DING HE MINING HOLDINGS LIMITED

鼎和礦業控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 705)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to HKD39,678,262, representing a corresponding increase of 89.8%.
- The Group's gross loss amounted to HKD20,913,492, representing a corresponding decrease of 20.1%.
- The Group's loss for the year amounted to HKD326,485,766, representing a corresponding decrease of 20.9%.
- Loss per share amounted to HK14.27 cents, representing a corresponding decrease of 37.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Ding He Mining Holdings Limited (formerly known as CVM Minerals Limited) ("**Ding He**" or the "**Company**", together with its subsidiaries, the "**Group**") operates in the State of Perak, Malaysia through its wholly owned subsidiary CVM Magnesium Sdn. Bhd. ("**CVMSB**") which is the first primary magnesium producer in South East Asia. The Group is also engaged in the extraction and bottling of mineral water in the People's Republic of China (the "**PRC**") and the exploration of iron ore, coal and manganese in the Republic of Indonesia ("**Indonesia**").

Review on Exploration, Development and Mining Production Activities

Geological Exploration

The Group did not incur any geological exploration expenses during the financial year 2014 due to the disposal of the entire equity interest of the Group in the exploration rights in Aceh, Indonesia and the absence of a legal representative in the operations in Yogyakarta, Indonesia.

Mining of Dolomite

As at 31 December 2014, the Group did not extract any dolomite from the dolomite quarry. Hence, the accumulated dolomite extracted up to 31 December 2014 remained at 19,970 MT (2013: approximately 19,970 MT). The expenditure incurred on dolomite mining production activities, which was mainly minimum royalty payment, for the financial year ended 31 December 2014 was approximately HKD11,640,000 (2013: approximately HKD13,210,000).

Iron ore, coal and manganese

The Group did not undertake any exploration, development or mining production activities of iron ore, coal and manganese in the financial year ended 31 December 2014. Accordingly, there was no expenditure incurred in these activities.

Estimated Proved Reserves

The updated mineral reserves of the Company and its subsidiaries as at 31 December 2014 and 2013 were as follows:

Minerals	Location		Total Area (hectares)	Reserves identified by JORC standard as at 31 December 2014 (000' tonnes) (Proved)	Reserves identified by JORC standard as at 31 December 2013 (000' tonnes) (Proved)
Dolomite	**Lots:**	HS (D) 13756, PT 13404 and HS (D) 13757, PT 13405	13	19,970[1]	19,970[1]
	Mukim:	Sungai Siput			
	District:	Kuala Kangsar			
	State:	Perak			
	Country:	Malaysia			
Iron Ore[2]	**City:**	Subulussalam	450	Disposed	Exploration activities ceased
	Subdistrict:	Penanggalan			
	Province:	Nanggroe Aceh Darussalam			
	Country:	Indonesia			
Coal[2]	**Subdistrict:**	Beutong & Tadu Raya	10,000	Disposed	Exploration activities ceased
	Regency:	Nagan Raya			
	Province:	Nanggroe Aceh Darussalam			
	Country:	Indonesia			
Coal[2]	**Subdistrict:**	Kuala & Tadu Raya	9,825	Disposed	Exploration activities ceased
	Regency:	Nagan Raya			
	Province:	Nanggroe Aceh Darussalam			
	Country:	Indonesia			
Manganese[2]	**Subdistrict:**	Bakongan	3,710	Disposed	Exploration activities ceased
	Regency:	South Aceh			
	Province:	Nanggroe Aceh Darussalam			
	Country:	Indonesia			
Manganese[3]	**Village:**	Jatimulyo	195	Exploration activities suspended	Exploration activities suspended
	Subdistrict:	Girimulyo			
	Regency:	Kulon Progo			
	Province:	Daerah Istimewa Yogyakarta			
	Country:	Indonesia			

Notes:

(1) The average % of magnesium oxide ("**MgO**") and Magnesium ("**Mg**") are as follows:

South Hill	Above Ground	Below Ground (30 metres depth)
Average % of MgO	19.17%	18.59%
Average % of Mg	11.50%	11.15%
North Hill	**Above Ground**	**Below Ground (30 metres depth)**
Average % of MgO	20.06%	19.10%
Average % of Mg	12.04%	11.46%

(2) On 3 April 2014, the Group has completed the disposal of its subsidiary, CVM International Limited. Immediately after the completion of the disposal and as at 31 December 2014, the Company did not hold any exploration rights in these sites.

(3) During the year ended 31 December 2014 and up to the date of this announcement, the operations in Yogyakarta, Indonesia, had been hampered due to the failure to contact the legal representatives of PT Laksbang Mediatama.

BUSINESS REVIEW

The year 2014 was full of challenges. During the year, the Group experienced strong head-wind from the difficult business and financial environment, including the slowdown of world economy, the keen competitions in the magnesium market, the uncertainties in court decisions in Indonesia and the limited cash resources of the Group to operate and market the new business. For the year ended 31 December 2014, the Group's reportable businesses segments are namely (i) the mining of dolomite and manufacture of magnesium ingots, (ii) exploration for iron ore, coal and manganese and (iii) extraction and bottling of mineral water.

Mining of Dolomite and Manufacture of Magnesium Ingots

During the year 2014, the recovery of the world economy remained slow and prices for magnesium continued to suffer from pressure. Taking into account the challenges of keen competition from other manufacturers and the cost-effectiveness to maintain full operation, the smelter plant of the Company which is situated in the State of Perak, Malaysia (the "**Smelter**") continued with the unit of refining magnesium crown rather than a full manufacturing line producing magnesium ingots. As a result, extraction of dolomite from the dolomite quarry has been suspended since 2012 and there was no dolomite extracted from the dolomite quarry throughout 2014 (2013: Nil).

Since 2013 and throughout the year, the Smelter was able to secure consistent sales contracts from a major customer and accordingly, revenue generated from this business segment recorded an increase of 140.6% to HKD38,730,049 (2013: HKD16,098,739) for the year ended 31 December 2014. Nevertheless, owing to the increase in expenses on cost of goods sold as a result of increase in sales orders together with exchange loss, segment loss surged 212.8% from HKD9,437,982 in 2013 to HKD29,521,729 in 2014.

The Smelter has obtained all major/material licences, approvals and permits in respect of its operation and such licenses, approvals and permits are still valid as at the date of this announcement.

Exploration for Iron Ore, Coal and Manganese

On 3 April 2014, the Company completed the disposal of its subsidiary, CVM International Limited ("**CVMIL**"). Immediately after the completion of the disposal, the Company did not hold any equity interests in CVMIL. The remaining investment of the Company in Indonesia is the exploration of manganese resources in Yogyakarta Province.

In 2011, the Company acquired the controlling interests in PT Laksbang Mediatama ("**PTLM**"), which is the holder of an exploration mining permit for manganese in an area of 195 hectares at Jatimulyo Village, Girmulyo Subdistrict, Kulon Progo Regency, Daerah Istimewa Yogyakarta Province, Indonesia. The exploration activities had commenced since our acquisition but were ceased in 2012 due to conflicts between the directors and the legal representatives of PTLM while the legal representatives could no longer be contactable after all reasonable enquiries made by the board. In accordance with the Indonesian laws, the legal representative is responsible for the daily operation and exploration activities of PTLM and accordingly, the operation of PTLM (including the exploration project) was suspended.

In order to reinstate the operation and exploration activities of PTLM, the Company decided to dismiss the current board of directors of PTLM and re-nominate and re-elect new directors and legal representatives in accordance with the articles of PTLM. For such purpose, two extraordinary general meetings were called but adjourned due to insufficient quorum. PTLM had applied to the Court in Yogyakarta for court ruling on the appointment of re-nominated directors and replacement of legal representative. The Group was unable to re-nominate a replacement until the court in Indonesia makes its decision in the third hearing which was finally conducted on 30 September 2014. In accordance with the legal opinion obtained from the lawyer of PTLM in Indonesia dated 15 March 2015, the court has granted judgment on 19 November 2014 principally to stipulate PTLM to organise an extraordinary general meeting properly. PTLM is in the process of identifying (i) a legal firm to organise the extraordinary general meeting in accordance with the Indonesian laws and (ii) suitable candidates with the appropriate experience and qualification to fill the vacancies as the legal representative and directors.

Extraction and Bottling of Mineral Water

In 2012, the Group acquired the controlling interests in Victory Dragon Holdings Limited and its subsidiary, 龍川升龍礦泉有限公司 (Long Chuan Shen Long Mineral Water Co. Ltd.) ("**Long Chuan**"). Long Chuan is engaged in the manufacturing, sale and distribution of bottled mineral water in the People's Republic of China ("**PRC**") which obtained the mining permit and water permit of the Longchuan Spring water ("**Longchuan Spring**") located at Longmu Town, Longchuan County, Guangdong Province, PRC, covering an aggregate mining area of approximately 0.3956km^2. Long Chuan currently hold two brand names to market bottled mineral water in PRC, which are Jenbo and Royal Green.

During the year, the business of Long Chuan was adversely affected by the keen competition in bottled water market in PRC. In order to build up brand awareness and strengthen sales, it is imperative for the Company to put considerable investment into this segment. Nevertheless, the limited cash resources available for the Group forbid Long Chuan from developing the business in 2014 and accordingly, turnover of this segment fell 80.3% to HKD948,213 (2013: HKD4,802,700) and segment loss decreased 29.5% to HKD7,793,872 (2013: HKD11,048,162). At the same time, the original plan of investment in a new production line for sparkling water upon the acquisition of Long Chuan was also hindered. In order to cope with these challenges, directors of the Company shall put their emphasis on modifying the marketing strategy by engaging sizeable chain stores or supermarkets in 2015. Currently, the Company is under negotiation with certain convenient stores, fuel stations and supermarkets in PRC to make our bottled mineral water to their shelves.

Long Chuan has obtained all major/material licences, approvals and permits in respect of its operation and such licenses, approvals and permits are still valid as at the date of this announcement.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2014, the Group's audited consolidated turnover increased by 89.8% to HKD39,678,262 (2013: HKD20,901,439) as compared to last year. Turnover attributable to (i) mining of dolomite and manufacture of magnesium ingots, (ii) exploration for iron ore, coal and manganese and (iii) extraction and bottling of mineral water were 97.6%, 0% and 2.4% respectively (2013: 77%, 0% and 23.0% respectively).

