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 2017

Financial Highlights

For the year ended 31 December 2017, the Group's revenue amounted to nil (2016: RMB232.8 million).

For the year ended 31 December 2017, loss and total comprehensive loss attributable to owners of the Company was approximately RMB103.6 million (2016: RMB715.6 million).

For the year ended 31 December 2017, the basic loss per share amounted to approximately RMB11.40 cents (2016: RMB78.74 cents).

No final dividend was recommended by the Board for the two years ended 31 December 2017 and 2016.

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 2017, which have been audited and agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*6*	**—**	232,782
Cost of sales		**—**	(262,329)
Gross loss		**—**	(29,547)
Other income	*7*	**1,054**	93,150
Administrative expenses		**(58,628)**	(76,075)
Other expenses	*8*	**(43,481)**	(776,840)
Loss from operations		**(101,055)**	(789,312)
Finance cost	*9*	**(3,452)**	(1,582)
Loss before tax		**(104,507)**	(790,894)
Income tax expense	*10*	**—**	(25,807)
Loss and total comprehensive loss for the year	*11*	**(104,507)**	(816,701)
Loss and total comprehensive loss for the year attributable to:			
Owners of the Company		**(103,559)**	(715,561)
Non-controlling interests		**(948)**	(101,140)
		(104,507)	(816,701)
Loss per share			
Basic	*12*	**(RMB11.40 cents)**	(RMB78.74 cents)
Diluted	*12*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	2017	2016
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**159**	165
Mining rights	**—**	—
Exploration and evaluation assets	**—**	—
Prepaid land lease payments	**—**	—
	159	165
Current assets		
Prepayment, deposits and other receivables	**5,568**	4,660
Bank and cash balances	**571,163**	674,083
	576,731	678,743
Current liabilities		
Other payables	**107,452**	114,293
Short-term borrowings	**23,240**	13,910
Current tax liabilities	**915**	915
	131,607	129,118
Net current assets	**445,124**	549,625
Total assets less current liabilities	**445,283**	549,790
Non-current liabilities		
Provision for restoration cost	**9,094**	9,094
Deferred tax liabilities	**16,724**	16,724
	25,818	25,818
NET ASSETS	**419,465**	523,972
Capital and reserves		
Share capital	**797,619**	797,619
Reserves	**(261,074)**	(157,515)
Equity attributable to owners of the Company	**536,545**	640,104
Non-controlling interests	**(117,080)**	(116,132)
TOTAL EQUITY	**419,465**	523,972

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 RMB103,559,000 for the year ended 31 December 2017 and there are certain issues on Guangfa bank accounts of the Group concerning approximately RMB439,657,000. 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 2017. 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 2017				
Segment loss before tax	**(10,952)**	**(1,413)**	**(3,755)**	**(16,120)**
Addition to non-current assets	**1,670**	**—**	**—**	**1,670**
Impairment losses on property, plant and equipment	**1,670**	**—**	**—**	**1,670**
As at 31 December 2017				
Segment assets	**2,913**	**47**	**3,907**	**6,867**
Segment liabilities	**53,166**	**24,716**	**10,296**	**88,178**

	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

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

	2017 *RMB'000*	2016 *RMB'000*
Revenue		
Total revenue of reportable segments and consolidated revenue	**—**	232,782
Profit or loss		
Total loss of reportable segments	**(16,120)**	(800,115)
Unallocated other income	**1,027**	57,232
Unallocated corporate expenses	**(89,414)**	(48,011)
Consolidated loss before tax	**(104,507)**	(790,894)
Assets		
Total assets of reportable segments	**6,867**	8,072
Unallocated bank and cash balances	**567,197**	668,848
Unallocated corporate assets	**2,826**	1,988
Consolidated total assets	**576,890**	678,908
Liabilities		
Total liabilities of reportable segments	**88,178**	106,960
Unallocated corporate liabilities	**69,247**	47,976
Consolidated total liabilities	**157,425**	154,936

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 the year ended 31 December 2017, no transactions were concluded to generate any trading income during the year.

