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## **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 2018**

#### **Financial Highlights**

For the two years ended 31 December 2018 and 2017, the Group's revenue amounted to nil.

For the year ended 31 December 2018, loss and total comprehensive loss attributable to owners of the Company was approximately RMB48.2 million (2017: RMB103.6 million).

For the year ended 31 December 2018, the basic loss per share amounted to approximately RMB5.31 cents (2017: RMB11.40 cents).

No final dividend was recommended by the Board for the two years ended 31 December 2018 and 2017.

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 2018, which have been audited and agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2017 as follows:

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

*For the year ended 31 December*

	<i>Notes</i>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Revenue</b>		—	—
Other income	7	<b>23,015</b>	—
Interest revenue		<b>57</b>	1,054
Administrative expenses		<b>(57,207)</b>	(58,628)
Other expenses	8	<b>(8,276)</b>	(43,481)
<b>Loss from operations</b>		<b>(42,411)</b>	(101,055)
Finance cost	9	<b>(7,032)</b>	(3,452)
<b>Loss before tax</b>		<b>(49,443)</b>	(104,507)
Income tax expense	10	—	—
<b>Loss and total comprehensive loss for the year</b>	11	<b>(49,443)</b>	(104,507)
<b>Loss and total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(48,215)</b>	(103,559)
Non-controlling interests		<b>(1,228)</b>	(948)
		<b>(49,443)</b>	(104,507)
<b>Loss per share</b>			
Basic	12	<b>(RMB5.31 cents)</b>	(RMB11.40 cents)
Diluted	12	N/A	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	2018 RMB'000	2017 RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	512	159
Mining rights	—	—
Exploration and evaluation assets	—	—
Prepaid land lease payments	—	—
	<u>512</u>	<u>159</u>
<b>Current assets</b>		
Prepayment, deposits and other receivables	6,858	5,568
Bank and cash balances	544,810	571,163
	<u>551,668</u>	<u>576,731</u>
<b>Current liabilities</b>		
Other payables	134,715	107,452
Short-term borrowings	20,710	23,240
Current tax liabilities	915	915
	<u>156,340</u>	<u>131,607</u>
<b>Net current assets</b>	<u>395,328</u>	<u>445,124</u>
<b>Total assets less current liabilities</b>	<u>395,840</u>	<u>445,283</u>
<b>Non-current liabilities</b>		
Provision for restoration cost	9,094	9,094
Deferred tax liabilities	16,724	16,724
	<u>25,818</u>	<u>25,818</u>
<b>NET ASSETS</b>	<u>370,022</u>	<u>419,465</u>
<b>Capital and reserves</b>		
Share capital	797,619	797,619
Reserves	(309,289)	(261,074)
Equity attributable to owners of the Company	488,330	536,545
Non-controlling interests	(118,308)	(117,080)
<b>TOTAL EQUITY</b>	<u>370,022</u>	<u>419,465</u>

## 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 RMB48,215,000 for the year ended 31 December 2018 and there are certain issues on Guangfa bank accounts of the Group concerning approximately RMB460,848,000. 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 2018. 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 <i>RMB'000</i>	Ore processing plant in Luotuochang <i>RMB'000</i>	Exploration of gold mines <i>RMB'000</i>	Total <i>RMB'000</i>
<i>For the year ended 31 December 2018</i>				
Segment loss before tax	(11,957)	(1,107)	(18,263)	(31,327)
Addition to non-current assets	8,031	—	243	8,274
Impairment losses on property, plant and equipment	8,031	—	243	8,274
<i>As at 31 December 2018</i>				
Segment assets	<u>145</u>	<u>114</u>	<u>64</u>	<u>323</u>
Segment liabilities	<u>61,694</u>	<u>25,187</u>	<u>14,237</u>	<u>101,118</u>
	Ore processing plant in Nantaizi <i>RMB'000</i>	Ore processing plant in Luotuochang <i>RMB'000</i>	Exploration of gold mines <i>RMB'000</i>	Total <i>RMB'000</i>
<i>For the year ended 31 December 2017</i>				
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
<i>As at 31 December 2017</i>				
Segment assets	<u>2,913</u>	<u>47</u>	<u>3,907</u>	<u>6,867</u>
Segment liabilities	<u>53,166</u>	<u>24,716</u>	<u>10,296</u>	<u>88,178</u>