During the year, the Group successfully secured orders from a major customer for magnesium ingots. As a result, sales of magnesium ingots and other related materials surged 140.6% to HKD38,730,049 (2013: HKD16,098,739) for the year ended 31 December 2014.

The limited cash resources to market the bottled mineral water affected the performance of the segment of extraction and bottling of mineral water. Accordingly, sales of bottled mineral water fell 80.3% to HKD948,213 (2013: HKD4,802,700).

Cost of sales

The cost of sales amounted to HKD60,591,754 (2013: HKD47,066,090) which mainly includes staff costs, manufacturing overhead, depreciation and amortisation. The increase in the cost of sales is mainly due to the increase in production activities throughout the financial year.

Other Revenue and Other Net Gain

During the year, other revenue of the Group amounted to HKD370,277 (2013: HKD432,344) was primarily derived from interest income from bank deposit, rental income from drilling machines and other sundry income.

During the year, other net gain of the Group recorded a substantial decrease of 76.7% to HKD10,490,395 (2013: HKD44,990,813) which was mainly due to a one-off fair value change in contingent consideration receivable at the amount of HKD44,879,766 included in 2013.

Finance Costs

The finance costs of the Group for the year mainly consisted of effective interest of HKD19,467,369 (2013: HKD19,362,417) for convertible bonds issued by the Company and interest on bank loans of HKD30,402,027 (2013: HKD40,225,089) that is wholly repayable within five years.

Other Operating Expenses

During the year ended 31 December 2014, other operating expenses of the Group was HKD243,810,022 (2013: HKD345,536,024), comprised wholly the impairment losses on exploration and evaluation assets ("**E&E Assets**") of HKD108,208,053 (2013: HKD207,562,580), other receivable and prepayments of HKD1,767,649 (2013: HKD25,899) and property, plant and equipment ("**PPE**") of HKD130,976,015 (2013: HKD26,195,379).

Net foreign exchange losses

The net gain of approximately HKD18,000 (2013: HKD110,000) on foreign exchange mainly represented the net realised gain on sales receipts net off against payments to suppliers and creditors in Malaysia and Indonesia.

Looking forward, the Group will be exposed to foreign currency risk primarily through exposures in sales and purchases that are denominated in foreign currencies (e.g. US dollars ("**USD**"), RM, Chinese Yuan ("**RMB**") and Indonesian Rupiah) other than the Group's functional currency of Hong Kong Dollars ("**HKD**"). The Group did not use any financial instruments for any hedging purposes during the financial year of 2014.

Loss before taxation

For the year ended 31 December 2014, the Group incurred a loss before taxation of HKD349,837,025 (2013: HKD453,153,873) mainly resulting from the charging of finance cost of HKD50,952,015 (2013: HKD84,144,735), staff costs of HKD9,238,703 (2013: HKD10,267,507) and impairment losses and written-off of HKD243,810,022 (2013: HKD345,687,059).

Loss per share

The loss per share for the financial year ended 31 December 2014 decreased substantially to HK 14.27 cents (2013: HK 22.80 cents) as the loss attributable to owners of the Company dropped 13.2% to HKD279,820,000 (2013: HKD322,360,000).

Bank Loans – Secured

As at 31 December 2014, the Company had secured bank loan of HKD381,392,173 (2013: HKD406,331,729).

During the years 2008 and 2009, CVMSB obtained secured interest-bearing bank loans with an aggregate principal amount of Malaysian Ringgit ("**RM**") 178,228,353 (equivalent to approximately HKD408,125,379) ("**Loan**") from Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**").

The Loan was restructured by Bank Rakyat on 25 July 2011. In accordance with the restructured bank loan agreement, the Group was required to repay the Loan by monthly installments of RM670,000 (equivalent to approximately HKD1,586,032) with effect from August 2011 to December 2013 and was subsequently increased to RM4,200,000 (equivalent to approximately HKD9,942,287) from January 2014 to the second last repayment of the Loan in 2018. On 24 February 2014, Bank Rakyat further agreed to extend a 1-year grace period without executing legal proceeding against the Company and CVMSB until 31 December 2014 for default repayment of the Loan. The Group was required to continue repaying the monthly installments of RM670,000 (equivalent to approximately HKD1,586,032) to 31 December 2014.

As at 15 December 2014, the outstanding principal amounts of the Loan was approximately RM171,803,239 (equivalent to approximately HKD393,412,501) ("**Reduced Loan**") and Bank Rakyat agree to further restructure the repayment of the Reduced Loan ("**Proposal**"). Pursuant to the Proposal, the full and final settlement sum by CVMSB shall be reduced to RM113,040,000 (equivalent to approximately HKD258,850,469) which is repayable to Bank Rakyat on or before 30 June 2015, in which (i) an amount of RM4,020,000 (equivalent to approximately HKD9,205,404) must be settled to Bank Rakyat on or before 31 December 2014; (ii) a monthly sum of RM200,000 (equivalent to approximately HKD457,980) shall be repayable to Bank Rakyat on the last day of each calendar month commencing from January 2015 to June 2015 and the final installment of RM2,820,000 (equivalent to approximately HKD6,457,522) will be paid as bullet payment latest by 30 June 2015; and (iii) a full and final settlement sum of RM105,000,000 (equivalent to approximately HKD240,439,661) be repayable by CVMSB to Bank Rakyat on 30 June 2015.

On 12 January 2015, CVMSB has further negotiated with Bank Rakyat and Bank Rakyat has agreed to defer the repayment by CVMSB of the bank loan amounting at RM4,020,000 (equivalent to approximately HKD9,205,404) to 16 January 2015. According to Bank Raykat, such deferral is final and Bank Raykat shall not allow any further delay and/or failure on the part of CVMSB to meet its payment obligation.

Bank Rakyat issued a letter (the "**Letter**") dated 17 March 2015 to the Company indicating that the continued failure of CVMSB to fulfill the repayment obligations as set out in the Proposal constituted a breach of terms and therefore the Proposal was terminated and/or allowed to be terminated. Accordingly, the total amount owed and repayable to Bank Rakyat by CVMSB was restored to RM203,141,864 (equivalent to HKD465,174,866) (the "**Outstanding Loan**") as at 28 February 2015 which was required to be settled by CVMSB within 14 days from the date of the Letter (i.e. 31 March 2015). According to Bank Rakyat, legal actions will be commenced against CVMSB including all its corporate guarantors if CVMSB failed, neglected or refused to settle the Outstanding Loan within the given period.

As at the date of this announcement, CVMSB has not settled the Outstanding Loan due to limited cash resources available in the Group. Bank Rakyat has the right to commence any litigation against the Company and CVMSB. As at to date, neither the Company nor CVMSB has received further notice from Bank Rakyat. The Company and CVMSB are using our best efforts to (i) arrange to pay the overdue interests to Bank Rakyat in due course and (ii) further negotiate with Bank Rakyat for the repayment terms of the Outstanding Loan.

Convertible Bonds

As at 31 December 2014, convertible bonds of the Company was HKD94,278,123 (2013: HKD83,644,788).

During the year ended 31 December 2014, a principal amount of HKD43,000,000 in the convertible bonds matured. Upon exercise of the conversion rights attached to these matured convertible bonds, a maximum number of 107,500,000 conversion shares will be allotted and issued, representing approximately 4.3% of the number of issued shares of the Company.

Subsequent to the balance sheet date, a principal amount of HKD37,000,000 in the convertible bonds matured. Upon exercise of the conversion rights attached to these matured convertible bonds, a maximum number of 92,500,000 conversion shares will be allotted and issued, representing approximately 3.7% of the number of issued share of the Company.

As at the date of this announcement, none of these outstanding convertible bonds is redeemed by the Company. The Company is in the course of arm's length negotiations with the holders of these outstanding convertible bonds in relation to, among others, the possible extension of the outstanding convertible bonds and other possible alteration of terms of the outstanding convertible bonds. Any proposed alteration of terms of the outstanding convertible bonds shall be subject to the approval of the Stock Exchange and the availability of the issue mandate granted by the shareholders of the Company.

Liquidity and Financial Resources

As at 31 December 2014, net current liabilities of the Group stood at HKD577,355,794 (2013: HKD695,957,811). Included in current liabilities were secured bank loans and finance lease creditors of HKD381,707,629 (2013: HKD406,745,701). The bank loans from Bank Rakyat bear an interest rate of 8.6% per annum as at 31 December 2014 (2013: 8.6% per annum) based on the floating rate of Bank Rakyat's base financing rate plus 2% per annum. The Group had negative gearing ratio (which is calculated on the basis of total finance leases, borrowings from Bank Rakyat, convertible bonds and unsecured loans from third parties over total deficit attributable to owners of the Company) of approximately 1.56 times (2013: 2.50 times) as at 31 December 2014 due to the substantial increase in total equity by way of loan capitalisation and placing of new shares under general mandate during the year.

The Group's pledged deposit, bank and cash balances as at 31 December 2014 was HKD381,670 (2013: HKD426,492). The Group's prepayments, deposits and other receivables amounted to HKD1,567,332 (2013: HKD10,860,759).

The Directors have taken and/or will take the following actions to mitigate the liquidity issues faced by the Group:

(i) The Directors review the Group's cash position regularly and if need be, will re-negotiate with the unsecured loan holders to restructure the repayment terms.

(ii) On 21 March 2014, the Company and each of the unsecured loan lenders ("**Lenders**") entered into conditional capitalisation agreements respectively in relation to, among others, the setting-off of each of the Lenders' outstanding sum by way of (i) issue and allotment of capitalisation shares; and (ii) issue of convertible preference shares ("**Loan Capitalisation**"). The outstanding sum to the Lenders comprised the outstanding principal sum and unpaid interest amounted to HKD181,037,242. The Loan Capitalisation was completed on 14 August 2014.

(iii) On 30 July 2014, the Company has allotted and issued 321,636,000 placing shares to Bright New Global Limited ("**Bright New Global**") at HKD0.15 per placing share. Bright New Global and its ultimate beneficial owner are parties independent to the Company. The proceeds of placing was HKD48,245,400 and was used for improving the operation in CVMSB and as the working capital of Long Chuan.

