瑞金礦業
Real Gold Mining Limited

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

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

**(Stock Code: 246)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

**Financial Highlights**

For the year ended 31 December 2013, the Group's revenue amounted to approximately RMB252.9 million (2012: RMB790.5 million).

For the year ended 31 December 2013, loss and total comprehensive loss attributable to owners of the Company was approximately RMB1,866.9 million (2012: RMB67.0 million).

For the year ended 31 December 2013, the basic loss per share amounted to approximately RMB205.43 cents (2012: RMB7.37 cents).

No final dividend was recommended by the Board for the two years ended 31 December 2013 and 2012.

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 2013, which have been agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2012 as follows:

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

*For the year ended 31 December*

| | *Notes* | **2013** *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| **Revenue** | *5* | **252,858** | 790,482 |
| Cost of sales | | **(503,040)** | (438,314) |
| **Gross (loss)/profit** | | **(250,182)** | 352,168 |
| Other income | *6* | **61,121** | 139,484 |
| Administrative expenses | | **(74,655)** | (89,977) |
| Other expenses | *7* | **(1,680,265)** | (387,833) |
| **(Loss)/Profit before tax** | | **(1,943,981)** | 13,842 |
| Income tax expense | *8* | **(688)** | (102,395) |
| **Loss and total comprehensive loss for the year** | *9* | **(1,944,669)** | (88,553) |
| **Loss and total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | **(1,866,894)** | (66,964) |
| Non-controlling interests | | **(77,775)** | (21,589) |
| | | **(1,944,669)** | (88,553) |
| **Loss per share** | | | |
| Basic | *10* | **(RMB205.43 cents)** | (RMB7.37 cents) |
| Diluted | *10* | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December*

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **755** | 825 |
| Mining rights | | **—** | — |
| Exploration and evaluation assets | | **506,668** | 480,170 |
| Prepaid land lease payments | | **2,695** | 2,753 |
| | | **510,118** | 483,748 |
| **Current assets** | | | |
| Prepaid land lease payments | | **62** | 62 |
| Inventories | | **27,796** | 11,439 |
| Trade and other receivables | *11* | **156,248** | 682,322 |
| Bank and cash balances | | **1,328,742** | 2,766,249 |
| | | **1,512,848** | 3,460,072 |
| **Current liabilities** | | | |
| Other payables | | **130,764** | 117,297 |
| Current tax liabilities | | **1,010** | 10,885 |
| | | **131,774** | 128,182 |
| **Net current assets** | | **1,381,074** | 3,331,890 |
| **Total assets less current liabilities** | | **1,891,192** | 3,815,638 |
| **Non-current liabilities** | | | |
| Provision for restoration cost | | **9,094** | 9,094 |
| Deferred tax liabilities | | **16,724** | 16,724 |
| | | **25,818** | 25,818 |
| **NET ASSETS** | | **1,865,374** | 3,789,820 |
| **Capital and reserves** | | | |
| Share capital | | **797,619** | 797,619 |
| Reserves | | **1,127,166** | 2,973,837 |
| Equity attributable to owners of the Company | | **1,924,785** | 3,771,456 |
| Non-controlling interests | | **(59,411)** | 18,364 |
| **TOTAL EQUITY** | | **1,865,374** | 3,789,820 |

## 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 is Units 3601–03, 36/F, AIA Tower, 183 Electric Road, North Point. 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. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied 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 2013. 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 except as stated below.

#### (a) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**(b) IFRS 12 "Disclosure of Interests in Other Entities"**

IFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of IFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. IFRS 12 has been applied retrospectively.

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.

## 3. 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.

## 4. SEGMENT INFORMATION

The Group has 3 operating 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 is presented as an operating segment.

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

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

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

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

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

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

| | Ore processing plant in Nantaizi *RMB'000* | Ore processing plant in Luotuochang *RMB'000* | Exploration of gold mines *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| ***For the year ended 31 December 2013*** | | | | |
| Revenue from external customers | **138,269** | **114,589** | **—** | **252,858** |
| Segment loss before tax | **(1,014,811)** | **(482,404)** | **(380,202)** | **(1,877,417)** |
| Addition to non-current assets | **910,427** | **354,413** | **405,567** | **1,670,407** |
| Amortization of prepaid land lease payments | **24** | **34** | **—** | **58** |
| Impairment losses on property, plant and equipment | **910,427** | **354,413** | **—** | **1,264,840** |
| Impairment losses on exploration and evaluation assets | **—** | **—** | **379,069** | **379,069** |
| Bank interest income | **149** | **34** | **—** | **183** |
| Income tax expense | **49** | **15** | **—** | **64** |
| ***As at 31 December 2013*** | | | | |
| Segment assets | **21,008** | **13,972** | **508,399** | **543,379** |
| Segment liabilities | **84,903** | **52,454** | **478** | **137,835** |