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Profit or loss</b>		
Total loss of reportable segments	<b>(31,327)</b>	(16,120)
Unallocated other income and interest revenue	<b>23,030</b>	1,027
Unallocated corporate expenses	<u><b>(41,146)</b></u>	<u>(89,414)</u>
Consolidated loss before tax	<u><b>(49,443)</b></u>	<u>(104,507)</u>
<b>Assets</b>		
Total assets of reportable segments	<b>323</b>	6,867
Unallocated bank and cash balances	<b>544,639</b>	567,197
Unallocated corporate assets	<u><b>7,218</b></u>	<u>2,826</u>
Consolidated total assets	<u><b>552,180</b></u>	<u>576,890</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>101,118</b>	88,178
Unallocated corporate liabilities	<u><b>81,040</b></u>	<u>69,247</u>
Consolidated total liabilities	<u><b>182,158</b></u>	<u>157,425</u>

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, no transactions were concluded to generate any trading income.

(ii) *Non-current assets*

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Hong Kong	<b>506</b>	153
PRC	<u><b>6</b></u>	<u>6</u>
	<u><b>512</b></u>	<u>159</u>

## 6. REVENUE

No transactions were concluded to generate any trading income during the year.

## 7. OTHER INCOME

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Exchange gain	<u>23,015</u>	<u>—</u>

## 8. OTHER EXPENSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Exchange loss	—	41,811
Impairment losses on property, plant and equipment	8,274	1,670
Written off of property, plant and equipment	<u>2</u>	<u>—</u>
	<u>8,276</u>	<u>43,481</u>

## 9. FINANCE COSTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest expenses	<u>7,032</u>	<u>3,452</u>

## 10. INCOME TAX EXPENSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Deferred tax expenses	<u>—</u>	<u>—</u>

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% (2017: 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:

	<b>2018</b>	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	<u>(49,443)</u>	<u>(104,507)</u>
Tax at applicable PRC EIT rate of 25% (2017: 25%)	<b>(12,361)</b>	(26,127)
Tax effect of income that is not taxable	<b>(15,329)</b>	(11,522)
Tax effect of expenses that are not deductible	<b>25,268</b>	31,416
Tax effect of temporary differences not recognized	<b>3</b>	5,815
Tax effect of tax losses not recognized	<u><b>2,419</b></u>	<u>418</u>
Income tax expense	<u><u>—</u></u>	<u><u>—</u></u>

## 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:

	<b>2018</b>	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Auditor’s remuneration	<b>844</b>	866
Depreciation of property, plant and equipment	<b>184</b>	109
Operating lease payments for rented premises	<b>3,727</b>	2,853
Staff costs including directors’ emoluments		
— Salaries, bonus and allowances	<b>18,469</b>	24,438
— Retirement benefits scheme contributions	<u><b>1,221</b></u>	<u>1,963</u>
	<u><b>19,690</b></u>	<u>26,401</u>

## 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 RMB48,215,000 (2017: RMB103,559,000) and the weighted average number of ordinary shares of 908,786,000 (2017: 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 years ended 31 December 2018 and 2017.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **“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. *Exchange gain/(loss)***

No sufficient evidence has been received by us in respect of whether the exchange gain of approximately RMB23,015,000 and exchange loss of approximately RMB41,811,000 were properly accounted for in the consolidated financial statements for the years ended 31 December 2018 and 2017 respectively.

#### **2. *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 RMB512,000 and RMB159,000 in the consolidated statement of financial position as at 31 December 2018 and 2017 respectively and no sufficient evidence has been received by us in respect of whether the impairment loss on property, plant and equipment of approximately RMB8,274,000 and RMB1,670,000 and the depreciation on property, plant and equipment of approximately RMB184,000 and RMB109,000 were properly accounted for in the consolidated financial statements for the years ended 31 December 2018 and 2017 respectively.