(iv) The Group is seeking potential investors or strategic partners for various projects of the Group.

Capital Expenditure

The carrying amount of the Group's property, plant and equipment, and interest in leasehold land held for own use under operating lease as at 31 December 2014 had decreased by 41.6% and 36.76% respectively to HKD239,763,035 and HKD5,508,271 respectively (2013: HKD410,903,897 and HKD8,710,104 respectively) mainly due to annual depreciation charge and impairment of assets.

Charge on Assets

The bank loans are granted to CVMSB and secured by way of:

(i) a legal charge over the land and factory building to be erected thereon held by CVMSB;

(ii) assignment of trade receivables;

(iii) a debenture creating fixed and floating legal charge over all present and future assets of CVMSB excluding the performance bonds;

(iv) assignment of all CVMSB's rights, entitlement and interest in and to all building contracts, design drawings and other contracts pertaining to the magnesium ingot project (the "**Project**");

(v) an assignment of all CVMSB's rights, benefits and interest under insurance undertaken by CVMSB as part of its operations for the Project;

(vi) an assignment over the existing revenue accounts maintained at HSBC Amanah Malaysia Berhad and monies standing to the credit of the revenue account in favour of the bank, the revenue accounts shall be operated solely by the bank;

(vii) a first fixed charge/assignment over the retorts of CVMSB;

(viii) an assignment over the insurance policies of the retorts of CVMSB; and

(ix) corporate guarantee by the Company.

Share Capital

As at 31 December 2014, the share capital of the Company is HKD989,710,234 (2013: HKD160,818,427).

On 30 July 2014, the Company has allotted and issued 321,636,000 placing shares, represents approximately 20% of the entire issued share capital of the Company at the time being, to Bright New Global at HKD0.15 per placing share. Bright New Global and its ultimate beneficial owner are parties independent to the Company. The fund raised was used for improving the operation in CVMSB and as the working capital of Long Chuan.

On 14 August 2014, the Company allotted and issued an aggregate of 565,631,172 capitalisation shares and an aggregate of 565,631,177 convertible preference shares to the respective unsecured loan lenders (each "**Lender**") in accordance with the loan capitalisation agreements ("**Loan Capitalisation Agreements**") entered into between the Company and each Lender on 21 March 2014. The Loan Capitalisation Agreements and the transactions contemplated thereunder were approved, confirmed and ratified by the shareholders of the Company at an extraordinary general meeting held on 18 July 2014.

Human Resources

As at 31 December 2014, the total number of employees of the Group was approximately 80 (2013: 148). Total staff costs (including Directors' remuneration) for the financial year ended 31 December 2014 were approximately HKD9,240,000 (2013: approximately HKD10,270,000) representing approximately 9.2% (2013: 12.5%) of the Group's total cost of sales and administrative expenses. Employees are remunerated based on their performance, experience and industry practice. Bonuses are rewarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviews the remuneration policies and packages on a regular basis.

Capital Commitments and Contingent Liabilities

As at 31 December 2014, the Company has issued a corporate guarantee totaling RM850,000 (equivalent to approximately HKD1,887,000) (2013: RM850,000 (equivalent to approximately HKD2,012,000) to a supplier in respect of the purchase of liquefied petroleum gas made by CVMSB.

As at 31 December 2014, the Company has issued corporate guarantees totaling RM133,004 (equivalent to approximately HKD300,000) (2013: RM222,768 (equivalent to approximately HKD530,000)) for finance lease creditors in respect of the purchase of motor vehicles and equipment by CVMSB.

The non-redemption of the matured convertible bonds by the Company when they fall due and payable at its principal amount subsequent to 1 December 2014 constituted an event of default. Pursuant to the terms of the subscription agreements of the convertible bonds, the holders of the convertible bonds have the right to serve a notice on the Company at any time after the convertible bonds have become payable and may (without any further notice) institute such proceedings as they may think fit to enforce the repayment of the monies due.

PROSPECTS

The year 2014 was a year of challenges. Considering the current situation of the Group and the uncertainties in the economy, the Directors determined to impose more stringent cost control strategy and simultaneously, broaden sources of our income. The Group further strives to resolve the issues of the outstanding loans and non-redemption of the matured convertible bonds to minimise the disruption on our operations.

During the year, the world magnesium price remained low. We have adopted a conservative approach to operate only the refining section of our Smelter instead of full manufacturing line. The Company shall continue to observe the trend of the magnesium price and adjust the operational scale of the Smelter. Taking into account the defaulted repayment of bank loan by CVMSB, the Company, as the corporate guarantor shall keep close monitoring of any possible legal actions to be carried out by Bank Rakyat and consider to take appropriate actions to safeguard the interests of the Company and the shareholders as a whole. At the same time, the Board shall use our best efforts with an intention to further negotiate with Bank Rakyat to ease the repayment term.

In 2014, the results of the bottled mineral water segment was unsatisfactory due to the tight cash position of the Company. Given that the consumption of bottled mineral water recorded continuous growth in the past years in the PRC market, we shall shift our marketing strategy, emphasizing on engaging and marketing our bottled water with sizeable chain stores or supermarkets in 2015. In order to achieve this goal, Long Chuan is currently negotiating with certain supermarkets, fuel stations and convenient stores in China.

In the meantime, the Company is exploring various avenues to raise its working capital and funds to repay the bank and matured bonds.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December

	Note	2014 HKD	2013 HKD
Turnover	3	**39,678,262**	20,901,439
Cost of sales		**(60,591,754)**	(47,066,090)
Gross loss		**(20,913,492)**	(26,164,651)
Other revenue		**370,277**	432,344
Other net gains		**10,490,395**	44,990,813
Selling and distribution expenses		**(5,462,225)**	(7,561,245)
Administrative expenses		**(39,559,943)**	(35,019,340)
Loss from operations		**(55,074,988)**	(23,322,079)
Finance costs	5a	**(50,952,015)**	(84,144,735)
Other operating expenses	5c	**(243,810,022)**	(345,687,059)
Loss before taxation		**(349,837,025)**	(453,153,873)
Income tax credit	6	**23,351,259**	40,170,824
Loss for the year		**(326,485,766)**	(412,983,049)
Attributable to:			
Owners of the Company		**(279,819,910)**	(322,357,788)
Non-controlling interests		**(46,665,856)**	(90,625,261)
Loss for the year		**(326,485,766)**	(412,983,049)
Loss per share			
Basic and diluted	7	**(14.27 cents)**	(22.80 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	2014 HKD	2013 HKD
Loss for the year	**(326,485,766)**	(412,983,049)
Other comprehensive (loss)/income for the year		
Items that may be reclassified subsequent to profit or loss:		
- Exchange differences on translation of financial statements of overseas subsidiaries, net of tax	**3,027,119**	(641,532)
- Reclassification of other comprehensive income upon disposal of overseas subsidiaries	**(1,522,118)**	–
Total comprehensive loss for the year	**(324,980,765)**	(413,624,581)
Attributable to:		
Owners of the Company	**(277,777,582)**	(322,414,014)
Non-controlling interests	**(47,203,183)**	(91,210,567)
Total comprehensive loss for the year	**(324,980,765)**	(413,624,581)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	Note	2014 HKD	2013 HKD
Non-current assets			
Property, plant and equipment			
– Property, plant and equipment	9	**239,763,035**	410,903,897
– Interests in leasehold land held for own use under operating leases	9	**5,508,271**	8,710,104
Goodwill	10	**–**	–
Exploration and evaluation assets	11	**41,660,400**	151,770,300
Mining deposit		**199,778**	213,049
		287,131,484	571,597,350
Current assets			
Inventories	12	**3,714,563**	5,388,773
Trade receivables	13	**2,854,282**	434,787
Prepayments, deposits and other receivables	14	**1,567,332**	10,860,759
Amount due from a related party		**36,391**	9,476
Pledged deposit		**2,735**	2,968
Cash and cash equivalents		**378,935**	423,524
		8,554,238	17,120,287
Assets classified as held for sale		**–**	340,070
		8,554,238	17,460,357
Current liabilities			
Trade and other payables	15	**105,108,868**	110,430,866
Obligations under finance leases		**315,456**	413,972
Amount due to a director		**138,000**	628,790
Amounts due to related parties		**4,398,961**	6,341,020
Convertible bonds	16	**94,278,123**	36,080,198
Bank loans – secured	17	**381,392,173**	406,331,729
Unsecured loans from third parties	18	**–**	150,000,000
Tax payable		**278,451**	372,501
		585,910,032	710,599,076
Liabilities associated with assets classified as held for sale		**–**	2,819,092
		585,910,032	713,418,168
Net current liabilities		**(577,355,794)**	(695,957,811)
Total assets less current liabilities		**(290,224,310)**	(124,360,461)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at 31 December

	Note	2014 HKD	2013 HKD
Non-current liabilities			
Obligations under finance leases		**260,030**	596,532
Convertible bonds	16	**–**	47,564,590
Deferred tax liabilities		**8,568,647**	32,061,574
		8,828,677	80,222,696
Net liabilities		**(299,052,987)**	(204,583,157)
Capital and reserves			
Share capital	19	**989,710,234**	160,818,427
Convertible preference shares		**90,500,988**	–
Reserves		**(1,384,778,295)**	(416,855,294)
Total deficit attributable to owners of the Company		**(304,567,073)**	(256,036,867)
Non-controlling interests		**5,514,086**	51,453,710
Total deficit		**(299,052,987)**	(204,583,157)

NOTES

1. COMPANY INFORMATION

Ding He Mining Holdings Limited (formerly known as CVM Minerals Limited) (the "**Company**") is a company incorporated and domiciled in Hong Kong. The address of its registered office is Flat B, 21/F., Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong. The address of its principal place of business is 3/F., Wisma Ho Wah Genting, No. 35, Jalan Maharajalela, 50150 Kuala Lumpur, Malaysia. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's consolidated financial statements as the Group does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The disclosures required by the amendments are generally more extensive than those previously required by the respective standards.

