瑞金礦業
Real Gold Mining Limited

REAL GOLD MINING LIMITED
瑞 金 礦 業 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 246)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

For the year ended 31 December 2016, the revenue, cost of sales and gross loss was information related to former management of the Group and as the operations, mining and exploration have been suspended, no further relevant activities related to the former management continue to occur following the current management took control of the Group. The current Board took control of the management of the Group in late 2016. There is limited information and documents available to the current Board for the preparation of the 2016 financial information of the Group.

Financial Highlights

For the year ended 31 December 2016, the Group's revenue amounted to approximately RMB232.8 million (2015: RMB384.6 million).

For the year ended 31 December 2016, loss and total comprehensive loss attributable to owners of the Company was approximately RMB715.6 million (2015: profit and total comprehensive income attributable to owners of the Company was approximately RMB48.5 million).

For the year ended 31 December 2016, the basic loss per share amounted to approximately RMB78.74 cents (2015: basic earnings per share amounted to approximately RMB5.33 cents).

No final dividend was recommended by the Board for the two years ended 31 December 2016 and 2015.

The board of directors (the "**Board**") of Real Gold Mining Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2016, which have been audited and agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

		2016	2015
	Notes	***RMB'000***	*RMB'000*
Revenue	*6*	**232,782**	384,607
Cost of sales		**(262,329)**	(395,950)
Gross loss		**(29,547)**	(11,343)
Other income	*7*	**93,150**	136,348
Administrative expenses		**(76,075)**	(52,604)
Other expenses	*8*	**(776,840)**	(54,409)
(Loss)/Profit from operations		**(789,312)**	17,992
Finance cost	*9*	**(1,582)**	—
(Loss)/Profit before tax		**(790,894)**	17,992
Income tax (expense)/credit	*10*	**(25,807)**	25,807
(Loss)/Profit and total comprehensive (loss)/income for the year	*11*	**(816,701)**	43,799
(Loss)/Profit and total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(715,561)**	48,463
Non-controlling interests		**(101,140)**	(4,664)
		(816,701)	43,799
(Loss)/Earnings per share			
Basic	*12*	**(RMB78.74 cents)**	RMB5.33 cents
Diluted	*12*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Note	**2016** **RMB'000**	2015 RMB'000
Non-current assets			
Property, plant and equipment		**165**	126,975
Mining rights		**—**	6,388
Exploration and evaluation assets		**—**	600,746
Prepaid land lease payments		**—**	2,584
Deferred tax assets		**—**	25,807
		165	762,500
Current assets			
Prepaid land lease payments		**—**	62
Inventories		**—**	3,704
Trade and other receivables	13	**4,660**	23,364
Bank and cash balances		**674,083**	819,146
		678,743	846,276
Current liabilities			
Other payables		**114,293**	238,144
Short-term borrowings		**13,910**	—
Current tax liabilities		**915**	915
		129,118	239,059
Net current assets		**549,625**	607,217
Total assets less current liabilities		**549,790**	1,369,717
Non-current liabilities			
Provision for restoration cost		**9,094**	9,094
Deferred tax liabilities		**16,724**	16,724
		25,818	25,818
NET ASSETS		**523,972**	1,343,899
Capital and reserves			
Share capital		**797,619**	797,619
Reserves		**(157,515)**	562,998
Equity attributable to owners of the Company		**640,104**	1,360,617
Non-controlling interests		**(116,132)**	(16,718)
TOTAL EQUITY		**523,972**	1,343,899

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business in Hong Kong was Units 3601–3, 36/F, AIA Tower, 183 Electric Road, North Point. On 5 November 2018, the Company moved to Unit 502, 5/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and have been suspended for trading since 27 May 2011.

The Company is an investment holding company. Its subsidiaries are principally engaged in exploration, mining and processing of gold ore and sale of concentrates in the People's Republic of China (the "**PRC**").

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

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately RMB715,561,000 for the year ended 31 December 2016 and there are certain issues on Guangfa bank accounts of the Group concerning approximately RMB470,479,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the shareholder, at a level sufficient to finance the working capital requirements of the Group. The shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised standards, amendments and interpretations (hereinafter collectively referred to as "**new and revised IFRSs**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards ("**IFRSs**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies.

5. SEGMENT INFORMATION

The Group has 3 mines in Nantaizi, Shirengou and Luotuochang in Inner Mongolia, the PRC. The Group is organised based on the locations of its ore processing plants. The ore processing plant located at Nantaizi processes ore from the mines in Nantaizi and Shirengou. The ore processing plant located at Luotuochang only processes ore from the mine in Luotuochang. For management reporting purpose, the Group's executive directors, who are the chief operating decision maker ("**CODM**") reviewed the financial information of each ore processing plant for the purpose of resources allocation and performance evaluation. Hence, the processing activities at each of the ore processing plants in Nantaizi and Luotuochang represented as an operating segment.

The Group acquired certain subsidiaries which engaged in exploration activities in Inner Mongolia and Guangxi, the PRC. The CODM also reviewed financial information of each subsidiary separately. Because all these subsidiaries carry out exploration activities, they are aggregated as one reportable segment of exploration of gold mines.

