds, amounting to approximately HK$180.3 million for new specific purposes, set out on page 8 of this report.

Major Customers and Suppliers

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

Sales

— the largest customer 98.2% (2018: 98.4%)
— five largest customers 100% (2018:100%)

Purchases

— the largest supplier 27.0% (2018: 25.0%)
— five largest suppliers 79.3% (2018: 77.3%)

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

Report of Directors

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the Period Under Review are set out in Note 15 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the Period Under Review are set out in Note 25 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the Period Under Review are set out in Note 26 to the consolidated statement of changes in equity.

Distributable Reserves

Pursuant to the Distributable Reserves Under section 34 of the Companies Law (Revised) of the Cayman Islands, the Company's share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company. The balance of the distributable reserve of the Company was RMB114,248,000 as at 31 December 2019 being the excess of the amount of share premium over the accumulated losses of the Company as at 31 December 2019.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2019 are set out in Note 29 to the consolidated financial statements.

Taxation

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

Directors

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

Executive Directors:

Mr. Ke Xiping
Ms. Yang Yifang *(Note 1)*
Mr. Chen, David Yu
Mr. Ke Jiaqi

Non-executive Director:

Mr. Albert Fook Lau Ho

Independent non-executive Directors:

Ms. Wong, Yan Ki Angel
Dr. Pan Guocheng
Dr. Tim Sun

Note 1: Ms. Yang Yifang resigned as an executive Director and president on 1 April 2020.

Report of Directors

Board of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 42 to 45 of this report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2019.

Directors' Service Contracts and Letter of Appointments

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

Ms. Yang Yifang and Mr. Ke Jiaqi, the executive Directors, each has entered into a service agreement with the Company in June 2018 for a term of three years. Dr. Pan Guocheng, the independent non-executive Director, has entered into a letter of appointment with the Company in June 2018 for a term of three years.

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

Directors' Interests in Transaction, Arrangement or Contracts of Significance

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

Management Contracts

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

Emolument Policy

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

Remuneration of Directors and Five Individuals With Highest Emoluments

Details of the emoluments of the Directors and five highest paid individuals are set out in Note 9 and Note 41 to the consolidated financial statements.

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number and class of Shares *(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 31 December 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.

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

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

Permitted Indemnity Provision

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

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

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

As at 31 December 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	**Capacity/ Nature of interest**	**Number of Shares** *(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 31 December 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 disclosed above, and as at 31 December 2019, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-Emptive Rights

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

Report of Directors

Non-Competition Undertaking

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

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this report during the year ended 31 December 2019.

The independent non-executive Directors ("**INEDs**") have reviewed the deed of non-competition whether the Controlling Shareholders have abided by the non-competition undertaking. The INEDs confirmed that they had determined that the Controlling Shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2019.

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 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 INEDs) reviewed such deed of options. Considering that (a) the tenements held by the Excluded Companies were all at a very preliminary stage of exploration, which might bring high uncertainty whether there will be any economically feasible mining project and production at these tenements in the future. Therefore, it is not in the interests of the Company and the Shareholders to include the Excluded Companies into the Group at this stage and (b) the Excluded Companies do not compete directly or indirectly with the Group's business, the Group has no intension to purchase any of the Excluded Companies or exercise any rights under such deed of options.

Directors' Interest in Competing Business

Save as disclosed in this report, as at 31 December 2019, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

Share Option Scheme

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

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

Report of Directors

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

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

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

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

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

(3) the nominal value of the Shares.

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

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

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

No share options under the Share Option Scheme were granted, exercised, lapsed or cancelled from the listing of the Shares of the Company on the Main Board of the Stock Exchange on 29 May 2014 to 31 December 2019 and up to the date hereof.

Save for the Share Option Scheme of the Company as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2019.

Report of Directors

Connected Transaction

Post Balance Sheet Events

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

Audit Committee

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

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the year ended 31 December 2019.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 22 of this annual report.

Sufficiency of Public Float

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

Auditor

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

A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting to be held on 2 June 2020 (the "**AGM**").

On behalf of the Board

Ke Xiping
Chairman

Xiamen PRC, March 31, 2020

Independent Auditor's Report

pwc

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 119, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

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

A key audit matter of assessment of provision for restoration cost is identified in our audit and summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of provision for restoration cost	
Refer to Note 4(a) "critical accounting estimates and judgements on provision for restoration cost" and Note 32 "provision for close down, restoration and environmental costs" of the consolidated financial statements. Pursuant to the relevant PRC laws and regulations, the Group is responsible for the restoration of the land damaged by mining activities. As and when the mining activities are carried out, the Group periodically performs restoration work around the areas where mining activities has been completed. As at 31 December 2019, the provision for restoration cost of the Group was RMB23,721,000. For the year ended at 31 December 2019, the Group accrued provision of RMB21,650,000. The management makes the provision for the restoration, based on the cash flow forecast for the provision of the restoration cost and the rehabilitation plan prepared by a third party which was approved by the government. The following primary assumptions were used in the cash flow forecast: • The future restoration expenditure, such as transportation and construction costs, useful lives of each mining site in the rehabilitation plan; • The discount rate applied to cash outflow for the purpose of deriving the amount of provision. Any material changes of these factors may cause the fluctuation of the provision for restoration cost. We focus on this area due to significant judgements were made by management to determine the assumptions and the complexity of calculations derived in the cash flow forecast assessment.	We performed the following procedures on the cash flow forecast assessment prepared by management: We assessed the methodology adopted by management when developing the cash flow forecast model. We checked the future restoration expenditure outflow and useful life of each mining site in the cash flow forecast and compared to the data in the rehabilitation plan. To assess the reliability of the estimated data input, we compared previous estimated input to the historical actual cost incurred. We assessed the discount rate used by the management by reference to the industry report and open market data. We tested the mathematical accuracy of the calculations derived from the cash flow forecast. Based on our work, we found the provision for restoration cost was supported by the evidence obtained.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information set out in the Company's 2019 annual report. The other information comprises the information included in the management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other information relating to the corporate information, corporate profile, chairman statement, corporate governance report, environmental, social and governance report, board of directors and senior management, report of directors, five years summary and definitions which are expected to be made available to us after that date.