HK(IFRIC) 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The interpretation does not have an impact on the Group's consolidated financial statements as it is consistent with the policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER

Turnover represents the sales value of magnesium ingots and related materials, and bottled mineral water supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014 HKD	2013 HKD
Sales of bottled mineral water	**948,213**	4,802,700
Sales of magnesium ingots and related materials	**38,730,049**	16,098,739
	39,678,262	20,901,439

4. SEGMENT REPORTING

The Group has identified the reportable segments set out below. The segment information reported internally to the Group's most senior executive management (being the chief operating decision maker) ("**CODM**") for the purposes of resource allocation and performance assessment is the same as those reported in the consolidated financial statements.

Mining of dolomite and manufacture of magnesium ingots	This segment includes trading of magnesium ingots. Currently, the Group's trading activities are mainly carried out in South America and Malaysia.
Exploration for iron ore, coal and manganese	This segment is engaged in the exploration for iron ore, coal and manganese in Indonesia. The activities carried out in Indonesia are through indirectly owned subsidiaries.
Extraction and bottling of mineral water	This segment is engaged in the extraction and bottling of mineral water in the PRC. The activities carried out in the PRC are through indirectly owned subsidiary.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all non-current assets and current assets with the exception of assets classified as held for sale, pledged deposit, cash and cash equivalents and other corporate assets. Segment liabilities include non-current liabilities and current liabilities with the exception of liabilities associated with assets classified as held for sale, secured bank loans, convertible bonds, deferred tax liabilities, unsecured loans from third parties and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from depreciation or amortisation of assets attributable to those segments.

Segment loss represents loss resulted by each segment without allocation of central administration costs including interest on bank loans, convertible bonds and unsecured loans from third parties, and directors' emoluments, etc. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

	Mining of dolomite and manufacture of magnesium ingots (HKD)	Exploration for iron ore, coal and manganese (HKD)	Extraction and bottling of mineral water (HKD)	Total (HKD)
Year ended 31 December 2014				
Reportable segment revenue	38,730,049	–	948,213	39,678,262
Segment loss	(29,521,729)	53,612	(7,793,872)	(37,261,989)
Interest income	4,235	–	178	4,413
Finance costs	(30,805,679)	–	(4,125)	(30,809,804)
Depreciation and amortisation	(22,249,215)	(156,391)	(1,137,920)	(23,543,526)
Impairment of				
– exploration and evaluation assets	–	(41,871,600)	(66,336,453)	(108,208,053)
– interest on leasehold land	(2,858,305)	–	–	(2,858,305)
– other receivable and prepayments	(849,607)	–	(643,582)	(1,493,189)
– property, plant and equipment	(130,976,015)	–	–	(130,976,015)
– Write down of inventories	(862,884)	–	(219,353)	(1,082,237)
As at 31 December 2014				
Segment assets	236,346,968	22,851,138	31,395,923	290,594,029
Segment liabilities	(9,676,922)	(1,683,527)	(9,139,508)	(20,499,957)

	Mining of dolomite and manufacture of magnesium ingots (HKD)	Exploration for iron ore, coal and manganese (HKD)	Extraction and bottling of mineral water (HKD)	Total (HKD)
Year ended 31 December 2013				
Reportable segment revenue	16,098,739	–	4,802,700	20,901,439
Segment loss	(9,437,982)	(1,138,078)	(11,048,162)	(21,624,222)
Interest income	9,696	–	171	9,867
Finance costs	(40,729,769)	–	–	(40,729,769)
Depreciation and amortisation	(24,696,258)	(178,458)	(654,526)	(25,529,242)
Loss on disposal of property, plant and equipment	(786,486)	–	–	(786,486)
Impairment of				
– exploration and evaluation assets	–	(133,323,080)	(74,239,500)	(270,562,580)
– goodwill	–	–	(111,180,501)	(111,180,501)
– interest in leasehold land	(571,665)	–	–	(571,665)
– other receivable and prepayments	(25,899)	–	–	(25,899)
– property, plant and equipment	(26,195,379)	–	–	(26,195,379)
Write down of inventories	(952,452)	–	–	(952,452)
Additions to segment non-current assets	–	–	168,234	168,234
As at 31 December 2013				
Segment assets	419,331,483	64,747,930	100,583,415	584,662,828
Segment liabilities	(9,011,598)	(2,012,560)	(13,374,702)	(24,398,860)

Note:
Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	2014 HKD	2013 HKD
Revenue		
Reportable segment revenue	**39,678,262**	20,901,439
Loss		
Reportable segment loss	**(37,261,989)**	(21,624,222)
Depreciation and amortisation	**(23,701,500)**	(25,681,128)
Fair value change in contingent consideration receivable	**–**	44,879,766
Finance costs	**(50,952,015)**	(84,144,735)
Gain on disposal of subsidiary	**10,471,934**	–
Interest income	**4,619**	10,164
Impairment of exploration and evaluation assets	**(108,208,053)**	(207,562,580)
Impairment of goodwill	**–**	(111,180,501)
Impairment of interest in leasehold land	**(2,858,305)**	(571,665)
Impairment of other receivable and prepayments	**(1,767,649)**	(25,899)
Impairment of property, plant and equipment	**(130,976,015)**	(26,195,379)
Loss on disposal of property, plant and equipment	**–**	(786,486)
Write down of inventories	**(1,082,237)**	(952,452)
Write off of inventories	**–**	(135,510)
Write off of property, plant and equipment	**–**	(15,525)
Other unallocated amounts	**(3,505,815)**	(19,167,721)
Consolidated loss before taxation	**(349,837,025)**	(453,153,873)
Assets		
Reportable segment assets	**290,594,029**	584,662,828
Unallocated corporate assets:		
Assets classified as held for sale	**–**	340,070
Pledged deposit	**2,735**	2,968
Cash and cash equivalents	**378,935**	423,524
Others	**4,710,023**	3,628,317
Consolidate total assets	**295,685,722**	589,057,707
Liabilities		
Reportable segment liabilities	**(20,499,957)**	(24,398,860)
Unallocated corporate liabilities:		
Bank loans, secured	**(445,441,694)**	(454,260,751)
Convertible bonds	**(101,130,267)**	(91,253,010)
Unsecured loans from third parties	**–**	(181,037,242)
Deferred tax liabilities	**(8,568,647)**	(32,061,574)
Liabilities associated with assets classified as held for sale	**–**	(2,819,092)
Others	**(19,098,144)**	(7,810,335)
Consolidated total liabilities	**(594,738,709)**	(793,640,864)

(c) **Geographical information**

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, goodwill, exploration and evaluation assets and mining deposit ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specific non-current assets is based on: (1) the physical location of the asset in case of property, plant and equipment; and (2) the location of the operations to which they are allocated, in case of intangible assets and goodwill.

	2014	2013
	HKD	HKD
Turnover		
South America	**38,013,988**	12,956,651
Malaysia	**716,061**	2,718,078
The PRC	**948,213**	4,802,700
Others+	**–**	424,010
	39,678,262	20,901,439

+ Others principally included Japan and Middle East.

	2014	2013
	HKD	HKD
Specified non-current assets		
Hong Kong	**4,624,245**	1,217,927
Malaysia	**229,226,226**	411,632,009
The PRC	**30,850,732**	94,061,297
Indonesia	**22,430,281**	64,686,117
	287,131,484	571,597,350

(d) **Information about major customers**

Revenue from sales of goods to customers represents 10% or more of the Group's total revenue is shown as follows:

	2014	2013
	HKD	HKD
Customer A	38,013,988	12,956,651

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance Costs:

	2014 HKD	2013 HKD
Interest on bank loans*:		
– wholly repayable within 5 years	**30,402,027**	9,356,279
– wholly repayable after 5 years	**–**	30,868,810
	30,402,027	40,225,089
Effective interest on convertible bonds	**19,467,369**	19,362,417
Interest on unsecured loans from third parties wholly repayable within 5 years	**–**	24,034,565
Amortisation of loan transaction costs	**372,904**	411,611
Finance charges on obligations under finance leases	**42,654**	111,053
Other borrowings costs to financial institutions	**698,158**	–
Others	**(31,097)**	–
	20,549,988	43,919,646
	50,952,015	84,144,735

* The analysis shows the finance costs on bank loans, including terms loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the years ended 31 December 2014 and 2013, the interest on bank loans which contain a repayment on demand clause amounted to HKD30,402,027 and HKD40,225,089, respectively.

(b) Staff costs (including directors' remuneration):

	2014 HKD	2013 HKD
Salaries, wages, bonuses and other benefits	**8,700,502**	9,764,426
Contributions to defined contribution retirement plan	**538,201**	503,081
	9,238,703	10,267,507

(c) **Other operating expenses:**

	2014 HKD	2013 HKD
Impairment losses:		
– exploration and evaluation assets	**108,208,053**	207,562,580
– goodwill	**–**	111,180,501
– interest in leasehold land	**2,858,305**	571,665
– other receivable and prepayments	**1,767,649**	25,899
– property, plant and equipment	**130,976,015**	26,195,379
	243,810,022	345,536,024
Write-offs:		
– inventories	**–**	135,510
– property, plant and equipment	**–**	15,525
	–	151,035
	243,810,022	345,687,059

(d) **Other items:**

	2014 HKD	2013 HKD
Amortisation of interests in leasehold land held for own use under operating leases	**129,465**	142,916
Auditors' remuneration	**1,175,496**	1,243,855
Cost of inventories sold#	**59,509,517**	46,113,638
Depreciation	**23,572,035**	25,538,212
Operating lease charges in respect of:		
– equipment and machinery	**–**	1,403
– office equipment	**34,173**	197,796
– office premises	**1,506,399**	2,117,238
– staff housing	**–**	10,831
Net loss on disposal of property, plant and equipment	**–**	786,486

\# The cost of inventories sold includes HKD25,141,265 (2013: HKD27,742,894) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2014 HKD	2013 HKD
Current tax – Malaysia Income Tax		
Provision for the year	138,017	387,359
Under-provision in respect of prior year	3,651	–
	141,668	387,359
Deferred Tax		
Reversal of temporary differences	(23,492,927)	(40,558,183)
Total income tax credit	(23,351,259)	(40,170,824)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. The directors of the Company determine the effective tax rate of the Group is 16.5% (2013: 16.5%).

