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Accounting mystery for mining firm

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Real Gold Mining, an Inner Mongolian company boasting an HK\$8.1 billion market capitalisation, appears to have filed different sets of accounts with the Hong Kong stock exchange and the central government.

Real Gold reported just over one billion yuan (HK\$1.2 billion) of revenue to Hong Kong Exchanges and Clearing for 2009, the last date for which accounts lodged with the central government are available for comparison. In contrast, its only three operating subsidiaries during 2009 reported only 3.45 million yuan of sales between them to the State Administration of Industry and Commerce that year, according to filings obtained for the South China Morning Post by Qingdao Inter-Credit.

Real Gold said in its annual report to Hong Kong shareholders it made a 543 million yuan net profit in 2009.

The three units listed in Real Gold's annual report as involved in the mining and processing of gold ore reported a combined 7.5 million yuan loss for that year, according to the documents supplied by Qingdao Inter-Credit, an organisation that instructs mainland lawyers to source State Administration of Industry and Commerce filings.

Mining and processing gold ore was Real Gold's only revenue-producing business activity in 2009, according to its annual report.

Real Gold, whose majority shareholder is mining and telecommunications entrepreneur Wu Ruilin, joined the HKEx in February 2009, raising HK\$1 billion in an initial public offering. In October 2009 and July 2010, the miner sold a further HK\$2.2 billion of stock in placings. Citi and Macquarie worked on the offer. The two banks worked together on the company's October 2009 placing, while Citi handled last July's share sale alone. The company's auditor is Deloitte, which declined to comment, as did Citi and Macquarie.

Real Gold's chief financial officer, Cui Jie, said in a May 24 interview that the SAIC filings obtained by the Post for its three operating subsidiaries were 'inaccurate'.

Despite repeated requests since then, Real Gold has not provided any alternative filings. 'The figures you have are not the same as our figures,' Cui said.

When asked again to supply the company's internal records of its SAIC filings, Cui declined.

In April 2009, two months after Real Gold's listing, chairman Wang Zhentian was voted off the board and company director Lu Tianjun replaced him. On May 5 this year, chief executive Qiu Haicheng left Real Gold. He was replaced by vice-chairman Ma Wenxue.

Wu, who despite being Real Gold's founder and majority shareholder is not on its board, is also chairman and chief executive of Nasdaq-listed, Guangzhou-based molybdenum miner Qiao Xing

Universal Resources. On April 8, Qiao Xing Universal's chief financial officer Aijun Jiang resigned. He was replaced with an external hire, Guangxi-based mining investor Jiujiu Jiang.

In a May 17 interview, Real Gold company secretary Lulu Yu confirmed that in 2009 the firm had only three subsidiaries mining and processing gold ore - Chifeng Shirengou Mining, Chifeng Nantaizi Mining and Balinzuo Banner Guotao Trading Materials Company.

According to the SAIC filings supplied by Qingdao Inter-Credit, Chifeng Shirengou reported 581,712 yuan of sales, Chifeng Nantaizi reported 2.872 million yuan of sales and Balinzuo Banner did not report any revenue. All three were loss-making, according to the filings.

On Tuesday, a second independent law firm said Real Gold's subsidiaries' accounts were no longer available at the relevant SAIC bureau.

Cui said: 'I do not know why they are missing.'

As Steve Dickinson, a Qingdao-based corporate lawyer at American law firm Harris Moure explained, the accounts Chinese companies' lodge with the SAIC are semi-public, audited documents. Only mainland lawyers can obtain them.

'Lawyers are allowed to go to the relevant SAIC bureau and access these documents in mainland China, but ordinary members of the public are not,' he said. 'The annual accounts Chinese companies file with the SAIC are prepared by Chinese certified public accountants.'

The Post e-mailed the records of Real Gold's subsidiaries' SAIC filings supplied by Qingdao Inter-Credit to Real Gold's investor relations director Lawrence Kwan on May 16.

1b yuan

Revenue, in yuan, reported to HK authorities for 2009

- 7.5 million yuan loss reported to mainland regulators for same year

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