Interim Report 2009

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

Contents

Corporate Information

Executive Directors

Mr. Lu Tianjun *(Chairman of the Board)*
Mr. Ma Wenxue *(Vice Chairman of the Board)*
Mr. Qiu Haicheng *(Chief Executive Officer)*
Mr. Cui Jie *(Chief Financial Officer)*

Independent Non-Executive Directors

Mr. Mak Kin Kwong
Mr. Zhao Enguang
Mr. Xiao Zuhe
Mr. Yang Yicheng

Secretary to the Board

Ms. Yu Lulu

Joint Company Secretaries

Ms. Yu Lulu
Mr. Leung Wai Chiu Albert

Nomination and Remuneration Committee

Mr. Xiao Zuhe *(Chairman)*
Mr. Zhao Enguang
Mr. Yang Yicheng

Audit and Risk Management Committee

Mr. Mak Kin Kwong *(Chairman)*
Mr. Zhao Enguang
Mr. Xiao Zuhe

Authorized Representatives

Mr. Xiao Zuhe
Mr. Leung Wai Chiu Albert

Investor Relations Contact

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Principal Share Registrar and Transfer Office

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Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
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Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas
Agricultural Bank of China
Guangdong Development Bank
Industrial and Commercial Bank of China Limited

Auditors

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway, Hong Kong

Legal Advisor

Gordon Ng & Co.

Compliance Advisor

Taifook Capital Limited

Principal Place of Business in Hong Kong

Room 1201B, 12/F, Java Commercial Centre,
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Headquarters of Our Company

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Xincheng District, Chifeng City, Inner Mongolia PRC

Financial Highlights

The Group's revenue amounted to approximately RMB404.2 million for the six months ended 30 June 2009, representing an increase of approximately RMB370.0 million, or approximately 1,083.1% as compared to approximately RMB34.2 million for the six months ended 30 June 2008.

The profit attributable to the equity holders of the Company for the six months ended 30 June 2009 was approximately RMB197.9 million. For the six months ended 30 June 2008, we had profit attributable to the equity holders of the Company of approximately RMB1.6 million.

The basic earnings per share attributable to equity holders of the Company amounted to approximately RMB31.43 cents for the six months ended 30 June 2009.

Business Review and Outlook

The Company mainly specializes in the mining of gold and the processing of ores, and focuses on the exploration and extraction of gold mines and the processing of ores. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, in February 2009. In the first half of 2009, the Group's revenue amounted to approximately RMB404.2 million, an increase of approximately 1,083.1% as compared to the six months ended 30 June 2008, and the net profit attributable to the equity holders of the Company amounted to approximately RMB197.9 million.

During the first half of 2009, against the background of the global financial crisis, as a result of the continuous fluctuations of the world economy as well as inflation concerns, the unique investment characteristics of gold provides the much needed value preservation and protective features that central banks over the world have been searching for. Gold is also irreplaceable in ensuring national security and avoiding financial risks. Possible increase in global demand for gold and rise of gold prices would provide more room in which to increase profit for the gold production industry.

China is one of the world's major consumers of gold. This huge market demand will be an important thrust for driving the rapid growth of domestic gold enterprises. In recent years, under the guidance of state's industrial policy, China's gold industry has enhanced its resources integration and industrial centralization; increased efforts on resources exploration as well as development and construction in key mining areas; strived to promote technological advancement; reduced costs and improved resource recovery rate; actively tackled the issues of energy-saving and emission reduction, to build an environmental-friendly mining area in order to achieve sustainable and healthy development.

For the six months ended 30 June 2009, cost of sales was approximately RMB110.4 million, gross profit was approximately RMB293.8 million and gross margin was approximately 72.7%. For the first six months ended 30 June 2008, cost of sales was approximately RMB6.1 million, gross profit was approximately RMB28.1 million and gross margin was approximately 82.2%. The decrease in gross margin in the current period is mainly caused by two factors. Firstly, under the impact from global financial market, while the price of gold has increased in the first half of 2009, there was also a decrease in the prices of our other four metal products (silver, copper, lead and zinc). Secondly, the proportion of production value of our gold mine located in Wuxiang Yingzi Village, Biliutai Town, Balinzuo Banner, Chifeng District, Inner Mongolia ("Luotuochang Gold Mine") (with lower gold grade) in the total production value of all the mines increased as compared with the same period last year. Notwithstanding this, the Company still recorded higher gross margin than the average of our competitors, owing mainly to the Company's poly-metal ores and lower costs together with the proficiency of our management team.

In the six months ended 30 June 2009, the Company had approximately 97.14% shareholding in three operating gold mines in Chifeng Municipality, Inner Mongolia. Extractions from these mines are poly-metallic ores. According to our actual production statistics for the six months ended 30 June 2009, the average gold grade of processed ore from the Nantaizi Gold Mine was approximately 9.7 grams per tonne whereas that from Luotuochang Gold Mine was approximately 3.3 grams per tonne.

We have two ore processing plants located at the Nantaizi Gold Mine and the Luotuochang Gold Mine with ore processing capacities of 990 tonnes per day and 800 tonnes per day respectively at present. According to the actual operation in the first half of 2009, utilization of the two plants reached approximately 102.3% and 98.6% respectively.

In accordance with our current resource situation we will continue to use our professional and large- scale mining method, and, as we carry out exploration and development activities, we will conduct scientific mine exploration for resources in adjacent areas in order to discover potential for more resources in our existing mines. Meanwhile, we will have our professional team to look closely at quality mines in other areas for a timely increase of reserves under our control in order to continue to develop the Company in a sustainable manner and to improve the Company's competitiveness. In respect of our existing mines, we will leverage on our "low costs, poly-metals" advantages to conduct scientific and appropriate extraction as well as exploration, striving to become one of the biggest gold mining companies in Chifeng Municipality and the East of Inner Mongolia.