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year ended 31 December 2014. No provision for Hong Kong Profits Tax had been made as the Group did not have assessable profit which is subject to Hong Kong Profits Tax for the years ended 31 December 2014 and 2013.

Malaysian Income Tax is calculated at 25% (2013: 25%) of assessable profits for the year ended 31 December 2014. The provision of Malaysian Income Tax is calculated at 25% of the estimated assessable profits for the years ended 31 December 2014 and 2013.

In accordance with the tax laws of Indonesia, companies engaged in metal, mineral and coal mining are governed by a particular contract of work and this is used for computation of the domestic income tax relating to that contract of work. Since the natural resources located in Indonesia are still in a preliminary exploration phase, the management of the Company was unable to ascertain from the local tax authorities the tax rate that should be applied to its mining operations for the years ended 31 December 2014 and 2013. No provision for Indonesian Income Tax has been made as the Group did not have assessable profit which is subject to Indonesian Income Tax for the years ended 31 December 2014 and 2013.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (2013: 25%) for the year ended 31 December 2014. No provision for PRC Enterprise Income Tax has been made as the Group did not have assessable profit which is subject to the PRC Income Tax for the years ended 31 December 2014 and 2013.

Pursuant to the rules and regulations of the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in this jurisdiction.

(b) **The reconciliation between tax credit and accounting loss at applicable tax rates is as follows:**

	2014 HKD	2013 HKD
Loss before taxation	**(349,837,025)**	(453,153,873)
Notional tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(80,487,807)**	(100,379,217)
Tax effect of non-taxable income	**(1,777,998)**	(15,809,450)
Tax effect of non-deductible expenses	**65,848,573**	88,519,487
Tax effect of unused tax losses not recognised	**2,370,475**	21,704,628
Tax effect of utilised tax losses not recognised	**–**	(2,489)
Tax effect of reversal of temporary differences previously recognised	**(23,492,927)**	(40,558,183)
Tax effect of temporary differences not recognised	**14,184,774**	6,354,400
Under-provision in previous year	**3,651**	–
Actual income tax credit	**(23,351,259)**	(40,170,824)

7. **LOSS PER SHARE**

(a) **Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HKD279,819,910 (2013: HKD322,357,788) and the weighted average number of 1,960,842,643 (2013: 1,413,974,956) shares in issue during the year, calculated as follows:

Number of shares:	2014	2013
Issued ordinary shares at 1 January	**1,608,184,265**	5,012,680,556
Effect of issue of new shares pursuant to a share placing	**135,703,956**	88,119,452
Effect of shares consolidation	**–**	(4,020,462,798)
Effect of shares issued upon conversion of convertible bonds	**–**	333,637,746
Effect of shares issued pursuant to the loan capitalisation	**216,954,422**	–
Weighted average number of ordinary shares at 31 December	**1,960,842,643**	1,413,974,956

(b) **Diluted loss per share**

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and warrants since their exercise would result in a decrease in loss per share.

8. DIVIDEND

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2014 (2013: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings HKD	Plant and machinery HKD	Motor vehicles HKD	Furniture and fittings HKD	Office equipment HKD	Computer equipment HKD	Retorts HKD	Sub-total HKD	Interest in leasehold land held for own use under operating leases HKD	Total HKD
Cost:										
At 1 January 2013	201,012,664	428,471,559	3,157,100	14,250,474	114,939	107,457	83,690,721	730,804,914	14,901,888	745,706,802
Additions	141,766	14,426	–	456,349	38,842	14,824	–	666,207	–	666,207
Re-classified as held for sale	–	(149,692)	–	(10,904)	–	(7,554)	–	(168,150)	–	(168,150)
Disposal	–	–	(774,433)	(1,981,877)	–	–	–	(2,756,310)	–	(2,756,310)
Write-off	–	–	–	(27,000)	–	–	–	(27,000)	–	(27,000)
Exchange adjustments	(13,099,311)	(28,308,225)	(97,954)	(932,975)	(10,441)	(2,641)	(5,530,937)	(47,982,484)	(984,833)	(48,967,317)
At 31 December 2013	188,055,119	400,028,068	2,284,713	11,754,067	143,340	112,086	78,159,784	680,537,177	13,917,055	694,454,232
At 1 January 2014	188,055,119	400,028,068	2,284,713	11,754,067	143,340	112,086	78,159,784	680,537,177	13,917,055	69,454,232
Additions	141,011	6,102,185	–	2,082	–	6,820	–	6,252,098	–	6,252,098
Exchange adjustments	(11,328,576)	(24,935,590)	(71,463)	(696,636)	(2,465)	(584)	(4,868,638)	(41,903,952)	(866,904)	(42,770,856)
At 31 December 2014	176,867,554	381,194,663	2,213,250	11,059,513	140,875	118,322	73,291,146	644,885,323	13,050,151	657,935,474
Accumulated depreciation, amortisation and impairment:										
At 1 January 2013	60,319,234	140,308,154	1,016,714	5,778,126	38,377	81,015	27,708,276	235,249,896	4,816,140	240,066,036
Charge for the year	4,062,565	16,758,677	272,255	1,221,321	20,390	10,173	3,192,831	25,538,212	142,916	25,681,128
Impairment	7,736,748	15,407,120	20,554	–	–	–	3,030,957	26,195,378	571,665	26,767,044
Re-classified as held for sale	–	(41,166)	–	(2,357)	–	(3,753)	–	(47,276)	–	(47,276)
Written back on disposal	–	–	(206,834)	(590,454)	–	–	–	(797,288)	–	(797,288)
Write off	–	–	–	(11,475)	–	–	–	(11,475)	–	(11,475)
Exchange adjustments	(4,138,038)	(9,910,848)	(57,584)	(425,518)	(7,850)	(1,195)	(1,953,135)	(16,494,168)	(323,770)	(16,817,938)
At 31 December 2013	67,980,509	162,521,937	1,045,105	5,969,643	50,917	86,240	31,978,929	269,633,280	5,206,951	274,840,231
At 1 January 2014	67,980,509	162,521,937	1,045,105	5,969,643	50,917	86,240	31,978,929	269,633,280	5,206,951	274,840,231
Charge for the year	3,679,926	15,707,568	220,625	1,042,199	14,748	14,388	2,892,581	23,572,035	129,465	23,701,500
Impairment	38,683,958	77,035,083	102,291	–	–	–	15,154,683	130,976,015	2,858,305	133,834,320
Exchange adjustments	(4,394,489)	(12,194,144)	(34,408)	(356,782)	(2,762)	(370)	(2,076,087)	(19,059,042)	(652,841)	(19,711,883)
At 31 December 2014	105,949,904	243,070,444	1,333,613	6,655,060	62,903	100,258	47,950,106	405,122,288	7,541,880	412,664,168
Carrying amount:										
At 31 December 2014	70,917,650	138,124,219	879,637	4,404,453	77,972	18,064	25,341,040	239,763,035	5,508,271	245,271,306
At 31 December 2013	120,074,610	237,506,131	1,239,608	5,784,424	92,423	25,846	46,180,855	410,903,897	8,710,104	419,614,001

(a) The carrying amount of properties of the Group is as follows:

	2014 HKD	2013 HKD
Interests in leasehold land held for own use under operating leases outside Hong Kong – long term	**5,508,271**	8,710,104

(b) Included in the Group's property, plant and equipment as at 31 December 2014 are buildings, plant and machinery, motor vehicles, retorts and interests in leasehold land held for own use under operating leases, with carrying amounts of HKD68,682,011 (2013: HKD117,880,129), HKD129,002,404 (2013: HKD234,748,928), HKD87,856 (2013: HKD313,176), HKD25,341,040 (2013: HKD46,180,855) and HKD5,508,271 (2013: HKD8,710,104), respectively located in Malaysia and operated by CVMSB. In light of the sustained operating losses of CVMSB and suspension of its production plant since 2012, the directors of the Company conducted a review on the recoverable amount of cash-generating units ("**CGU**") for mining of dolomite and manufacture of magnesium ingots based on value in use calculation and determined that an impairment loss of HKD133,834,320 (2013: HKD26,767,044) was recognised and included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2014. The cash flow projections were based on financial budget and production forecast as approved and prepared by management, covering a twenty-two year period, which represents approximately the remaining license period of the mining right to mine and extract magnesium dolomite from two pieces of land in the State of Perak, Peninsula Malaysia (the "**Dolomite Land**"). The cash flow beyond the four-year period is extrapolated using zero growth rate. The discount rate applied to the cash flow projection is 20.01% (2013: 19.55%) which is in reference to the valuation prepared by an independent qualified professional valuer, GC Appraisals Services Company Limited ("**GC Appraisals**") as at 31 December 2014. Other key assumptions applied in the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

(c) The significant portion of buildings, retorts and the interests in leasehold land held for own use under operating leases of the Group with an aggregate carrying amount of HKD99,531,322 (2013: HKD171,754,562) are pledged to a bank for banking facilities granted to the Group (see Note 17).

(d) **Property, plant and equipment held under finance leases**

The Group leases motor vehicles and furniture and fittings under finance leases expiring in 2 to 3 years. None of the leases includes contingent rentals. As at 31 December 2014, the carrying amount of motor vehicles and furniture and fittings held under finance leases of the Group was HKD1,559,886 (2013: HKD1,899,039).

The Company leases a motor vehicle under a finance lease expiring in 2 years. It does not include contingent rentals. As at 31 December 2014, the carrying amount of a motor vehicle held under a finance lease of the Company was HKD586,604 (2013: HKD672,449).

(e) At the end of the reporting period, the property ownership certificates in respect of the property interests held in the PRC have not been issued by the relevant PRC government authorities. The carrying amount of the properties was HKD1,769,261 (2013: HKD1,843,328) as at 31 December 2014.

10. GOODWILL

	HKD
Cost:	
At 1 January 2013, 31 December 2013 and 31 December 2014	332,328,997
Accumulated impairment losses:	
At 1 January 2013	221,148,496
Impairment loss	111,180,501
At 31 December 2013 and 31 December 2014	332,328,997
Carrying amount:	
At 31 December 2014	–
At 31 December 2013	–

(a) The goodwill was originally arose in the acquisition of Victory Dragon Holdings Limited and its subsidiary, Long Chuan ("**Victory Dragon Group**") during the year ended 31 December 2012. In the opinion of the directors of the Company, the goodwill represented the future economic benefits together with the current establishment of the operation arising from the potential growth in the mineral water business acquired. It has been fully impaired in the year 2013.

