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REAL GOLD MINING LIMITED

瑞 金 礦 業 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 246)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Financial Highlights

For the year ended 31 December 2015, the Group's revenue amounted to approximately RMB384.6 million (2014: RMB186.5 million).

For the year ended 31 December 2015, profit and total comprehensive income attributable to owners of the Company was approximately RMB48.5 million (2014: loss and total comprehensive loss attributable to owners of the Company was approximately RMB601.9 million).

For the year ended 31 December 2015, the basic earnings per share amounted to approximately RMB5.33 cents (2014: basic loss per share amounted to approximately RMB66.23 cents).

No final dividend was recommended by the Board for the two years ended 31 December 2015 and 2014.

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 2015, which have been audited and agreed by the auditor of the Company, together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
Revenue	5	384,607	186,537
Cost of sales		<u>(395,950)</u>	<u>(451,742)</u>
Gross loss		(11,343)	(265,205)
Other income	6	136,348	60,110
Administrative expenses		(52,604)	(46,937)
Other expenses	7	<u>(54,409)</u>	<u>(349,921)</u>
Profit/(Loss) before tax		17,992	(601,953)
Income tax credit	8	<u>25,807</u>	<u>—</u>
Profit/(Loss) and total comprehensive income/(loss) for the year	9	<u>43,799</u>	<u>(601,953)</u>
Profit/(Loss) and total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		48,463	(601,865)
Non-controlling interests		<u>(4,664)</u>	<u>(88)</u>
		<u>43,799</u>	<u>(601,953)</u>
Earnings/(Loss) per share			
Basic	10	<u>RMB5.33 cents</u>	<u>(RMB66.23 cents)</u>
Diluted	10	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		126,975	77,705
Mining rights		6,388	3,656
Exploration and evaluation assets		600,746	506,668
Prepaid land lease payments		2,584	2,645
Deferred tax assets		25,807	—
		<u>762,500</u>	<u>590,674</u>
Current assets			
Prepaid land lease payments		62	62
Inventories		3,704	11,592
Trade and other receivables	11	23,364	40,760
Bank and cash balances		819,146	794,270
		<u>846,276</u>	<u>846,684</u>
Current liabilities			
Other payables		238,144	139,724
Current tax liabilities		915	915
		<u>239,059</u>	<u>140,639</u>
Net current assets		<u>607,217</u>	<u>706,045</u>
Total assets less current liabilities		<u>1,369,717</u>	<u>1,296,719</u>
Non-current liabilities			
Provision for restoration cost		9,094	9,094
Deferred tax liabilities		16,724	16,724
		<u>25,818</u>	<u>25,818</u>
NET ASSETS		<u>1,343,899</u>	<u>1,270,901</u>
Capital and reserves			
Share capital		797,619	797,619
Reserves		562,998	510,836
Equity attributable to owners of the Company		1,360,617	1,308,455
Non-controlling interests		<u>(16,718)</u>	<u>(37,554)</u>
TOTAL EQUITY		<u>1,343,899</u>	<u>1,270,901</u>

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business in Hong Kong is Units 3601–3, 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 adopted all the new and revised standards, amendments and interpretations (hereinafter collectively referred to as “**new and revised IFRSs**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

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

	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Exploration of gold mines RMB'000	Total RMB'000
<i>For the year ended 31 December 2014</i>				
Revenue from external customers	141,415	45,122	—	186,537
Segment loss before tax	(446,387)	(140,549)	(684)	(587,620)
Addition to non-current assets	300,164	114,848	—	415,012
Amortization of prepaid land lease payments	27	23	—	50
Impairment losses on property, plant and equipment	289,166	60,755	—	349,921
Reversal of impairment losses on property, plant and equipment	466	11,787	—	12,253
Reversal of impairment losses on mining rights	536	3,120	—	3,656
Bank interest income	68	21	6	95
<i>As at 31 December 2014</i>				
Segment assets	<u>35,774</u>	<u>76,919</u>	<u>525,919</u>	<u>638,612</u>
Segment liabilities	<u>100,547</u>	<u>49,789</u>	<u>710</u>	<u>151,046</u>