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

Independent Auditor's Report

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

(Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

		Year ended 31 December	
	Note	**2019**	2018
		RMB'000	RMB'000
Revenue	*5*	**845,396**	830,006
Cost of sales	*8*	**(519,943)**	(464,838)
Gross profit		**325,453**	365,168
Selling and marketing expenses	*8*	**(378)**	(479)
General and administrative expenses	*8*	**(57,360)**	(37,266)
Other income	*6*	**5,937**	1,006
Other gains— net	*7*	**971**	4,113
Operating profit		**274,623**	332,542
Finance income	*10*	**542**	461
Finance costs	*10*	**(3,819)**	(9,236)
Finance costs— net		**(3,277)**	(8,775)
Profit before income tax		**271,346**	323,767
Income tax expense	*12*	**(56,802)**	(62,870)
Profit for the year, all attributable to owners of the Company		**214,544**	260,897
Earnings per share for the year			
— Basic and diluted (expressed in RMB)	*13*	**0.23**	0.28

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

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Prepaid lease payments	*14*	**–**	15,151
Property, plant and equipment	*15*	**358,159**	351,075
Right-of-use assets	*14*	**16,576**	–
Intangible assets	*17*	**266,394**	282,489
Prepayments for purchase of property, plant and equipment		**3,530**	3,422
Deferred income tax assets	*30*	**–**	5,822
Restricted bank balance	*22*	**10**	10
Total non-current assets		**644,669**	657,969
Current assets			
Prepaid lease payments	*14*	**–**	357
Trade receivables	*19*	**70,607**	–
Other receivables and prepayments	*20*	**25,920**	21,240
Inventories	*21*	**140,226**	106,180
Cash and cash equivalents	*22*	**323,845**	301,477
Financial assets at fair value through profit or loss	*24*	**19,883**	30,489
Total current assets		**580,481**	459,743
Total assets		**1,225,150**	1,117,712
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*25*	**7,362**	7,362
Reserves	*26*	**285,138**	366,544
Retained earnings	*27*	**767,986**	553,442
Total equity		**1,060,486**	927,348

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*30*	**2,286**	–
Deferred income	*31*	**6,995**	7,419
Provision for close down, restoration and environmental costs	*32*	**23,721**	30,087
Lease liabilities	*14*	**484**	–
Total non-current liabilities		**33,486**	37,506
Current liabilities			
Trade and other payables	*28*	**91,113**	66,809
Current tax liabilities		**38,146**	26,049
Financial liabilities at fair value through profit or loss	*24*	**978**	–
Lease liabilities	*14*	**941**	–
Current portion of long-term borrowings	*29*	**–**	60,000
Total current liabilities		**131,178**	152,858
Total liabilities		**164,664**	190,364
Total equity and liabilities		**1,225,150**	1,117,712

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

The consolidated financial statements on pages 60 to 119 were approved by the Board of Directors on 31 March 2020 and were signed on its behalf.

Mr. Ke Xiping
Director

Mr. Ke Jiaqi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to owners of the Company				
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018		7,362	459,771	31,523	292,545	791,201
Comprehensive income						
Profit for the year		–	–	–	260,897	260,897
Transactions with owners in their capacity as owners:						
Dividend relating to 2017 paid in 2018	*33*	–	(124,750)	–	–	(124,750)
Balance at 31 December 2018		7,362	335,021	31,523	553,442	927,348
Comprehensive income						
Profit for the year		**–**	**–**	**–**	**214,544**	**214,544**
Transactions with owners in their capacity as owners:						
Dividend relating to 2018 paid in 2019	*33*	**–**	**(81,406)**	**–**	**–**	**(81,406)**
Balance at 31 December 2019		**7,362**	**253,615**	**31,523**	**767,986**	**1,060,486**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	*34 (a)*	**254,267**	465,132
Income taxes paid		**(36,598)**	(70,262)
Net cash generated from operating activities		**217,669**	394,870
Cash flows from investing activities			
Redemption of debt investments		**1,700,664**	857,777
Redemption of trust investments		**250,000**	–
Redemption of equity investments		**7,449**	32,540
Proceeds from trust investments		**4,915**	–
Interest received	*10*	**542**	461
Stock dividends		**538**	503
Proceeds from disposal of property, plant and equipment	*34 (b)*	**28**	–
Payments for equity investments	*24 (a)*	**–**	(10,360)
Proceeds from equity investments		**(2,143)**	–
Payments for intangible assets		**(14,226)**	(23,789)
Payments for property, plant and equipment		**(55,344)**	(36,071)
Placement of trust investments		**(250,000)**	–
Placement of debt investments		**(1,694,000)**	(858,700)
Net cash used in investing activities		**(51,577)**	(37,639)
Cash flows from financing activities			
Repayment of lease liabilities		**(1,201)**	–
Interest paid for bank borrowings		**(1,636)**	(6,570)
Repayment of bank borrowings		**(60,000)**	(88,291)
Dividends paid to the Company's shareholders	*33*	**(81,406)**	(124,750)
Net cash used in financing activities		**(144,243)**	(219,611)
Net increase in cash and cash equivalents		**21,849**	137,620
Cash and cash equivalents at the beginning of year	*22*	**301,477**	161,697
Effects of exchange rate changes on cash and cash equivalents		**519**	2,160
Cash and cash equivalents at the end of year	*22*	**323,845**	301,477

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 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.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, which is also the functional currency of the Company. This consolidated financial statements have been approved for issue by Board of Directors on 31 March 2020.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 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 certain financial assets and liabilities (including derivative instruments) which are carried at fair value.

(iii) 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 2019:

- HKFRS 16 Leases
- HK(IFRIC) — Interpretation 23 Uncertainty over Income Tax Treatments.
- Prepayment Features with Negative Compensation — Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to HKAS 28
- Plan Amendment, Curtailment or Settlement — Amendments to HKAS 19
- Annual improvements to HKFRS Standards 2015-2017 Cycle

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 2.2 below. The other standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standards	**Effective for annual periods beginning on or after**
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 2022

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.27.

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%.

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(i) Measurement of lease liabilities

	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 and right-of-use assets 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 to right-of-use assets	15,508
Total right-of-use assets recognised as at 1 January 2019	17,883

(ii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses 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 date of initial application.

(iii) Adjustments recognised in the balance sheet on 1 January 2019

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

Right-of-use assets — increased by RMB17,883,000
Prepaid lease payments — decreased by RMB15,508,000
Lease liabilities (current portion) — increased by RMB914,000
Lease liabilities (non-current portion) — increased by RMB1,461,000

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

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(iv) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using 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 Interpretation 4 Determining whether an Arrangement contains a Lease.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2.3 Principles of consolidation and equity accounting

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 (refer to Note 2.4).

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.

2 Summary of significant accounting policies *(Continued)*

2.4 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.

2 Summary of significant accounting policies *(Continued)*

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

2 Summary of significant accounting policies *(Continued)*

2.8 Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives , as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2 Summary of significant accounting policies *(Continued)*

2.9 Exploration and evaluation assets

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

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

2.10 Impairment of exploration and evaluation assets

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

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

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.11 Intangible assets

(i) Mining rights

Exploration and evaluation assets became demonstrable and reached the development phase in prior years, and were transferred to mining rights. At the time of transfer, the exploration and evaluation assets incorporate both mining rights (intangible) and the underlying mineral reserves (tangible) elements. The directors of the Company consider the mining rights is more significant element and hence the entire amount is classified as intangible assets. Mining rights with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the unit of production method based on the actual volume mined over the estimated total proven and probable reserves of the ore mine within the terms of the mining license.

(ii) Meadow compensation costs

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

(iii) Restoration costs

Land restoration and rehabilitation costs incurred to the extent to give rise to future benefit of the gold ores have been included as part of the cost of the intangible assets. The amount represents the present value of the estimated present obligation of the restoration costs for any land damaged as a result of the Group's exploration or mining activities. Amortisation is provided using the unit of production method based on the actual volume mined over the estimated total proven and probable reserves of the mine within the terms of the mining license.