The Group's reportable segments are set out as follows:

(i) Ore processing plant in Nantaizi — the mining and ore processing activities in respect of the mines in Nantaizi and Shirengou;

(ii) Ore processing plant in Luotuochang — the mining and ore processing activities in respect of the mine in Luotuochang;

(iii) Exploration of gold mines — the exploration activities in various places.

Information about reportable segment profit or loss, assets and liabilities:

	Ore processing plant in Nantaizi *RMB'000*	**Ore processing plant in Luotuochang** **RMB'000**	**Exploration of gold mines** **RMB'000**	**Total** **RMB'000**
For the year ended 31 December 2016				
Revenue from external customers	**228,186**	**—**	**4,596**	**232,782**
Segment loss before tax	**(116,307)**	**(61,571)**	**(622,237)**	**(800,115)**
Addition to non-current assets	**26,705**	**—**	**9,739**	**36,444**
Amortisation of mining rights	**20**	**—**	**—**	**20**
Amortisation of prepaid land lease payments	**14**	**17**	**—**	**31**
Depreciation of property, plant and equipment	**721**	**2,094**	**128**	**2,943**
Impairment losses on prepaid land lease payments	**1,147**	**1,468**	**—**	**2,615**
Impairment losses on property, plant and equipment	**99,234**	**50,269**	**3,441**	**152,944**
Impairment losses on mining rights	**3,731**	**2,637**	**—**	**6,368**
Impairment losses on exploration and evaluation assets	**—**	**—**	**608,017**	**608,017**
Bank interest income	**19**	**—**	**4**	**23**
Income tax expense	**4,258**	**21,549**	**—**	**25,807**
As at 31 December 2016				
Segment assets	**3,762**	**139**	**4,171**	**8,072**
Segment liabilities	**64,211**	**25,441**	**17,308**	**106,960**

	Ore processing plant in Nantaizi *RMB'000*	Ore processing plant in Luotuochang *RMB'000*	Exploration of gold mines *RMB'000*	Total *RMB'000*
For the year ended 31 December 2015				
Revenue from external customers	384,080	527	—	384,607
Segment profit/(loss) before tax	37,363	(18,575)	(27,377)	(8,589)
Addition to non-current assets	67,816	—	31,030	98,846
Amortization of mining rights	40	—	—	40
Amortization of prepaid land lease payments	27	34	—	61
Depreciation of property, plant and equipment	972	3,929	130	5,031
Impairment losses on property, plant and equipment	22,755	9,588	—	32,343
Impairment losses on mining rights	222	483	—	705
Impairment losses on exploration and evaluation assets	—	—	21,361	21,361
Reversal of impairment losses on property, plant and equipment	17,697	—	—	17,697
Reversal of impairment losses on mining rights	3,477	—	—	3,477
Bank interest income	62	—	3	65
Income tax credit	4,258	21,549	—	25,807
As at 31 December 2015				
Segment assets	94,273	80,562	602,542	777,377
Segment liabilities	125,955	48,416	10,080	184,451

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2016 *RMB'000*	2015 *RMB'000*
Revenue		
Total revenue of reportable segments and consolidated revenue	**232,782**	384,607
Profit or loss		
Total loss of reportable segments	**(800,115)**	(8,589)
Unallocated other income	**57,232**	62,304
Unallocated corporate expenses	**(48,011)**	(35,723)
Consolidated (loss)/profit before tax	**(790,894)**	17,992
Assets		
Total assets of reportable segments	**8,072**	777,377
Unallocated bank and cash balances	**668,848**	818,587
Unallocated corporate assets	**1,988**	12,812
Consolidated total assets	**678,908**	1,608,776
Liabilities		
Total liabilities of reportable segments	**106,960**	184,451
Unallocated corporate liabilities	**47,976**	80,426
Consolidated total liabilities	**154,936**	264,877

Apart from the above, the totals of other material items disclosed in the segment information are the same as the consolidated totals.

Geographical information

(i) *Revenue from external customers*

For both years, all the revenue are derived from customers located in the PRC.

(ii) *Non-current assets*

	2016 *RMB'000*	2015 *RMB'000*
Hong Kong	**159**	255
PRC	**6**	762,245
	165	762,500

Information about major customers

	Segment	2016 RMB'000	2015 RMB'000
Customer A	Ore processing plant in Nantaizi and Luotuochang	**33,425**	205,151
Customer B	Ore processing plant in Nantaizi	**163,398**	131,886

6. REVENUE

The Group's revenue which represents sales of goods to customers are as follows:

	2016 RMB'000	2015 RMB'000
Products:		
— Gold	**211,142**	312,023
— Copper	**4,553**	20,262
— Other (Silver, Lead and Zinc)	**17,087**	52,322
	232,782	384,607

The Group's revenue for the year ended 31 December 2016 was generated from January 2016 to July 2016. The current Board was appointed since 30 September 2016. Therefore, the Group's revenue for the year ended 31 December 2016 was operated and managed by former Board.

7. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Government subsidies	**35,893**	53,534
Exchange gain	**49,747**	47,660
Bank interest income	**2,558**	13,980
Reversal of impairment losses on property, plant and equipment	**—**	17,697
Reversal of impairment losses on mining rights	**—**	3,477
Lapse of share options	**4,952**	—
	93,150	136,348

Government subsidies represent the benefit from tax concession granted by the PRC government to encourage the production and sale of gold concentrates. Under the tax concession, the Group is not required to pay to the government authority value-added tax which have been charged on the sale of gold concentrates.

8. OTHER EXPENSES

	2016	2015
	RMB'000	*RMB'000*
Impairment losses on prepaid land lease payments	**2,615**	—
Impairment losses on property, plant and equipment	**152,944**	32,343
Impairment losses on mining rights	**6,368**	705
Impairment losses on exploration and evaluation assets	**608,017**	21,361
Written off of other receivables	**6,896**	—
	776,840	54,409

9. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses	**1,582**	—

10. INCOME TAX EXPENSES/(CREDIT)

	2016	2015
	RMB'000	*RMB'000*
Deferred tax expenses/(credit)	**25,807**	(25,807)

No provision for Hong Kong Profits Tax is required since the Group's income is derived from non-Hong Kong sources which is not subject to Hong Kong Profits Tax.

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current year is 25% (2015: 25%).

The reconciliation between the income tax expense/(credit) and the product of (loss)/profit before tax multiplied by the PRC Enterprise Income Tax ("**EIT**") rate is as follows:

	2016	2015
	RMB'000	*RMB'000*
(Loss)/Profit before tax	**(790,894)**	17,992
Tax at applicable PRC EIT rate of 25% (2015: 25%)	**(197,724)**	4,498
Tax effect of income that is not taxable	**(25,523)**	(15,576)
Tax effect of expenses that are not deductible	**19,111**	6,912
Tax effect of temporary differences not recognized	**35,733**	2,811
Tax effect of tax losses not recognized	**194,210**	3,028
Tax effect of utilization of tax losses not previously recognized	**—**	(1,673)
Tax effect of tax losses recognized	**—**	(25,807)
Income tax expense/(credit)	**25,807**	(25,807)

11. (LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR

The Group's (loss)/profit and total comprehensive (loss)/income for the year is stated after charging the following:

	2016	2015
	RMB'000	*RMB'000*
Auditor's remuneration	**860**	1,044
Amortization of prepaid land lease payments	**31**	61
Amortization of mining rights	**20**	40
Cost of inventories processed and sold	**252,906**	379,583
Depreciation of property, plant and equipment	**3,059**	5,352
Operating lease payments for rented premises	**2,584**	2,184
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	**30,299**	26,441
— Equity-settled share-based payment expenses	**—**	3,699
— Retirement benefits scheme contributions	**3,266**	2,278
	33,565	32,418

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2015: earnings) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB715,561,000 (2015: earnings for the year attributable to owners of the Company of approximately RMB48,463,000) and the weighted average number of ordinary shares of 908,786,000 (2015: 908,786,000) in issue during the year.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2016 and 2015.

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**—**	640
Prepayments, deposits and other receivables	**4,660**	22,724
	4,660	23,364

The aging analysis of trade receivables presented based on the invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**—**	640

The average credit period granted to the Group's customers is 90 days (2015: 90 days). The balances of trade receivables were denominated in RMB.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Majority of the trade receivables that were neither past due nor impaired had no default payment history.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

"**Disclaimer of Opinion**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. *Limited accounting books and records of the Group*

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the year ended 31 December 2016, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2016, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	2016
	RMB'000
Revenue	**232,782**
Cost of sales	**(262,329)**
Gross loss	**(29,547)**
Other income	**35,893**

2. *Exchange gain*

No sufficient evidence has been received by us in respect of whether the exchange gain of approximately RMB49,747,000 was properly accounted for in the consolidated financial statements for the year ended 31 December 2016.

3. *Property, plant and equipment and impairment loss and depreciation on property, plant and equipment*

No sufficient evidence has been provided to satisfy ourselves as to the valuation and disclosure requirements of property, plant and equipment of approximately RMB165,000 in the consolidated statement of financial position as at 31 December 2016 and no sufficient evidence has been received by us in respect of whether the impairment loss and depreciation on property, plant and equipment of approximately RMB152,944,000 and RMB3,059,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2016 respectively.

4. ***Exploration and evaluation assets and impairment loss on exploration and evaluation assets***

No sufficient evidence has been provided to satisfy ourselves as to the valuation and disclosure requirements of exploration and evaluation assets in the consolidated statement of financial position as at 31 December 2016 and no sufficient evidence has been received by us in respect of whether the impairment loss on exploration and evaluation assets of approximately RMB608,017,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2016.

5. ***Mining rights and impairment loss and amortization on mining rights***

No sufficient evidence has been provided to satisfy ourselves as to the valuation and disclosure requirements of mining rights in the consolidated statement of financial position as at 31 December 2016 and no sufficient evidence has been received by us in respect of whether the impairment loss and amortization on mining rights of approximately RMB6,368,000 and RMB20,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2016 respectively.