A valuation report, prepared by GC Appraisals, showed that the fair value of exploration and evaluation assets of the acquired subsidiary at the date of acquisition, determined based on the income-based method, was HKD161,763,000 (see Note 11).

(b) **Impairment test for cash-generating unit containing goodwill**

At the end of the reporting period, goodwill is allocated to the Group's CGU identified according to country of operation and operating segment as follows:

	2014	2013
	HKD	HKD
Extraction and bottling of mineral water	**–**	–

(i) *Extraction and bottling of mineral water*

The recoverable amount of the CGU of extraction and bottling of mineral water is determined based on value in use calculation. The calculation use pre-tax cash flow projection based on financial budgets approved by management of the Company covering an eleven-year period, which represents approximately the remaining license period of the mining right to mine and extract mineral water. The CGU's cash flows beyond the three-year period are extrapolated using a steady average growth rate of 5.7% (2013: 7.0%), until reaching the maximum capacity of 15,000 bottles per hour. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate applied to the cash flow projection is 49.17% (2013: 37.02%). The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

The revenue generated from this CGU subsequent to acquisition did not meet the previous expectations because of limited cash resources to develop a new production line for manufacturing sparkling water, and making reference to the valuation performed by GC Appraisals as at 31 December 2013, the Company's directors determined that an impairment loss of HKD111,180,501 on its CGU containing goodwill has been recognised and included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2013.

11. EXPLORATION AND EVALUATION ASSETS

	Mining of dolomite and manufacture of magnesium ingots HKD	Exploration for iron ore, coal and manganese HKD	Extraction and bottling of mineral water HKD	Total HKD
Cost:				
At 1 January 2013, 31 December 2013 and 1 January 2014	4,125,190	382,806,372	161,763,000	548,694,562
Disposal of subsidiaries	–	(103,196,172)	–	(103,196,172)
Exchange adjustments	–	556,290	(4,142,911)	(3,586,621)
At 31 December 2014	4,125,190	280,166,490	157,620,089	441,911,769
Accumulated amortisation and impairment:				
At 1 January 2013	4,125,190	185,236,492	–	189,361,682
Impairment loss	–	133,323,080	74,239,500	207,562,580
At 31 December 2013	4,125,190	318,559,572	74,239,500	396,924,262
At 1 January 2014	4,125,190	318,559,572	74,239,500	396,924,262
Impairment loss	–	41,871,600	66,336,453	108,208,053
Disposal of subsidiaries	–	(103,196,172)	–	(103,196,172)
Exchange adjustments	–	439,090	(2,123,864)	(1,684,774)
At 31 December 2014	4,125,190	257,674,090	138,452,089	400,251,369
Carrying amount:				
At 31 December 2014	–	22,492,400	19,168,000	41,660,400
At 31 December 2013	–	64,246,800	87,523,500	151,770,300

(a) CVMSB has undertaken various feasibility studies in relation to the mining and extraction of dolomite in Peninsula Malaysia since 2004. On 15 June 2006, CVMSB entered into an agreement (the "**Mining Agreement**") with Majuperak Energy Resources Sdn. Bhd. ("**MERSB**") (formerly known as Harta Perak Corporation Sdn. Bhd.), a subsidiary of the Perak State Development Corporation ("**PSDC**"), a shareholder of the Company. Pursuant to the Mining Agreement, CVMSB has been granted, at no initial cost, an exclusive right to mine and extract magnesium dolomite from the Dolomite Land for a period of 20 years, with an option to renew for a further period of 10 years. The Mining Agreement can be terminated early by the Group by giving one month's written notice to MERSB. CVMSB is required to pay royalties to MERSB based on the volume of dolomite extracted, subject to a monthly minimum payment. Due to suspension of its production plant since 2012, CVMSB did not extract any dolomite from the Dolomite Land during the years ended 31 December 2014 and 2013.

Mining activities for this dolomite project had started in 2010 and the amortisation charge relating to the project for the year is included in "administrative expenses" (2013: "**administrative expenses**") in the consolidated statement of profit or loss.

As a result of impairment review performed by management of the Company, an impairment loss of HKD3,506,411 was made on the exploration and evaluation assets during the year ended 31 December 2012. The management was of the view that such impairment loss had resulted from the suspension of CVMSB's production plant and its operating loss. The recoverable amount of CGU for mining of dolomite and manufacture of magnesium ingots had been determined based on a value in use calculation. This calculation uses cash flows projections based on financial budgets and production forecast as prepared by management, covering a twenty-two year period, which represents approximately the remaining license period of the mining right to mine and extract magnesium dolomite from the Dolomite Land. The cash flow beyond the four-year period is extrapolated using zero growth rate, and a discount rate of 20.01% (2013: 19.55%) with reference to the valuation performed by GC Appraisals as at 31 December 2014. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

(b) PT. Commerce Venture Iron Ore ("**PTCV Iron**") and PT. Commerce Venture Coal ("**PTCV Coal**"), both indirectly held subsidiaries of the Company, have exploration mining permits in relation to the mining and extraction of coal, iron ore and manganese in Indonesia. Both PTCV Iron and PTCV Coal were disposed to independent third party on 3 April 2014 (the "**Disposal**").

PTCV Coal holds exploration mining permits for (i) coal exploration in an area of 10,000 hectares in Beutong and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 7 October 2013 ("**Permit 1**"); and (ii) manganese exploration in an area of 3,710 hectares in Bakongan Subdistrict, South Aceh Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 28 January 2014 ("**Permit 2**").

PTCV Iron holds exploration mining permits for (i) coal exploration in an area of 9,825 hectares in Kuala and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 5 March 2014 ("**Permit 3**"); and (ii) iron ore exploration in an area of 450 hectares in Pananggalan Subdistrict, Subulussalam City, Nanggroe Aceh Darussalam Province of Indonesia, valid until 14 December 2012 ("**Permit 4**"). On 5 September 2013, the relevant local authorities informed the Group that the Permit 4 could not be extended or renewed due to environmental issues surrounding the relevant exploration activities location and the authorities will reconsider the renewal application if the situation has improved.

During the year ended 31 December 2013, the Permit 1, 2 and 4 had expired and the Group did not submit applications to the relevant local authorities for extension of these permits in the view that the Group is going to dispose of all its equity interests in PTCV Coal and PTCV Iron.

During the year ended 31 December 2014 and 2013, the Group did not conduct any exploration in these mines due to its limited cash resources. No exploration and evaluation costs were capitalised and no income was derived from these mines during the year ended 31 December 2014 and 2013.

Taking into consideration the expiration and non-renewal of these permits as mentioned above, the Company's directors determined that the recoverable amounts of CGUs in respect of these permits were below their respective carrying amount, impairment losses of HKD87,500,000 have been recognised and included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2013.

(c) PTLM holds a production operation mining permit for manganese ("**Mining Permit**") in an area of 195 hectares in the Jatimulyo Village, Girimulyo Subdistrict, Kulon Progo Regency, Daerah Istimewa Yogyakarta Province, Indonesia ("**Mining area**"). The permit is used for mining activities including construction, mining, processing and refining or smelting as well as hauling and sales of manganese in the Mining area. The production operation mining permit is valid for a period of 10 years from 24 February 2011 and is capable of being extended for two further terms of 10 years each at the maximum. PTLM has undertaken various feasibility studies in relation to the mining of and exploration for manganese in the Mining area.

No exploration activities were conducted in the mine as the Group lost contact with the legal representatives of PTLM in 2012. This brought to a halt to the daily operations and mining activities of PTLM and might impact the fulfillment of the obligations of PTLM in respect of its production operation mining permit for manganese and any other government regulations it would be subject to. During the year ended 31 December 2014, re-nominating the legal representatives according to the relevant legal requirements of Indonesia was being undertaken. On 21 August 2014 and 13 October 2014 respectively, PTLM received warning letters from Trade and Energy Industries of Resource of Minerals Office Government of Kulon Progo Regency reminding PTLM to immediate implement its obligations as the holder of Mining Permit by submitting the tax form and reporting of PTLM's status to the relevant Indonesian authority with the legal representatives' signatures, not later than one month from the date of these letters. On 22 September 2014 and 4 November 2014 respectively, the management of the Company reiterated that it is currently undergoing management restructuring and therefore all activities are currently being suspended temporarily until the management restructuring is completed. Besides, once the management restructuring has been completed, PTLM will resume with investment and other mining activities. Due to previous failure in calling for extraordinary meetings for appointing new directors and legal representative to the board of PTLM, PTLM had applied to the Court in Yogyakarta for a court ruling on the appointment of re-nominated directors and replacement of legal representative. Nevertheless, the third hearing was further postponed by the court to 30 September 2014. On 19 November 2014, court judgement stipulated that the holding company of PTLM could organize an Extraordinary General Meeting of shareholders to undergo the re-nomination of the legal representatives ("**EGM**"). The EGM and the re-nomination of the legal representatives according to the relevant legal requirement of Indonesia are still in process as at the approval date of the consolidated financial statements.

No exploration and evaluation costs were capitalised and no income was derived from the mining of manganese during the years ended 31 December 2014 and 2013.

At 31 December 2014, the Group determined the recoverable amount of CGU for PTLM based on value in use calculation. The calculation uses cash flow projection based on financial budgets and production forecast as prepared by management of the Company covering a sixteen-year period, which represents approximately the remaining licence period of the mining right as well as hauling and sales of manganese in the Mining area. The cash flows are in zero growth rate. The discount rate applied to the cash flow projection is 25.51% (2013: 27.38%). The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. Taking into consideration the uncertainties and making reference to the valuation performed by GC Appraisals as at 31 December 2014, the Company's directors determined that an impairment loss of HKD41,871,600 (2013: HKD45,823,080) has been recognised and included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2014.