| | Ore processing plant in Nantaizi *RMB'000* | Ore processing plant in Luotuochang *RMB'000* | Exploration of gold mines *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| *For the year ended 31 December 2012* | | | | |
| Revenue from external customers | 518,628 | 271,854 | — | 790,482 |
| Segment profit/(loss) before tax | 168,444 | (5,676) | (112,209) | 50,559 |
| Addition to non-current assets | 163,466 | 113,088 | 111,279 | 387,833 |
| Amortization of prepaid land lease payments | 27 | 35 | — | 62 |
| Impairment losses on property, plant and equipment | 163,466 | 113,088 | — | 276,554 |
| Impairment losses on exploration and evaluation assets | — | — | 111,279 | 111,279 |
| Bank interest income | 118 | 84 | — | 202 |
| Income tax expense | 77,540 | 23,820 | — | 101,360 |
| *As at 31 December 2012* | | | | |
| Segment assets | 11,545 | 11,675 | 482,024 | 505,244 |
| Segment liabilities | 88,718 | 55,737 | 234 | 144,689 |

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

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Revenue** | | |
| Total revenue of reportable segments and consolidated revenue | **252,858** | 790,482 |
| **Profit or loss** | | |
| Total (loss)/profit of reportable segments | **(1,877,417)** | 50,559 |
| Unallocated other income | **30,817** | 41,640 |
| Unallocated corporate expenses | **(45,612)** | (78,357) |
| Unallocated other expenses | **(51,769)** | — |
| Consolidated (loss)/profit before tax | **(1,943,981)** | 13,842 |
| **Assets** | | |
| Total assets of reportable segments | **543,379** | 505,244 |
| Unallocated bank and cash balances | **1,328,342** | 2,765,499 |
| Unallocated corporate assets | **151,245** | 673,077 |
| Consolidated total assets | **2,022,966** | 3,943,820 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **137,835** | 144,689 |
| Unallocated corporate liabilities | **19,757** | 9,311 |
| Consolidated total liabilities | **157,592** | 154,000 |

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

**Geographical information**

(i) *Revenue from external customers*

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

(ii) *Non-current assets*

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Hong Kong | **741** | 800 |
| PRC | **509,377** | 482,948 |
| | **510,118** | 483,748 |

In presenting the geographical information, revenue is based on the locations of the customers.

**Information about major customers**

| | Segment | 2013 *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| Customer A | Ore processing plant in Nantaizi and Luotuochang | **176,805** | 440,103 |
| Customer B | Ore processing plant in Nantaizi | **54,730** | 241,422 |
| Customer C | Ore processing plant in Nantaizi and Luotuochang | **—** | 93,529 |

## 5. REVENUE

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

| | 2013 *RMB'000* | 2012 *RMB'000* |
|---|---|---|
| Products: | | |
| — Gold | **177,186** | 574,368 |
| — Copper | **51,767** | 117,748 |
| — Other (Silver, Lead and Zinc) | **23,905** | 98,366 |
| | **252,858** | 790,482 |

## 6. OTHER INCOME

| | 2013 *RMB'000* | 2012 *RMB'000* |
|---|---|---|
| Government subsidies | **30,122** | 97,643 |
| Interest income arising from loans to a shareholder | **—** | 9,518 |
| Interest income arising from amounts due from debtors | **16,173** | 12,448 |
| Exchange gain | **—** | 2,685 |
| Bank interest income | **13,797** | 17,190 |
| Sundry income | **1,029** | — |
| | **61,121** | 139,484 |

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

## 7. OTHER EXPENSES

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Exchange losses | **36,356** | — |
| Impairment losses on property, plant and equipment | **1,264,840** | 276,554 |
| Impairment losses on exploration and evaluation assets | **379,069** | 111,279 |
| | **1,680,265** | 387,833 |

## 8. INCOME TAX EXPENSE

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax — PRC Enterprise Income Tax ("**EIT**") | | |
| — Current year | **624** | 102,288 |
| — Under-provision in prior years | **64** | 107 |
| | **688** | 102,395 |

No provision for Hong Kong Profits Tax is required since the Group's income is derived from overseas sources which is not liable 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% (2012: 25%).

In addition, the Law of the PRC on EIT has imposed withholding tax upon the distribution of the profits earned by the PRC subsidiaries from 1 January 2008 onwards to their non-PRC shareholders. At 31 December 2013, there were no temporary differences associated with retained earnings of the Group's PRC subsidiaries and no deferred taxation has been provided for in the consolidated financial statements for the year ended 31 December 2013. At 31 December 2012, the aggregate amount of temporary differences associated with retained earnings of the Group's PRC subsidiaries was approximately RMB812,467,000. Deferred taxation has not been provided for in the consolidated financial statements for the year ended 31 December 2012 in respect of these temporary differences attributable to retained profits of the Group's PRC subsidiaries amounting to approximately RMB645,228,000 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.