#### **3. *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 2018 and 2017.

#### **4. *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 2018 and 2017.

#### **5. *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 2018 and 2017.

## **6. *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 RMB460,868,000 and RMB440,182,000 in the consolidated statement of financial position as at 31 December 2018 and 2017 respectively.

## **7. *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 2018 and 2017.

## **8. *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 2018 and 2017.

## **9. *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 RMB118,308,000 and RMB117,080,000 in the consolidated statement of financial position as at 31 December 2018 and 2017 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 RMB1,228,000 and RMB948,000 were properly accounted for in the consolidated financial statements for the years ended 31 December 2018 and 2017 respectively.

Any adjustments to the above figures might have a significant consequential effect on the consolidated financial performance for the years ended 31 December 2018 and 2017 and the consolidated financial position as at 31 December 2018 and 2017 and the related disclosures in the consolidated financial statements.

## **10. *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 RMB48,215,000 for the year ended 31 December 2018 and there are certain issues on Guangfa bank accounts of the Group concerning approximately RMB460,848,000. 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

	<b>Audit qualifications</b>	<b>The Company's response</b>
1	Exchange gain/(loss)	a) The exchange gain/(loss) related the exchange gain/(loss) on the bank deposits with Guangfa Bank which is the subject matter of the legal proceedings against Guangfa Bank (please refer to item 6 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.
2	Property, plant and equipment and impairment loss and depreciation on property, plant and equipment	a) The present Board took control of the management of the Group in late 2016. There is limited information and documents available to the present 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.
3	Exploration and evaluation assets	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.
4	Mining rights	
5	Prepaid land lease payments	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.

	<b>Audit qualifications</b>	<b>The Company's response</b>
6	Bank and cash balances	<p>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 2018.</p> <p>b) The management is confident that the Yuexiu Court will rule in favour of as such, the existence and valuation of the bank balances will be verified.</p> <p>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.</p>
7	Provision for restoration cost	<p>a) As provided in points 2 to 5 above, the management did not have sufficient information to prepare JORC and VALMIN standard information, the management cannot estimate the provision accurately.</p> <p>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.</p>
8	Deferred tax liabilities	<p>a) As provided in points 2 to 5 above, the management did not have sufficient information to prepare JORC and VALMIN standard information, the management cannot calculate the deferred tax liabilities accurately.</p> <p>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.</p>

	<b>Audit qualifications</b>	<b>The Company's response</b>
9	Non-controlling interests	<p>a) As provided in points 2 to 5 above, the management did not have sufficient information to prepare JORC and VALMIN standard information, the management cannot calculate the non-controlling interests accurately.</p> <p>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.</p>
10	Going Concern	<p>a) The auditors' concern was based on the fact that the Group incurred a loss attributable to owners of the Company of approximately RMB48,215,000 for the year ended 31 December 2018 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 2018.</p> <p>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.</p>

## **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**

Reference is made to the announcements of the Company dated 23 May 2017, 21 August 2017, 15 September 2017, 6 December 2017, 2 March 2018, 29 March 2018, 4 May 2018, 12 June 2018, 4 July 2018, 31 July 2018 and 31 October 2018. Unless otherwise specified, capitalised terms used in this section shall have the same meaning as those defined in the announcement of the Company dated 23 May 2017.

The Company had communicated with the Huizhou Police and was informed that the Huizhou Police was not responsible for freezing or sealing any fixed deposits from the bank accounts of the Company and Rich Vision.



As advised by its PRC legal advisers, the Group submitted two civil writs of action against Guangfa Bank in respect of the Fixed Deposit and the Rich Vision Fixed Deposit respectively at the People's Court of Yuexiu District in Guangzhou (the "**Yuexiu Court**"). The Yuexiu Court suggested the Group should commence civil proceedings against Guangfa Bank for reinstatement of accounts only. However, as the Group was unable to confirm the authenticity of any alleged pledge agreement(s) submitted by Guangfa Bank to the CBRC asserting the existence or validity of any pledge over the Fixed Deposit and the Rich Vision Fixed Deposit with Guangfa Bank, the Group commenced civil proceedings against Guangfa Bank for infringement of rights as one of its causes of action.