6. ***Prepaid land lease payments and impairment loss and amortization on prepaid land lease payments***

No sufficient evidence has been provided to satisfy ourselves as to the valuation and disclosure requirements of prepaid land lease payments in the consolidated statement of financial position as at 31 December 2016 and no sufficient evidence has been received by us in respect of whether the impairment loss and amortization on prepaid land lease payments of approximately RMB2,615,000 and RMB31,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2016 respectively.

7. ***Bank and cash balances***

No sufficient evidence has been provided to satisfy ourselves as to the existence and valuation of bank and cash balances of approximately RMB557,086,000 in the consolidated statement of financial position as at 31 December 2016.

8. ***Provision for restoration cost***

No sufficient evidence has been provided to satisfy ourselves as to the valuation of provision for restoration cost of approximately RMB9,094,000 in the consolidated statement of financial position as at 31 December 2016.

9. ***Deferred tax liabilities and income tax expense***

No sufficient evidence has been provided to satisfy ourselves as to the valuation of deferred tax liabilities of approximately RMB16,724,000 in the consolidated statement of financial position as at 31 December 2016 and no sufficient evidence has been received by us in respect of whether income tax expense of approximately RMB25,807,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2016.

10. ***Non-controlling interests***

No sufficient evidence has been provided to satisfy ourselves as to the valuation of the debit balance of non-controlling interests of approximately RMB116,132,000 in the consolidated statement of financial position as at 31 December 2016 and no sufficient evidence has been received by us in respect of whether loss and total comprehensive loss for the year attributable to non-controlling interests of approximately RMB101,104,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2016.

Any adjustments to the above figures might have a significant consequential effect on the consolidated financial performance for the year ended 31 December 2016 and the consolidated financial position as at 31 December 2016 and the related disclosures in the consolidated financial statements.

11. ***Going Concern***

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately RMB715,561,000 for the year ended 31 December 2016 and there are certain issues on Guangfa bank accounts of the Group concerning approximately RMB470,479,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the shareholder, at a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the financial support from the shareholder as described above. There are no other satisfactory audit procedures that we could adopt to determine whether the shareholder has the financial ability to honour the financial support to the Group."

THE COMPANY'S RESPONSE ON AUDITORS' QUALIFICATIONS

	Audit qualifications	The Company's response
1.	Limited accounting books and records of the Group	a) It is due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the revenue, cost of sales, gross loss and other income of the Group for the year ended 31 December 2016 and the auditors were unable to carry out audit procedures to satisfy themselves as to whether the revenue, cost of sales, gross loss and other income of the Group for the year ended 31 December 2016, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. b) The current Board took control of the management of the Group in late 2016. There is limited information and documents available to the current Board for the preparation of the financial information of the Group. c) The revenue, cost of sales, gross loss and other income was information related to former management of the Group and as the operations, mining and exploration have been suspended, no further relevant activities related to the former management continue to occur following the current management took control of the Group. Similar basis of audit qualifications does not occur in the consolidated financial statements for the years ended 31 December 2017 and 2018.
2.	Exchange gain	a) The exchange gain related the exchange gain on the bank deposits with Guangfa Bank which is the subject matter of the legal proceedings against Guangfa Bank (please refer to item 7 below). The Management estimates that the legal proceedings against Guangfa Bank will be completed within 2019 and as such, the basis of disclaimer of the audit qualifications will be addressed in the consolidated financial statements of the Company for the year ending 31 December 2019.

<table>
<tr><th></th><th>Audit qualifications</th><th>The Company’s response</th></tr>
<tr><td>3.</td><td>Property, plant and equipment and impairment loss and depreciation on property, plant and equipment</td><td rowspan="4">a) The current Board took control of the management of the Group in late 2016. There is limited information and documents available to the current Board for the preparation of the financial information of the Group.

b) There was also limited information available to the present to engage an independent technical consultancy firm to carry out an assessment based on JORC and VALMIN standard.

c) The management consulted a professional party, SRK Consulting China Limited (“SRK”) to carry out a review on the mines based on data available to SRK and give its opinions on the mines. SRK conducted limited exploration, basically trenching and tunneling. As per SRK’s opinion, the estimated exploration cost for a proper assessment will be large.

d) Based on SRK’s opinion, the reserves of the mines are either mined out or limited or the grade becomes lower in depth, and highly uncertain. As such, the economic benefit is low.

e) The management provided the impairment of property, plant and equipment, exploration and evaluation assets, mining rights and prepaid lease payments based on the SRK’s opinion. However, the impairment is not based on the JORC and VALMIN standard information.

f) The Company plans to dispose of the companies holding the existing mines and if the disposal proceeds in 2019 and completion takes place in 2019, this basis of disclaimer of audit qualifications will be addressed in the consolidated financial statements of the Company for the year ending 31 December 2019.</td></tr>
<tr><td>4.</td><td>Exploration and evaluation assets and impairment loss on exploration and evaluation assets</td></tr>
<tr><td>5.</td><td>Mining rights and impairment loss and amortization on mining rights</td></tr>
<tr><td>6.</td><td>Prepaid land lease payments and impairment loss and amortization on prepaid land lease payments</td></tr>
</table>