(d) Long Chuan holds a mineral water permit (礦泉水取水許可證) to extract maximum volume of water up to 33,000 meter cube per annum in relation to the Long Chuan Spring (the "**Water Permit**") from 1 March 2007 to 26 February 2015. The application for renewal of the Water Permit was submitted in December 2014 and has been renewed on 1 March 2015. Long Chuan had been granted in prior years a mineral water extraction permit (礦泉水開採許可證) with a right to extract mineral water in the stipulated mining area for a period from 23 December 2011 to 23 December 2021. Nonetheless, the statutory required mineral water registration certificate (礦泉許可證水註冊登記證) ("**Water Registration Certificate**") had expired on 31 December 2012 already and not yet been renewed up to the approval date of the consolidated financial statements. The main reason was due to the change in approval procedures of the State Land Resources Bureau in Guangzhou since August 2012 whereas the approval power has been delegated to County Land Resources Bureau in Guangzhou who has no relevant experience of how to approve such licenses or registration certificates. This had caused a substantial delay in the renewal of such registration certificate. Long Chuan had submitted a renewal application of the Water Registration Certificate in December 2014 and had passed through to the intermediate stage of the renewal process because Long Chuan had received from County Land Resources Bureau in Guangzhou an acknowledgement of receipt in writing on 17 December 2014 of its renewal application being in process.

The Longchuan Spring is situated at Damiao Village Longmu Town Longchuan County Heyuan City (河源市龍川縣龍母鎮大廟村), the PRC, with an aggregate mining area of approximately 0.3956 km^2. It is well connected with the source of the East River (Dongjiang) which supplies fresh water to Hong Kong and parts of Guangdong Province. The Longchuan Spring is protected by a protection zone of 30 km in radius with no significant industrial pollution source within a radius of up to 50 km. Longchuan Spring contains six of the eight prescribed minerals in sufficient quantity to quality, including free carbon dioxide.

According to the technical report prepared by 廣東省地質技術工程諮詢公司(unofficially translated as Guangdong Province Geological Engineering Consulting Firm) in July 2003, the Longchuan Spring provides about 270,000 tons of minerals water annually and the water contains significant amounts of minerals including potassium, sodium, calcium, magnesium, lithium, strontium and zinc.

Taking into consideration the performance of the mine as disclosed in Note 10, sustained operating losses and unable to generate positive cash flow from the date of acquisition in April 2012 to 31 December 2014, the business operated by Long Chuan is not commercially viable, as a result, the mineral water extraction permit had not been reclassified to an intangible asset.

At 31 December 2014, the Group determined the recoverable amount of CGU for extraction and bottling of mineral water based on value in use calculation. The calculation uses cash flow projection based on financial budgets and production forecast as prepared by management covering a eleven-year period, which represents approximately the remaining license period of the mining right to mine and extract mineral water. The CGU's cash flows beyond the three-year period are extrapolated using a steady average growth rate of 5.7% (2013: 7.0%), until reaching the maximum capacity of 15,000 bottles per hour. This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. The discount applied to the cash flows projection is 49.17% (2013: 37.02%). The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. Taking into consideration the performance of the mine as disclosed in Note 10, and making reference to the valuation performed by GC Appraisals as at 31 December 2014, the Company's directors determined that an impairment loss of HKD66,336,453 (2013: HKD74,239,500) has been recognised and included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2014.

12. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2014 HKD	2013 HKD
Raw materials	**1,929,238**	2,772,702
Work-in-progress	**38,062**	179,761
Finished goods	**1,747,263**	2,436,310
	3,714,563	5,388,773

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014 HKD	2013 HKD
Carrying amount of inventories sold	**59,509,517**	46,113,638
Write down of inventories	**1,082,237**	952,452
Write off of inventories	**–**	135,510
	60,591,754	47,201,600

Because of fluctuations in the market price of magnesium, there was a significant reduction in the net realisable value of inventories as at the end of the reporting period. As a result, a write down of inventories of HKD1,082,237 (2013: HKD952,452) was made at 31 December 2014.

During the year ended 31 December 2013, raw materials at the amount of HKD135,510 was written off. This was because these materials used for manufacturing bottling water had been deteriorated tremendously and could not be used as assessed by the management of the Company.

13. TRADE RECEIVABLES

	2014 HKD	2013 HKD
Trade receivables	**2,854,282**	434,787

All of the trade receivables are expected to be recovered within one year.

(a) Ageing analysis

An ageing analysis of trade receivables, based on the invoice date, is as follows:

	2014 HKD	2013 HKD
Current, neither past due nor impaired	**2,711,735**	148,140
Less than one month past due	**388**	82,075
One month to two months past due	**9,237**	32,086
More than two months but less than twelve months past due	**29,907**	172,486
Over twelve months past due	**103,015**	–
Amounts past due	**142,547**	286,647
Total	**2,854,282**	434,787

Trade receivables derived from sales of magnesium ingots are due within 14 days (2013: 5 days) from the date of the bill of lading for exports sales or date of invoice for local sales. Other than that the Group has a policy of allowing customers for domestic trading and distribution in the PRC with credit terms or normally cash on delivery.

Receivables that were neither past due nor impaired related to independent customers that have a good track record with the Group. Based on past experience, the directors of the Company believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) At 31 December 2014, none of trade receivables (2013: Nil) were pledged as security for banking facilities granted to the Group.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 HKD	2013 HKD
Other receivables	**42,487**	873,671
Advance payment to a contractor	**14,911,170**	15,901,699
Deposits for purchase of property, plant and equipment	**–**	5,131,402
Prepayments for raw materials and machinery	**677,430**	6,562,868
Deposits and prepayments	**1,524,845**	4,855,686
	17,155,932	33,325,326
Less: impairment losses:		
– advance payment to a contractor	**(14,911,170)**	(15,901,699)
– prepayments for raw materials and machinery	**(677,430)**	(6,562,868)
	1,567,332	10,860,759

Apart from certain of the Group's deposits and prepayments of HKD637,851 (2013: HKD2,236,053) as at 31 December 2014, the remaining prepayments, deposits and other receivables of the Group are expected to be recovered or recognised as expenses within one year.

(a) In prior years, the Group advanced a total of HKD14,911,170 (2013: HKD15,901,699) to a contractor for ratification works in the production plant of magnesium ingots in Malaysia. This contractor was put under creditor's winding up in 2012. The Group's management assessed the recoverability of these advances was remote and had made a full provision against them as at 31 December 2014 and 2013.

(b) The Group has made prepayments of HKD677,430 (2013: HKD6,562,868) to an entity for purchase of raw materials and machinery. During the year, no goods and/or machinery have been received by the Group from that entity in settlement of the prepayments made. The Group's management assessed the recoverability of these prepayments was remote after suspension of the production plant in Malaysia, and thus a full provision against them has been made as at 31 December 2014 and 2013.

15. TRADE AND OTHER PAYABLES

	2014 HKD	2013 HKD
Trade payables	**2,831,490**	278,104
Accrued interest on bank loans	**64,049,521**	47,929,022
Accrued interest on unsecured loans	**–**	31,037,242
Accrued interest on convertible bonds	**6,852,144**	7,608,222
Accrued salaries	**2,800,027**	2,190,413
Other payables and accrued expenses	**28,575,686**	21,387,863
	105,108,868	110,430,866

All of the above payables are expected to be settled or recognised as income within one year, or are repayable on demand.

An ageing analysis of trade payables, based on the invoice date, is as follows:

	2014	2013
	HKD	HKD
Current	**2,701,050**	53,262
Due within three months	**–**	4,315
Due after three months but within twelve months	**32,983**	220,527
Over twelve months	**97,457**	–
	2,831,490	278,104

16. CONVERTIBLE BONDS

(a) On 1 September 2011, the Company entered into a placing agreement with a placing agent, Cheong Lee Securities Limited for the issue of convertible bonds with maturity date on the third anniversary of the date of issue for an aggregate principal amount of HKD80,000,000. The convertible bonds bear interest at 10% p.a. payable annually and are unsecured. As at the end of reporting period, the aggregate principal amount of convertible bonds being available was HKD80,000,000 (2013: HKD80,000,000).

The bondholders at any time before maturity can convert the whole or part of the principal amount of the convertible bonds into ordinary shares of the Company at the conversion price of HKD0.10 per share. As a result of the said share consolidation in Note 19, the conversion price of outstanding convertible bonds of the Company was adjusted from HKD0.10 per share to HKD0.40 per share with effect on 29 July 2013.

Upon maturity any unredeemed and unconverted bonds will be redeemed at par value of the outstanding principal amount in cash.

The convertible bonds may be early redeemed at par value of the outstanding principal amount of the bond at any time at the option of the Company up to maturity provided that the Company has given not less than 7 business days' prior notice to the bondholder(s) of its intention to make that redemption.

The maturity date of the five principal amounts of convertible bonds of HKD26,000,000 ("**First Tranche Bonds**"), HKD17,000,000 ("**Second Tranche Bonds**"), HKD10,000,000 ("**Third Tranche Bonds**"), HKD10,000,000 ("**Fourth Tranche Bonds**") and HKD17,000,000 ("**Fifth Tranche Bonds**") is 1 December 2014, 29 December 2014, 9 January 2015, 4 March 2015 and 22 March 2015 respectively. The directors of the Company represented that (i) the Company is currently in the course of arm's length negotiations with the holders of the Matured bonds in relation to the Proposed Alteration; (ii) as negotiated with the holders of the Matured Bonds, they verbally agreed not to redeem the Matured Bonds until the Proposed Alteration is confirmed; and (iii) the interest on the Matured Bonds will continue to be payable by the Company until the date of redemption pursuant to the terms of the Matured Bonds. As at the approval date of the consolidated financial statements, the Proposed Alteration of these Matured Bonds have not been fixed and confirmed yet.

The non-redemption of First Tranche Bonds on 1 December 2014 technically constitutes an event of default on the part of the Company and can lead to a mandatory redemption of the Second Tranche Bonds, Third Tranche Bonds, Fourth Tranche Bonds and Fifth Tranche Bonds (the "**Non-redemption**"). Therefore, the Matured Bonds have become due and payable at their principal amounts if any of their holders serves a notice on the Company. As at the approval date of the consolidated financial statements, the Company represented that no mandatory redemption request has been received from any of the bondholders of the Matured Bonds.

