



**HENGXING GOLD**  
Holding Company Limited  
(incorporated in the Cayman Islands with limited liability)  
Stock Code : 2303



# 2020 Interim Report

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# CORPORATE INFORMATION

## DIRECTORS

### Executive directors

Mr. Ke Xiping (柯希平) (*Chairman & President*)

Mr. Chen, David Yu (陳宇)

Mr. Ke Jiaqi (柯家琪)

### Non-executive director

Mr. Albert Fook Lau Ho (何福留)

### Independent non-executive 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*)

Mr. Ke Xiping (柯希平)

Ms. Wong, Yan Ki Angel (黃欣琪)

## COMPANY SECRETARY

Ms. Wong Wai Ling (黃慧玲) (*ACIS, ACS*)

## AUTHORISED REPRESENTATIVES

Mr. Ke Xiping (柯希平)

Ms. Wong Wai Ling (黃慧玲) (*ACIS, ACS*)

## PRINCIPAL SHARE REGISTRAR

Ocorian Trust (Cayman) Limited

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](http://www.hxgoldholding.com)

## PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited

2303

## AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

## LEGAL ADVISER

**As to Cayman Islands law:**

Ocorian Trust (Cayman) Limited

## PRINCIPAL BANK

Agricultural Bank of China Limited

No. 77 Airport Road

Yining City 835000

China

# CHAIRMAN STATEMENT

Dear shareholders,

On behalf of the Board of Directors of Hengxing Gold Holding Company Limited (“Hengxing Gold”, “the Company”), I am pleased to present the interim report of the Company for the six months ended on 30 June 2020 and express my gratitude for our shareholders along the way for your continuous support and trust.

The year of 2020 is a very special year. The COVID-19 pandemic has significant effect on the global pattern as a whole, as well as on the national economy, the survival and development of our enterprises, and human lifestyle. The international situation is changing rapidly, Sino-US relations are deteriorating, and the international gold price once broke through the historical high. Therefore, the realised gold price of the Company was RMB381.9/gram in the first half of the year, representing an increase of 32% as compared with the same period last year.

During the outbreak of the COVID-19 pandemic, it was more difficult for materials transportation and people’s travel, which severely affected the normal production and operation of Gold Mountain Mine, resulting in a decrease of 42% to 20,544 ounces in gold production as compared with the same period last year. The decrease in gold production also led to an increase in the all-in sustaining cost to RMB262/gram (equivalent to US\$1,151/oz with exchange rate of RMB7.0795/USD1 as at 30 June 2020). Therefore, although the gold prices increase, the Company realised a net profit of RMB55 million in the first half of the year, representing a decrease of 27% as compared with the same period last year. After the lifting of the restrictions on travel, the Company’s employees returned to the production line as soon as possible. They worked together to overcome the difficulties and minimise the impact of the pandemic. They not only adjusted the stripping plan in 2020 and 2021, made arrangements for logistics support, pandemic prevention and security control and other work arrangements, but also independently developed 44 patents which were approved by the authorities concerned.

Meanwhile, the Company upholds a strong sense of social responsibility, actively responds to the needs of pandemic prevention and donates materials for pandemic prevention. On behalf of the Board of Directors, I would like to express my sincere gratitude to all employees for their efforts and contributions and to our business partners of local community for their support and cooperation.

In addition, I would like to take this opportunity to express my gratitude to Ms. Yang Yifang for her work for the Company during her tenure as the president. She has brought an international perspective and innovative ideas to the management of the Company. Upon resignation of Ms. Yang, I took up the position of the president concurrently. I will work together with all the staff proactively and strive to make outstanding performance in this special year.

Yours sincerely,

**KE Xiping**

*Chairman*

26 August 2020

# BUSINESS REVIEW

During the Period Under Review, the average realised gold price was consistent with the global gold price trend and achieved RMB381.9 gram, 32% higher than the same period of 2019. The Group recorded revenue from the gold mining segment RMB253 million and net profit after tax RMB55 million, lower by 13% and 27% than that of the same period of 2019 respectively. The Group still has a healthy balance sheet with a debt ratio of 11% without bank borrowings.

The lower net profit for the Period Under Review as compared to the same period in 2019 was mainly attributed to lower gold production level. With the outbreak of the novel coronavirus ("COVID-19") in Mainland China at the beginning of 2020, the strict travel restrictions and quarantine measures imposed by the government had led to a major delay in work force returning and the delivery of necessary production materials. Gold Mountain Mine only gradually started to return to normal operation from the end of March 2020. In addition, maintenance work for the roads connecting to Gold Mountain Mine was carried out which had further disrupted the mining and production for about 10 days. For these reasons, the full operational days were significantly reduced resulting in gold production of approximately 20,544 ounces (equivalent to approximately 661kg) in the Period Under Review, which represented 42% decrease compared to that of the same period last year. The lower gold production led to an all-in sustaining cost of RMB262/gram (equivalent to US\$1,151/oz calculated on basis of an exchange rate of RMB7.0795/USD1 as at 30 June 2020), which is 63% higher than RMB161/gram from the same period last year.

The Group remains committed to continuously improving recovery rate through technical optimization, including the biological pre-oxidation test. The semi-industrial test has begun in June 2020.