	Audit qualifications	The Company's response
7.	Bank and cash balances	a) The Group has initiated legal proceedings against Guangfa Bank regarding the withholding of the bank deposits. For details, please refer to note 23 to the consolidated financial statements of the Company for the year ended 31 December 2016. b) The management is confident that the Yuexiu Court will rule in favour of the Group and as such, the existence and valuation of the bank balances will be verified. c) The management estimates that the legal proceedings against Guangfa Bank will be completed within 2019 and as such, this basis of disclaimer of audit qualifications will be addressed in the consolidated financial statements of the Company for the year ending 31 December 2019.
8.	Provision for restoration cost	a) As provided in points 3 to 6 above, the management did not have sufficient information to prepare JORC and VALMIN standard information, the management cannot estimate the provision accurately. b) The Company plans to dispose of the companies holding the existing mines and if the disposal proceeds in 2019 and completion takes place in 2019, this basis of disclaimer of audit qualifications will be addressed in the consolidated financial statements of the Company for the year ending 31 December 2019.
9.	Deferred tax liabilities and income tax expense	a) As provided in points 3 to 6 above, the management did not have sufficient information to prepare JORC and VALMIN standard information, the management cannot calculate the deferred tax liabilities accurately. b) The Company plans to dispose of the companies holding the existing mines and if the disposal proceeds in 2019 and completion takes place in 2019, this basis of disclaimer of audit qualifications will be addressed in the consolidated financial statements of the Company for the year ending 31 December 2019.

<table>
<tr><th></th><th>Audit qualifications</th><th>The Company's response</th></tr>
<tr><td>10.</td><td>Non-controlling interests</td><td>a) As provided in points 3 to 6 above, the management did not have sufficient information to prepare JORC and VALMIN standard information, the management cannot calculate non-controlling interests accurately.

b) The Company plans to dispose of the companies holding the existing mines and if the disposal proceeds in 2019 and completion takes place in 2019, this basis of disclaimer of audit qualifications will be addressed in the consolidated financial statements of the Company for the year ending 31 December 2019.</td></tr>
<tr><td>11.</td><td>Going Concern</td><td>a) The auditors' concern was based on the fact that the Group incurred a loss attributable to owners of the Company of approximately RMB715,561,000 for the year ended 31 December 2016 and the issue on the bank deposits with Guangfa bank as described in note 23 to the consolidated financial statements of the Company for the year ended 31 December 2016.

b) The management estimates that the legal proceedings against Guangfa Bank will be completed within 2019 and as such, the existence and valuation of the bank balances will be verified. The Company will be able to demonstrate that it has sufficient fund for the operations by the bank balances and sufficient shareholders' fund supports. Accordingly, this basis of disclaimer of audit qualifications will be addressed in the consolidated financial statements of the Company for the year ending 31 December 2019.</td></tr>
</table>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. The Group has two gold mines in the Chifeng Municipality, Inner Mongolia, namely, Shirengou Gold Mine and Nantaizi Gold Mine which are adjacent to each other and form one operating segment of the Group. The mining permit and the safety production permit for Shirengou Gold Mine are valid until August 2020 and February 2021, respectively. The mining permit, the exploration permit and the safety production permit for Nantaizi Gold Mine are valid until November 2019, June 2020 and February 2021, respectively. Production at Shirengou Gold Mine and Nantaizi Gold Mine has been suspended since mid 2016.

Luotuochang Gold Mine, another gold mine of the Group which is also located in the Chifeng Municipality, Inner Mongolia, was in operation previously until the former Board decided in July 2014 to suspend the mining activities there. The mining permit and the safety production permit for Luotuochang Gold Mine are valid until January 2020 and December 2020, respectively.

For the year ended 31 December 2016, the revenue, cost of sales and gross loss was information related to former management of the Group and as the operations, mining and exploration have been suspended, no further relevant activities related to the former management continue to occur following the current management took control of the Group. The current Board took control of the management of the Group in late 2016. There is limited information and documents available to the current Board for the preparation of the 2016 financial information of the Group.

Update on the activities at the other gold mines of the Group

As at the date of this announcement, the Group also owns Gaotaizi Gold Mine in Inner Mongolia and Yandan Gold Mine and two other smaller gold mines in Guangxi. None of these mines are currently in production.

The mining permit and safety production permit for Gaotaizi Gold Mine expired in February 2019 and March 2019, respectively and the Group has filed an application for the renewal of the mining permit and safety production permit in January 2019.

For the gold mines in Guangxi, the exploration permit for Yandan Gold Mine is valid until November 2020. The Group is in the process of renewing the exploration permit for each of Bayan Gold Mine and Yunpanshan Gold Mine which expired in January 2019. The Group has suspended its exploration at these gold mines.

Prospects

In view of the current situation of the Group, in particular the status of the mines owned by the Group, the Company is committed to identify suitable acquisition targets with sufficient level of operations or have assets of sufficient value to meet the requirements for continued listing of the shares under the Listing Rules.

By leveraging on the experience of our management in mining operations and strong connections in the industry, we are confident that we can identify suitable acquisition targets in due course which can meet our requirements as well as the requirements of the regulators for the purpose of seeking resumption of trading in our shares so as to maximize the interests of both the Company and its shareholders as a whole.