(iv) Stripping costs

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

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

2 Summary of significant accounting policies *(Continued)*

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

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

2.13 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies *(Continued)*

2.13 Investments and other financial assets *(Continued)*

(iii) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains-net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies *(Continued)*

2.13 Investments and other financial assets *(Continued)*

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.14 Inventories

Raw materials, gold in process, gold dore bars, consumables and spare parts are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.13 for further information about the Group’s accounting for trade receivables and Note 3.1 for a description of the Group’s impairment policies.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Summary of significant accounting policies *(Continued)*

2.17 Share capital

Ordinary shares are classified as equity (Note 25).

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

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

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

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

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

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies *(Continued)*

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

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

(ii) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies *(Continued)*

2.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Pension obligations

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

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

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

(iii) Housing benefits

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

2.23 Provision

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

2.24 Safety production fund

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

2 Summary of significant accounting policies *(Continued)*

2.25 Revenue recognition

Sale of gold products

The revenue from sale of gold products is recognised when control of the products has transferred, being when the gold products are sold.

2.26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 36). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

2 Summary of significant accounting policies *(Continued)*

2.27 Leases *(Continued)*

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing.

Lease payments are allocated between principal 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.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of offices is 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 Summary of significant accounting policies *(Continued)*

2.28 Dividend distribution

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

The profits of the PRC subsidiaries of the Group are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investor in Hong Kong.

2.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 6 and 31 provides further information on how the Group accounts for government grants.

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

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

2.30 Interest income

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

3 Financial risk management

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

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

3 Financial risk management *(Continued)*

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

The sensitivity of profit or loss to changes in the exchange rates arises mainly from Hong Kong dollars and US dollars denominated bank balances and cash and other receivables.

	Impact on post tax profit	
	2019 RMB'000	2018 RMB'000
HK$/RMB exchange rate — increase 5%	**2,235**	2,168
HK$/RMB exchange rate — decrease 5%	**(2,235)**	(2,168)
US$/RMB exchange rate — increase 5%	**51**	2,021
US$/RMB exchange rate — decrease 5%	**(51)**	(2,021)

(ii) Price risk

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

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

(b) Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage the risk with respect to cash and cash equivalents, all of the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

All of the Group's trade and other receivables have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The management is of the opinion that the risk of default by counterparties is low.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) *Credit risk (Continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 month and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(ii) Other receivables

For other receivables, as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the impairment provision recognised is limited to 12 months expected losses.

The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus, no loss allowance provision was recognised.

(c) *Liquidity risk*

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

Liquidity tables

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

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Less than 3 months RMB'000	Between 3 months and 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
Group				
At 31 December 2019				
Trade and other payables (excluding staff salaries payable and other tax payable)	**50,797**	**15,205**	**1,149**	**–**
At 31 December 2018				
Borrowings	–	61,179	–	–
Trade and other payables (excluding staff salaries payable and other tax payable)	33,412	12,481	–	–
	33,412	73,660	–	–

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio:

Net debt as per Note 34 (c)
divided by
Total 'equity' (as shown in the balance sheet).

3 Financial risk management *(Continued)*

3.2 Capital management *(Continued)*

The credit rating was unchanged and the gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Net debt *(Note 34 (c))*	(342,303)	(271,966)
Total equity	1,060,486	927,348
Net debt to equity ratio	(32.28%)	(29.33%)

The decrease in gearing ratio during 2019 was resulted primarily from the profit earned and decrease of borrowings during the year.

3.3 Fair value estimation

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified 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 assets that were measured at fair value at 31 December 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss				
— Equity investments *(Note 24)*	19,883	–	–	19,883
Financial Liabilities				
Financial liabilities at fair value through profit or loss				
— Future contracts *(Note 24)*	978	–	–	978

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets that were measured at fair value at 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss				
— Equity investments *(Note 24)*	26,761	–	–	26,761
— Debt investments *(Note 24)*	–	3,700	–	3,700
— Future contracts *(Note 24)*	28	–	–	28
Total financial assets	26,789	3,700	–	30,489

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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 market prices at the end of the reporting period. The quoted market 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 which maximise the use of observable market data 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.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Provision for restoration cost

The provision for restoration cost as set out in Note 32 has been estimated by the management based on current regulatory requirements and is discounted to the present value where the effect is material. However, significant changes in the regulation in relation to the restoration requirement will result in changes to provision from period to period.

(b) Amortisation and impairment of mining rights

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

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

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

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

(c) Useful lives of property, plant and equipment

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

5 Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by 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 year ended 31 December 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.

	2019 RMB'000	2018 RMB'000
Sales of processed gold	**845,396**	830,006

The Group operates in mainland China and Hong Kong, and revenue for the year ended 31 December 2019 is generated from mainland China. The Group's non-current assets are located in mainland China and Hong Kong.

For year ended 31 December 2019, the Group's income of sales of processed gold from Shanghai Gold Exchange was RMB845,396,000 (2018: RMB830,006,000), which was derived from gold mining segment.

6 Other income

	2019 RMB'000	2018 RMB'000
Scrap sales *(Note(i))*	**5,400**	–
Government grants related to assets *(Note 31)*	**424**	424
Others	**113**	582
	5,937	1,006

Note:

(i) For the year ended 31 December 2019, scrap sales represented sales of scrap produced during the gold production process.

7 Other gains — net

	2019 RMB'000	2018 RMB'000
Investment gains on trust investments *(Note 23)*	**4,915**	–
Investment gains of debt investments *(Note 24 (b))*	**2,964**	2,777
Investment gains of equity investments *(Note 24 (a))*	**2,143**	279
Net foreign exchange gains	**113**	2,384
Investment (losses)/gains on future contracts *(Note 24 (c))*	**(213)**	4,356
Net fair value losses on financial liabilities at fair value through profit or loss *(Note 24 (c))*	**(978)**	–
Net fair value losses on financial assets at fair value through profit or loss *(Note 24 (a))*	**(1,034)**	(5,197)
Net losses on disposal of property, plant and equipment *(Note 34 (b))*	**(1,383)**	(486)
Other losses *(Note(i))*	**(5,556)**	–
	971	4,113

Note:

(i) For the year ended 31 December 2019, other losses represented overdue tax surcharge for the arable land occupation.