Meanwhile, the expansion work of the two ore processing plants of the Company are under way, and is expected to be completed around the fourth quarter of 2009, at which time the ore processing capacity of Nantaizi Processing Plant and Luotuochang Processing Plant will reach approximately 1,480 tonnes per day and approximately 1,100 tonnes per day respectively with a combined ore production capacity of approximately 2,580 tonnes per day.

Operation Review

	Apr-09	May-09	Jun-09	2Q09	1Q09	QoQ	1H09
Nantaizi Processing Plant							
Average Daily Capacity (t/day)	990.0	990.0	990.0	990.0	990.0	—	990.0
Utilization Rate (%)	104.4	98.2	104.6	102.4	102.2	—	102.3
Production Days (Days)	30.0	31.0	30.0	91.0	62.2	—	153.2
Ore Processed (kt)	31.0	30.1	31.1	92.2	62.9	47%	155.2
Average Gold Grade (g/t)	9.7	9.8	9.7	9.7	9.6	1%	9.7
Average Recovery Rate (%)	86.0	86.1	85.0	85.7	86.5	–1%	85.8
Payable Gold (koz)	8.3	8.1	8.3	24.7	16.9	46%	41.6
Equivalent Gold (koz)	10.8	10.2	10.7	31.7	20.9	52%	52.6
Luotuochang Processing Plant							
Average Daily Capacity (t/day)	800.0	800.0	800.0	800.0	800.0	—	800.0
Utilization Rate (%)	99.1	96.8	103.7	99.8	96.8	—	98.6
Production Days (Days)	30.0	31.0	30.0	91.0	59.8	—	150.8
Ore Processed (kt)	23.8	24.0	24.9	72.7	46.3	57%	119.0
Average Gold Grade (g/t)	3.3	3.2	3.5	3.3	3.2	3%	3.3
Average Recovery Rate (%)	87.0	87.0	88.4	87.5	86.5	1%	87.1
Payable Gold (koz)	2.2	2.1	2.5	6.8	4.2	62%	11.0
Equivalent Gold (koz)	5.6	4.5	5.3	15.4	7.7	100%	23.1
Total Payable Gold (koz)	**10.5**	**10.2**	**10.8**	**31.5**	**21.0**	**50%**	**52.5**
Total Produced Equivalent Gold (koz)	**16.4**	**14.7**	**16.0**	**47.1**	**28.7**	**64%**	**75.8**
Total Sold Equivalent Gold (koz)	**14.0**	**14.4**	**16.1**	**44.5**	**29.2**	**52%**	**73.7**
Realized Gold Price (US$/oz)	**780.3**	**813.2**	**820.0**	**805.3**	**798.3**	**1%**	**802.5**
Unaudited Total Revenue (RMB'000)	**74,380.1**	**79,864.8**	**90,330.6**	**244,575.4**	**159,610.0**	**53%**	**404,185.4**

Operational conditions of the ore processing facility located at the Nantaizi Gold Mine

From April to June 2009, the ore processing facility located at the Nantaizi Gold Mine maintained a daily ore processing capacity of 990 tonnes. The amount of ore processed in April, May and June 2009 reached approximately 31,000 tonnes, 30,100 tonnes and 31,100 tonnes respectively, making the total amount of ore processed in the second quarter of 2009 attain approximately 92,200 tonnes. The total amount of ore processed in the first half of 2009 reached approximately 155,200 tonnes.

From April to June 2009, the average gold grade and recovery rate associated with the ore processing facility located at the Nantaizi Gold Mine were highly consistent with the estimation set out in the Independent Technical Expert's Report as disclosed in the Company's prospectus dated 10 February 2009 and the average gold grade and recovery rate of the first quarter of 2009. The average gold grade of the second quarter of 2009 was approximately 9.7 grams per tonne, and the average recovery rate was approximately 85.7%. The average gold grade of the first half of 2009 was approximately 9.7 grams per tonne, and the average recovery rate was approximately 85.8%.

The monthly production of payable gold at the ore processing facility located at the Nantaizi Gold Mine for each month from April to June 2009 was approximately 8,300 ounces, 8,100 ounces and 8,300 ounces respectively, while the equivalent gold production during the same period was approximately 10,800 ounces, 10,200 ounces and 10,700 ounces respectively. The total production of payable gold and equivalent gold in the first half of 2009 was approximately 41,600 ounces and 52,600 ounces respectively.

Operational conditions of the ore processing facility located at the Luotuochang Gold Mine

From April to June 2009, the ore processing facility located at the Luotuochang Gold Mine maintained a daily ore processing capacity of 800 tonnes. The amount of ore processed in April, May and June reached approximately 23,800 tonnes, 24,000 tonnes and 24,900 tonnes respectively, making the total amount of ore processed in the second quarter of 2009 attain approximately 72,700 tonnes. The total amount of ore processed in the first half of 2009 reached approximately 119,000 tonnes.

From April to June 2009, the average gold grade and recovery rate associated with the ore processing facility located at the Luotuochang Gold Mine were consistent with the estimation set out in the Independent Technical Expert's Report as disclosed in the Company's prospectus dated 10 February 2009 and the average gold grade and recovery rate of the first quarter of 2009. The average gold grade of the second quarter of 2009 was approximately 3.3 grams per tonne, and the average recovery rate was approximately 87.5%. The average gold grade of the first half of 2009 was approximately 3.3 grams per tonne, and the average recovery rate was approximately 87.1%.

The monthly production of payable gold at the ore processing facility located at the Luotuochang Gold Mine for each month from April to June 2009 was approximately 2,200 ounces, 2,100 ounces and 2,500 ounces respectively, while the equivalent gold production during the same period was approximately 5,600 ounces, 4,500 ounces and 5,300 ounces respectively. The total production of payable gold and equivalent gold in the first half of 2009 was approximately 11,000 ounces and 23,100 ounces respectively.