During the Period Under Review, RMB3.5 million was invested for ecological recovery and remediation approximately 114,000 square meters. The Company also recognizes that we have an important opportunity and business imperative to contribute to the positive social and economic development of our host communities.

## 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 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. The Company will continue 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.

### 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 the Company has developed several green projects cooperated with local communities for growing trees, vegetables, flowers and protection of biodiversity. There is also an employee program to select and train young people from local minority villages to work in the Gold Mountain Mine.

# BUSINESS REVIEW

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the Group's issue of new shares in the 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 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 unutilised IPO proceeds, amounting to approximately HK\$180.3 million, and apply for new specific purposes, details of which are indicated in the table below. As at 30 June 2020, 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 utilised up to 30 June 2020 (HK\$ million)	Balance of unutilised IPO proceeds as at 30 June 2020 (HK\$ million)	Expected timeframe for utilising the remaining unused net proceeds
<b>Financing the Group's CIL Project, including:</b>					
• 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	–	–	–	
<b>Upgrading the crushing system in order to improve the efficiency of current production process of Gold Mountain Mine</b>	–	12.5	12.5	–	
<b>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</b>	–	27.5	27.5	–	
<b>Repaying outstanding loans with interests and advances from controlling shareholder Mr. Ke</b>	138.8	–	138.8	–	
<b>Repaying part of the outstanding gold lease facilities</b>	–	47.6	47.6	–	
<b>Financing the Group's potential acquisitions of gold resources, including expenses for due diligence, environmental and exploratory studies</b>	15.1	77.6	11.2	66.4	Within next 2 years
<b>Financing further exploration works at the Gold Mountain Mine and its surrounding areas where the Group holds exploration licenses</b>	15.1	15.1	5.3	9.8	Within next 2 years
<b>Working capital use and other general corporate purposes</b>	11.3	–	11.3	–	
<b>Total</b>	330.4	180.3	254.2	76.2	

# FINANCIAL REVIEW

During the Period Under Review, the Group recorded revenue of processed gold of RMB253,332,000 for the six months ended 30 June 2020, while the revenue recorded for the corresponding period of 2019 was RMB290,894,000 representing approximately a decrease of 12.91%.

The Group recorded a consolidated profit of the Group of RMB55,154,000 for the six months ended 30 June 2020, while there is a profit of RMB75,702,000 in the corresponding period of 2019.

## Revenue

During the Period Under Review, the Group's revenue of processed gold was approximately RMB253,332,000, compared with RMB290,894,000 in the corresponding period of 2019, because the gold production and sales volume decreased.

## Cost of sales

During the Period Under Review, the Group's cost of sales amounted to approximately RMB161,519,000 compared with RMB181,301,000 in the corresponding period of 2019, 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 decrease in cost of sales was due to the decline of production volume.

## Gross profit

During the Period Under Review, the Group's gross profit amounted to approximately RMB91,813,000, compared with RMB109,593,000 in the corresponding period of 2019, and the gross profit ratio of Gold mining segment was 36%, compared with 38% in the corresponding period of 2019, resulted from decrease of production volume.

## EBITDA

During the Period Under Review, the Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") was RMB113,068,000 compared with RMB132,900,000 in the corresponding period of 2019.

## Selling and distribution expenses

During the Period Under Review, the Group's selling and distribution expenses amounted to approximately RMB78,000 compared with RMB107,000 in the corresponding period of 2019.

## Administration Expenses

During the Period Under Review, the Group's administration expense was approximately RMB20,104,000 (six months ended 30 June 2019: RMB27,096,000).

## Finance Costs

During the Period Under Review, the Group's finance costs was RMB1,412,000 (six months ended 30 June 2019: RMB2,349,000), representing a decrease by 40%, compared with the corresponding period of 2019. The decrease was mainly due to the repayment of bank borrowings.

## Profit before taxation

As a result of the foregoing, the profit before taxation was RMB72,472,000 for the six months ended 30 June 2020, compared with a profit of RMB90,691,000 in the corresponding period of 2019.

# FINANCIAL REVIEW

## Total comprehensive income

As a result of the foregoing, the total comprehensive income was RMB55,154,000 for the six months ended 30 June 2020, compared with the total comprehensive income of RMB75,702,000 in the corresponding period of 2019.

## Liquidity and Financial Resources

The Group was in possession of reasonable operation cash flow and working capital due to the substantial growth of production. As at 30 June 2020, the Group's bank balances and cash was RMB271,859,000 (31 December 2019: RMB323,845,000). Net assets were RMB1,030,544,000 (31 December 2019: RMB1,060,486,000).

The Group recorded net current assets were RMB421,595,000 as of 30 June 2020, compared with RMB449,303,000 as of 31 December 2019.

## Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

## Current ratio and gearing ratio

As of 30 June 2020, the Group's current ratio (current assets divided by current liabilities) was 5.58 (31 December 2019: 4.43).

As of 30 June 2020, the Group had no bank borrowings and accordingly the gearing ratio (total borrowings divided by total equity) was 0 (31 December 2019: 0).

## Cash flows

The following table sets out selected cash flow data from the Group's condensed consolidated interim cash flow statements for the six months ended 30 June 2020 and 30 June 2019.