8 Expenses by nature

	2019 RMB'000	2018 RMB'000
Changes in inventories of finished goods and work in progress *(Note 21)*	**(33,063)**	3,529
Depreciation and amortisation *(Notes 14, 15 and 17)*	**103,305**	86,862
Employee benefit expenses *(Note 9)*	**58,097**	55,929
Raw materials and consumables used	**319,934**	243,656
Miscellaneous tax charges other than income tax	**47,579**	48,927
Transportation expenses	**24,571**	18,232
Fuel charges	**23,700**	19,394
Advisory expenses	**12,402**	3,392
Utilities and office expenses	**5,536**	4,816
Repair and maintenance expenses	**4,557**	7,277
Auditors' remuneration	**1,080**	1,240
Others	**9,983**	9,329
Total cost of sales, selling and marketing expenses and general and administrative expenses	**577,681**	502,583

9 Employee benefit expenses

	2019 RMB'000	2018 RMB'000
Wages and salaries	**48,774**	47,073
Social security costs	**1,503**	1,448
Pension costs — defined contribution plans *(Note (a))*	**2,622**	2,632
Housing benefits *(Note (b))*	**1,809**	1,337
Others	**3,389**	3,439
Total employee benefit expenses	**58,097**	55,929

Note:

(a) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution pension plans organized by the relevant municipal and provincial governments at a rate of 16% (2018:18%) of the basic salary of permanent employees in Xinjiang Uygur Autonomous region, the PRC.

The Group also participates in a pension scheme under the rules and regulations of MPF Scheme for all its qualifying employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

(b) Housing benefits

The balance represented the Group's contributions to government-sponsored housing funds at a rate of 12% of the basic salary of permanent employees in Xinjiang Uygur Autonomous region, the PRC.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) directors whose emoluments are reflected in the analysis shown in Note 41. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	**2,669**	3,057
Contribution to pension scheme	**61**	23
	2,730	3,080

The emoluments fell within the following bands:

	Number of the individuals	
	2019	2018
Emolument bands		
Within HK$1,000,000 (equivalent to RMB895,780)	**2**	1
HK$1,000,001–HK$1,500,000 (equivalent to RMB895,781–RMB1,343,670)	**1**	2

10 Finance income and costs

	2019 RMB'000	2018 RMB'000
Finance income:		
— Interest income on bank deposits	**(542)**	(461)
Finance income	**(542)**	(461)
Finance costs:		
— Bank borrowings	**1,230**	6,794
— Accretion on environmental restoration costs *(Note 32)*	**2,338**	2,442
— Lease liabilities *(Note 14)*	**251**	–
Finance costs	**3,819**	9,236
Net finance costs	**3,277**	8,775

11 Subsidiaries

The Group's principal subsidiaries at 31 December 2019 and 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

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

Notes:

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

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

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

12 Income tax expense

	2019 RMB'000	2018 RMB'000
Current tax:		
Current tax on profit for the year	48,694	59,127
Total current tax expense	48,694	59,127
Deferred income tax:		
Decrease in deferred tax assets *(Note 30)*	808	2,533
Increase in deferred tax liabilities *(Note 30)*	7,300	1,210
Total deferred tax expense	8,108	3,743
Income tax expense	56,802	62,870
Income tax expense is attributable to:		
Profit from continuing operations	56,802	62,870

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 is exempted company incorporated in the BVI and, as such, is not liable for taxation in the BVI on their non-BVI income.

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 Tianshan Gold Securities (Hong Kong) Limited under Hong Kong profits tax during the year ended 31 December 2019 and 2018 is subject to a tax rate of 8.25%, the remaining assessable profits above HKD2 million will continue to be subject to a tax rate of 16.5%.

12 Income tax expense *(Continued)*

The applicable tax rate of Goldfield (Xinjiang) Investment Advisory Limited for each of the years ended 31 December 2018 and 2019 was 25%.

The applicable tax rate of Jinchuan Mining for each of the years ended 31 December 2018 and 2019 was 15%. Jinchuan Mining obtained the qualification of certified high and new technology enterprises in 2018 and registered in the local tax bureau to apply the preferential tax rate of 15% from 2018 to 2020.

The profits of subsidiaries of the Group in Mainland China derived are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's subsidiaries in Mainland China in the foreseeable future.

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:

	2019 RMB'000	2018 RMB'000
Profit before income tax expense	**271,346**	323,767
Tax calculated at domestic tax rates applicable to profits in the respective countries	**43,346**	48,687
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
— Withholding income tax on distributed profit and unremitted earnings	**10,718**	8,889
— Re-measurement of deferred tax due to the change in tax rate	**–**	3,826
— Expenses not deductible	**2,834**	1,520
— Tax losses for which no deferred income tax assets was recognised	**22**	124
— Utilisation of previously unrecognised tax losses	**(12)**	(61)
— Income not taxable for tax purpose	**(106)**	(115)
Income tax expense	**56,802**	62,870

13 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.

	2019 RMB'000	2018 RMB'000
Profit attributable to owners of the Company for the purpose of basic earnings per share	**214,544**	260,897
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)	**0.23**	0.28

(b) Diluted earnings per share

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

14 Leases

The Group's interests in prepaid lease payments represent prepaid operating lease payments and was reclassified as right-of-use assets at 1 January 2019. Their net book value are analysed as follows:

	Prepaid lease payments	**Right-of-use assets**
Year ended 31 December 2018		
Opening net book amount	15,865	–
Amortisation of land use rights	(357)	–
Closing net book amount	15,508	–
Year ended 31 December 2019		
Opening net book amount	15,508	–
Adjustment for change in accounting policy *(Note 2.2)*	(15,508)	17,883
Adjusted opening net book amount	–	17,883
Depreciation of right-of-use assets *(Note 7)*	–	(1,307)
Closing net book amount	–	16,576

14 Leases *(Continued)*

As at 31 December 2019 and 1 January 2019, the consolidated balance sheet shows the following amounts relating to leases:

	As at	
	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Land use rights	**15,151**	15,508
Offices	**1,425**	2,375
Total right-of-use assets	**16,576**	17,883
Lease liabilities		
— Current	**941**	914
— Non-current	**484**	1,461
Total lease liabilities	**1,425**	2,375

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2019 RMB'000	2018 RMB'000
Depreciation of right-of-use assets *(Note 8)*		
— Land use rights	**357**	–
— Offices	**950**	–
Amortisation of prepaid lease payment *(Note 8)*	**–**	357
	1,307	357
Interest expenses *(Note 10)*	**251**	–
Expenses relating to short-term leases	**613**	–

The total cash payment for leases in 2019 was RMB1,815,000.