Overall, the Company produced in total approximately 31,500 ounces of payable gold and approximately 47,100 ounces of equivalent gold in the second quarter of 2009. In the first half of 2009, the Company produced in total approximately 52,500 ounces of payable gold and approximately 75,800 ounces of equivalent gold. The average realized gold price of the second quarter of 2009 was approximately USD805 per ounce, and the unaudited revenue of the same period was approximately RMB244.6 million. The average realized gold price of the first half of 2009 was approximately USD802.5 per ounce, and the unaudited revenue of the same period was approximately RMB404.2 million.

Financial Review

Revenue

The unaudited revenue of the Group increased from approximately RMB34.2 million for the six months ended 30 June 2008 to approximately RMB404.2 million for the six months ended 30 June 2009 (2009 first quarter: approximately RMB159.6 million; 2009 second quarter: approximately RMB244.6 million). The increase was primarily due to the commencement of commercial production at phases I and II of our ore processing facilities at the Nantaizi Gold Mine, and at phases I and II of our ore processing facilities at the Luotuochang Gold Mine, in the second half of 2008.

Cost of sales

Cost of sales was approximately RMB110.4 million for the six months ended 30 June 2009 (2009 first quarter: approximately RMB43.4 million; 2009 second quarter: approximately RMB67.0 million) and primarily included cost of raw materials consumed, subcontracting fees, auxiliary material costs, electricity costs, depreciation and amortization, environmental protection fees and production safety fees. For the six months ended 30 June 2009, our cost of sales accounted for approximately 27.3% of our revenue.

Cost of sales was approximately RMB6.1 million for the six months ended 30 June 2008 and primarily included auxiliary material costs, subcontracting fees and electricity costs. For the six months ended 30 June 2008, our cost of sales accounted for approximately 17.8% of our total revenue.

Gross profit and gross margin

As a result of the foregoing, gross profit was approximately RMB293.8 million and gross margin was approximately 72.7% for the six months ended 30 June 2009. For the six months ended 30 June 2008, gross profit was approximately RMB28.1 million and gross margin was approximately 82.2%. There are primarily two reasons for the decrease in gross margin. Firstly, under the impact from global financial market, while the price of gold has increased in the first half of 2009, there was also a decrease in the prices of our other four metal products (silver, copper, lead and zinc). Secondly, the proportion of production value of the Luotuochang Gold Mine (with lower gold grade) in the total production value of all the mines increased as compared with the same period last year.

Other income

Other income increased from approximately RMB1.5 million for the six months ended 30 June 2008 to approximately RMB11.8 million for the six months ended 30 June 2009.

The primary source of other income for the six months ended 30 June 2009 was government subsidies in the form of a tax benefit granted to us by the PRC government of approximately RMB8.6 million to encourage the development of the gold industry. We also had a release of financial guarantee liability of approximately RMB2.4 million related to the guarantee issued by us in connection with the secured exchangeable bonds issued by Lead Honest Management Limited, the Company's controlling shareholder, to certain investors at a consideration of US$50,000,000.

For the six months ended 30 June 2008, we recognized other income of approximately RMB1.5 million primarily due to government subsidies, which represented the tax benefit granted to us by the PRC government to encourage development of the gold industry.

The increase in government subsidies was in keeping with the increase in sales. There was an increase in the release of financial guarantee liability because the financial guarantee was granted by the Company only in July 2008.

Administrative expenses

Administrative expenses increased from approximately RMB18.8 million for the six months ended 30 June 2008 to approximately RMB26.5 million for the six months ended 30 June 2009 (2009 first quarter: approximately RMB19.9 million; 2009 second quarter: approximately RMB6.6 million).

The administrative expenses for the six months ended 30 June 2009 primarily represented equity-settled share-based payments expenses of approximately RMB10.1 million (2009 first quarter: approximately RMB6.8 million; 2009 second quarter: approximately RMB3.3 million), professional fees allocated to the listing of the Company's existing shares of approximately RMB9.1 million charged to the profit and loss account, all for the first quarter of 2009, amortization of mining rights of approximately RMB4.5 million, and other administrative expenses, such as salaries paid and payable to, and benefits for, our administrative and management staff, exploration expenses and travel and entertainment expenses.

The administrative expenses for the six months ended 30 June 2008 primarily represented professional fees allocated to the listing of the Company's existing shares of approximately RMB14.2 million charged to the profit and loss account, and other administrative expenses, such as salaries paid and payable to, and benefits for, our administrative and management staff, exploration expenses and travel and entertainment expenses.

Equity-settled share-based payments expenses increased because share options were granted to certain directors and employees of the Company on 12 March 2009. Professional fees associated with the initial public offering ("IPO") of the Company's shares decreased mainly because, with the listing of the Company's shares on the Stock Exchange on 23 February 2009, no further IPO expenses were incurred subsequent to that date. The increase in amortization of mining rights was in keeping with the increase in production.

Tax expenses

Tax expenses were approximately RMB74.8 million for the six months ended 30 June 2009 (2009 first quarter: approximately RMB28.5 million; 2009 second quarter: approximately RMB46.3 million), representing income tax on the profit generated from the Nantaizi Gold Mine, the Shirengou Gold Mine and the Luotuochang Gold Mine (collectively, "our Gold Mines"), which was taxed at the PRC's Enterprise Income Tax rate of 25%.

Tax expense was approximately RMB8.3 million for the six months ended 30 June 2008, comprising mainly RMB6.4 million current tax on our profit from the Shirengou-Nantazi Mining Complex, which was taxed at the PRC's Enterprise Income Tax rate of 25% and the deferred tax liability of RMB1.9 million arising mainly from the withholding tax applied on the profit of the Shirengou-Nantaizi Mining Complex. In addition, in the six months ended 30 June 2008, we utilized the tax loss of the Nantaizi Gold Mine in the amount of RMB1.1 million, which was carried forward from the prior year.

The increase in tax expense was primarily due to the increase in taxable profits in the operating subsidiaries.