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net cash inflow from operating activities	55,632	28,680
Net cash outflow from investing activities	(23,902)	(267,639)
Net cash outflow from financing activities	(85,632)	(43,310)
Net decrease in cash and cash equivalents	(53,902)	(282,269)
Cash and cash equivalents at 1 January	323,845	301,477
Effects of exchange rate changes on cash and cash equivalents	1,916	43
Cash and cash equivalents at 30 June	271,859	19,251

For the Period Under Review, the net cash inflow from operating activities was RMB55,632,000, which was mainly attributable to (a) profit plus non cash cost as depreciation and amortisation minus financing cost and investment gains, amounted to RMB106,820,000, (b) increase in inventory of RMB18,176,000, (c) decrease in trade receivable and other receivables and prepayments of RMB33,774,000, (d) increase in trade payables, accruals and other payables of RMB20,122,000, (e) others impact of RMB3,573,000 and (f) Enterprise income tax paid amounted to RMB43,091,000.



# FINANCIAL REVIEW

For the Period Under Review, the net cash outflow from investing activities was RMB23,902,000, which was mainly attributable to (a) purchase of property, plant and equipment of RMB8,418,000 and disposal of property, plant and equipment of RMB189,000, (b) increase of intangible assets of RMB18,685,000, (c) Placement of debt investment of RMB693,880,000 and (d) redemption of debt investment of RMB693,880,000 and interests received of RMB3,012,000.

For the Period Under Review, the net cash outflow from financing activities was RMB85,632,000, which was primarily attributable to (a) dividend paid of RMB85,096,000 and (b) lease payment of RMB536,000.

## Capital Structure

As of 30 June 2020, the total number of issued ordinary shares of the Group was 925,000,000 shares (31 December 2019: 925,000,000 shares), each at HK\$0.01.

## Indebtedness and charge on assets

As of 30 June 2020, the Group did not have bank and other borrowings and other outstanding loan extended and outstanding, bank overdrafts, other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees and other material contingent liabilities.

## Contingent liabilities

As of 30 June 2020, the Group did not have any material contingent liabilities or guarantees (31 December 2019: Nil). Except for the litigation as disclosed in the announcement dated 8 June 2020, the Group did not aware of any pending or potential material legal proceedings, involving us. Based on the information currently available to the Group, it is unlikely that a claim has been incurred or may be incurred.

## Possible Risks

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

The functional currency of the Company and its subsidiaries is RMB since all of the Group's transactions are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances, certain other payables and certain amount due to a shareholder that are denominated in HK\$ and US\$. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Employees

As at 30 June 2020, the Group employed approximately 400 employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC.

# FINANCIAL REVIEW

## THE EXPLORATION, DEVELOPMENT AND MINING PRODUCTION EXPENDITURES

### Mining Production

Gold Mountain Mine includes five pits, namely the Yelmand pit, the Mayituobi pit, the Jinxi-Balake pit, the Kuangou pit and the Lion pit. For the Period Under Review, the total amount of ore mined and processed was approximately 2.41 million tones. As of 30 June 2020, Gold Mountain Mine has conducted mining activities mainly in the Jingxi-Balake and the Kuangou pit. The Mayituobi pit and the Yelmand pit have been closed.

	Unit	Six months ended 30 June	
		2020	2019
Ore mined	Kt	<b>1,908</b>	2,574
<i>Yelmand pit</i>	Kt	–	383
<i>Mayituobi pit</i>	Kt	–	–
<i>Kuangou pit</i>	Kt	<b>37</b>	959
<i>Jingxi-Balake pit</i>	Kt	<b>1,871</b>	1,232
Overburden mined	m <sup>3</sup>	<b>4,838,565</b>	3,911,408
<i>Yelmand pit</i>	m <sup>3</sup>	–	38,609
<i>Mayituobi pit</i>	m <sup>3</sup>	–	–
<i>Kuangou pit</i>	m <sup>3</sup>	<b>2,140,641</b>	1,260,398
<i>Jingxi-Balake pit</i>	m <sup>3</sup>	<b>2,697,924</b>	2,612,401
Strip ratio	:	<b>6.64</b>	3.96
Ore processed	Kt	<b>2,405</b>	3,304
<i>newly mined ore</i>	Kt	<b>1,849</b>	3,574
<i>ore in the existing pad</i>	Kt	<b>556</b>	730
Feed-in grade of ore	g/t	<b>0.60</b>	0.64
<i>newly mined ore</i>	g/t	<b>0.65</b>	0.72
<i>ore in the existing pad</i>	g/t	<b>0.41</b>	0.38
Recovery rate	%	<b>53.4</b>	61.2
Gold produced	Oz	<b>20,544</b>	35,511

During the Period Under Review, the aggregate expenditure on the ore mining operation and construction of stripping activities of the Group was approximately RMB85.0 million as compared to approximately RMB90.0 million for the six months ended 30 June 2019.

### Exploration

For the Period Under Review, there is no expenditure directly relating to exploration, as the same as the six months ended 30 June 2019.

The following tables set forth the gold resources and reserves at the Gold Mountain Mine as of 30 June 2020: (Adjusted by internal geological department on JORC Mineral Resources and reserves statement estimated 31 December 2018.)