15 Property, plant and equipment

Non-current assets	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 1 January 2018								
Cost	104,674	323,587	52,062	6,454	2,168	15,519	4,007	508,471
Accumulated depreciation	(17,889)	(83,733)	(12,191)	(3,840)	(634)	(5,562)	–	(123,849)
Net book amount	86,785	239,854	39,871	2,614	1,534	9,957	4,007	384,622
Year ended 31 December 2018								
Opening net book amount	86,785	239,854	39,871	2,614	1,534	9,957	4,007	384,622
Additions	–	1,407	5,115	1,696	111	1,981	12,029	22,339
Transfer from construction in progress	6,240	4,355	328	–	–	–	(10,923)	–
Transfer from investment property	8,405	–	–	–	–	–	–	8,405
Disposals *(Note 34(b))*	–	(110)	(281)	(10)	(2)	(83)	–	(486)
Other decreases	–	(19,065)	–	–	–	–	–	(19,065)
Depreciation charge *(Note 8)*	(5,802)	(30,822)	(5,293)	(723)	(184)	(1,916)	–	(44,740)
Closing net book amount	95,628	195,619	39,740	3,577	1,459	9,939	5,113	351,075
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
Year ended 31 December 2019								
Opening net book amount	95,628	195,619	39,740	3,577	1,459	9,939	5,113	351,075
Additions	–	7,451	890	1,693	103	1,792	46,596	58,525
Transfer from construction in progress	5,611	38,769	846	–	–	138	(45,364)	–
Disposals *(Note 34(b))*	(36)	(1,137)	(127)	(64)	(7)	(40)	–	(1,411)
Depreciation charge *(Note 8)*	(7,197)	(33,880)	(5,768)	(1,006)	(63)	(2,116)	–	(50,030)
Closing net book amount	94,006	206,822	35,581	4,200	1,492	9,713	6,345	358,159
At 31 December 2019								
Cost	128,564	353,234	58,239	8,185	2,338	18,766	6,345	575,671
Accumulated depreciation	(34,558)	(146,412)	(22,658)	(3,985)	(846)	(9,053)	–	(217,512)
Net book amount	94,006	206,822	35,581	4,200	1,492	9,713	6,345	358,159

15 Property, plant and equipment *(Continued)*

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

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

	2019 RMB'000	2018 RMB'000
Total depreciation	**50,030**	44,740
Administrative expenses	**6,225**	4,401
Cost of sales	**43,805**	40,339
	50,030	44,740

As at 31 December 2018, buildings, mining structures and equipment amounting to RMB116,145,000 were secured to Agricultural Bank of China to secure the bank borrowings of RMB60,000,000 (Note 29 (c)(i)).

16 Exploration and evaluation assets

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

Non-current assets	RMB'000
At 31 December 2019 and 2018	
Cost	18,935
Provision for impairment losses	(18,935)
Net book amount	–

Note:

(i) As at 31 December 2019, provision for 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 2021, so the deferred income tax assets attributable to these impairment losses have not been recovered.

17 Intangible assets

Non-current assets	Mining rights RMB'000	Restoration costs RMB'000	Stripping costs RMB'000	Meadow compensation costs and others RMB'000	Total RMB'000
At 1 January 2018					
Cost	141,380	26,516	192,947	37,613	398,456
Accumulated amortisation	(27,863)	(11,009)	(63,925)	(6,472)	(109,269)
	113,517	15,507	129,022	31,141	289,187
Year ended 31 December 2018					
Opening net book amount	113,517	15,507	129,022	31,141	289,187
Additions *(Note 32)*	–	11,278	22,812	977	35,067
Amortisation charge *(Note 8)*	(10,272)	(6,854)	(22,850)	(1,789)	(41,765)
Closing net book amount	103,245	19,931	128,984	30,329	282,489
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
Year ended 31 December 2019					
Opening net book amount	**103,245**	**19,931**	**128,984**	**30,329**	**282,489**
Additions *(Note 32)*	**–**	**19,312**	**–**	**16,561**	**35,873**
Amortisation charge *(Note 8)*	**(14,542)**	**(7,833)**	**(25,585)**	**(4,008)**	**(51,968)**
Closing net book amount	**88,703**	**31,410**	**103,399**	**42,882**	**266,394**
At 31 December 2019					
Cost	**141,380**	**57,106**	**215,759**	**55,151**	**469,396**
Accumulated amortisation	**(52,677)**	**(25,696)**	**(112,360)**	**(12,269)**	**(203,002)**
Net book amount	**88,703**	**31,410**	**103,399**	**42,882**	**266,394**

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

At 31 December 2018, mining rights of RMB103,245,000 was pledged to Agricultural Bank of China to secure the bank borrowings of RMB60,000,000 (Note 29 (c) (i)).

18 Financial instruments by category

The group holds the following financial instruments:

Financial assets	*Notes*	**2019 RMB'000**	2018 RMB'000
Financial assets at amortised cost			
Trade receivables	*19*	**70,607**	–
Other receivables	*20*	**16,470**	7,113
Cash and cash equivalents	*22*	**323,845**	301,477
Restricted bank balance	*22*	**10**	10
Financial assets at fair value through profit or loss	*24*	**19,883**	30,489
Total		**430,815**	339,089

Financial liabilities	*Notes*	**2019 RMB'000**	2018 RMB'000
Liabilities at amortised cost			
Trade and other payables excluding non-financial liabilities	*28*	**67,151**	45,893
Lease liabilities	*14*	**1,425**	–
Borrowings	*29*	**–**	60,000
Financial liabilities at fair value through profit or loss	*24*	**978**	–
Total		**69,554**	105,893

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

19 Trade receivables

Current assets	**2019 RMB'000**	2018 RMB'000
Trade receivables	**70,607**	–
Loss allowance *(Note 3.1)*	**–**	–
	70,607	–

(i) As at 31 December 2019, the ageing of the trade receivables were within 1 month and no trade receivables were either past due or impaired.

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(iii) As at 31 December 2019, all trade receivables were denominated in RMB.

20 Other receivables and prepayments

Current assets	2019 RMB'000	2018 RMB'000
Deposits held by a securities broker *(Note (i))*	**13,070**	3,236
Prepayments	**9,450**	9,921
Deposits held by an interactive broker *(Note(ii))*	**1,859**	394
Deposits held by China International Capital Corporation Limited ("CICC") *(Note (iii))*	**67**	1,566
Input VAT deductible	**–**	4,206
Other receivables	**1,474**	1,917
	25,920	21,240

Notes:

(i) The deposits as at 31 December 2019 and 2018 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.

(ii) The deposits as at 31 December 2019 and 2018 represented the outstanding balance of cash account held by an interactive broker for equity securities transactions.

(iii) The deposits as 31 December 2019 and 2018 represented the outstanding balance of cash account held by CICC for equity securities transactions.

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

	2019 RMB'000	2018 RMB'000
RMB	**23,993**	19,209
HK dollars	**1,927**	2,031
	25,920	21,240

21 Inventories

Current assets	2019 RMB'000	2018 RMB'000
Raw materials	3,157	3,558
Gold in process	116,102	78,132
Gold dore bars	1,396	6,303
Consumables and spare parts	19,571	18,187
	140,226	106,180

Inventories recognised as expense and included in "cost of sales" during the year ended 31 December 2019 amounted to RMB534,491,000 (2018: RMB464,838,000).

22 Cash and cash equivalents/Restricted bank balance

Current assets	2019 RMB'000	2018 RMB'000
Cash in hand	72	206
Cash at banks	323,773	271,271
Bank deposits	–	30,000
Cash and cash equivalents	323,845	301,477
Non-current assets		
Restricted bank balance	10	10
	323,855	301,487

Balances can be analysed as follows:

	2019 RMB'000	2018 RMB'000
Denominated in:		
— RMB	293,229	284,811
— Hong Kong dollars	29,405	16,589
— US dollars	1,221	87
	323,855	301,487

Notes:

(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 0.25% to 3.5% per annum as at 31 December 2019 (31 December 2018: 0.125% to 3.5%).