Profit attributable to our equity holders

For the six months ended 30 June 2009, we had a profit attributable to our equity holders of approximately RMB197.9 million, which was the result of the sales of concentrates primarily from the operation at our Gold Mines. The profit attributable to our equity holders was arrived at after charging, among other things, depreciation and amortization charges of approximately RMB14.7 million (2009 first quarter: approximately RMB6.4 million; 2009 second quarter: approximately RMB8.3 million).

For the six months ended 30 June 2008, we had a profit attributable to our equity holders of approximately RMB1.6 million, which was the result of the limited amount of sales of concentrates before the commencement of commercial production at phases I and II of our ore processing facilities at the Nantaizi Gold Mine, and at phases I and II of our ore processing facilities at the Luotuochang Gold Mine.

Dividends

No dividends were declared for the six months ended 30 June 2008 and 2009.

Cash flows

For the six months ended 30 June 2009, we principally engaged in the exploration, mining and processing of gold ore and sale of concentrates in the PRC.

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of mining rights and maintaining cash reserves. Our capital requirements include construction of mine shafts and the expansion of the ore processing facilities. We plan to fund the capital expenditures and working capital with cash from operating activities, existing bank and cash balances and net proceeds from the IPO of the Company's shares in the way as set out in the prospectus of the Company dated 10 February 2009. We may also finance our working capital, if needed, using a combination of short-term and long-term bank borrowings.

Cash and cash equivalents increased in the amount of approximately RMB762.9 million from approximately RMB42.5 million as at 31 December 2008 to approximately RMB805.4 million as at 30 June 2009. Of the RMB805.4 million, the equivalent of RMB88.6 million was held in HKD, the equivalent of RMB0.2 million was held in USD and the rest was held in RMB.

We generated approximately RMB249.0 million in operating activities for the six months ended 30 June 2009. The increase in trade and other receivables under operating activities was in keeping with the increase in the scale of the operations. The decrease in trade and other payables under operating activities related mainly to the decrease in the accrual of IPO-related expenses following our successful listing in February 2009.

Net cash used in investing activities amounted to approximately RMB463.3 million for the six months ended 30 June 2009, of which approximately RMB35.8 million related to the purchase of property, plant and equipment for mining and construction of infrastructure at our Gold Mines and approximately RMB427.5 million related to the increase in an advance to independent third parties under investing activities. The increase in an advance to independent third parties under investing activities of approximately RMB427.5 million (the equivalent of the sum of approximately HKD415.2 million and approximately USD9.0 million) related to the first leg of a parallel loan arrangement in which the Company effectively converted HKD and USD to RMB and provided the RMB funds to a PRC subsidiary of the Company. The arrangement consisted in the first place of the Company transferring HKD and USD funds to independent third parties. Upon receipt of the funds by the independent third parties, PRC affiliates of the independent third parties transferred forthwith funds of an equivalent amount in RMB to a PRC subsidiary of the Company.

Net cash provided by financing activities was approximately RMB977.2 million for the six months ended 30 June 2009, of which approximately RMB549.8 million related to the proceeds from the issue of new shares of approximately RMB574.0 million, offset by the expenses allocated to the issue of new shares in the IPO of approximately RMB24.2 million, and approximately RMB427.4 million related to an advance from independent third parties under financing activities. The advance from independent third parties under financing activities related to the second leg of the parallel loan arrangement in which the Company effectively converted HKD and USD to RMB and provided the RMB funds to a PRC subsidiary of the Company. The said arrangement consisted in the first place of the Company transferring HKD and USD funds to independent third parties. Upon receipt of the funds by the independent third parties, PRC affiliates of the independent third parties transferred forthwith funds of an equivalent amount in RMB to a PRC subsidiary of the Company.

Borrowings

As at 30 June 2009, the Group did not have any short-term or long-term bank loans. Gearing, being total interest-bearing was divided by total assets, was nil. As at 30 June 2009, we had bank facilities in the total amount of RMB200 million, of which none were utilized.

Pledge of assets

As at 31 December 2008, the Company charged over its assets together with assets of two of its subsidiaries, Lita Investment Limited and Rich Vision Holdings Limited, in connection with the Pre-IPO Investment. The said pledge was released on 23 February 2009, the date on which shares of the Company were listed on the Main Board of the Stock Exchange. There were no significant charges on group assets as at 30 June 2009.

Contingent liabilities

As at 31 December 2008, we had a contingent liability relating to a guarantee given by certain members of our Group during 2008 to secure the US$50 million exchangeable bonds issued by Lead Honest Management Limited. The guarantee was released on 23 February 2009, the date at which shares of the Company were listed on the Main Board of the Stock Exchange. The Group did not have any significant contingent liabilities as at 30 June 2009.

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 expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately RMB501.7 million. From the listing date to 30 June 2009, the working capital and capital expenditure needs of the Company were met by funds provided by the operations. The net proceeds from the Company's IPO therefore remained intact as at 30 June 2009.

Capital expenditure

During the six months ended 30 June 2009, the Group invested approximately RMB37.3 million (same period in 2008: approximately RMB149.6 million), of which approximately RMB36.7 million related to the addition to property, plant and equipment for mining and the construction of infrastructure of the new ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine (for processing plant at Nantaizi Gold Mine: approximately RMB4.0 million; for shaft construction at the Nantaizi Gold Mine: approximately RMB20.8 million; for processing plant at the Luotuochang Gold Mine: approximately RMB1.3 million; for shaft construction at the Luotuochang Gold Mine: approximately RMB10.6 million).

Financial instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the six months ended 30 June 2009.

Segment analysis

An operating segment is defined as a component of an enterprise about which separate financial information is available that is evaluated regularly by the executive directors, the chief decision maker. For financial reporting purposes, the Group operates in two principal reportable segments, consisting of the Nantaizi Gold Mine and the Luotuochang Gold Mine.

Information regarding these segments is presented below.