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

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| (Loss)/Profit before tax | **(1,943,981)** | 13,842 |
| Tax at applicable PRC EIT rate of 25% (2012: 25%) | **(485,995)** | 3,461 |
| Tax effect of income that is not taxable | **(540)** | (5,748) |
| Tax effect of expenses that are not deductible | **179** | 64 |
| Tax effect of temporary differences not recognized | **402,373** | 87,824 |
| Tax effect of tax losses not recognized | **84,607** | 16,687 |
| Under-provision in prior years | **64** | 107 |
| Income tax expense | **688** | 102,395 |

## 9. 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:

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Auditor's remuneration | **918** | 936 |
| Amortization of prepaid land lease payments | **58** | 62 |
| Cost of inventories processed and sold | **492,518** | 427,112 |
| Depreciation of property, plant and equipment | **414** | 589 |
| Operating lease payments for rented premises | **2,247** | 2,581 |
| Staff costs including directors' emoluments | | |
| — Salaries, bonus and allowances | **38,713** | 33,199 |
| — Equity-settled share-based payment expenses | **20,223** | 32,008 |
| — Retirement benefits scheme contributions | **3,927** | 3,370 |
| | **62,863** | 68,577 |

## 10. 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 RMB1,866,894,000 (2012: RMB66,964,000) and the weighted average number of ordinary shares of 908,786,000 (2012: 908,786,000) in issue during the year.

**Diluted earnings per share**

The effects of all potential ordinary shares are anti-dilutive for the two years ended 31 December 2013 and 2012.

## 11. TRADE AND OTHER RECEIVABLES

| | Notes | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|---|
| Trade receivables | *(i)* | **3,392** | 7,740 |
| Bills receivables | | **—** | 253,000 |
| Prepayments, deposits and other receivables | | **23,351** | 20,902 |
| Amounts due from debtors | *(ii)* | **129,505** | 400,680 |
| | | **156,248** | 682,322 |

*Notes:*

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

| | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|
| 0 to 90 days | **3,392** | 7,740 |

The average credit period granted to the Group's customers is 90 days (2012: 90 days). The balances of trade receivables were denominated in RMB.

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

(ii) The amounts due from debtors were transferred from prepaid project payments and loans to a shareholder according to the debt restructuring agreement. The amounts were unsecured, interest bearing with an interest of 4.75% per annum. The settlement was completed in June 2014.

## 12. EVENT AFTER THE REPORTING PERIOD

Chifeng Fuqiao Mining Co. Limited* (赤峰富僑礦業有限公司), being a subsidiary indirectly held and wholly owned by the Company, has taken over operational control of Inner Mongolia Siziwangqi Gaotai Mining Company Limited* (內蒙古四子王旗高台礦業有限責任公司), after acquiring its 70% equity interest from third parties who are independent of and not connected with the Company and its connected persons at a consideration of RMB59,500,000 in the first quarter of 2015.

* *For identification purpose only*

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The following is an extract of the independent auditors' report on the Group's audited consolidated financial statements for the year ended 31 December 2013. The report includes an emphasis of matter, without qualification.

### "Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Emphasis of matter

We draw attention to note 16 to the consolidated financial statements which describes the uncertainty related to the successful renewal of 3 exploration permits with Department of Land and Resources of the Guangxi Zhuang Autonomous Region in China continuously at insignificant cost. Our opinion is not qualified in respect of this matter."

## 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 operation in the Chifeng Municipality, Inner Mongolia, namely, Shirengou Gold Mine and Nantaizi Gold Mine. They are adjacent to each other, and the ore processing facility located at Nantaizi Gold Mine ("**Shirengou-Nantaizi Processing Plant**") processes ore from both Nantaizi Gold Mine and Shirengou Gold Mine. 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 Board decided in July 2014 to suspend the mining activities there. The ore processing facility located at Luotuochang Gold Mine ("**Luotuochang Processing Plant**") processed ore from Luotuochang Gold Mine when it was in operation.