23 Financial assets at amortised cost

	2019 RMB'000	2018 RMB'000
At 1 January	**–**	–
Additions	**250,000**	–
Disposals	**(250,000)**	–
Gains on disposal *(Note 7)*	**(4,915)**	–
Proceeds received	**4,915**	–
At 31 December	**–**	–

For the year ended 31 December 2019, trust investments classified as financial assets at amortised cost represented the Group's trust investments in trust products.

24 Financial instruments at fair value through profit or loss

Current assets	2019 RMB'000	2018 RMB'000
Financial assets at fair value through profit or loss		
Equity investments (a)	**19,883**	26,761
Debt investments (b)	**–**	3,700
Futures contracts (c)	**–**	28
	19,883	30,489
Current liabilities		
Financial liabilities at fair value through profit or loss		
Futures contracts (c)	**978**	–

(a) Equity investments

Movements in equity investments are analysed as follows:

	2019 RMB'000	2018 RMB'000
At 1 January (Restated at 1 January 2018)	**26,761**	54,362
Additions	**–**	10,360
Disposals	**(7,449)**	(32,540)
Dividend received	**(538)**	(503)
Gains on disposal *(Note 7)*	**2,143**	279
Fair value losses *(Note 7)*	**(1,034)**	(5,197)
At 31 December	**19,883**	26,761

24 Financial instruments at fair value through profit or loss *(Continued)*

(a) Equity investments *(Continued)*

As at 31 December 2019 and 31 December 2018, 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 gains — net" in the consolidated statement of profit or loss and other comprehensive income.

The fair values of all equity securities are based on their quoted prices as of 31 December 2019 in the stock exchange.

(b) Debt investments

Movements in debt investments are analysed as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**3,700**	–
Additions	**1,694,000**	858,700
Disposals	**(1,700,664)**	(857,777)
Gains on disposal *(Note 7)*	**2,964**	2,777
At 31 December	**–**	3,700

For the year ended 2019 and 2018, debt investments classified as financial assets at fair value through profit or loss represented the Group's debt investments in structured deposits.

(c) Futures contracts

	2019 RMB'000	2018 RMB'000
Derivatives not under hedging accounting:		
Fair value of gold futures contracts — assets *(Note 7)*	**–**	28
Fair value of gold futures contracts — liabilities *(Note 7)*	**978**	–

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 losses of RMB213,380 (2018: gains of RMB4,356,000) and were recognised in the consolidated statement of profit or loss and other comprehensive income (Note 7).

As at 31 December 2019, notional amount of gold futures contract was RMB121,289,000 (31 December 2018: RMB14,527,500).

25 Share capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2018 and 31 December 2019	2,000,000,000	20,000
Issued:		
At 31 December 2018 and 31 December 2019 (Equivalent of RMB7,362,000)	925,000,000	9,250

There was no movement of share capital of the Company in 2019 and 2018.

26 Reserves

	Share premium *(Note a)* RMB'000	Other reserves *(Note b)* RMB'000	Total RMB'000
Balance at 1 January 2018	459,771	31,523	491,294
Dividends relating to 2017 paid in 2018	(124,750)	–	(124,750)
Balance at 31 December 2018	335,021	31,523	366,544
Dividends relating to 2018 paid in 2019	(81,406)	–	(81,406)
Balance at 31 December 2019	253,615	31,523	285,138

Note:

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

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

27 Retained earnings

As at 31 December 2019, the consolidated retained earnings included the balance of its subsidiary's reserve fund of RMB89,425,000 (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, its subsidiary is required to provide for safety production fund based on volume of ores sold in previous year.

For the year ended 31 December 2019, the Group appropriated RMB32,134,000 (2018: RMB27,102,000) from retained earnings for the safety production fund and utilised RMB27,212,000(2018: RMB12,729,000) for the safety production expenditure according to relevant PRC regulations.

As at 31 December 2019, the consolidated retained earnings included the balance of PRC safety production fund of RMB62,781,000(31 December 2018: RMB57,859,000) which would be specifically used to safety related expenditure and cannot be appropriated according to relevant PRC regulations.

28 Trade and other payables

Current liabilities	**2019 RMB'000**	2018 RMB'000
Trade payables	**46,736**	14,394
Payables for capital expenditure	**18,233**	28,712
Staff salaries payables	**13,608**	15,167
Other tax payables	**10,354**	5,749
Other payables	**2,152**	2,763
Accrued expenses	**30**	24
	91,113	66,809

At 31 December 2019, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	2019 RMB'000	2018 RMB'000
0–30 days	**19,208**	923
31–60 days	**18,340**	5,685
Over 60 days	**9,188**	7,786
	46,736	14,394

At 31 December 2019 and 2018, the ageing of payables for capital expenditure was all within 1 year.

29 Borrowings

(a) Long-term bank borrowings

	2019 RMB'000	2018 RMB'000
Current	–	60,000

(b) At 31 December 2019, the Group's borrowings were repayable as follows:

Bank borrowings	2019 RMB'000	2018 RMB'000
Within 1 year	–	60,000

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

Bank borrowings	2019 RMB'000	2018 RMB'000
6 months or less	–	60,000

(c) The borrowings can be analysed as follows:

	2019 RMB'000	2018 RMB'000
Representing:		
— secured *(Note (i))*	–	60,000

(i) As at 31 December 2018, the secured bank borrowings were secured by the Group's intangible assets of mining rights with a net book value of approximately RMB103,245,000 (Note 17) and property, plant and equipment with a net book value of approximately RMB116,145,000 (Note 15).

(d) The outstanding borrowings of the Group carry interest at effective interest rates 4.9% at 31 December 2018 and is repayable in accordance with payment schedule.

(e) The carrying amounts of the Group's borrowings were all denominated in RMB at 31 December 2018.

30 Deferred income tax

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**5,861**	6,653
– Deferred tax assets to be recovered within 12 months	**684**	700
	6,545	7,353
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(8,468)**	(1,346)
– Deferred tax liabilities to be recovered within 12 months	**(363)**	(185)
	(8,831)	(1,531)
Deferred tax (liabilities)/assets-net	**(2,286)**	5,822

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

	2019 RMB'000	2018 RMB'000
At 1 January	**5,822**	9,565
Charged to the consolidated statement of profit or loss *(Note 12)*	**(8,108)**	(3,743)
At 31 December	**(2,286)**	5,822

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

Deferred tax assets	**Impairment losses** RMB'000	**Provisions and accruals** RMB'000	**Total** RMB'000
At 31 December 2018	2,841	4,512	7,353
Charged to the consolidated statement of profit or loss	–	(808)	(808)
At 31 December 2019	2,841	3,704	6,545

30 Deferred income tax *(Continued)*

Deferred tax liabilities	**Withholding income tax on unremitted earnings in a subsidiary in Mainland China** RMB'000	**Fair value gains** RMB'000	**Difference in the policies of fixed assets** RMB'000	**Total** RMB'000
At 31 December 2018	–	(4)	(1,527)	(1,531)
(Charged)/Credited to the consolidated statement of profit or loss	(5,975)	4	(1,329)	(7,300)
At 31 December 2019	(5,975)	–	(2,856)	(8,831)

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 2019 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 2019, the Group had cumulative unutilised tax losses of RMB1,535,000 (2018: RMB1,591,000).