Six months ended 30 June 2009

	Nantaizi Gold Mine *RMB'000*	**Luotuochang Gold Mine** *RMB'000*	**Total** *RMB'000*
Revenue	**285,920**	**118,265**	**404,185**
Segment result	**224,246**	**75,576**	**299,822**
Other income			**3,215**
Administrative expenses			**(23,940)**
Profit before taxation			**279,097**
Taxation			**(74,822)**
Profit for the period			**204,275**

Six months ended 30 June 2008

	Nantaizi Gold Mine *RMB'000*	Luotuochang Gold Mine *RMB'000*	Total *RMB'000*
Revenue	34,163	—	34,163
Segment result	26,283	(840)	25,443
Administrative expenses			(14,599)
Profit before taxation			10,844
Taxation			(8,294)
Profit for the period			2,550

Segment profit represents the profit earned by each segment without allocation of central administrative cost, directors' salaries, certain bank interest income and release of financial guarantee liability. This is the measure reported to the Group's executive directors for the purposes of resource allocation and performance assessment.

Employees and emoluments policy

As at 30 June 2009, the number of employees of the Group was 409 (31 December 2008: 248). During the six months ended 30 June 2009, the staff cost (including directors' remuneration in the form of salaries, share-based payments and other allowances) was approximately RMB30.0 million (first half of 2008: approximately RMB1.4 million).

The Group's emolument policies are formulated on the performance of individual employees 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 on 30 January 2009 for its employees, the details of which are set out under the section of "Share Option" in the Directors' Report of the 2008 Annual Report of the Company. The accounting policy for equity-settled share-based payment transactions and information about the estimation of the fair values of the share options are set out in Note 2 and Note 13 respectively to the Condensed Consolidated Financial Statements.

The following table discloses details of movements of the Company's share options held by our directors and our Chief Executive Officer and our employees, and the value of the share options granted to these persons during the six months ended 30 June 2009:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*	Number of share options: Outstanding at 1.1.2009	Granted during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2009	Value of share options granted *HK$*
Wang Zhentian *(Director)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	(330,000)	–	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	(330,000)	–	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	(330,000)	–	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	(330,000)	–	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	(330,000)	–	858,000
Lu Tianjun *(Director)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	330,000	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	330,000	858,000
Ma Wenxue *(Director)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	330,000	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	330,000	858,000
Qiu Haicheng *(Director and Chief Executive Officer)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	330,000	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	330,000	858,000
Cui Jie *(Director)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	330,000	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	330,000	858,000
Employees (in aggregate)	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	2,310,000	–	–	2,310,000	4,134,900
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	2,310,000	–	–	2,310,000	4,620,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	2,310,000	–	–	2,310,000	5,197,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	2,310,000	–	–	2,310,000	5,682,600
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	2,310,000	–	–	2,310,000	6,006,000

Future Plans

Our goal is to be the leading integrated gold producer in the PRC. We intend to be an industry leader in terms of growth, expanding our gold mining and processing operations through further development of our existing Gold Mines and increasing our gold reserves by continued exploration in the Inner Mongolia region. In addition, we intend to acquire and integrate additional gold mines in Inner Mongolia, Xinjiang and other regions.

As set out in the Prospectus, our Directors have formulated the following business development strategies:

- expansion of the ore processing facility located at the Nantaizi Gold Mine;
- expansion of the ore processing facility located at the Luotuochang Gold Mine;
- expansion of mining and exploration activities in Inner Mongolia;
- expansion of mining and exploration activities in Xinjiang and other regions; and
- development of gold smelting and refining operations.

Future material investment and capital costs for our existing mines

Our planned future capital expenditures for our existing mines mainly comprise the capital requirements for our mining operations and the construction of additional production capacities at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine. Our planned capital expenditures for the six months ending 31 December 2009 and the year ending 31 December 2010, which are expected to be funded by the net proceeds from the Company's initial public offering and internal resources of the Group, are as follows:

	Capital Cost	
	2009 2nd Half	**Year 2010**
Name of the Mines	*(RMB in millions)*	
Shirengou-Nantaizi Mining Complex	30.4	63.7
Luotuochang Gold Mine	19.2	25.0
Total	49.6	88.7

Planned acquisition

Assets planned to be acquired

The Company plans to purchase, through its subsidiary Chifeng Fuqiao Mining Company Limited ("Chifeng Fuqiao"), 95% of the equity interest in Yunnan Gudao. As at 7 September 2009, the date of the interim results announcement which is also the date of this interim report, Chifeng Fuqiao has not entered into any acquisition agreement; nor has the planned acquisition been authorized by the Board of Directors of the Company.

Fuyuan Gold Mine

Under the Fuyuan Exploration Permit, the permit holder may conduct exploration of the area around the Fuyuan Gold Mine within an area of 7.99 km^2. The Fuyuan Exploration Permit is currently held in the name of Non-Ferrous Metals Geology Exploration Institute of Henan Province. The Land Resources Bureau of the Qujing City, Yunnan Province is currently in the process of completing the transfer of the Fuyuan Exploration Permit to Yunnan Gudao. Details of the Fuyuan Gold Mine and the planned capital expenditure in respect thereof are set forth below. The planned capital expenditure will be funded by various financing means.

Planned production capacity (tpa):	500,000		
Planned production (kg):	Approximately 1,100		
Target commencement date:	1 December 2010		
Planned capital expenditure (RMB million):	Phase 1 (10/2009–09/2010)	Mine development	288.0
		Processing plant	67.0
	Phase 2 (10/2010–09/2011)	Mine development	—
		Processing plant	—
	Phase 3 (10/2011–09/2012)	Mine development	—
		Processing plant	—
	Total		355.0

Yunnan Gudao is currently applying for exploration permits to explore three pieces of land in the surrounding areas of the Fuyuan Gold Mine (the "Three Fuyuan Permits"). Applications in respect of the Three Fuyuan Permits have already been submitted to the relevant PRC governmental authorities.

Consideration

The consideration of acquiring the 95% equity interest in Yunnan Gudao would be RMB90,250,000.