In response to the two civil actions commenced by the Group against Guangfa Bank at the Yuexiu Court, Guangfa Bank filed an application to challenge jurisdiction, which was dismissed by the Yuexiu Court (the "**Dismissal Ruling**"). Guangfa Bank then indicated that it intended to appeal the Dismissal Ruling when the Dismissal Ruling was served on Guangfa Bank. As the Guangzhou Intermediate People's Court received the appeal application from Guangfa Bank but the Company had not yet been served with the appeal application, the hearings originally scheduled on 7 June 2018 were therefore cancelled.

After the appeal application for the Dismissal Ruling on the Group was served, the Group submitted a response to the appeal application to the Guangzhou Intermediate People's Court. The appeal application was subsequently dismissed.

A hearing was held by the Yuexiu Court on 7 January 2019 in respect of the two civil actions commenced by the Group against Guangfa Bank, but no ruling was made by the court which required further evidence to be submitted.

A second hearing was held by the Yuexiu Court on 10 June 2019 in respect of each of the two civil actions initiated by the Group against Guangfa Bank, but no ruling was made by the court which ordered further evidence to be submitted. According to the evidence submitted by Guangfa Bank, Guangfa exercised its rights under the alleged pledge agreement(s) to foreclose the Fixed Deposit of the Company in its entirety in the amount of HK\$200,000,000 and HK\$307,000,000 out of the HK\$317,000,000 Rich Vision Fixed Deposit, following the expiry of the term of such alleged pledge agreement(s) and in addition, the local police has frozen HK\$10,000,000 of the Rich Vision Fixed Deposit in connection with the ongoing investigation against Mr. Wu Ruilin and his related companies. Guangfa Bank was ordered by the Yuexiu Court to provide such alleged pledge agreement(s) but it has not yet complied as at the date of this announcement. The two cases are still in the discovery stage.

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

Reference is made to the announcements of the Company dated 21 August 2017, 6 December 2017, 15 January 2018, 2 March 2018, 4 May 2018, 12 June 2018, 4 July 2018 and 31 July 2018.



The Company continues to take steps to effect changes of the legal representatives of two remaining subsidiaries, namely, Fubon and Fuqiao. Please refer to the Company's announcements dated 21 August 2017 and 6 December 2017 for details relating to the investigation by the Huizhou Police and the freezing of the entire shares in Fubon, and the consequent impediment on the progress of effecting changes of legal representatives of Fubon and Fuqiao. The Group would apply to the Huizhou branch of the SAIC to register the change in legal representative of Fubon in due course.

## **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 and Cost of sales*

As the production at Shirengou Gold Mine, Nantaizi Gold Mine and Luotuochang Gold Mine were suspended, no operation, revenue nor cost of sales was recorded during the two years ended 31 December 2018 and 2017.

### *Other income*

Other income increased from nil for the year ended 31 December 2017 to approximately RMB23.0 million for the year ended 31 December 2018.

Other income for the year ended 31 December 2018 primarily consisted of exchange gain of approximately RMB23.0 million.

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 2018.

### *Administrative expenses*

Administrative expenses decreased from approximately RMB58.6 million for the year ended 31 December 2017 to approximately RMB57.2 million for the year ended 31 December 2018.

The administrative expenses for the year ended 31 December 2018 primarily consisted of salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB19.9 million (2017: RMB27.1 million) and professional fees of approximately RMB6.3 million (2017: RMB8.5 million).

Salaries paid and payable to, and benefits for, our administrative and management staff decreased from approximately RMB27.1 million for the year ended 31 December 2017 to approximately RMB19.9 million for the year ended 31 December 2018 as the number of employees decreased from 182 to 110.

### *Other Expenses*

Other expenses decreased from approximately RMB43.5 million for the year ended 31 December 2017 to approximately RMB8.3 million for the year ended 31 December 2018.

For the year ended 31 December 2018, impairment losses on property, plant and equipment were approximately RMB8.3 million.

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.

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 2018 than in 2017 as there were more such investments in 2017.

### *Income tax expenses*

No income tax expenses for the two years ended 31 December 2018 and 2017.