## Operation Review

| | 1H13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | 2013 | 2012 | YoY |
|---|---|---|---|---|---|---|---|---|---|---|
| **Shirengou-Nantaizi Processing Plant** | | | | | | | | | | |
| Average Daily Capacity (t/day) | 1,480 | 1,480 | 1,480 | 1,480 | 1,480 | 1,480 | 1,480 | 1,480 | 1,480 | – |
| Utilization Rate (%) | 99.6 | 99.7 | 99.1 | 99.3 | 99.2 | 100.5 | 100.0 | 99.7 | 99.0 | – |
| Production Days (Days) | 86.3 | 27.0 | 29.0 | 28.0 | 29.0 | 29.7 | 34.7 | 263.7 | 290.3 | –9% |
| Ore Processed (kt) | 127.1 | 39.8 | 42.6 | 41.1 | 42.6 | 44.2 | 51.4 | 388.9 | 425.2 | –9% |
| Average Gold Grade (g/t) | 2.5 | 1.7 | 1.5 | 1.6 | 1.3 | 1.4 | 1.2 | 1.8 | 4.7 | –62% |
| Average Recovery Rate (%) | 71.9 | 81.5 | 79.8 | 80.8 | 83.0 | 82.1 | 82.1 | 77.1 | 78.3 | –2% |
| Payable Gold (koz) | 7.2 | 1.8 | 1.6 | 1.7 | 1.4 | 1.6 | 1.6 | 17.1 | 50.7 | –66% |
| Equivalent Gold (koz) | 9.0 | 2.2 | 2.1 | 2.2 | 1.9 | 2.2 | 2.1 | 21.8 | 62.6 | –65% |
| **Luotuochang Processing Plant** | | | | | | | | | | |
| Average Daily Capacity (t/day) | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | – |
| Utilization Rate (%) | 99.7 | 100.7 | 100.0 | 100.1 | 99.2 | 99.5 | 99.7 | 99.7 | 100.1 | – |
| Production Days (Days) | 133.0 | 28.0 | 29.0 | 29.0 | 27.7 | 29.7 | 34.7 | 311.1 | 293.5 | 6% |
| Ore Processed (kt) | 145.8 | 31.0 | 31.9 | 31.9 | 30.2 | 32.5 | 38.0 | 341.3 | 323.1 | 6% |
| Average Gold Grade (g/t) | 1.5 | 1.1 | 1.2 | 1.1 | 0.9 | 0.8 | 0.6 | 1.2 | 2.2 | –46% |
| Average Recovery Rate (%) | 77.5 | 71.6 | 79.1 | 76.4 | 74.9 | 74.3 | 76.9 | 76.7 | 82.9 | –7% |
| Payable Gold (koz) | 5.6 | 0.8 | 1.0 | 0.8 | 0.7 | 0.6 | 0.6 | 10.0 | 18.9 | –47% |
| Equivalent Gold (koz) | 9.3 | 1.4 | 1.4 | 1.2 | 1.1 | 1.2 | 1.3 | 16.8 | 33.5 | –50% |
| **Total Payable Gold (koz)** | **12.8** | **2.6** | **2.6** | **2.5** | **2.1** | **2.2** | **2.2** | **27.1** | **69.6** | **–61%** |
| **Total Produced Equivalent Gold (koz)** | **18.3** | **3.6** | **3.5** | **3.4** | **3.0** | **3.4** | **3.4** | **38.6** | **96.1** | **–60%** |

## Operational conditions of Shirengou-Nantaizi Processing Plant

The total amount of ore processed for the year ended 31 December 2013 was approximately 388,900 tonnes, representing a decrease of approximately 9% from the year of 2012.

The average gold grade for the year ended 31 December 2013 was approximately 1.8 grams per tonne, and the average recovery rate was around 77.1%.

The total production of payable gold and equivalent gold for the year ended 31 December 2013 was approximately 17,100 ounces and 21,800 ounces respectively, representing a decrease of approximately 66% and 65% respectively from the year of 2012.

The decrease in the total production of payable gold in Shirengou-Nantaizi Processing Plant was mainly due to the following factors:

(a) Decrease in average gold grade caused by the reasons below:

 (i) Increase in dilution. As the mining depth deepened, ore-control fault structures have changed, which resulted in more heavily fracturing ore bodies and instability of the hanging wall. Therefore, ores were easily mixed with a large number of country rocks at the time of mining, which led to the decrease of ore grade.

 (ii) Decrease of geological grade in some parts of the ore bodies. It was verified that in the deeper area of the ore drift, geological grade in some parts of the ore bodies decreased, and in turn the ore grade also decreased.

(b) Decrease in average recovery rate owing to lower grade of raw ores.

(c) Less quantity of ores was processed. There was a mining halt at Shirengou Gold Mine as a result of an electricity outage during the period from October 2012 until June 2013 relating to a revamp project implemented by the local electricity authority. As the mining halt lasted longer in 2013 than in 2012, there was less production in 2013 than in 2012.

The decrease in the total production of equivalent gold in Shirengou-Nantaizi Processing Plant was mainly due to the decrease in the total production of payable gold which formed part of the total production of equivalent gold, coupled with the decrease in the production of other metals.