As at 31 December 2019, deferred income tax assets are attributable to impairment losses of RMB18,935,000 related to the Gold Mountain Periphery area (Note 16) and provision for close down, restoration and environmental costs of RMB23,721,000 (Note 32).

As at 31 December 2019, deferred income tax liabilities of RMB18,916,000 (2018: RMB19,261,000) have not been recognised for the withholding income tax and other taxes that would be payable on the unremitted earnings of Jinchuan Mining totaled RMB378,327,000 (2018: RMB385,223,000). Pursuant to the board resolution made by Jinchuan Mining on 2 March 2020, such unremitted earnings will be retained in Mainland China for investment purpose in the foreseeable future as at 31 December 2019.

31 Deferred income

Deferred income represents government grants received by the Company's subsidiary Jinchuan Mining for developments of mining projects.

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

Non-current liabilities	2019 RMB'000	2018 RMB'000
At 1 January	**7,419**	7,843
Released to profit or loss *(Note 6)*	**(424)**	(424)
At 31 December	**6,995**	7,419

32 Provision for close down, restoration and environmental costs

Non-current liabilities	2019 RMB'000	2018 RMB'000
At 1 January	**30,087**	20,608
Additions to site reclamation *(Note 17)*	**19,312**	11,278
Accretion incurred in the year *(Note 10)*	**2,338**	2,442
Payment of close down, restoration and environmental costs	**(28,016)**	(4,241)
At 31 December	**23,721**	30,087

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

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

33 Dividends

		2019 RMB'000	2018 RMB'000
(i)	**Ordinary shares**		
	Final dividend paid in cash for the year ended 31 December 2018 of HK$0.1 (2017: HK$0.155) per fully paid share	**81,406**	124,750

Pursuant to the resolution of Annual General Meeting dated 28 June 2019, dividend of RMB81,406,000 (2018: RMB124,750,000) relating to the year ended 31 December 2018 was declared and distributed from the share premium of the Company to the shareholders.

		2019 RMB'000	2018 RMB'000
(ii)	**Dividends not recognised at the end of the reporting period**		
	In addition to the above dividend, a final dividend for the year ended 31 December 2019 of HK$0.1 per fully paid share (2018: HK$0.1) was proposed by the Board of Directors on 31 March 2020 (2019: on 29 March 2019) and this proposal is subject to the approval by the Company's shareholders in forthcoming Annual General Meeting. The aggregate amount of the proposed dividend expected to be paid in cash and out of the Company's share premium at 31 December 2019, but not recognised as a liability at year end, is	**82,945**	81,406

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34 Cash flow information

(a) Cash generated from operations

	2019 RMB'000	2018 RMB'000
Profit before income tax	**271,346**	323,767
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 15)*	**50,030**	44,740
— Depreciation of right of use assets *(Note 14)*	**1,307**	–
— Release of prepaid lease payments *(Note 14)*	**–**	357
— Amortisation of intangible assets *(Note 17)*	**51,968**	41,765
— Losses on disposal of property, plant and equipment *(Note 7)*	**1,383**	486
— Finance costs *(Note 10)*	**1,481**	9,236
— Fair value change on futures contracts *(Note 24 (c))*	**28**	1,144
— Investment gains of equity investments *(Note 7)*	**(4,915)**	(279)
— Fair value losses on financial assets at fair value through profit of loss *(Note 7)*	**1,034**	5,197
— Fair value losses on financial liabilities at fair value through profit of loss *(Note 7)*	**978**	–
— Investment gains of debt investments *(Note 7)*	**(2,964)**	(2,777)
— Interest income *(Note 10)*	**(542)**	(461)
— Release of deferred income *(Note 31)*	**(424)**	(424)
— Foreign exchange gains *(Note 7)*	**(113)**	(2,384)
Changes in operating assets and liabilities:		
— (Increase)/decrease in inventories *(Note 21)*	**(34,046)**	1,386
— (Increase)/decrease in trade and other receivables and prepayments	**(77,622)**	38,538
— Changes in environmental restoration provision *(Note 32)*	**(25,678)**	(4,241)
— Increase in trade and other payables	**21,016**	9,082
Cash generated from operations	**254,267**	465,132

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

Proceeds from disposal of property, plant and equipment comprise:

	2019 RMB'000	2018 RMB'000
Net book amount disposed *(Note 15)*	**1,411**	486
Losses on disposal *(Note 7)*	**(1,383)**	(486)
Proceeds from disposal of property, plant and equipment	**28**	–

34 Cash flow information *(Continued)*

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents *(Note 22)*	**323,845**	301,477
Liquid investments (i)	**19,883**	30,489
Lease liabilities *(Note 14)*	**(1,425)**	–
Borrowings *(Note 29)*	**–**	(60,000)
Net debt	**342,303**	271,966

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents RMB'000	**Liquid investments** RMB'000	**Borrowings** RMB'000	**Lease** RMB'000	**Total** RMB'000
Net debt as at 1 January 2018	161,697	55,534	(148,291)	–	68,940
Cash flows	137,620	(18,201)	88,291	–	207,710
Foreign exchange adjustments	2,160	–	–	–	2,160
Other non-cash movements	–	(6,844)	–	–	(6,844)
Net debt as at 31 December 2018	301,477	30,489	(60,000)	–	271,966
Recognised on adoption of HKFRS 16 *(Note 2.2)*	–	–	–	(2,375)	(2,375)
Cash flows	21,849	(9,572)	60,000	1,201	73,478
Foreign exchange adjustments	519	–	–	–	519
Other non-cash movements	–	(1,034)	–	(251)	(1,285)
Net debt as at 31 December 2019	323,845	19,883	–	(1,425)	342,303

(i) Liquid investments comprise financial assets at fair value through profit or loss recorded in current assets and short-term investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss (Note 24).

35 Contingencies

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

36 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	–	2,574

(b) Non-cancellable operating leases

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

	2019 RMB'000	2018 RMB'000
No later than 1 year	26	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
	26	2,756

37 Assets pledged as security

The carrying amounts of non-current assets pledged as security for current and non-current borrowings are:

Non-current	2019 RMB'000	2018 RMB'000
Buildings, mining structures and equipment *(Note 15)*	–	116,145
Mining rights *(Note 17)*	–	103,245
Total non-current assets pledged as security	–	219,390

38 Related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2019	Ownership interest 2018
Gold Virture Limited	Immediate parent entity	Hong Kong	**60%**	60%
Mr. Ke Xiping	Ultimate controlling party	–	**60%**	60%

(b) Key management compensation

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

	2019 RMB'000	2018 RMB'000
Salaries, fees and other short-term employee benefits	**6,423**	5,849
Retirement benefit scheme contributions	**70**	54
Total	**6,493**	5,903

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

(c) Transactions with related parties

No significant transactions with related parties occurred during the year ended 31 December 2019 and 31 December 2018.