### *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 2018 was approximately RMB48.2 million (2017: RMB103.6 million).

### *Cash flows*

Cash and cash equivalents decreased by approximately RMB26.4 million from approximately RMB571.2 million as at 31 December 2017 to approximately RMB544.8 million as at 31 December 2018.

Approximately RMB8.0 million was used in operating activities for the year ended 31 December 2018. 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 RMB8.8 million for the year ended 31 December 2018, consists of approximately RMB8.8 million related to the cash outflow in respect of the purchases of property, plant and equipment.

Net cash used in financing activities amounted to approximately RMB9.6 million for the year ended 31 December 2018, of which approximately RMB7.0 million related to the cash outflow in respect of the loan interest payment, and approximately RMB16.9 million related to the cash outflow in respect of the repayment of short-term borrowings, partially being offset by the cash inflow of approximately RMB14.3 million related to the short-term borrowings.

#### *Borrowings*

The short-term borrowings for the year ended 31 December 2018 was approximately RMB20.7 million (2017: RMB23.2 million). Gearing, being total interest-bearing debt divided by total assets, was approximately 0.04 for the two years ended 31 December 2018 and 2017.

#### *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 2018, the net proceeds from IPO had been utilized in the following manner:

	Future acquisition of gold resources in		Expanding exploration activities			
	Inner Mongolia HKD million	Other regions HKD million	Exploration activities HKD million	Facilitating actual production HKD million	Capital expenditures at existing gold mines HKD million	General corporate purpose HKD million
Planned amount per Prospectus	<u>20.9</u>	<u>158.8</u>	<u>72.3</u>	<u>35.6</u>	<u>170.3</u>	<u>11.3</u>
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	<u>(25.4)</u>	<u>(192.7)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(13.7)</u>
Balance as at 31 December 2010	—	—	87.7	43.2	206.6	—
Amount utilized from 1 January to 25 February 2011	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 25 February 2011	—	—	87.7	43.2	206.6	—
Change of proposed use of the unutilized net proceeds	<u>—</u>	<u>337.5</u>	<u>(87.7)</u>	<u>(43.2)</u>	<u>(206.6)</u>	<u>—</u>
Balance after change of proposed use	—	337.5	—	—	—	—
Amount utilized from 25 February 2011 to 31 December 2018	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 31 December 2018	<u>—</u>	<u>337.5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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 2018, the Group invested approximately RMB8.8 million (2017: RMB1.8 million) in property, plant and equipment, mainly in the construction of mining structures at the mines for maintenance.

#### *Contingent liabilities*

The Group did not have any significant contingent liabilities as at 31 December 2018 and 2017.

### *Capital Commitment*

As at 31 December 2018 and 2017, 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 2018, the Group had contracted obligations consisting of operating leases which totaled approximately RMB4.5 million (2017: RMB2.8 million), with approximately RMB2.4 million (2017: RMB2.5 million) due within one year and approximately RMB2.1 million (2017: RMB0.3 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 2018 and 2017.

### *Financial instruments*

The Company did not have any hedging contracts or financial derivatives subsisting for the two years ended 31 December 2018 and 2017.

### *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 2018, the number of employees of the Group was 110 (2017: 182). For the year ended 31 December 2018, the staff cost (including directors' remuneration in the form of salaries and other allowances but excluding sub-contracting labour cost) was approximately RMB19.7 million (2017: RMB26.4 million). Staff cost decreased mainly because the number of employees decreased.

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 2018 and 2017.

### **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 2018, 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 2018.

### **Movement of Share Capital**

	<b>Number of shares '000</b>	<b>Amount HKD'000</b>
Issued and fully paid: Ordinary shares of HKD1.00 each At 31 December 2018 and 2017	<u>908,786</u>	<u>908,786</u>

### **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 2018, 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 2018.

### **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 2018 (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 2018, the Company made the following update announcements: 15 January 2018, 2 March 2018, 29 March 2018, 4 May 2018, 12 June 2018, 4 July 2018, 31 July 2018 and 31 October 2018.

### **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 2018 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 2018 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 2018 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.*