**Operational conditions of Luotuochang Processing Plant**

The total amount of ore processed for the year ended 31 December 2013 was approximately 341,300 tonnes, representing an increase of approximately 6% from the year of 2012.

The average gold grade for the year ended 31 December 2013 was approximately 1.2 grams per tonne, and the average recovery rate was approximately 76.7%.

The total production of payable gold and equivalent gold for the year ended 31 December 2013 was approximately 10,000 ounces and 16,800 ounces respectively, representing a decrease of approximately 47% and 50% respectively from the year of 2012.

The decrease in the total production of payable gold in Luotuochang Processing Plant was the net result of mainly the following favorable and adverse factors:

(a) Decrease in average gold grade.

(b) Decrease in average recovery rate owing to lower grade of raw ores.

(c) More quantity of ore processed.

The decrease in the total production of equivalent gold in Luotuochang Processing Plant was mainly due to the decrease in the total production of payable gold which formed part of the total production of equivalent gold, coupled with the decrease in the production of other metals.

Overall, the Company produced approximately 27,100 ounces of payable gold and approximately 38,600 ounces of equivalent gold for the year ended 31 December 2013, representing a decrease of approximately 61% and 60% respectively from the year of 2012.

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

As mentioned in the Company's announcement dated 6 May 2015, Chifeng Fuqiao, being a subsidiary indirectly held and wholly owned by the Company, has in the first quarter of 2015 acquired 70% of the equity interest of Gaotai Mining, which owns Gaotaizi Gold Mine in Inner Mongolia. There is currently no production at the Gaotaizi Gold Mine. The Company is carrying out exploration activities in the deeper and the outer parts of the mine in preparation for expansion of production capacity in the future.

As at the date of this announcement, the Company also owns Yandan Gold Mine, Yantang Gold Mine and nine other smaller gold mines in Guangxi.

The Company is still in the process of applying for the mining permits for Yandan Gold Mine in Guangxi in accordance with the requisite procedure.

For Yantang Gold Mine and two smaller gold mines in Guangxi, some ore reserves have been indicated by geological surveys. Relevant work is being carried out before the Company starts to apply for the mining permits.

The Company will consider abandoning the remaining seven smaller gold mines in Guangxi in due course and will make announcement in this regard as and when required.

*Resources/Reserves*

Reference is made to the Company's announcements of the annual results for the year ended 31 December 2011 (the "**2011 Annual Results Announcement**") and for the year ended 31 December 2012 (the "**2012 Annual Results Announcement**"), both dated 29 January 2016. The Company wishes to clarify that resources information relating to Shirengou Mine, Nantaizi Mine and Luotuochang Mine (the "**Mines**") disclosed on Page 18 of the 2011 Annual Results Announcement and Page 16 of the 2012 Annual Results Announcement has been prepared by the Company and is not directly extracted from the Statements of Mineral Resources and Ore Reserves in either quantities or grades set out in the 2015 technical report of Runge Pincock Minarco ("**RPM**") which is currently in draft form. Further, the said resources information of the Mines is not JORC-compliant in that the "as-mined" tonnes and grades on which the information is partly based are not estimated in accordance with the JORC guideline.

As the Company has engaged RPM to continue to update the estimation of the quantity of mineral resources/ore reserves at the Mines to the date of 31 December 2015, the Company intends to disclose annual updates of resources/reserves information in the annual reports for the years ended 31 December 2011, 2012, 2013 and 2014 based on the best estimates from the Company only, with reference to the latest resources information of the Mines as at the date of 31 December 2015 once the updated 2015 technical report has been finalised by RPM. Such prior year annual updates will not be JORC-compliant and are not provided by RPM. Despite this, starting with the annual report for the year ended 31 December 2015, the Company will disclose annual updates of resources/reserves information of the Mines in compliance with JORC.

**Prospects**

The Company considers identification and acquisition of gold mines to be its core competence and growth by acquisition of gold mines to be its key corporate strategy. We will keep looking for potential merger and acquisition opportunities, in particular the gold mines with existing operations. By leveraging on our stable management team with extensive experience in gold mining operations, we will be able to strengthen the competitiveness of the Group and maximize the interests of both the Company and its shareholders. We are committed to strengthen the corporate governance of the Group, and will continue to facilitate the resumption of trading of the Company in the course of the coming months, leading the Company to a bright future and create the greatest possible value for all shareholders of the Company.

**Financial Review**

*Revenue*

The revenue of the Group decreased from approximately RMB790.5 million for the year ended 31 December 2012 to approximately RMB252.9 million for the year ended 31 December 2013. The decrease was mainly due to the decreases in the average prices of gold, lower gold grade, as well as lower average recovery rate.