For the year ended 31 December 2016, all the revenue are derived from customers located in the PRC.

(ii) *Non-current assets*

	2017 *RMB'000*	2016 *RMB'000*
Hong Kong	**153**	159
PRC	**6**	6
	159	165

Information about major customers

	Segment	**2017** *RMB'000*	2016 *RMB'000*
Customer A	Ore processing plant in Nantaizi and Luotuochang	**—**	33,425
Customer B	Ore processing plant in Nantaizi	**—**	163,398

6. REVENUE

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

	2017 *RMB'000*	2016 *RMB'000*
Products:		
— Gold	**—**	211,142
— Copper	**—**	4,553
— Other (Silver, Lead and Zinc)	**—**	17,087
	—	232,782

7. OTHER INCOME

	2017 *RMB'000*	2016 *RMB'000*
Government subsidies	**—**	35,893
Exchange gain	**—**	49,747
Bank interest income	**1,054**	2,558
Lapse of share options	**—**	4,952
	1,054	93,150

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

	2017	2016
	RMB'000	*RMB'000*
Exchange loss	**41, 811**	—
Impairment losses on prepaid land lease payments	**—**	2,615
Impairment losses on property, plant and equipment	**1,670**	152,944
Impairment losses on mining rights	**—**	6,368
Impairment losses on exploration and evaluation assets	**—**	608,017
Written off of other receivables	**—**	6,896
	43,481	776,840

9. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expenses	**3,452**	1,582

10. INCOME TAX EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Deferred tax expenses	**—**	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% (2016: 25%).

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

	2017	2016
	RMB'000	*RMB'000*
Loss before tax	**(104,507)**	(790,894)
Tax at applicable PRC EIT rate of 25% (2016: 25%)	**(26,127)**	(197,724)
Tax effect of income that is not taxable	**(11,522)**	(25,523)
Tax effect of expenses that are not deductible	**31,416**	19,111
Tax effect of temporary differences not recognized	**5,815**	35,733
Tax effect of tax losses not recognized	**418**	194,210
Income tax expense	**—**	25,807

11. LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR

The Group's loss and total comprehensive loss for the year is stated after charging the following:

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**866**	860
Amortization of prepaid land lease payments	**—**	31
Amortization of mining rights	**—**	20
Cost of inventories processed and sold	**—**	252,906
Depreciation of property, plant and equipment	**109**	3,059
Operating lease payments for rented premises	**2,853**	2,584
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	**24,438**	30,299
— Retirement benefits scheme contributions	**1,963**	3,266
	26,401	33,565

12. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB103,559,000 (2016: RMB715,561,000) and the weighted average number of ordinary shares of 908,786,000 (2016: 908,786,000) in issue during the year.

Diluted earnings per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the year ended 31 December 2017.

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

"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 (loss)/gain***

No sufficient evidence has been received by us in respect of whether the exchange loss of approximately RMB41,811,000 and exchange gain of approximately RMB49,747,000 were properly accounted for in the consolidated financial statements for the years ended 31 December 2017 and 2016 respectively.

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 RMB159,000 and RMB165,000 in the consolidated statement of financial position as at 31 December 2017 and 2016 respectively and no sufficient evidence has been received by us in respect of whether the impairment loss on property, plant and equipment of approximately RMB1,670,000 and RMB152,944,000 and the depreciation on property, plant and equipment of approximately RMB109,000 and RMB3,059,000 were properly accounted for in the consolidated financial statements for the years ended 31 December 2017 and 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 2017 and 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 2017 and 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 2017 and 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 RMB440,182,000 and RMB557,086,000 in the consolidated statement of financial position as at 31 December 2017 and 2016 respectively.

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 2017 and 2016.