In addition, Chifeng Fuqiao would pay an extra RMB349,228,550 as part of the consideration, in the event that Yunnan Gudao obtained the Three Fuyuan Permits.

The consideration would be satisfied by way of cash only from the proceeds of the initial public offering of the ordinary shares in the capital of our Company pursuant to the Company's prospectus dated 10 February 2009 as well as from other financing means.

Foreign Exchange Risk

We conduct our operations in the PRC and RMB is our reporting and functional currency. All of our revenue and operating costs are denominated in RMB. As domestic metal prices (which are expressed in RMB) move in line with global metal prices (which are typically expressed in U.S. dollars), the price in RMB we can receive for our concentrates depends on the RMB: US dollar exchange rate. The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. We have not entered into foreign exchange derivative instruments or futures to hedge against any potential fluctuations in the exchange rate of the RMB against the U.S. dollar.

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

The listing of the Company's shares commenced on 23 February 2009. Since the date on which dealings in the shares of the Company commenced on the Stock Exchange ("Listing Date") and up to 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Directors' and Chief Executive's Interests in Shares and Share Options

At 30 June 2009, the interests of the directors and chief executive of the Company in the shares and share options of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in share options

Name	Capacity	Number of options held	Number of underlying shares
Lu Tianjun (Director)	Beneficial owner	1,650,000	1,650,000
Ma Wenxue (Director)	Beneficial owner	1,650,000	1,650,000
Qiu Haicheng (Director and Chief Executive Officer)	Beneficial owner	1,650,000	1,650,000
Cui Jie (Director)	Beneficial owner	1,650,000	1,650,000

Other than as disclosed above, neither the directors nor the chief executive, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009.

Substantial Shareholders

As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in ordinary shares of HK$1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lead Honest Management Limited	Beneficial owner	495,000,000	75%
Tercel Holdings Limited	Interest of controlled corporation	495,000,000	75%
Credit Suisse Trust Limited	Trustee	495,000,000	75%
Wu Ruilin	Founder of a discretionary trust	495,000,000	75%

Note:

As at 30 June 2009, Lead Honest Management Limited was 100% controlled by Tercel Holdings Limited, which in turn was 100% controlled by Credit Suisse Trust Limited. Credit Suisse Limited was a trustee of Wu Family Trust, of which Mr. Wu Ruilin was the founder.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2009.

Information in Respect of Directors

Mr LU Tianjun, an Executive Director of the Company, has been appointed as the Chairman of the Company and Mr MA Wenxue, an Executive Director of the Company, has been appointed as the Vice Chairman of the Company, both with effect from 30 April 2009.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings as set out in the Model Code.

Code of Corporate Governance Practice

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. As the Company was listed on 23 February 2009, the Company was not required to comply with the requirements under the Code or the continuing obligations requirements of a listed company pursuant to the Listing Rules before 23 February 2009.

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Wang Zhentian, the then Chairman of the Board, being out of town, did not attend the annual general meeting of the Company held on 30 April 2009. Except for this deviation, the Company has complied with all the applicable code provisions as set out in the Code since the Listing Date.

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 Audit and Risk Management Committee presently comprises three independent non-executive directors of the Company, namely, Mr. Mak Kin Kwong, Mr. Xiao Zuhe and Mr. Zhao Enguang. The Audit and Risk Management Committee and the external auditors have reviewed the unaudited interim results of the Group.

Deloitte.
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TO THE BOARD OF DIRECTORS OF REAL GOLD MINING LIMITED
瑞金礦業有限公司

Introduction

We have reviewed the interim financial information set out on pages 16 to 28, which comprise the condensed consolidated statement of financial position of Real Gold Mining Limited as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
7 September 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30.6.2009 RMB'000 (unaudited)	30.6.2008 RMB'000 (unaudited)
Revenue	3	**404,185**	34,163
Cost of sales		**(110,424)**	(6,075)
Gross profit		**293,761**	28,088
Other income		**11,815**	1,515
Administrative expenses		**(26,479)**	(18,759)
Profit before taxation	4	**279,097**	10,844
Taxation	5	**(74,822)**	(8,294)
Profit and total comprehensive income for the period		**204,275**	2,550
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**197,852**	1,626
Minority interests		**6,423**	924
		204,275	2,550
Basic earnings per share	6	**RMB31.43 cents**	RMB5,870

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**343,383**	316,160
Mining rights		**186,249**	190,719
Prepaid lease payments		**6,021**	6,084
		535,653	512,963
CURRENT ASSETS			
Prepaid lease payments		**125**	125
Inventories		**5,518**	5,234
Trade and other receivables	9	**28,332**	21,244
Loans receivable	10	**427,466**	—
Bank balances and cash		**805,435**	42,493
		1,266,876	69,096
CURRENT LIABILITIES			
Trade and other payables	11	**34,102**	40,227
Loans payable	10	**427,398**	—
Financial guarantee liability		**—**	2,393
Tax payable		**46,877**	9,460
		508,377	52,080
NET CURRENT ASSETS		**758,499**	17,016
		1,294,152	529,979
CAPITAL AND RESERVES			
Share capital	12	**579,665**	387,522
Reserves		**674,937**	109,330
Equity attributable to owners of the Company		**1,254,602**	496,852
Minority interests		**22,151**	15,728
		1,276,753	512,580
NON-CURRENT LIABILITIES			
Provision for restoration cost		**675**	675
Deferred tax liability		**16,724**	16,724
		17,399	17,399
		1,294,152	529,979