We are committed to strengthening the corporate governance of the Group, and leading the Company out of current difficulties and creating value for shareholders of the Company as a whole.

Financial Review

For the year ended 31 December 2016, the revenue, cost of sales and gross loss was information related to former management of the Group and as the operations, mining and exploration had been suspended, no further relevant activities related to the former management continue to occur following the current management took control of the Group. The current Board took control of the management of the Group in late 2016. There is limited information and documents available to the current Board for the preparation of the 2016 financial information of the Group and the following review was made on this basis.

Revenue

The revenue of the Group decreased from approximately RMB384.6 million for the year ended 31 December 2015 to approximately RMB232.8 million for the year ended 31 December 2016. When the current Board took control of the management of the Group in late 2016, the operations, mining and exploration activities had been suspended.

Cost of sales

Cost of sales was approximately RMB262.3 million for the year ended 31 December 2016, decreased from approximately RMB396.0 million for the same period in 2015, mainly owing to the suspension of the mining activities at Shirengou Gold Mine and Nantaizi Gold Mine. Cost of sales primarily included cost of raw materials consumed, subcontracting fees, auxiliary material costs, electricity costs, environmental protection fees and production safety fees. For the year ended 31 December 2016, our cost of sales accounted for approximately 112.7% of our total revenue, increased from approximately 102.9% for the same period in 2015, owing to the significant decrease of revenue.

Gross loss and gross margin

As a result of the foregoing, gross loss was approximately RMB29.5 million (2015: RMB11.3 million) and gross margin was approximately -12.7% (2015: -2.9%) for the year ended 31 December 2016.

Other income

Other income decreased from approximately RMB136.3 million for the year ended 31 December 2015 to approximately RMB93.2 million for the year ended 31 December 2016.

Other income for the year ended 31 December 2016 primarily consisted of government subsidies of approximately RMB35.9 million, exchange gain of approximately RMB49.7 million as well as bank interest income of approximately RMB2.6 million.

Other income for the year ended 31 December 2015 primarily consisted of government subsidies of approximately RMB53.5 million, exchange gain of approximately RMB47.7 million, bank interest income of approximately RMB14.0 million as well as reversal of impairment losses on property, plant and equipment of approximately RMB17.7 million.

The government subsidies were in the form of a benefit from tax concession granted to us by the PRC government to encourage the development of the gold industry. The decrease in government subsidies was due to the decrease in revenue. Exchange difference arose primarily from the translation and the settlement of monetary items such as bank balances, which were denominated in currencies other than RMB. Exchange gain increased because of the appreciation of Hong Kong dollars ("**HKD**") against RMB in 2016.

Administrative expenses

Administrative expenses increased from approximately RMB52.6 million for the year ended 31 December 2015 to approximately RMB76.1 million for the year ended 31 December 2016.

The administrative expenses for the year ended 31 December 2016 primarily consisted of salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB30.3 million (2015: RMB18.9 million) and professional fees of approximately RMB13.8 million (2015: RMB13.9 million).

Equity-settled share-based payment expenses decreased from approximately RMB3.7 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016 as share options were lapsed in 2016.

Salaries paid and payable to, and benefits for, our administrative and management staff increased from approximately RMB18.9 million for the year ended 31 December 2015 to approximately RMB30.3 million for the year ended 31 December 2016 as the number of employees increased from 298 to 395.

Other Expenses

Other expenses increased from approximately RMB54.4 million for the year ended 31 December 2015 to approximately RMB776.8 million for the year ended 31 December 2016.

For the year ended 31 December 2016, impairment losses on property, plant and equipment were approximately RMB152.9 million, impairment losses on mining rights were approximately RMB6.4 million, impairment losses on exploration and evaluation assets were approximately RMB608.0 million, and written off of other receivables were approximately RMB6.9 million.

For the year ended 31 December 2015, impairment losses on property, plant and equipment were approximately RMB32.3 million, impairment losses on mining rights were approximately RMB0.7 million, and impairment losses on exploration and evaluation assets were approximately RMB21.4 million.

Impairment losses were recognized as certain investments in property, plant and equipment, mining rights and exploration and evaluation assets were not expected to generate the required return. More impairment losses were recognized in 2016 than in 2015 as there were more such investments in 2016. Written off of other receivables is established when the Group was unable to collect all amounts due according to the original terms of receivables.

Income tax expenses/credit

Tax expenses was approximately RMB25.8 million for the year ended 31 December 2016, representing primarily income tax on taxable profits produced by the companies of the Group in the PRC, less any tax losses brought forward from prior years, the net amount being taxed at the PRC's EIT rate of 25%.

As at 31 December 2015, income tax credit arose as a result of the recognition of deferred tax assets relating to tax losses, as taxable profits are expected in 2016 in certain subsidiaries from which tax losses of prior years can be deducted.

(Loss)/Profit and total comprehensive (loss)/income for the year attributable to owners

Loss and total comprehensive loss attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB715.6 million (2015: Profit and total comprehensive income attributable to owners of the Company was approximately RMB48.5 million).