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue		
Total revenue of reportable segments and consolidated revenue	<u>384,607</u>	<u>186,537</u>
Profit or loss		
Total loss of reportable segments	(8,589)	(587,620)
Unallocated other income	62,304	21,795
Unallocated corporate expenses	<u>(35,723)</u>	<u>(36,128)</u>
Consolidated profit/(loss) before tax	<u>17,992</u>	<u>(601,953)</u>
Assets		
Total assets of reportable segments	777,377	638,612
Unallocated bank and cash balances	818,587	783,703
Unallocated corporate assets	<u>12,812</u>	<u>15,043</u>
Consolidated total assets	<u>1,608,776</u>	<u>1,437,358</u>
Liabilities		
Total liabilities of reportable segments	184,451	151,046
Unallocated corporate liabilities	<u>80,426</u>	<u>15,411</u>
Consolidated total liabilities	<u>264,877</u>	<u>166,457</u>

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

Geographical information

(i) Revenue from external customers

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

(ii) Non-current assets

	2015 RMB'000	2014 RMB'000
Hong Kong	255	354
PRC	<u>762,245</u>	<u>590,320</u>
	<u><u>762,500</u></u>	<u><u>590,674</u></u>

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

Information about major customers

	2015 RMB'000	2014 RMB'000
Customer A	205,151	117,731
Customer B	*33,710	55,954
Customer C	<u>131,886</u>	<u>*—</u>

* Revenue from the customer did not exceed 10% of total revenue during the year. These amounts were shown for comparative purpose.

5. REVENUE

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

	2015 RMB'000	2014 RMB'000
Products:		
— Gold	312,023	131,240
— Copper	20,262	35,362
— Other (Silver, Lead and Zinc)	<u>52,322</u>	<u>19,935</u>
	<u><u>384,607</u></u>	<u><u>186,537</u></u>

6. OTHER INCOME

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Government subsidies	53,534	22,311
Interest income arising from amounts due from debtors	—	2,261
Exchange gain	47,660	4,330
Bank interest income	13,980	15,299
Reversal of impairment losses on property, plant and equipment	17,697	12,253
Reversal of impairment losses on mining rights	<u>3,477</u>	<u>3,656</u>
	<u><u>136,348</u></u>	<u><u>60,110</u></u>

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Impairment losses on property, plant and equipment	32,343	349,921
Impairment losses on mining rights	705	—
Impairment losses on exploration and evaluation assets	<u>21,361</u>	<u>—</u>
	<u><u>54,409</u></u>	<u><u>349,921</u></u>

8. INCOME TAX CREDIT

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Deferred tax credit	<u><u>25,807</u></u>	<u><u>—</u></u>

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% (2014: 25%).

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

	2015	2014
	RMB'000	RMB'000
Profit/(Loss) before tax	<u>17,992</u>	<u>(601,953)</u>
Tax at applicable PRC EIT rate of 25% (2014: 25%)	4,498	(150,488)
Tax effect of income that is not taxable	(15,576)	(1,290)
Tax effect of expenses that are not deductible	6,912	83
Tax effect of temporary differences not recognized	2,811	69,575
Tax effect of tax losses not recognized	3,028	82,120
Tax effect of utilization of tax losses not previously recognized	(1,673)	—
Tax effect of tax losses recognized	<u>(25,807)</u>	<u>—</u>
Income tax credit	<u>(25,807)</u>	<u>—</u>

9. PROFIT/(LOSS) FOR THE YEAR

The Group’s profit/(loss) for the year is stated after charging the following:

	2015	2014
	RMB'000	RMB'000
Auditor’s remuneration	1,044	911
Amortization of prepaid land lease payments	61	50
Amortization of mining rights	40	—
Cost of inventories processed and sold	379,583	449,948
Depreciation of property, plant and equipment	5,352	413
Operating lease payments for rented premises	2,184	2,268
Staff costs including directors’ emoluments		
— Salaries, bonus and allowances	26,441	32,992
— Equity-settled share-based payment expenses	3,699	7,480
— Retirement benefits scheme contributions	<u>2,278</u>	<u>3,441</u>
	<u>32,418</u>	<u>43,913</u>

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings (2014: loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB48,463,000 (2014: loss for the year attributable to owners of the Company of approximately RMB601,865,000) and the weighted average number of ordinary shares of 908,786,000 (2014: 908,786,000) in issue during the year.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 December 2015.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2014.