9. ***Deferred tax liabilities***

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 2017 and 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 balances of non-controlling interests of approximately RMB117,080,000 and RMB116,132,000 in the consolidated statement of financial position as at 31 December 2017 and 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 RMB948,000 and RMB101,104,000 were properly accounted for in the consolidated financial statements for the years ended 31 December 2017 and 2016 respectively.

Any adjustments to the above figures might have a significant consequential effect on the consolidated financial performance for the years ended 31 December 2017 and 2016 and the consolidated financial position as at 31 December 2017 and 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 RMB103,559,000 for the year ended 31 December 2017 and there are certain issues on Guangfa bank accounts of the Group concerning approximately RMB439,657,000. 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 consolidated financial support. We consider that the material uncertainty has been adequately disclosed in the 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 (loss)/gain	a) The exchange (loss)/gain related the exchange (loss)/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 the 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 opinion 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>
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	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 21 to the consolidated financial statements of the Company for the year ended 31 December 2017. 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	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.

	Audit qualifications	The Company's response
10.	Non-controlling interests	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 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.
11.	Going Concern	a) The auditors' concern was based on the fact that the Group incurred a loss attributable to owners of the Company of approximately RMB103,559,000 for the year ended 31 December 2017 and the issue on the bank deposits with Guangfa bank as described in note 21 to the consolidated financial statements of the Company for the year ended 31 December 2017. 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.

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.

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 for 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.

The status of China Guangfa Bank Accounts of the Group

As announced by the Company on 31 March 2017 that the Company was advised by China Guangfa Bank (Huizhou Branch) (the "**Bank**") that operations of bank accounts in the name of the Company and Rich Vision Holdings Limited ("**Rich Vision**"), a wholly owned subsidiary of the Company, was suspended because the Bank has received verbal notice from the local public security bureau that it was looking into whether the Company and the subsidiary were connected with Qiaoxing which was under investigation. Based on the records of the Group, as of 31 December 2016 those bank accounts had approximately RMB600 million cash deposits, in addition to approximately RMB200 million held with other banks.

On or around 16 March 2017, the Company received bank statements from the Bank for the Company's bank accounts maintained at such bank for the month ended 30 November 2016 ("**November Bank Statement**") and for the month ended 31 December 2016 ("**December Bank Statement**"). Consistent with the Company's internal records, the November Bank Statement showed that the Company had, *inter alia*, fixed deposits of HK$200,000,000 ("**Fixed Deposits**"). However, such Fixed Deposit was not shown in the December Bank Statement. The Board made internal enquiries and confirmed that the Company had not authorised or procured the drawing of the Fixed Deposit from its bank accounts in December 2016. Therefore, the Board considered that it was possible the Bank might have made an error in the December Bank Statement. The Company made enquiries with the Bank about the said error but to no avail. The Company therefore sought assistance from its legal advisors in the PRC who demanded the Bank to explain the status of the Fixed Deposit. In addition, according to the Group's accounting records, Rich Vision has fixed deposits of HK$317,000,000 held with the Bank ("**Rich Vision Fixed Deposits**").

On 6 June 2017, the Company issued a letter of complaint to the China Banking Regulatory Commission ("**CBRC**") against the Bank in respect of the suspension of operations of bank accounts of the Company and Rich Vision, the Fixed Deposit of the Company and the Rich Vision Fixed Deposits. On 23 August 2017, the Company received a notice from the Huizhou branch of CBRC, which confirms that investigation was underway and provided the following information: (1) The CBRC was extending the investigations for 30 more days beyond the 60 days as originally intended as a result of the complexity of the matters of complaint; and (2) the CBRC would provide the Company with a written report of its findings upon completion of the investigations.