# FINANCIAL REVIEW

## Hengxing Gold — Resources as at 30 June 2020

Category	Tonnes (kt)	Gold Grade (g/t)	Contained Gold (kg)
Measured	15,407	0.79	12,125
Indicated	76,388	0.67	51,177
Total Measured + Indicated	91,795	0.69	63,302
Inferred	19,246	0.73	13,975
Total Including Inferred	111,041	0.70	77,277

## Hengxing Gold — Reserves as at 30 June 2020

Category	Tonnes (kt)	Gold Grade (g/t)	Contained gold (kg)
Proved	9,221	0.77	7,100
Probable	41,156	0.79	32,662
Total Proved + Probable	50,377	0.79	39,762

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

### Mine Development

For the first half of 2020, the Company continued its construction and development activities in Gold Mountain Mine, such as the expansion project of heap leaching pad, construction of a new cement warehouse and purchase of automatic control equipment.

For the Period Under Review, the aggregate expenditure on the mine development and construction amounted to approximately RMB8.4 million, as compared to approximately RMB14.3 million for the six months ended 30 June 2019.

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS, FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Period Under Review, the Group has no significant investments, acquisitions or disposals. As at 30 June 2020, the Group did not have any immediate plans for material investments and capital assets.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with the Corporate Governance Code during the six months ended 30 June 2020 and up to the date hereof, except for a deviation from the code provision A.2.1 of the Corporate Governance Code, the roles of chairman and president of the Company are not separate and are both performed by Mr. Ke Xiping.

The Board considered that with the support of the management, temporarily vesting the roles of both chairman of the Board and president in Mr. Ke Xiping, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Such practice helps to maintain the continuity of the policies and the stability of the operations of the Company and will not impair the balance of power and authority under the present arrangement and will be adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

The Board will continue to review the effectiveness of the corporate governance structure to consider whether any further improvement to the above personnel arrangements is required.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Group has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## UPDATE ON DIRECTORS' INFORMATION AND CHANGE IN DIRECTORS AND SENIOR MANAGEMENT MEMBERS

On 1 April 2020, Ms. Yang Yifang (Lydia Yang) ceased to act as an executive Director, the president of the Company and a member of the Nomination Committee; and Mr. Ke Xiping, an executive Director of the Company and the chairman of the Board, was appointed as the president of the Company and a member of the Nomination Committee to temporarily take up the duties of Ms. Yang Yifang (Lydia Yang) until a suitable candidate is appointed.

Save as disclosed above, there is no update on the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended 30 June 2020.

## SHARE OPTION SCHEME

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

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

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;
- (2) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and
- (3) the nominal value of the Shares.

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

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

No share options under the Share Option Scheme were granted, exercised, lapsed or cancelled during the six months ended 30 June 2020. The Company has no outstanding options as at 1 January 2020 and 30 June 2020.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (with the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executives of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### Long Positions in the Shares

- (i) Interest in the Company

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

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) As at 30 June 2020, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Interest in associated corporations of the Company

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>percentage of interest in associated corporation</b>
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, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register required maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors and chief executives of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were set out as follows:

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

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) As at 30 June 2020, the total number of issued Shares of the Company was 925,000,000.
- (3) Mr. Ke Xiping holds the entire issued share capital of Gold Virtue and is its director, therefore is deemed to be interested in the 555,000,000 Shares held by Gold Virtue. Mr. Ke Xiping is the father of Mr. Ke Jiaqi.
- (4) Mr. Ke Jiaqi holds the entire issued share capital of Xi Wang Developments and therefore is deemed to be interested in the 138,750,000 Shares held by Xi Wang Developments. Mr. Ke Jiaqi is the son of Mr. Ke Xiping.

Save as mentioned above, as at 30 June 2020, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors and chief executives of the Company) or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## REVIEW OF THE DEED OF OPTIONS

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

## EVENTS AFTER THE REPORTING PERIOD

The Group had no subsequent events after the reporting period.

## REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the Group’s unaudited consolidated interim results for the six months ended 30 June 2020 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal audit function and financial reporting matters.

The external auditor of the Company has reviewed the Group’s unaudited consolidated interim results for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## To the Board of Directors of Hengxing Gold Holding Company Limited

*(incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 34, which comprises the interim condensed consolidated balance sheet of Hengxing Gold Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statements of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

### PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2020

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

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	4	<b>253,332</b>	290,894
Cost of sales		<b>(161,519)</b>	(181,301)
<b>Gross profit</b>		<b>91,813</b>	109,593
Other income		<b>381</b>	350
Other gains — net	5	<b>225</b>	9,973
Selling and marketing expenses		<b>(78)</b>	(107)
General and administrative expenses		<b>(20,104)</b>	(27,096)
<b>Operating profit</b>	6	<b>72,237</b>	92,713
Finance income		<b>1,647</b>	327
Finance costs		<b>(1,412)</b>	(2,349)
<b>Finance costs — net</b>		<b>235</b>	(2,022)
<b>Profit before income tax</b>		<b>72,472</b>	90,691
Income tax expense	7	<b>(17,318)</b>	(14,989)
<b>Profit for the period, all attributable to shareholders of the Company</b>		<b>55,154</b>	75,702
<b>Total comprehensive income for the period, all attributable to shareholders of the Company</b>		<b>55,154</b>	75,702
<b>Earnings per share attributable to shareholders of the Company for the period</b> (Express in RMB per share)			
— Basic and diluted	9	<b>0.06</b>	0.08