11. TRADE AND OTHER RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	640	4,166
Prepayments, deposits and other receivables	<u>22,724</u>	<u>36,594</u>
	<u><u>23,364</u></u>	<u><u>40,760</u></u>

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0 to 90 days	<u><u>640</u></u>	<u><u>4,166</u></u>

The average credit period granted to the Group's customers is 90 days (2014: 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.

12. ACQUISITION OF A SUBSIDIARY

The Group acquired assets and liabilities by way of acquisition of equity interest in Inner Mongolia Siziwangqi Gaotai Mining Company Limited* (內蒙古四子王旗高台礦業有限責任公司) (“**Gaotai Mining**”) which is not business:

In the first quarter of 2015, the Company through Chifeng Fuqiao Mining Co. Limited* (赤峰富僑礦業有限公司) (“**Chifeng Fuqiao**”), being a subsidiary indirectly held and wholly owned by the Company, acquired 70% equity interest in Gaotai Mining at a cash consideration of RMB59,500,000. The principal asset of Gaotai Mining is a mining permit covering an area of 0.2598 square kilometers in Siziwangqi, Inner Mongolia, PRC.

* *For identification purpose only*

RMB'000

Assets and liabilities recognized at the respective dates of acquisition:

Property, plant and equipment	460
Exploration and evaluation assets	84,409
Trade and other receivables	128
Bank and cash balances	<u>3</u>
	85,000
Non-controlling interests	<u>(25,500)</u>
Total consideration	<u><u>59,500</u></u>
Net cash outflow arising on acquisition:	
Consideration paid in cash	59,500
Less: Bank and cash balances acquired	<u>(3)</u>
	<u><u>59,497</u></u>

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following is an extract of the independent auditors’ report on the Group’s audited consolidated financial statements for the year ended 31 December 2015. 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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 and 1 mining permit with Department of Land and Resources of the Inner Mongolia 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.

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.

Operation Review

	1H15	Jul-2015	Aug-2015	Sep-2015	Oct-2015	Nov-2015	Dec-2015	2015	2014	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 (%)	99.2	98.7	99.3	98.9	95.7	99.7	96.0	98.6	99.3	
Production Days (Days)	144.1	27.3	26.9	27.2	24.3	27.3	32.9	309.9	313.5	-1%
Ore Processed (kt)	211.5	39.8	39.5	39.8	34.4	40.3	46.7	452.0	460.6	-2%
Average Gold Grade (g/t)	4.7	5.7	5.7	4.2	4.2	4.0	4.0	4.7	1.5	204%
Average Recovery Rate (%)	80.7	81.5	80.0	79.7	79.0	79.8	79.7	80.4	80.0	1%
Payable Gold (koz)	25.7	6.0	5.8	4.3	3.7	4.1	4.8	54.4	18.1	201%
Equivalent Gold (koz)	32.2	7.8	6.7	5.2	4.4	4.9	5.7	67.0	23.5	185%
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 (%)	—	—	—	—	—	—	—	—	97.8	
Production Days (Days)	—	—	—	—	—	—	—	—	183.4	
Ore Processed (kt)	—	—	—	—	—	—	—	—	197.3	
Average Gold Grade (g/t)	—	—	—	—	—	—	—	—	0.8	
Average Recovery Rate (%)	—	—	—	—	—	—	—	—	74.7	
Payable Gold (koz)	—	—	—	—	—	—	—	—	3.6	
Equivalent Gold (koz)	—	—	—	—	—	—	—	—	7.1	
Total Payable Gold (koz)	25.7	6.0	5.8	4.3	3.7	4.1	4.8	54.4	21.7	151%
Total Produced Equivalent Gold (koz)	32.2	7.8	6.7	5.2	4.4	4.9	5.7	67.0	30.6	119%

Operational conditions of Shirengou-Nantaizi Processing Plant

The total amount of ore processed for the year ended 31 December 2015 was approximately 452,000 tonnes, representing a decrease of approximately 2% from the year of 2014.

The average gold grade for the year ended 31 December 2015 was approximately 4.7 grams per tonne, and the average recovery rate was around 80.4%.

The total production of payable gold and equivalent gold for the year ended 31 December 2015 was approximately 54,400 ounces and 67,000 ounces respectively, representing an increase of approximately 201% and 185% respectively from the year of 2014.