In response to the letter of complaint issued by the Company to the CBRC against the Bank in respect of the suspension of operations of bank accounts of the Company and Rich Vision, the CBRC had provided an update only in respect of the Fixed Deposits of the Company. The CBRC stated that it found no wrongdoing on the part of the Bank but there was an allegation that the Fixed Deposits had been pledged to the Bank to secure loans taken out by Qiaoxing. No further details had been provided by the CBRC. The Company had not seen a copy of the alleged pledge agreement(s) and was not aware of its/their terms or the obligations the pledge(s) was/were alleged to secure but was of the view that they could not have been properly authorized by the Company or any other Group company. Further, the Company has not received any independent confirmation from the Bank that it claims to have a pledge over the Fixed Deposits. The Company has no knowledge of the existence of any such pledge arrangements. As at 31 December 2017, the CBRC did not provide information in respect of the Rich Vision Deposit.

For details of the status of China Guangfa Bank Accounts of the Group since the end of the Reporting Period, please refer to the annual results announcement of the Company for the year ended 31 December 2018 published on 2 August 2019.

The status of changes of legal representatives of subsidiaries in the PRC

On 21 August 2017, the Company announced that Fubon Industrial (Huizhou) Co., Ltd ("**Fubon**"), a wholly-owned subsidiary of the Company, had been informed by the Huizhou Administration Bureau for Industry and Commerce on 4 August 2017 while attending to the change of legal representative of Fubon that all of the shares in Fubon were frozen by the Huizhou Police due to investigation by the Huizhou Police into financial fraud that might have been perpetrated by Mr. Wu Ruilin ("**Mr. Wu**") and Qiaoxing, a group of companies controlled by Mr. Wu. On 17 August 2017, the Company's representatives attended Huizhou Administration Bureau for Industry and Commerce and Huizhou Police to make further enquiries. The Company made a request to the Huizhou Police for the formal document directing a freezing of the Fubon's shares and Huizhou Police requested the Company to provide certain information to assist with its investigation. The Company would co-operate with the Huizhou Police and/or other local authorities in their investigation and Huizhou Police informed the Company that if after the investigation, Huizhou Police was satisfied that Fubon was not related to the case against Mr. Wu and Qiaoxing, the freezing of Fubon Shares would be discharged.

For details of the status of changes of legal representatives of subsidiaries in the PRC since the end of the Reporting Period, please refer to the annual results announcement of the Company for the year ended 31 December 2018 published on 2 August 2018.

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 the current difficulties and creating value for shareholders of the Company as a whole.

Financial Review

Revenue

The revenue of the Group decreased significantly from approximately RMB232.8 million for the year ended 31 December 2016 to nil for the year ended 31 December 2017. 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 nil for the year ended 31 December 2017, representing a decrease from approximately RMB262.3 million for the corresponding period in 2016, mainly due to the suspension of the mining activities at Shirengou Gold Mine and Nantaizi Gold Mine since mid 2016.

Gross loss and gross margin

As a result of the foregoing, gross loss was nil (2016: RMB29.5 million) and gross margin was nil (2016: –12.7%) for the year ended 31 December 2017.

Other income

Other income decreased from approximately RMB93.2 million for the year ended 31 December 2016 to approximately RMB1.1 million for the year ended 31 December 2017.

Other income for the year ended 31 December 2017 primarily consisted of bank interest income of approximately RMB1.1 million.

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.

The decrease in bank interest income was mainly due to less bank deposit in 2017 than in 2016.

Administrative expenses

Administrative expenses decreased from approximately RMB76.1 million for the year ended 31 December 2016 to approximately RMB58.6 million for the year ended 31 December 2017.

The administrative expenses for the year ended 31 December 2017 primarily consisted of salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB27.1 million (2016: RMB30.3 million) and professional fees of approximately RMB8.5 million (2016: RMB13.8 million).

Salaries paid and payable to, and benefits for, our administrative and management staff decreased from approximately RMB30.3 million for the year ended 31 December 2016 to approximately RMB27.1 million for the year ended 31 December 2017 as the number of employees decreased from 395 to 182.