*Cost of sales*

Cost of sales was approximately RMB503.0 million for the year ended 31 December 2013, increased from approximately RMB438.3 million for the same period of 2012 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 year ended 31 December 2013, our cost of sales accounted for approximately 198.9% of our total revenue, increasing from approximately 55.4% for the same period of 2012, owing to the significant decrease of revenue as well as the increase in mining labour costs.

*Gross profit and gross margin*

As a result of the foregoing, gross loss was approximately RMB250.2 million and gross margin was approximately -98.9% for the year ended 31 December 2013. For the year ended 31 December 2012, gross profit was approximately RMB352.2 million and gross margin was approximately 44.6%.

*Other income*

Other income decreased from approximately RMB139.5 million for the year ended 31 December 2012 to approximately RMB61.1 million for the year ended 31 December 2013.

Other income for the year ended 31 December 2013 consisted mainly of government subsidies of approximately RMB30.1 million, interest income arising from amounts due from debtors of approximately RMB16.2 million and bank interest income of approximately RMB13.8 million.

Other income for the year ended 31 December 2012 consisted mainly of government subsidies of approximately RMB97.6 million, interest income arising from loans to a shareholder of approximately RMB9.5 million, interest income arising from amounts due from debtors of approximately RMB12.4 million and bank interest income of approximately RMB17.2 million.

The government subsidies were in the form of a benefit from tax concession granted to us by the PRC government to encourage the development of the gold industry. The decrease in government subsidies was due to the decrease in revenue. The interest income arising from amounts due from debtors increased mainly because the period during which interest-bearing debts were outstanding was longer in 2013 than in 2012. The decrease in bank interest income was mainly due to less bank deposit in 2013 than in 2012.

*Administrative expenses*

Administrative expenses decreased from approximately RMB90.0 million for the year ended 31 December 2012 to approximately RMB74.7 million for the year ended 31 December 2013.

The administrative expenses for the year ended 31 December 2013 primarily represented equity-settled share-based payment expenses of approximately RMB20.2 million (2012: RMB32.0 million), salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB23.5 million (2012: RMB21.8 million) and professional fees of approximately RMB21.7 million (2012: RMB25.3 million).

Equity-settled share-based payment expenses decreased from approximately RMB32.0 million for the year ended 31 December 2012 to approximately RMB20.2 million for the year ended 31 December 2013 as fewer share options were involved in the calculation of the expense in 2013 than in 2012.

*Other Expenses*

Other expenses increased from approximately RMB387.8 million for the year ended 31 December 2012 to approximately RMB1,680.3 million for the year ended 31 December 2013.

Other expenses for the year ended 31 December 2013, represented impairment losses on exploration and evaluation assets of approximately RMB379.1 million and impairment losses on property, plant and equipment of approximately RMB1,264.8 million as well as exchange losses of approximately RMB36.4 million.

Other expenses for the year ended 31 December 2012, represented impairment losses on exploration and evaluation assets of approximately RMB111.3 million and impairment losses on property, plant and equipment of approximately RMB276.5 million.

Impairment losses were recognized as the investments in exploration and evaluation assets and property, plant and equipment were not expected to provide the required return. More impairment losses were recognized in 2013 than in 2012 as there was more such investments in 2013. Exchange difference arose primarily from the translation and the settlement of monetary items such as bank balances and amounts due from debtors denominated in currencies other than RMB. Exchange loss was recognized as Hong Kong dollars ("**HKD**") and United State dollars ("**USD**") depreciated in 2013 against RMB.

*Tax expenses*

Tax expenses were approximately RMB0.7 million and RMB102.4 million for the years ended 31 December 2013 and 2012 respectively, representing primarily income tax on taxable profits produced by the companies of the Group in the PRC, less any tax losses brought forward from prior years, the net amount being taxed at the PRC's EIT rate of 25%.

*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 2013 was approximately RMB1,866.9 million (2012: RMB67.0 million).

*Cash flows*

For the two years ended 31 December 2013 and 2012, 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 exploration and mining rights and maintaining cash reserves for future acquisitions. Our capital requirements include construction of mine shafts and the expansion of the ore processing facilities. We plan to fund acquisition of exploration and mining rights, capital expenditures and working capital with cash from operating activities, existing bank and cash balances, net proceeds from the initial public offering ("**IPO**") of the Company's shares in accordance with the purposes for which they are intended to be used, proceeds from the exercise of share options by directors and employees and proceeds from the issue of new shares. We may also finance our working capital, if needed, using a combination of short-term and long-term bank borrowings.

Cash and cash equivalents decreased in the amount of approximately RMB1,437.5 million from approximately RMB2,766.2 million as at 31 December 2012 to approximately RMB1,328.7million as at 31 December 2013.