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

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	346,798	358,159
Intangible assets	11	275,863	266,394
Right-of-use assets	12	15,922	16,576
Deferred income tax assets	13	3,433	–
Prepayment for purchase of property, plant and equipment		1,770	3,530
Restricted bank balance		10	10
<b>Total non-current assets</b>		<b>643,796</b>	644,669
<b>Current assets</b>			
Inventories	14	158,402	140,226
Trade receivables	15	41,705	70,607
Other receivables and prepayments	16	21,584	25,920
Financial assets at fair value through profit or loss	17	20,192	19,883
Cash and cash equivalents		271,859	323,845
<b>Total current assets</b>		<b>513,742</b>	580,481
<b>Total assets</b>		<b>1,157,538</b>	1,225,150
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		7,362	7,362
Reserves		200,042	285,138
Retained earnings	18	823,140	767,986
<b>Total equity</b>		<b>1,030,544</b>	1,060,486
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for reclamation and restoration	20	28,064	23,721
Deferred income tax liabilities	13	–	2,286
Deferred income	19	6,783	6,995
Lease liabilities	12	–	484
<b>Total non-current liabilities</b>		<b>34,847</b>	33,486

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	<i>Note</i>	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
<b>Current liabilities</b>			
Trade and other payables	21	<b>73,072</b>	91,113
Current income tax liabilities		<b>18,092</b>	38,146
Financial liabilities at fair value through profit or loss	17	–	978
Lease liabilities	12	<b>983</b>	941
<b>Total current liabilities</b>		<b>92,147</b>	131,178
<b>Total liabilities</b>		<b>126,994</b>	164,664
<b>Total equity and liabilities</b>		<b>1,157,538</b>	1,225,150

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

The condensed consolidated interim financial information on pages 16 to 34 were approved by the Board of Directors on 26 August 2020 and were signed on its behalf.

**Mr. Ke Xiping**

**Mr. Ke Jiaqi**

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

		Unaudited				
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2020</b>		<b>7,362</b>	<b>253,615</b>	<b>31,523</b>	<b>767,986</b>	<b>1,060,486</b>
<b>Comprehensive income</b>						
Profit for the period		–	–	–	<b>55,154</b>	<b>55,154</b>
<b>Transactions with shareholders in their capacity as shareholders:</b>						
Dividends provided for or paid	8	–	<b>(85,096)</b>	–	–	<b>(85,096)</b>
<b>Balance at 30 June 2020</b>		<b>7,362</b>	<b>168,519</b>	<b>31,523</b>	<b>823,140</b>	<b>1,030,544</b>
<b>Balance at 1 January 2019</b>		7,362	335,021	31,523	553,442	927,348
<b>Comprehensive income</b>						
Profit for the period		–	–	–	75,702	75,702
<b>Transactions with shareholders in their capacity as shareholders:</b>						
Dividends provided for or paid	8	–	(81,369)	–	–	(81,369)
<b>Balance at 30 June 2019</b>		7,362	253,652	31,523	629,144	921,681

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	98,723	57,895
Income tax paid	(43,091)	(29,215)
<b>Net cash inflow from operating activities</b>	<b>55,632</b>	28,680
<b>Cash flows from investing activities</b>		
Redemption of debt investments	693,880	823,080
Interest received	1,647	327
Proceeds from disposal of debt investments	1,365	1,285
Proceeds from disposal of property, plant and equipment	189	10
Proceeds from trust investments	–	2,985
Placement of trust investments	–	(250,000)
Payments for property, plant and equipment	(8,418)	(14,270)
Payments for intangible assets	(18,685)	(3,056)
Placement of debt investments	(693,880)	(828,000)
<b>Net cash outflow from investing activities</b>	<b>(23,902)</b>	(267,639)
<b>Cash flows from financing activities</b>		
Interest paid for bank and other borrowings	–	(2,793)
Repayment of bank and other borrowings	–	(40,000)
Repayment of lease liabilities	(536)	(517)
Dividends paid to the Company's shareholders	(85,096)	–
<b>Net cash outflow from financing activities</b>	<b>(85,632)</b>	(43,310)
<b>Net decrease in cash and cash equivalents</b>	<b>(53,902)</b>	(282,269)
Cash and cash equivalents at beginning of the period	323,845	301,477
Effects of exchange rate changes on cash and cash equivalents	1,916	43
<b>Cash and cash equivalents at end of the period</b>	<b>271,859</b>	19,251

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated, which is also the functional currency of the Company. This condensed consolidated interim financial information has not been audited and has been approved for issue by Board of Directors on 26 August 2020.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’ issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

### 2.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period.

#### Standards

IAS 1 and IAS 8 (Amendments) ‘Definition of Material’  
IFRS 3 (Amendments) ‘Definition of a Business’  
Revised Conceptual Framework for Financial Reporting  
IFRS 9, IAS 39 and IFRS 7 (Amendments) ‘Interest Rate Benchmark Reform’  
HKFRS 16 (Amendments) ‘Covid-19-related Rent Concessions’

The new and amended standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.