Cash flows

Cash and cash equivalents decreased by approximately RMB145.0 million from approximately RMB819.1 million as at 31 December 2015 to approximately RMB674.1 million as at 31 December 2016.

Approximately RMB120.9 million was used in operating activities for the year ended 31 December 2016. Net cash used in operating activities was the net cash flow relating to cash outflow in respect of loss before tax adjusted for items not involving movement of cash, cash inflow in respect of the decrease in working capital under operating activities and cash outflow in respect of income tax paid.

Cash used in investing activities amounted to approximately RMB36.5 million for the year ended 31 December 2016, consists of approximately RMB29.2 million related to the cash outflow in respect of the additions of property, plant and equipment, approximately RMB7.3 million related to the cash outflow in respect of the additions of exploration and evaluation assets.

Net cash generated from financing activities amounted to approximately RMB12.3 million for the year ended 31 December 2016, of which approximately RMB1.6 million related to the cash outflow in respect of the loan interest payment, partially being offset by the cash inflow of approximately RMB13.9 million related to the short-term borrowings.

Borrowings

The short-term borrowings for the year ended 31 December 2016 was approximately RMB13.9 million (2015: nil). Gearing, being total interest-bearing debt divided by total assets, was approximately 0.02 and nil for 2016 and 2015 respectively.

Use of net proceeds from the Company's IPO

The Company was listed on the Main Board of the Stock Exchange on 23 February 2009. The net proceeds from the Company's issue of new shares (after deducting relevant expenses) were approximately HKD569.3 million.

As at 31 December 2016, the net proceeds from IPO had been utilized in the following manner:

	Future acquisition of gold resources in		Expanding exploration activities			
	Inner Mongolia	**Other regions**	**Exploration activities**	**Facilitating actual production**	**Capital expenditures at existing gold mines**	**General corporate purpose**
	HKD million	*HKD million*	*HKD million*	*HKD million*	*HKD million*	*HKD million*
Planned amount per Prospectus	20.9	158.8	72.3	35.6	170.3	11.3
Planned amount for actual net IPO proceeds 2009	25.4	192.7	87.7	43.2	206.6	13.7
Amount utilized up to 31 December 2010	(25.4)	(192.7)	—	—	—	(13.7)
Balance as at 31 December 2010	—	—	87.7	43.2	206.6	—
Amount utilized from 1 January to 25 February 2011	—	—	—	—	—	—
Balance as at 25 February 2011	—	—	87.7	43.2	206.6	—
Change of proposed use of the unutilized net proceeds	—	337.5	(87.7)	(43.2)	(206.6)	—
Balance after change of proposed use	—	337.5	—	—	—	—
Amount utilized from 25 February 2011 to 31 December 2016	—	—	—	—	—	—
Balance as at 31 December 2016	—	337.5	—	—	—	—

The unutilized balance is deposited in bank accounts at commercial banks in the PRC. The Group intends to utilize the net proceeds balance in the manner as set out above.

Capital expenditure

For the year ended 31 December 2016, the Group invested approximately RMB29.2 million in property, plant and equipment, mainly in the construction of mining structures at the mines in operation and for maintenance. The capital expenditure in exploration and evaluation assets was approximately RMB7.3 million for Gaotaizi Gold Mine.

For the year ended 31 December 2015, the Group invested approximately RMB68.8 million in property, plant and equipment, mainly in the construction of mining structures at the mines in operation. The capital expenditure in exploration and evaluation assets was approximately RMB31.0 million, of which approximately RMB21.4 million was for Yantang-Yandan Mine and approximately RMB9.7 million was for Gaotaizi Gold Mine.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016 and 2015.

Capital Commitment

As at 31 December 2016, the Group did not have capital commitment of capital expenditure contracted for but not provided in the consolidated financial statement.

As at 31 December 2015, we had capital commitment of capital expenditure contracted for but not provided in the consolidated financial statement of approximately RMB278.1 million in respect of exploration projects.

Operating lease commitments

As at 31 December 2016, the Group had contracted obligations consisting of operating leases which totaled approximately RMB3.7 million, with approximately RMB1.9 million due within one year and approximately RMB1.8 million due between two to five years. Lease terms ranged from two to three years with fixed rentals.

As at 31 December 2015, the Group had contracted obligations consisting of operating leases which totaled approximately RMB7.3 million, with approximately RMB2.1 million due within one year and approximately RMB5.2 million due between two to five years. Lease terms ranged from two to three years with fixed rentals.

Financial instruments

The Company did not have any hedging contracts or financial derivatives subsisting for the two years ended 31 December 2016 and 2015.

Segment analysis

Segment information is disclosed in note 5 to the consolidated financial statements set out in this announcement.

Employees and Emoluments Policy

As at 31 December 2016, the number of employees of the Group was 395 (2015: 298). For the year ended 31 December 2016, the staff cost (including directors' remuneration in the form of salaries, share-based payments and other allowances but excluding sub-contracting labour cost) was approximately RMB33.6 million (2015: RMB32.4 million). Staff cost increased mainly because the number of employees increased.

The Group's emolument policies are formulated based on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

Dividends

No final dividend was recommended by the Board for the two years ended 31 December 2016 and 2015.