Other Expenses

Other expenses decreased from approximately RMB776.8 million for the year ended 31 December 2016 to approximately RMB43.5 million for the year ended 31 December 2017.

For the year ended 31 December 2017, impairment losses on property, plant and equipment were approximately RMB1.7 million and exchange loss were approximately RMB41.8 million.

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.

Impairment losses were recognized as certain investments in property, plant and equipment, mining rights and exploration and evaluation assets were not expected to provide the required return. Less impairment losses were recognized in 2017 than in 2016 as there were less such investments in 2017. Exchange loss was recognized as Hong Kong dollars ("**HKD**") depreciated in 2017 against RMB.

Income tax expenses

Tax expenses was nil (2016: approximately RMB25.8 million) for the years ended 31 December 2017 result from no taxable profits produced by the companies of the Group.

Loss and total comprehensive loss for the year attributable to owners

Loss and total comprehensive loss attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB103.6 million (2016: RMB715.6 million).

Cash flows

Cash and cash equivalents decreased by approximately RMB102.9 million from approximately RMB674.1 million as at 31 December 2016 to approximately RMB571.2 million as at 31 December 2017.

Approximately RMB107.0 million was used in operating activities for the year ended 31 December 2017. 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.

Cash used in investing activities amounted to approximately RMB1.8 million for the year ended 31 December 2017, consists of approximately RMB1.8 million related to the cash outflow in respect of the additions of property, plant and equipment.

Net cash generated from financing activities amounted to approximately RMB5.8 million for the year ended 31 December 2017, of which approximately RMB3.5 million related to the cash outflow in respect of the loan interest payment, and approximately RMB1.8 million related to the cash outflow in respect of the repayment of short-term borrowings, partially being offset by the cash inflow of approximately RMB11.1 million related to the short-term borrowings.

Borrowings

The short-term borrowings for the year ended 31 December 2017 was approximately RMB23.2 million (2016: RMB13.9 million). Gearing, being total interest-bearing debt divided by total assets, was approximately 0.04 for the year ended 31 December 2017 (2016: 0.02).

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 2017, 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 2017	—	—	—	—	—	—
Balance as at 31 December 2017	—	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 2017, the Group invested approximately RMB1.8 million in property, plant and equipment, mainly in the construction of mining structures at the mines for maintenance.

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 RMB7.3 million for Gaotaizi Gold Mine.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2017 and 2016.

Capital Commitment

As at 31 December 2017 and 2016, the Group did not have capital commitment of capital expenditure contracted for but not provided in the consolidated financial statement.

Operating lease commitments

As at 31 December 2017, the Group had contracted obligations consisting of operating leases which totaled approximately RMB2.8 million (2016: RMB3.7 million), with approximately RMB2.5 million (2016: RMB1.9 million) due within one year and approximately RMB0.3 million (2016: RMB1.8 million) due between two to five years. Lease terms ranged from two to three years with fixed rentals for the two years ended 31 December 2017 and 2016.

Financial instruments

The Company did not have any hedging contracts or financial derivatives subsisting for the two years ended 31 December 2017 and 2016.

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 2017, the number of employees of the Group was 182 (2016: 395). For the year ended 31 December 2017, the staff cost (including directors' remuneration in the form of salaries and other allowances but excluding sub-contracting labour cost) was approximately RMB26.4 million (2016: RMB33.6 million). Staff cost decreased mainly because the number of employees decreased.

The Group's emolument policies are formulated 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 2017 and 2016.

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 2017, 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 2017.

Movement of Share Capital

	Number of shares	**Amount**
	'000	*HKD'000*
Issued and fully paid:		
Ordinary shares of HKD1.00 each		
At 31 December 2017 and 2016	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 offices as at 31 December 2017, 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 2017.

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 2017 (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 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. During the year ended 31 December 2017, the Company made the following update announcements: 31 March 2017, 23 May 2017, 15 September 2017 and 6 December 2017.

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 2017 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 2017 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 2017 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.