Approximately RMB290.9 million was used in operating activities for the year ended 31 December 2013. Net cash used in operating activities was the cash flow relating to cash outflow in respect of loss before tax adjusted for items not involving movement of cash, cash outflow in respect of the increase in working capital under operating activities and cash outflow in respect of income tax paid.

Net cash used in investing activities amounted to approximately RMB1,146.6 million for the year ended 31 December 2013, of which approximately RMB405.6 million related to the cash outflow in respect of the additions of exploration and evaluation assets and approximately RMB1,265.2 million related to the cash outflow in respect of the additions of property, plant and equipment, partially being offset by the cash inflow of approximately RMB524.2 million related to the repayment of amounts due from debtors.

No cash was generated from or used in financing activities for the year ended 31 December 2013.

*Borrowings*

As at 31 December 2013 and 2012, the Group did not have any short-term or long-term bank loans. Gearing, being total interest-bearing debt divided by total assets, was nil for both 2013 and 2012.

*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 HKD569.3 million (equivalent to approximately RMB501.7 million), which is slightly more than the estimate of HKD565.2 million as stated in the announcement of the IPO allotment results dated 20 February 2009.

As at 31 December 2013, the net proceeds of IPO had been utilized in the following manner:

| | Future acquisition of gold resources in | | Expanding exploration activities | | | |
|---|---|---|---|---|---|---|
| | **Inner Mongolia** | **Other regions** | **Exploration activities** | **Facilitating actual production** | **Capital expenditures at existing gold mines** | **General corporate purpose** |
| | *HKD million* | *HKD million* | *HKD million* | *HKD million* | *HKD million* | *HKD million* |
| Planned amount per Prospectus | 20.9 | 158.8 | 72.3 | 35.6 | 170.3 | 11.3 |
| Planned amount for actual net IPO proceeds 2009 | 25.4 | 192.7 | 87.7 | 43.2 | 206.6 | 13.7 |
| Amount utilized up to 31 December 2010 | (25.4) | (192.7) | — | — | — | (13.7) |
| Balance as at 31 December 2010 | — | — | 87.7 | 43.2 | 206.6 | — |
| Amount utilized from 1 January to 25 February 2011 | — | — | — | — | — | — |
| Balance as at 25 February 2011 | — | — | 87.7 | 43.2 | 206.6 | — |
| Change of proposed use of the unutilized net proceeds | — | 337.5 | (87.7) | (43.2) | (206.6) | — |
| Balance after change of proposed use | — | 337.5 | — | — | — | — |
| Amount utilized from 25 February 2011 to 31 December 2013 | — | — | — | — | — | — |
| Balance as at 31 December 2013 | — | 337.5 | — | — | — | — |

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

*Capital expenditure*

For the year ended 31 December 2013, the Group invested approximately RMB1,264.8 million mainly in the construction of mining structures, buildings, plant and machinery located at the mines in operation, and the capital expenditure (including exploration expenditure) incurred for Yantang-Yandan Mines amounted to approximately RMB405.6 million.

For the year ended 31 December 2012, the Group invested approximately RMB276.6 million mainly in the construction of mining structures located at the mines in operation, and the capital expenditure (including exploration expenditure) incurred for Yangchangbian Mine and Yantang-Yandan Mines amounted to approximately RMB1.0 million and RMB110.3 million respectively.

*Contingent liabilities*

The Group did not have any significant contingent liabilities as at 31 December 2013 and 2012.

*Capital Commitment*

As at 31 December 2013, we had capital commitment of capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB296.7 million in respect of exploration projects (2012: RMB585.1 million).

*Operating lease commitments*

As at 31 December 2013, we had contracted obligations consisting of operating leases which totalled approximately RMB4.5 million (2012: RMB6.7 million), with approximately RMB2.3 million due within one year (2012: RMB2.4 million) and approximately RMB2.1 million due between two to five years (2012:RMB4.3 million). Lease terms ranged from two to three years with fixed rentals.

*Financial instruments*

The Company did not have any hedging contracts or financial derivatives outstanding for the two years ended 31 December 2013 and 2012.

*Segment analysis*

Segment information is disclosed in note 4 to the consolidated financial statements set out in this announcement.

*Employees and Emoluments Policy*

As at 31 December 2013, the number of employees of the Group was 494 (2012: 552). For the year ended 31 December 2013, the staff cost (including directors' remuneration in the form of fees, salaries, share-based payments and other allowances but excluding sub-contracting labour cost) was approximately RMB62.9 million (2012: RMB68.6 million).