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

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

39 Events occurring after the reporting period

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global economic environment, the commodity prices and the Group's production operations in the period subsequent to the balance sheet date. The relevant precaution measures and control work has been carried out nationwide on an on-going basis. The Group will make reasonable arrangements for the production plan upon resumption of work, with an aim to mitigate the loss in production output arising from the prolonged period of closure. As such, the COVID-19 outbreak will not have material impact on the operations of the Group. Nonetheless, the epidemic will cause uncertainties in the demand of gold during a short period of time, which may lead to fluctuation of commodity prices and will have impact on our future results. The extent of this impact cannot be reliably quantified or estimated as at the date of this report. The Group will keep monitoring the development of the COVID-19 outbreak and endeavour to react promptly to its impact on the financial position and operating results of the Group.

Save as disclosed above, the Group has no other events after the balance sheet date which need to be disclosed or adjusted.

40 Balance sheet and reserve movements of the Company

Balance sheet of the Company

		As at 31 December	
	Note	2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		190,657	190,657
Loans to subsidiaries		–	32,129
Property, plant and equipment		50	43
		190,707	222,829
Current assets			
Cash and cash equivalents		20,306	770
Other receivables		418	–
Current assets		20,724	770
Total assets		211,431	223,599
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		7,362	7,362
Share premium	*(Note (a))*	253,615	335,021
Accumulated losses	*(Note (a))*	(139,367)	(119,252)
Total equity		121,610	223,131
Liabilities			
Non-Current liabilities			
Loan from subsidiaries		89,791	–
Current liabilities			
Trade and other payables		30	468
Total liabilities		89,821	468
Total equity and liabilities		211,431	223,599

The balance sheet of the Company was approved by the Board of Directors on 31 March 2020 and was signed on its behalf:

Mr. Ke Xiping **Mr. Ke Jiaqi**

40 Balance sheet and reserve movements of the Company *(Continued)*

Note (a) Reserve movements of the Company

	Share premium RMB'000	Accumulated losses RMB'000
At 1 January 2018	459,771	(117,547)
Loss for the year	–	(1,705)
Dividend relating to 2017 paid in 2018 *(Note 33)*	(124,750)	–
At 31 December 2018	335,021	(119,252)
At 1 January 2019	335,021	(119,252)
Loss for the year	–	(20,115)
Dividend relating to 2018 paid in 2019 *(Note 33)*	(81,406)	–
At 31 December 2019	253,615	(139,367)

41 Benefits and interests of directors

(A) Directors' and chief executive's emoluments

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

For the year ended 31 December 2019:

Name	Fees RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors				
Mr. Ke Xiping	–	–	–	–
Miss. Yifang Yang *(Note (i))*	–	16	2,105	2,121
Mr. Chen Yu, David *(Note (i))*	–	16	1,053	1,069
Mr. Ke Jiaqi	–	7	448	455
Mr. Ho Fook Lau, Albert	–	–	134	134
Independent non-executive directors				
Ms. Wong Yan Ki, Angel	134	–	–	134
Mr. Guocheng, Pan *(Note (ii))*	134	–	–	134
Dr. Tim Sun	134	–	–	134
Total	402	39	3,740	4,181

41 Benefits and interests of directors *(Continued)*

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

For the year ended 31 December 2018:

Name	Fees RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors				
Mr. Ke Xiping	–	–	–	–
Miss. Yifang Yang *(Note (i))*	–	–	1,201	1,201
Mr. Chen Yu, David *(Note (i))*	–	32	801	833
Mr. Ke Jiaqi	–	–	–	–
Mr. Ho Fook Lau, Albert	–	–	226	226
Independent non-executive directors				
Ms. Wong Yan Ki, Angel	131	–	–	131
Mr. Xiao Wei *(Note (ii))*	55	–	–	55
Mr. Guocheng, Pan *(Note (ii))*	77	–	–	77
Dr. Tim Sun	131	–	–	131
Total	394	32	2,228	2,654

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

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

Note (i): Mr. Chen Yu is the Chief Executive of the Company from 1 January 2017 to 31 May 2018 and his emoluments disclosed above include those for services rendered by him as the Chief Executive. Miss. Yang Yifang is the Chief Executive of the Company since 1 June 2018 and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

Note (ii): Mr. Xiao Wei is the independent non-executive director of the Company from 1 January 2017 to 31 May 2018 and his emoluments disclosed above include those for services rendered by him as the independent non-executive director. Mr. Guocheng Pan is the independent non-executive director of the Company since 1 June 2018 and his emoluments disclosed above include those for services rendered by him as the independent non-executive director.

41 Benefits and interests of directors *(Continued)*

(B) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2018: Nil).

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

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

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

During the year ended 31 December 2019, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2018: Nil).

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

Save as disclosed in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

Five Years Summary

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	887,177	995,373	1,085,129	1,117,712	**1,225,150**
Total liabilities	459,173	362,511	293,928	190,364	**164,664**
Net assets	428,004	632,862	791,201	927,348	**1,060,486**
Equity attributable to owners of the Company	428,004	632,862	791,201	927,348	**1,060,486**

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
RESULTS					
Revenue	159,817	284,554	733,034	960,516	**845,396**
Profit/(Loss) before taxation	(34,007)	53,585	237,259	324,314	**271,346**
Income tax	–	–	(34,100)	(84,011)	**(56,802)**
Profit/(Loss) and total comprehensive expense for the year, attributable to owners of the Company	(34,007)	53,585	203,159	240,303	**214,544**

Definitions

"Articles of Association" or "Articles"	the articles of association of the Company conditionally adopted on 5 May 2014, which will become effective upon the Listing, as amended from time to time
"associate"	has the meaning ascribed thereto in the Listing Rules
"Audit Committee"	the audit committee of the Company established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"CIL Project"	a project of the Group which is designed to utilize carbon-in-leach technology to produce gold
"Company"	Hengxing Gold Holding Company Limited (恒興黃金控股有限公司), an exempted company incorporated under the laws of the Cayman Islands on 10 April 2012 with limited liability, whose Shares are listed on the main board of the Stock Exchange
"Company Law" or "Cayman Company Law"	The Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Ke, Gold Virtue, Mr. Ke Jiaqi and/or Xi Wang Developments
"Corporate Governance Code"	corporate governance code contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Gold Mountain Mine"	金山金礦, a gold mine located in Yining County of Xinjiang, China, which covers five gold prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jingxi-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 Jinchuan Mining Co., Ltd (新疆金川礦業有限公司), a limited liability company established in China on 20 June 2003 and owned as to 93.6% by Tianshan Gold HK and 6.4% by Jintian Investment

Definitions

"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 29 May 2014
"Listing Date"	29 May 2014
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	model code for securities transactions by directors of listed issuers contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company established in compliance with Rule A.5.1 and Rule A.5.2 of the Listing Rules
"Period Under Review"	the year ended 31 December 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"	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 one of the Controlling Shareholders, which is wholly-owned by Mr. Ke Jiaqi, Mr. Ke Xiping's son
"%"	per cent