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Share options reserve *RMB'000*	Other reserve *RMB'000*	(Accumulated losses) Retained profits *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
At 1 January 2008 (audited)	–	–	203	–	–	(2,581)	(2,378)	190	(2,188)
Profit and total comprehensive income for the period	–	–	–	–	–	1,626	1,626	924	2,550
Issue of new shares	1	–	–	–	–	–	1	–	1
At 30 June 2008 (unaudited)	1	–	203	–	–	(955)	(751)	1,114	363
At 1 January 2009 (audited)	**387,522**	**–**	**16,914**	**–**	**7,803**	**84,613**	**496,852**	**15,728**	**512,580**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**197,852**	**197,852**	**6,423**	**204,275**
Issue of shares at a premium through initial public offering	**91,833**	**482,126**	**–**	**–**	**–**	**–**	**573,959**	**–**	**573,959**
Issue of shares by capitalisation of share premium account	**100,310**	**(100,310)**	**–**	**–**	**–**	**–**	**–**	**–**	
Transaction costs attributable to issue of shares	**–**	**(24,192)**	**–**	**–**	**–**	**–**	**(24,192)**	**–**	**(24,192)**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**10,131**	**–**	**–**	**10,131**	**–**	**10,131**
Release of equity-settled share-based payments	**–**	**–**	**–**	**(900)**	**–**	**900**	**–**	**–**	**–**
At 30 June 2009 (unaudited)	**579,665**	**357,624**	**16,914**	**9,231**	**7,803**	**283,365**	**1,254,602**	**22,151**	**1,276,753**

Statutory reserve represents the appropriation of 10% of profit after taxation determined based on the accounting standards and regulations in the People's Republic of China (the "PRC") as required by the Articles of Association of one of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory reserve has reached 50% of that PRC subsidiary's registered capital.

Other reserve comprises amount advanced and waived by Lead Honest Management Limited ("Lead Honest"), the Company's immediate holding company, during the year ended 31 December 2008.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**249,062**	26,620
Net cash used in investing activities		
Purchase of property, plant and equipment	**(35,819)**	(87,279)
Addition of prepaid lease payments	**—**	(582)
Advance to independent third parties	**(427,466)**	—
	(463,285)	(87,861)
Net cash from (used in) financing activities		
Proceeds from issue of shares	**573,959**	1
Expenses on issue of shares	**(24,192)**	—
Advance from related parties	**—**	61,694
Advance from independent third parties	**427,398**	—
	977,165	61,695
Net increase in cash and cash equivalents	**762,942**	454
Cash and cash equivalents at beginning of the period	**42,493**	760
Cash and cash equivalents at end of the period, represented by bank balances and cash	**805,435**	1,214

1. Basis of Preparation

The Company was incorporated in the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23 February 2009.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the application of the accounting policy for share options granted during the current interim period.

Equity-settled share-based payment transactions

For share options granted to employees, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

In addition, in the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2009.

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, IAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, no business and geographical segment information is presented. The application of IFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 (see note 3). The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. Significant Accounting Policies (Continued)

The Group has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Amendment to IFRS 5[2]
IFRSs (Amendments)	Improvements to IFRSs April 2009[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 39 (Amendment)	Eligible Hedged Items[2]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[2]
IFRS 3 (Revised)	Business Combinations[2]
IFRIC-Int 9 & IAS 39 (Amendments)	Embedded Derivatives[3]
IFRIC-Int 17	Distributions of Non-cash Assets to Owners[2]
IFRIC-Int 18	Transfers of Assets from Customers[4]

1 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 30 June 2009
4 Effective for transfers on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the Group accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other revised standards, amendments and interpretations will have no material effect on the how the results and financial position of the Group are prepared and presented.

3. Revenue and Segment Information

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the group are the Group's executive directors. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior year, no business and geographical segment information is presented because the Group is engaged in one business segment which is the production and sale of precious metals concentrates and the Group's revenue is generated in the People's Republic of China (the "PRC") and all of its assets are located in the PRC. However, information reported to the Group's executive directors for the purposes of resource allocation and assessment of performance focuses more specifically on individual gold mine. The principal gold mines are Nantaizi gold mine and Luotuochang gold mine. The Group's reportable segments under IFRS 8 are therefore as follows:

— Nantaizi gold mine

— Luotuochang gold mine

3. Revenue and Segment Information (Continued)

Information regarding these segments is presented below.

Six months ended 30 June 2009

	Nantaizi gold mine *RMB'000*	Luotuochang gold mine *RMB'000*	Total *RMB'000*
Revenue	**285,920**	**118,265**	**404,185**
Segment result	**224,246**	**75,576**	**299,822**
Other income			**3,215**
Administrative expenses			**(23,940)**
Profit before taxation			**279,097**
Taxation			**(74,822)**
Profit for the period			**204,275**

Six months ended 30 June 2008

	Nantaizi gold mine *RMB'000*	Luotuochang gold mine *RMB'000*	Total *RMB'000*
Revenue	34,163	—	34,163
Segment result	26,283	(840)	25,443
Administrative expenses			(14,599)
Profit before taxation			10,844
Taxation			(8,294)
Profit for the period			2,550

Segment profit represents the profit earned by each segment without allocation of central administrative cost, directors' salaries, certain bank interest income and release of financial guarantee liability. This is the measure reported to the Group's executive directors for the purposes of resource allocation and performance assessment.

4. Profit before Taxation

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Amortisation of mining rights (included in cost of sales)	**4,470**	707
Amortisation of prepaid lease payments	**63**	2
Depreciation of property, plant and equipment	**10,119**	404
Equity-settled share-based payments expenses (included in administrative expenses)	**10,131**	—
Loss on write-off of property, plant and equipment	**—**	920
Cost of inventories consumed	**95,874**	5,052
Listing expenses	**9,116**	14,165
and after crediting:		
Interest income	**533**	3
Release of financial guarantee liability	**2,393**	—

5. Taxation

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	**74,822**	6,406
Deferred tax	**—**	1,888
	74,822	8,294

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC. The Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax calculated at 25% of taxable income effective from 1 January 2008.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The Law on the PRC Enterprise Income Tax has imposed withholding tax upon the distribution of the profits earned by PRC subsidiaries from 1 January 2008 onwards to their non-PRC shareholders. At 30 June 2009, the aggregate amount of temporary differences associated with retained earnings of the Company's PRC subsidiaries was approximately RMB385,239,000. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the Company's PRC subsidiaries amounting to approximately RMB218,000,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. Earnings Per Share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	**197,852**	1,626
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**629,488,398**	277

The calculation of weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the capitalisation issue as detailed in note 12(i).