Foreign Exchange Risk

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. We conduct our operations in the PRC and RMB is the functional and presentation currency of the Company. During the year ended 31 December 2016, the Group had bank balances that were denominated in foreign currencies which exposed the Group to foreign currency risks. The Group was mainly exposed to the fluctuation of HKD. The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. No foreign currency hedging activity is currently undertaken by the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Movement of Share Capital

	Number of shares	**Amount**
	'000	*HKD'000*
Issued and fully paid:		
Ordinary shares of HKD1.00 each		
At 31 December 2016 and 2015	908,786	908,786

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to the directors of the Company who are in office as at the date of this announcement and was in office as at 31 December 2016, the Board confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2016.

Code of Corporate Governance Practices

The Company acknowledges the need for and importance of corporate governance as one of the key elements in enhancing value for shareholders of the Company. The Company is committed to improving its corporate governance practices in compliance with regulatory requirements. The Company has adopted the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("**CG Code**") to regulate the corporate governance issues of the Group. The Board has reviewed the Company's corporate governance practices for the year ended 31 December 2016 (the "**Reporting Period**"), and has formed the opinion that the Company, throughout the Reporting Period, has complied with the code provisions ("**Code Provisions**") as set out in the CG Code except for the deviations set out below.

Code Provision A.1.3

Code Provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Reporting Period, certain regular Board meetings were convened with less than 14 days' notice in order to discuss certain urgent businesses in a timely manner and the shorter notice period was consented to by the directors each time. Notwithstanding the aforesaid, the Board will use its best endeavor to comply with Code Provision A.1.3 of the CG Code in the future.

Code Provision A.5.1

Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Prior to the annual general meeting held on 30 June 2016 (the "**2016 AGM**"), the Nomination and Remuneration Committee of the Company comprised Mr. Zhao Enguang, Mr. Li Xiaoping and Mr. Yang Yicheng, the then independent non-executive directors of the Company. As each of Mr. Zhao Enguang, Mr. Li Xiaoping and Mr. Yang Yicheng were not re-elected at the 2016 AGM, each of them ceased to be a director of the Company and a member of the Nomination and Remuneration Committee of the Company at the conclusion of the 2016 AGM. Therefore, there were no member on the Nomination and Remuneration Committee of the Company from the conclusion of the 2016 AGM till the appointment of new independent non-executive directors of the Company and members to the Nomination and Remuneration Committee of the Company on 30 September 2016, constituting a deviation from Code Provision A.5.1 of the CG Code.

Code Provision C.1.2

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient details to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the Reporting Period, management did not provide the board with monthly updates required under Code Provision C.1.2 of the CG Code. The Board notes that activities of the Group, both mining and exploration, have been suspended and the Group has not been conducting any operational or business activities. The Board has been updated regularly in relation to the status of the mines and corporate activities and announcements are made by the Company regularly to inform the market. As such, the management did not provide updates to the full Board on a monthly basis.

Important events after the Reporting Period

For details of the important events affecting the Group which have occurred since the end of the Reporting Period, please refer to the paragraphs headed "The status of China Guangfa Bank Accounts of the Group" and "The status of changes of legal representatives of subsidiaries in the PRC" in the annual results announcement of the Company for the year ended 31 December 2017 published on 2 August 2019.

Audit and Risk Management Committee

The Company has established an Audit and Risk Management Committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. The audited consolidated financial statements of the Group for the financial year ended 31 December 2016 have been reviewed by the Audit and Risk Management Committee (comprising Ms. Zhang Hui (the Chairman), Mr. Liu Aiguo and Ms. Wang Xu as at the date of this announcement).

Publication of the Audited Consolidated Annual Results and 2016 Annual Report on the websites of the Stock Exchange and the Company

This annual results announcement is published on the website of the Stock Exchange (http://www.hkexnews.com.hk) and the Company's website (http://www.realgoldmining.com), and the 2016 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

Suspension of Trading

Trading in the shares of the Company has been suspended since 27 May 2011. On 31 July 2018, the Company announced that as the shares of the Company would have been suspended from trading on the Stock Exchange for more than 12 months as at the effective date of the delisting framework under the Listing Rules which came into effect on 1 August 2018 (the "**Effective Date**"), the Stock Exchange may cancel the Company's listing if trading in the shares of the Company remains suspended for 12 continuous months from the Effective Date. This 12-month period expired on 31 July 2019. The Listing Department of the Stock Exchange may recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. The Stock Exchange has the right to impose a shorter specific remedial period under Rule 6.10 of the Listing Rules where appropriate. Details of the resumption conditions have been set out in the announcement of the Company dated 30 March 2012.

By Order of the Board
Real Gold Mining Limited
Lu Chunxiang
Chairman

Hong Kong, 2 August 2019

As at the date of this announcement, the executive directors are Mr. Lu Chunxiang (Chairman), Mr. Li Feng, Mr. Ren Yancheng, Mr. Guo Honggang and Mr. Kirk Vincent Wiedemer; and the independent non-executive directors are Mr. Liu Aiguo, Ms. Zhang Hui and Ms. Wang Xu.