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

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

<b>Standards</b>	<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments) ‘Classification of Liabilities as Current or Non-current’	1 January 2022
HKAS 16 (Amendments) ‘Property, Plant and Equipment: Proceeds before intended use’	1 January 2022
HKAS 37 (Amendments) ‘Onerous Contracts — Cost of Fulfilling a Contract’	1 January 2022
HKFRS 3 (Amendments) ‘Reference to the Conceptual Framework’	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17 ‘Insurance contracts’	1 January 2023
HKFRS 10 and HKAS 28 (Amendments) ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

### 3.2 Liquidity risk

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

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

Prudent liquidity risk management includes maintaining sufficient cash balances and the availability of funding through committed credit facilities and takes into account all available information on future business environment including among others, the economic impact of the unprecedented COVID-19 on the economies of the region in which the Group and its customers and suppliers operate. The Group manages its liquidity risk by controlling the level of inventories, closely monitoring the turnover days of receivables, monitoring its working capital requirements and keeping credit lines available. Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows.

The following tables below analyse the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at 30 June 2020 and 31 December 2019 respectively to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Unaudited			
	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
<b>At 30 June 2020</b>				
Trade and other payables (excluding staff salaries payable and other tax payable)	64,894	828	–	–
Lease liabilities	239	745	–	–
	<b>65,133</b>	<b>1,573</b>	–	–
	Audited			
	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
<b>At 31 December 2019</b>				
Trade and other payables (excluding staff salaries payable and other tax payable)	50,797	15,205	1,149	–
Lease liabilities	225	716	484	–
	48,840	15,921	1,633	–

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 and 31 December 2019 on a recurring basis:

At 30 June 2020 Financial Assets	Unaudited			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss (Note 17)				
— Equity investments	20,192	—	—	20,192
	Audited			
At 31 December 2019 Financial Assets	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss (Note 17)				
— Equity investments	19,883	—	—	19,883
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit or loss (Note 17)				
— Future contracts	978	—	—	978

There were no transfers between levels 1 and 2 for recurring fair value measurements during the 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 (unadjusted) 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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.4 Fair value of financial assets and liabilities measured at amortisation cost

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

- Cash and cash equivalents
- Trade receivable
- Other receivables and prepayments
- Restricted bank balance
- Trade and other payables
- Lease liabilities

## 4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. During each of the six months ended 30 June 2020 and 2019, 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Sales of processed gold	<b>253,332</b>	290,894

The Group operates in mainland China and Hong Kong, and revenue for the six months ended 30 June 2020 is generated from mainland China. The Group's non-current assets are located in mainland China and Hong Kong.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 5. OTHER GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Investment gains on debt investments (Note 17(b))	1,365	1,285
Net fair value gains on financial assets at fair value through profit or loss (Note 17(a))	845	2,914
Net fair value losses on financial liabilities at fair value through profit or loss	–	(950)
Net foreign exchange gains/(losses)	536	(443)
Gains/(losses) on disposal of property, plant and equipment	56	(153)
Investment gains on trust investments	–	3,313
Investment (losses)/gains on futures contracts	(2,577)	4,007
	<b>225</b>	9,973

## 6. OPERATING PROFIT

In addition to the items disclosed on Note 5, the following operating items have been charged to the operating profit:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Charging:</b>		
Raw materials and consumables used	96,327	122,025
Changes in inventories of finished goods and work in progress	(10,172)	(28,126)
Staff cost	19,876	21,294
Professional service fee	1,280	8,059
Depreciation and amortisation of		
— property, plant and equipment (Note 10)	23,487	22,698
— intangible assets (Note 11)	14,948	16,502
— right-of-use assets (Note 12)	654	654

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 7. INCOME TAX EXPENSE

For the six months ended 30 June 2020, the Company's PRC subsidiaries are subjected to income tax rate of 25% (2019: 25%), except for Xinjiang Gold Mountain Mining Company Limited ("Jinchuan Mining") which is subjected to income tax rate of 15% (2019: 15%).

Hong Kong and overseas profit tax has been provided at the rates of taxation prevailing in the places in which the Group operates.

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Current income tax		
— Current tax on profit for the period	<b>11,599</b>	14,830
Deferred income tax	<b>5,719</b>	159
	<b>17,318</b>	14,989

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2020 is 24% including PRC withholding income tax on dividends from PRC subsidiaries, compared to 17% for the six months ended 30 June 2019.

## 8. DIVIDENDS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>Ordinary shares</b>		
Dividends provided for or paid during the period	<b>85,096</b>	81,369

Pursuant to the resolution of the Company's Annual General Meeting on 2 June 2020, dividends of RMB85,096,000 (2019: RMB81,369,000) relating to the year ended 31 December 2019 (2019: relating to the year ended 31 December 2018) was approved for distribution from the share premium account of the Company to the shareholders. Such dividends were paid in June 2020.