The increase in the total production of payable gold at Shirengou-Nantaizi Processing Plant was mainly due to the increase in the average gold grade. For the year ended 31 December 2015, sectors with relatively stable hanging walls were selected for mining, which resulted in lower dilution and higher grade.

The increase in the total production of equivalent gold at Shirengou-Nantaizi Processing Plant was mainly due to the increase in the total production of payable gold which formed part of the total production of equivalent gold.

Operational conditions of Luotuochang Processing Plant

As the mining activities at Luotuochang Processing Plant has been suspended since July 2014, there was no production at Luotuochang Processing Plant for the year ended 31 December 2015.

Overall, the Company produced approximately 54,400 ounces of payable gold and approximately 67,000 ounces of equivalent gold for the year ended 31 December 2015, representing an increase of approximately 151% and 119% respectively from the year of 2014.

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

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 and Gaotaizi Gold Mine in Inner Mongolia.

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.

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.

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 increased from approximately RMB186.5 million for the year ended 31 December 2014 to approximately RMB384.6 million for the year ended 31 December 2015. The increase was the net result of the favorable and unfavorable factors set out below. Favorable factor was mainly the increase in the gold grade while unfavorable factors were the decreases in the average price of gold and other metals, as well as the full-year suspension of the mining activities at Luotuochang Gold Mine.

Cost of sales

Cost of sales was approximately RMB396.0 million for the year ended 31 December 2015, decreased from approximately RMB451.7 million for the same period of 2014, mainly owing to the full-year suspension of the mining activities at Luotuochang Gold Mine. Cost of sales was related to the mining and the processing activities and the factors leading to the increase in revenue did not have much impact on it. Cost of sales 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 2015, our cost of sales accounted for approximately 102.9% of our total revenue, decreasing from approximately 242.2% for the same period of 2014, owing to the significant increase of revenue as well as the decrease in cost of sales.

Gross loss and gross margin

As a result of the foregoing, gross loss was approximately RMB11.3 million (2014: RMB265.2 million) and gross margin was approximately -2.9% (2014: -142.2%) for the year ended 31 December 2015.

Other income

Other income increased from approximately RMB60.1 million for the year ended 31 December 2014 to approximately RMB136.3 million for the year ended 31 December 2015.

Other income for the year ended 31 December 2015 primarily consisted of government subsidies of approximately RMB53.5 million (2014: RMB22.3 million), exchange gain of approximately RMB47.7 million (2014: RMB4.3 million), bank interest income of approximately RMB14.0 million (2014: RMB15.3 million) as well as reversal of impairment losses on property, plant and equipment of approximately RMB17.7 million (2014: RMB12.3 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 increase in government subsidies was due to the increase in revenue. Exchange difference arose primarily from the translation and the settlement of monetary items such as bank balances, which were denominated in currencies other than RMB. Exchange gain increased as Hong Kong dollars (“HKD”) appreciated more against RMB in 2015 than 2014. The impairment losses were reversed because certain previous investments on property, plant and equipment which had been impaired in the accounting treatment are expected to be recoverable to a small extent.

Administrative expenses

Administrative expenses increased from approximately RMB46.9 million for the year ended 31 December 2014 to approximately RMB52.6 million for the year ended 31 December 2015.

The administrative expenses for the year ended 31 December 2015 primarily represented equity-settled share-based payment expenses of approximately RMB3.7 million (2014: RMB7.5 million), salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB18.9 million (2014: RMB21.1 million) and professional fees of approximately RMB13.9 million (2014: RMB10.6 million).

Equity-settled share-based payment expenses decreased from approximately RMB7.5 million for the year ended 31 December 2014 to approximately RMB3.7 million for the year ended 31 December 2015 as fewer share options were involved in the calculation of the expense in 2015 than in 2014.

Salaries paid and payable to, and benefits for, our administrative and management staff decreased from approximately RMB21.1 million for the year ended 31 December 2014 to approximately RMB18.9 million for the year ended 31 December 2015 as the number of employees dropped from 488 to 298.

Other Expenses

Other expenses decreased from approximately RMB349.9 million for the year ended 31 December 2014 to approximately RMB54.4 million for the year ended 31 December 2015.

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

For the year ended 31 December 2014, impairment losses on property, plant and equipment of were approximately RMB349.9 million

Impairment losses were recognized as certain investments in property, plant and equipment, mining rights and exploration and evaluation assets were not expected to provide the required return. Less impairment losses were recognized in 2015 than in 2014 as there were fewer such investments in 2015.