No diluted earnings per share was presented as there were no potential ordinary shares outstanding during the six months ended 30 June 2008 and the exercise price of the Company's outstanding share options is higher than the average market price for the Company's shares during the six months ended 30 June 2009.

7. Interim Dividend

No dividend has been paid or proposed by the Company for the six months ended 30 June 2008 and 30 June 2009.

8. Property, Plant and Equipment

During the period, the Group spent RMB37,342,000 (six months ended 30 June 2008: RMB149,417,000) on acquisition of property, plant and equipment.

9. Trade and Other Receivables

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
Trade receivables	**27,147**	19,833
Deposits and prepayments	**1,109**	1,254
Other receivables	**76**	157
	28,332	21,244

The average credit period granted to the Group's customers is 30 days. The trade receivables as at 30 June 2009 and 31 December 2008 were aged within 30 days.

10. Loans Receivable and Loans Payable

During the period, the Group entered into two sets of loan arrangements on a back-to-back basis with two separate independent third parties and their respective affiliates in the PRC (the "Parallel Loan Arrangements").

Under the Parallel Loan Arrangements, the Company first transferred HK$415,163,000 and US$9,000,000 to respective independent third parties. Upon receipt of the funds by the independent third parties, the affiliates of the independent third parties transferred forthwith funds of an equivalent amount in RMB427,398,000 to a PRC subsidiary of the Company.

The independent third parties are required to settle the outstanding loans receivable to the Company on demand by the Company. The PRC subsidiary of the Company is required to settle the outstanding loans payable to the affiliates of independent third parties on demand by the affiliates of the independent third parties, but only after the independent third parties have settled the loans receivable to the Company.

As there is no legally enforceable right of the Group to set off the loans receivable and loans payable, the loan amounts are presented separately in the condensed consolidated statement of financial position.

The loans receivable and loans payable are unsecured and interest-free and expected to be settled within one year.

11. Trade and Other Payables

	30.6.2009 ***RMB'000***	31.12.2008 *RMB'000*
Trade payables	**126**	16
Other payables	**33,976**	40,211
	34,102	40,227

The following is an aged analysis of trade payables at the reporting dates:

	30.6.2009 ***RMB'000***	31.12.2008 *RMB'000*
0–60 days	**108**	16
Over 90 days	**18**	—
	126	16

12. Share Capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$1 each:		
Authorised:		
At 13 March 2008 (date of incorporation) and 30 June 2008	380,000	380
Increase in authorised share capital	999,620,000	999,620
At 31 December 2008 and 30 June 2009	1,000,000,000	1,000,000
Issued and fully paid:		
At 13 March 2008 (date of incorporation)	1	—
Issue of new shares	999	1
At 30 June 2008	1,000	1
Issue of new shares	441,942,715	441,943
At 31 December 2008	441,943,715	441,944
Allotment upon capitalisation (note i)	113,856,285	113,856
Issue by global offering (note ii)	104,200,000	104,200
At 30 June 2009	660,000,000	660,000

	RMB'000
Shown in the financial statements as	
At 30 June 2009	579,665
At 31 December 2008	387,522

Notes:

(i) On 23 February 2009, the Company allotted and issued 113,856,285 ordinary shares of HK$1 each as fully paid to the then sole shareholder by the capitalisation of an amount of HK$113,856,285 (equivalent to approximately RMB100,310,000) in the share premium of the Company.

(ii) On 23 February 2009, the Company issued 104,200,000 ordinary shares of HK$1 each for cash at the price of HK$6.25 per share, totalling HK$651,250,000 (equivalent to approximately RMB573,959,000), pursuant to the Company's initial public offering for listing of those shares on the Stock Exchange.

The new shares rank pari passu with the existing shares then in issue.

13. Share-Based Payment Transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the then sole shareholder passed on 30 January 2009 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years from the date of adoption of the Scheme. The following table discloses details of movements of the Company's share options during the period:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share	Number of share options			
					Outstanding at 1.1.2009	Granted during the period	Lapsed during the period	Outstanding at 30.6.2009
				HK$				
Directors	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	1,650,000	(330,000)	1,320,000
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	1,650,000	(330,000)	1,320,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	1,650,000	(330,000)	1,320,000
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	1,650,000	(330,000)	1,320,000
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	1,650,000	(330,000)	1,320,000
Employees	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	2,310,000	–	2,310,000
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	2,310,000	–	2,310,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	2,310,000	–	2,310,000
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	2,310,000	–	2,310,000
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	2,310,000	–	2,310,000
					–	19,800,000	(1,650,000)	18,150,000
Exercisable at end of the reporting date								3,630,000

In respect of the share options granted during the period, the closing price of the Company's shares immediately before the date of grant of the options was HK$4.86 and the estimated fair values of the options at the date of grant with no vesting period and vesting period of 1 year, 2 years, 3 years and 4 years were approximately HK$1.79, HK$2.00, HK$2.25, HK$2.46 and HK$2.60 per option respectively. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Closing share price at date of grant	HK$4.90
Exercise price	HK$6.25
Suboptimal exercise factor	2
Expected volatility	71.7%
Expected dividend yield	—
Risk free rate	1.6%

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the period, the Group recognised share-based payments expenses of approximately RMB10,131,000 (six months ended 30 June 2008: Nil) in relation to the share options granted by the Company.

14. Related Party Disclosures

The remuneration of key management personnel of the Group, representing directors, during the period, is as follows:

	Six months ended	
	30.6.2009	30.6.2008
	RMB'000	*RMB'000*
Short-term benefits	**460**	48
Post-employment benefits	**20**	8
Equity-settled share-based payments	**4,221**	—
	4,701	56