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 9. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2020	2019
Profit attributable to shareholders of the Company (in RMB'000)	55,154	75,702
Weighted average number of the Company's shares in issue (in thousands)	925,000	925,000
Basic earnings per share (in RMB)	0.06	0.08

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

## 10. PROPERTY, PLANT AND EQUIPMENT

	Unaudited							
	Buildings and structures	Mining structures and equipment	Machinery	Motor vehicles	Furniture & office equipment	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2019</b>								
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
<b>Six months ended 30 June 2020</b>								
Opening net book amount	94,006	206,822	35,581	4,200	1,492	9,713	6,345	358,159
Additions	-	1,457	545	-	-	641	9,616	12,259
Disposals	-	(118)	(1)	-	-	(14)	-	(133)
Transfers	113	-	-	-	-	164	(277)	-
Depreciation charge (Note 6)	(3,458)	(15,723)	(2,711)	(535)	(102)	(958)	-	(23,487)
Closing net book amount	90,661	192,438	33,414	3,665	1,390	9,546	15,684	346,798
<b>At 30 June 2020</b>								
Cost	128,677	353,017	58,782	8,185	2,338	19,382	15,684	586,065
Accumulated depreciation	(38,016)	(160,579)	(25,368)	(4,520)	(948)	(9,836)	-	(239,267)
Net book amount	90,661	192,438	33,414	3,665	1,390	9,546	15,684	346,798

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 11. INTANGIBLE ASSETS

	Unaudited				Total RMB'000
	Mining rights RMB'000	Restoration costs RMB'000	Stripping costs RMB'000	Meadow compensation costs and others RMB'000	
<b>At 31 December 2019</b>					
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
<b>Six months ended 30 June 2020</b>					
Opening net book amount	<b>88,703</b>	<b>31,410</b>	<b>103,399</b>	<b>42,882</b>	<b>266,394</b>
Additions	–	<b>5,732</b>	<b>17,766</b>	<b>919</b>	<b>24,417</b>
Amortisation charge (Note 6)	<b>(4,532)</b>	<b>(2,364)</b>	<b>(6,595)</b>	<b>(1,457)</b>	<b>(14,948)</b>
Closing net book amount	<b>84,171</b>	<b>34,778</b>	<b>114,570</b>	<b>42,344</b>	<b>275,863</b>
<b>At 30 June 2020</b>					
Cost	<b>141,380</b>	<b>62,838</b>	<b>233,525</b>	<b>56,070</b>	<b>493,813</b>
Accumulated amortisation	<b>(57,209)</b>	<b>(28,060)</b>	<b>(118,955)</b>	<b>(13,726)</b>	<b>(217,950)</b>
Net book amount	<b>84,171</b>	<b>34,778</b>	<b>114,570</b>	<b>42,344</b>	<b>275,863</b>

## 12. LEASES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>Right-of-use assets</b>		
Land use rights	<b>14,972</b>	15,151
Offices	<b>950</b>	1,425
Total right-of-use assets	<b>15,922</b>	16,576
<b>Lease liabilities</b>		
— Current	<b>983</b>	941
— Non-current	<b>–</b>	484
Total lease liabilities	<b>983</b>	1,425

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 12. LEASES (CONTINUED)

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Depreciation of right-of-use assets (Note 6)		
— Land use rights	<b>179</b>	179
— Offices	<b>475</b>	475
	<b>654</b>	654
Interest expenses	<b>95</b>	115
Expenses relating to short-term leases	<b>168</b>	151

The total cash payment for leases during the six months ended 30 June 2020 was RMB738,000 (2019: RMB741,000).

## 13. DEFERRED INCOME TAX

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Deferred income tax assets	<b>7,050</b>	6,545
Deferred income tax liabilities	<b>(3,617)</b>	(8,831)
Deferred tax assets/(liabilities) — net	<b>3,433</b>	(2,286)

## 14. INVENTORIES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Raw materials	<b>9,215</b>	3,157
Gold in process	<b>126,883</b>	116,102
Gold dore bars	<b>787</b>	1,396
Consumables and spare parts	<b>21,517</b>	19,571
	<b>158,402</b>	140,226

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 15. TRADE RECEIVABLES

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Trade receivables	<b>41,705</b>	70,607
Loss allowance	-	-
	<b>41,705</b>	70,607

As at 30 June 2020, the aging of trade receivables was within one month.

## 16. OTHER RECEIVABLES AND PREPAYMENTS

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Prepayments	<b>12,144</b>	9,450
Deposits held by a securities broker (Note (a))	<b>6,224</b>	13,070
Deposits held by an interactive broker (Note (b))	<b>1,896</b>	1,859
Deposits held by China International Capital Corporation Limited ("CICC") (Note (c))	<b>35</b>	67
Other receivables	<b>1,285</b>	1,474
	<b>21,584</b>	25,920

- (a) The deposits as at 30 June 2020 and 31 December 2019 represented the outstanding balance of cash account held by a securities broker for gold futures contract transactions.
- (b) The deposits as at 30 June 2020 and 31 December 2019 represented the outstanding balance of cash account held by an interactive broker for equity securities transactions.
- (c) The deposits as at 30 June 2020 and 31 December 2019 represented the outstanding balance of cash account held by CICC for equity securities transactions.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 17. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>Current assets</b>		
Financial assets at fair value through profit or loss		
Equity investments, listed (a)	20,192	19,883
Debt investments, unlisted (b)	–	–
	<b>20,192</b>	19,883
<b>Current liabilities</b>		
Financial liabilities at fair value through profit or loss		
Fair value of gold future contracts — liabilities (c)	–	978

### (a) Equity investments

Movements in equity investments are analysed as follows:

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Securities listed in Hong Kong		
At 1 January	19,883	26,761
Dividend declared	(536)	(538)
Fair value gains (Note 5)	845	2,884
At 30 June	<b>20,192</b>	29,107

### (b) Debt investments

Movements in debt investments are analysed as follows:

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Bank financial products		
At 1 January	–	3,700
Additions	693,880	828,000
Disposals	(695,245)	(824,365)
Gains on disposal (Note 5)	1,365	1,285
Fair value gains (Note 5)	–	30
At 30 June	<b>–</b>	8,650



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 17. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### (c) Futures contracts

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

## 18. RETAINED EARNINGS

Pursuant to the relevant regulations in the PRC, the Group's PRC subsidiaries are required to appropriate a portion of the profits for the period/year to reserve funds. The consolidated retained earnings of the Group as at 30 June 2020 included the balances of the reserve funds of the Group's PRC subsidiaries totalling RMB95,050,000 (31 December 2019: RMB89,425,000) which would be specifically used to offset accumulated losses or to increase capital of the subsidiaries but not available for profit distribution according to relevant PRC regulations.

In addition, pursuant to the relevant regulations in the PRC, the Group's PRC subsidiary with mining activities is required to appropriate safety production fund based on production volume of gold ores during the period/year. For the six months ended 30 June 2020, the Group appropriated RMB9,540,000 (six months ended 30 June 2019: RMB12,866,000) from retained earnings, and utilised RMB1,182,000 (six months ended 30 June 2019: RMB1,376,000) of the safety production fund. As at 30 June 2020, the consolidated retained earnings of the Group included the balance of safety production fund amounting to RMB71,139,000 (31 December 2019: RMB62,781,000) which is not available for profit distribution according to relevant PRC regulations.

## 19. DEFERRED INCOME

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At 1 January	6,995	7,419
Released to profit or loss	(212)	(212)
At 30 June	6,783	7,207

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 20. PROVISION FOR RECLAMATION AND RESTORATION

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, the mining enterprise must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures, as appropriate, after mining has been completed. The Group provides for the present obligation of the cost of the restoration.

Movements of provision during the periods are as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
At 1 January	23,721	30,087
Additions	5,732	3,056
Accretion incurred in the period	1,317	1,205
Payment of reclamation and restoration	(2,706)	(3,475)
At 30 June	28,064	30,873

## 21. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Trade payables	41,287	46,736
Payables for capital expenditure	20,314	18,233
Staff salaries payables	3,337	13,608
Other tax payables	4,014	10,354
Other payables and accrued expenses	4,120	2,182
	73,072	91,113

As at 30 June 2020, the aging of trade payables was within one year.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 22. COMMITMENTS

### (a) Lease commitments

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

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
No later than one year	<b>79</b>	26

## 23. RELATED PARTY TRANSACTIONS

- (a) No significant transactions with related parties occurred during the six months ended 30 June 2020 and 30 June 2019.
- (b) No outstanding balances with related parties are set out in both periods end.
- (c) Key management compensation:

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

	<b>Unaudited Six months ended 30 June 2020 RMB'000</b>	2019 RMB'000
Salaries and other short-term benefits	<b>2,826</b>	2,331
Retirement benefit scheme contributions	<b>65</b>	42
	<b>2,891</b>	2,373

## 24. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liability (31 December 2019: Nil).

## 25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 30 June 2020 and up to the signing date of this financial information, the Group had no material subsequent events which have not been reflected in the interim financial information.

# DEFINITIONS

“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
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Ke Xiping, Gold Virtue, Mr Ke Jiaqi and/or Xi Wang Developments
“Corporate Governance Code”	corporate governance code contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Gold Mountain Mine”	金山金礦, a gold mine located in Yining County of Xinjiang, China, which covers five gold prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jinxi-Balake prospect, the Kuangou prospect and the Lion prospect
“Gold Virtue”	Gold Virtue Limited, a company incorporated under the laws of the BVI with limited liability on 16 March 2012 and a Controlling Shareholder, which is wholly-owned by Mr. Ke Xiping
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinchuan Mining”	Xinjiang 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
“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

# DEFINITIONS

“Nomination Committee”	the nomination committee of the Company established in compliance with Rule A.5.1 and Rule A.5.2 of the Listing Rules
“Period Under Review”	the six months ended 30 June 2020
“PRC” or “China”	The People’s Republic of China
“Prospectus”	the prospectus of the Company dated 19 May 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company under the resolutions of the Shareholders dated 5 May 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianshan Gold HK”	Tianshan Gold Securities (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on 16 April 2008 and an indirect wholly-owned subsidiary of the Company
“Xiamen Hengxing”	Xiamen Hengxing Group Co., Ltd. (廈門恒興集團有限公司), a limited liability company established in China on 14 September 1994, which is owned by Mr. Ke Xiping as to 99.34% and by Ms. Liu Haiying, Mr. Ke’s wife, as to 0.66%, and except where the context otherwise requires, includes all of its subsidiaries
“Xi Wang Developments”	Xi Wang Developments Limited (熙望發展有限公司), a limited liability company incorporated in the BVI on 11 May 2012 and a Controlling Shareholders, which is wholly-owned by Mr. Ke Jiaqi, Mr. Ke Xiping’s son
“%”	per cent