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

*Rich Vision Pledges*

During the period from 8 May 2012 to 8 January 2013, Rich Vision Holdings Limited ("**Rich Vision**"), a wholly-owned subsidiary of the Company had pledged, on 18 occasions, certain bank deposits of Rich Vision (the "**Pledges**") to Ping An Bank, Shenzhen Shuibeizhubao branch, PRC ("**Ping An Bank**"), and the creation of the Pledges were only discovered by the Company's management in March 2013. Each and every of the Pledges has subsequently been released by Ping An Bank. Pursuant to the PRC legal opinion issued by the PRC Legal Adviser, the Pledges were invalid under PRC Contract Law and the applicable PRC laws and regulations on foreign exchange administration. Further information relating to the Pledges and the irregular pledging activities was set out in the Company's announcement dated 23 May 2013. As part of the follow-up actions, it was agreed with FTI Consulting (Hong Kong) Limited ("**FTI**"), the independent forensic specialist engaged by the Company, that the scope of work undertaken by FTI would include investigating into the circumstances leading to the creation of the Pledges. On 30 May 2014, FTI finalized a report in respect of its investigations, and the key findings were disclosed in the announcement of the Company dated 19 June 2014.

**Dividends**

No final dividend was recommended by the Board for the two years ended 31 December 2013 and 2012.

**Currency 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 2013, the Group had bank balances, as well as balances of amounts due from debtors 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 2013.

## Movement of Share Capital

| | Number of shares | Amount |
|---|---|---|
| | *'000* | *HKD'000* |
| Issued and fully paid: | | |
| Ordinary shares of HKD1.00 each | | |
| At 31 December 2013 and 2012 | 908,786 | 908,786 |

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to all the directors of the Company, 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 2013.

## 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 2013 (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 following deviations:

| **Relevant Code Provisions** | **Deviations from the relevant Code Provisions** | **Remedial Actions** |
|---|---|---|
| A2.7 | No meetings were held by the chairman with the non-executive directors (including independent non-executive directors) without the executive directors present during the Reporting Period. | The chairman held a meeting with the non-executive directors (including independent non-executive directors) without the other executive directors present on 2 December 2015 and will do the same annually in future. |

| Relevant Code Provisions | Deviations from the relevant Code Provisions | Remedial Actions |
|---|---|---|
| A6.5 | The directors had not participated in any continuous professional development in respect of directors' knowledge and skills during the Reporting Period. | The independent non-executive directors received training on their roles, functions and duties on 2 December 2015 and all the directors attended a directors' training session on 22 December 2015. The Company will arrange and pay for training for directors at least once a year in future. |
| C1.2 | No monthly updates about the Company had been given to the directors during the Reporting Period. | The Company has been in compliance with this code provision since the management started to provide the directors with monthly management accounts of the Companies and its subsidiaries starting from July 2015. |
| C.2.1 and C.2.2 | The Company had engaged a third party independent internal control consulting firm to assist the Board in conducting annual reviews of the internal control of the Group for 2009 and for 2010 but not after the trading of the shares of the Company was suspended on 27 May 2011. As a result, the Board was unable to conduct the annual review of the Company's internal control systems and matters stipulated in Code Provisions C.2.1 and C.2.2 during the Reporting Period. | ZHONGHUI ANDA RISK SERVICES Limited, an external professional adviser, was engaged by the Company on 9 November 2015 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. Moving forward, the Company intends to engage an external professional adviser to conduct annual reviews of the Company's internal control systems of the Company in the future. |
| D.2.1 and D.2.2 | The Investigation Committee established in the board meetings of 28 July 2011 and 1 August 2011 was not given formal terms of reference to clearly set out its powers and functions as required under Code Provisions D.2.1 and D.2.2. | The Investigation Committee was dissolved on 24 December 2015. In the future, when board committees are established, they will be given formal terms of references with the requirement (among other things) that they report back to the Board on their decisions or recommendations. |

## 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 financial statements of the Group for the financial year ended 31 December 2013 have been reviewed by the Audit and Risk Management Committee (comprising Mr. Li Xiaoping (the Chairman), Mr. Zhao Enguang and Mr. Yang Yicheng as at the date of this announcement).

## Publication of the Audited Consolidated Annual Results and 2013 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 2013 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 will remain suspended pending the fulfillment of the conditions prescribed by the Stock Exchange for the resumption of the trading as disclosed in the Company's announcement dated 30 March 2012.

By Order of the Board
**Real Gold Mining Limited**
**Lu Tianjun**
*Chairman*

Chifeng City, Inner Mongolia, 26 February 2016

*As at the date hereof, the executive directors of the Company are Mr. Lu Tianjun (Chairman), Mr. Ma Wenxue, Mr. Cui Jie and Mr. Li Qing; and the independent non-executive directors of the Company are Mr. Li Xiaoping, Mr. Zhao Enguang and Mr. Yang Yicheng.*