Income tax credit

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

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

Profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB48.5 million (2014: Loss and total comprehensive loss attributable to owners of the Company was approximately RMB601.9 million).

Cash flows

For the two years ended 31 December 2015 and 2014, 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 increased in the amount of approximately RMB24.9 million from approximately RMB794.3 million as at 31 December 2014 to approximately RMB819.1 million as at 31 December 2015.

Approximately RMB184.2 million was generated from operating activities for the year ended 31 December 2015. Net cash generated from operating activities was the cash inflow in respect of profits before tax adjusted for items not involving movement of cash and the decrease in working capital under operating activities.

Cash used in investing activities amounted to approximately RMB159.3 million for the year ended 31 December 2015, consisting of approximately RMB68.8 million related to the cash outflow in respect of the additions of property, plant and equipment, approximately RMB31.0 million related to the cash outflow in respect of the additions of exploration and evaluation assets and approximately RMB59.5 million related to the cash outflow in respect of the acquisition of a subsidiary.

No cash was generated from or used in financing activities for the year ended 31 December 2015.

Borrowings

As at 31 December 2015 and 2014, 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 2015 and 2014.

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 2015, the net proceeds of IPO had been utilized in the following manner:

	Future acquisition of gold resources in		Expanding exploration activities			
	Inner Mongolia HKD million	Other regions HKD million	Exploration activities HKD million	Facilitating actual production HKD million	Capital expenditures at existing gold mines HKD million	General corporate purpose HKD million
Planned amount per Prospectus	<u>20.9</u>	<u>158.8</u>	<u>72.3</u>	<u>35.6</u>	<u>170.3</u>	<u>11.3</u>
Planned amount for actual net IPO proceeds 2009	25.4	192.7	87.7	43.2	206.6	13.7
Amount utilized up to 31 December 2010	<u>(25.4)</u>	<u>(192.7)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(13.7)</u>
Balance as at 31 December 2010	—	—	87.7	43.2	206.6	—
Amount utilized from 1 January to 25 February 2011	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 25 February 2011	—	—	87.7	43.2	206.6	—
Change of proposed use of the unutilized net proceeds	<u>—</u>	<u>337.5</u>	<u>(87.7)</u>	<u>(43.2)</u>	<u>(206.6)</u>	<u>—</u>
Balance after change of proposed use	—	337.5	—	—	—	—
Amount utilized from 25 February 2011 to 31 December 2015	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 31 December 2015	<u>—</u>	<u>337.5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

Capital expenditure

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

For the year ended 31 December 2014, the Group invested approximately RMB415.0 million mainly in the construction of mining structures and property, plant and equipment at the mines in operation.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2015 and 2014.

Capital Commitment

As at 31 December 2015, we had capital commitment of capital expenditure contracted for but not provided in the consolidated financial statement of approximately RMB278.1 million in respect of exploration projects (2014: RMB346.6million).

Operating lease commitments

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

As at 31 December 2014, we had contracted obligations consisting of operating leases which totalled approximately RMB2.2 million due within one year. 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 2015 and 2014.

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 2015, the number of employees of the Group was 298 (2014: 488). For the year ended 31 December 2015, the staff cost (including directors' remuneration in the form of salaries, share-based payments and other allowances but excluding sub-contracting labour cost) was approximately RMB32.4 million (2014: RMB43.9 million). Staff cost decreased mainly because the number of employees and equity-settled share-based payments decreased.

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

Dividends

No final dividend was recommended by the Board for the two years ended 31 December 2015 and 2014.

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 2015, the Group had bank balances that were denominated in foreign currencies which exposed the Group to foreign currency risks. The Group was mainly exposed to the fluctuation of HKD. The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. No foreign currency hedging activity is currently undertaken by the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Movement of Share Capital

	Number of shares '000	Amount HKD'000
Issued and fully paid: Ordinary shares of HKD1.00 each At 31 December 2015 and 2014	<u>908,786</u>	<u>908,786</u>

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to 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 2015.

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 2015 (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
C1.2	Monthly updates about the Company were not given to the directors during the first six months of 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.

Relevant Code Provisions	Deviations from the relevant Code Provisions	Remedial Actions
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 their 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 2015 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 2015 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 2015 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, 31 March 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.