At 31 December 2014, convertible bonds are due for repayment as follows:

	2014 **HKD**	2013 HKD
Within one year	**82,561,759**	36,080,198
After one year but within two years	**–**	36,729,997
Total	**82,561,759**	72,810,195

The interest charged for the year is calculated by applying an effective interest rate with a range from 17.54% p.a. to 33.73% p.a. (2013: a range from 17.54% p.a. to 33.73% p.a.) to the liability component for the number of days to the end of the reporting period since the bonds were issued.

The directors of the Company estimate the fair value of the liability component of the convertible bonds as at 31 December 2014 to be approximately HKD82,125,000 (2013: HKD72,793,000). This fair value has been calculated by discounting the future cash flows at the market rate.

The net proceeds received from the issuance of the convertible bonds have been split into the liability and equity components, as follows:

	First Tranche Bonds HKD	Second Tranche Bonds HKD	Third Tranche Bonds HKD	Fourth Tranche Bonds HKD	Fifth Tranche Bonds HKD	Total HKD
At 1 January 2013	18,697,603	11,735,082	9,476,511	9,173,724	15,675,750	64,758,670
Interest charged	5,989,404	3,958,109	1,661,767	1,679,804	2,762,441	16,051,525
Interest paid	(2,600,000)	(1,700,000)	(1,000,000)	(1,000,000)	(1,700,000)	(8,000,000)
Liability components as at 31 December 2013	22,087,007	13,993,191	10,138,278	9,853,528	16,738,191	72,810,195
At 1 January 2014	22,087,007	13,993,191	10,138,278	9,853,528	16,738,191	72,810,195
Interest charged	6,512,993	4,706,809	1,777,812	1,804,281	2,949,669	17,751,564
Interest paid	(2,600,000)	(1,700,000)	(1,000,000)	(1,000,000)	(1,700,000)	(8,000,000)
Liability component as at 31 December 2014	26,000,000	17,000,000	10,916,090	10,657,809	17,987,860	82,561,759

(b) In 2012, the Company issued convertible bonds with maturity date on the fifth anniversary of the date of issue for an aggregate principal amount of HKD106,840,000 as part consideration for the acquisition of Victory Dragon Group in 2012. The convertible bonds bear interest at 5% p.a. payable annually and are unsecured.

The bondholder of the convertible bonds at any time before maturity can convert the whole or part of the principal amount of the convertible bonds in whole multiples of HKD1,000,000 into ordinary shares of the Company at a fixed conversion price of HKD0.126 per share. As a result of the said share consolidation in Note 19, the conversion price of outstanding convertible bonds of the Company was adjusted from HKD0.126 per share to HKD0.504 per share with effect on 29 July 2013.

Upon maturity any unredeemed and unconverted bonds will be redeemed at par value of the outstanding principal amount in cash.

The Company may at any time before the maturity date early redeem the convertible bonds.

On 15 January 2013, the convertible bonds in the principal amount of HKD43,840,000 were converted into 347,936,507 ordinary shares of the Company at HKD0.025 each.

Pursuant to an agreement signed for acquisition of 51% of the issued share capital of Victory Dragon Group, Voice Key Group Limited ("**First Vendor**") and the guarantor, Mr. Chu Yuk Lung (the "**Guarantor**") irrevocably warrants and guarantees to the Group that the audited consolidated net profit after tax and any extraordinary and exceptional items ("**Audited Profit**") of Victory Dragon Group will not be less than RMB30,000,000 ("**Guaranteed Profit**") for the period of twelve months commencing from the date of completion of the acquisition ("**Guaranteed Period**").

If the Guaranteed Profit is not achieved for the Guaranteed Period, the Group will be entitled to deduct from the outstanding principal amount of the convertible bonds on a dollar for dollar basis which is equivalent to the difference between the Audited Profit and Guaranteed Profit. If Victory Dragon Group record a consolidated net loss after tax and any extraordinary and exceptional items for the Guarantee Period, the Group will be entitled to deduct from the outstanding principal amount of the convertible bonds which is equivalent to an amount of the summation of the loss and the Guaranteed Profit provided that the maximum compensation amount shall not exceed HKD50,000,000.

The First Vendor (i.e. the bondholder) agrees that unless and until the delivery of the consolidated audited financial statements of Victory Dragon Group for the Guarantee Period showing that the Guaranteed Profit has been fulfilled, it will not convert, transfer or dispose of the convertible bonds such that the outstanding principal amount of the convertible bonds shall be less than HKD50,000,000 or otherwise cause the outstanding principal amount of the convertible bonds below HKD50,000,000.

On 30 August 2013, the directors of the Company announced the audited financial statements of Victory Dragon Group for the Guarantee Period showed a net loss after tax and any extraordinary and exceptional items of HKD8,228,917. Based on the exchange rate at that time, the Guaranteed Profit was HKD38,090,401 (equivalent to RMB30,000,000), and hence, the actual shortfall between the audited net loss and the Guaranteed Profit was HKD46,319,318. As such on 16 October 2013, the convertible bonds in the principal amount of HKD46,319,318 was cancelled and deducted.

As at the end of the reporting period, the principal amount of convertible bonds being available was HKD16,680,682 (2013: HKD16,680,682).

The Non-redemption technically constitutes an event of default on the part of the Company and can lead to a mandatory redemption of the Victory Dragon Bond. Therefore, Victory Dragon Bond has become due and payable at its principal amount if any of its holders serves a notice on the Company. As at the approval date of the consolidated financial statements, the Company represented that no mandatory redemption request has been received from any of the bondholders of the Victory Dragon Bond.

The net proceeds received from the issuance of the convertible bonds have been split into the liability and equity components, as follows:

	Liability component HKD	Equity component HKD	Total HKD
At 1 January 2013	70,282,100	44,326,000	114,608,100
Interest charged	3,310,892	–	3,310,892
Interest paid	(5,372,268)	–	(5,372,268)
Conversion of convertible bonds	(29,024,400)	(18,188,430)	(47,212,830)
Repayment of convertible bonds	28,361,731	(19,217,054)	(47,578,785)
At 31 December 2013 and 1 January 2014	10,834,593	6,920,516	17,755,109
Interest charged	1,715,805	–	1,715,805
Interest paid	(834,034)	–	(834,034)
At 31 December 2014	11,716,364	6,920,516	18,636,880

The interest for the year is calculated by applying an effective interest rate of 17.58% p.a. (2013: 17.58%) to the liability component for the number of days to the end of the reporting period since the bonds were issued.

The directors of the Company estimate the fair value of the liability component of the convertible bonds as at 31 December 2014 to be approximately HKD12,013,000 (2013: HKD10,104,000). This fair value has been calculated by discounting the future cash flows at the market rate.

17. BANK LOANS – SECURED

	2014			2013		
	Nominal Value HKD	Less: Unamortised costs HKD	Total HKD	Nominal Value HKD	Less: Unamortised costs HKD	Total HKD
Bank loans, secured	383,212,795	(1,820,622)	381,392,173	408,669,115	(2,337,386)	406,331,729

At 31 December 2014, interest bearing bank loans are due for repayment as follows:

	2014 HKD	2013 HKD
Portion of term loans due for repayment within one year	**381,392,173**	82,863,708
Term loans due for repayment after one year:		
After one year but with two years	**–**	90,316,599
After two years but within five years	**–**	233,151,422
	–	323,468,021
	381,392,173	406,331,729

The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

	2014 HKD	2013 HKD
Transaction costs		
Cost:		
At 1 January	**9,277,771**	9,934,307
Exchange adjustments	**(577,920)**	(656,536)
At 31 December	**8,699,851**	9,277,771
Accumulated amortisation:		
At 1 January	**6,940,385**	7,007,687
Amortisation for the year	**372,904**	411,611
Exchange adjustments	**(434,060)**	(478,913)
At 31 December	**6,879,229**	6,940,385
Unamortised transaction costs	**1,820,622**	2,337,386

The secured bank loans as at 31 December 2014 are interest bearing at 8.6% p.a. (2013: 8.6% p.a.). These bank loans were restructured on 25 July 2011 by Bank Rakyat. In accordance with the restructured bank loan agreement, the Group is required to repay the bank loans by monthly instalment of RM670,000 (equivalent to HKD1,586,032) with effect from August 2011 to December 2013 and increasing to RM4,200,000 (equivalent to HKD9,942,287) from January 2014 to the second last repayment of the loans in 2018.

The bank loans are granted to CVMSB and secured by way of:

(i) a legal charge over the land and factory building to be erected thereon held by CVMSB;

(ii) assignment of trade receivables;

(iii) a debenture creating fixed and floating legal charge over all present and future assets of CVMSB excluding the performance bonds;

(iv) assignment of all CVMSB's rights, entitlement and interest in and to all building contracts, design drawings and other contracts pertaining to the magnesium ingot project (the "**Project**");

(v) an assignment of all CVMSB's rights, benefits and interest under insurance undertaken by CVMSB as part of its operations for the Project;

(vi) an assignment over the existing revenue accounts maintained at HSBC Amanah Malaysia Berhad and monies standing to the credit of the revenue account in favour of the bank, the revenue accounts shall be operated solely by the bank;

(vii) a first fixed charge/assignment over the retorts of CVMSB;

(viii) an assignment over the insurance policies of the retorts of CVMSB; and

(ix) corporate guarantee by Ding He Mining Holding Limited (formerly known as CVM Minerals Limited).

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. The Group is required to comply with the covenants when CVMSB's production operation commences, which was in or around February 2011.

During the year ended 31 December 2013, the Group defaulted on the repayments of bank loans since November 2013 and breached one of the covenants of the banking facilities. Upon discovery of the breach, the directors of the Company commenced a negotiation of the terms of the loans with Bank Rakyat. These negotiations have concluded on 24 February 2014 whereby Bank Rakyat agreed to extend a one year grace period without executing legal proceeding against the Company and CVMSB until 31 December 2014. CVMSB is required to repay monthly instalment of RM670,000 (equivalent to HKD1,586,032) for the year ended 31 December 2014.

On 15 December 2014, the Group has accepted the restructuring proposal discussed and offered by Bank Rakyat in respect of the Outstanding Loan owing by CVMSB (the "**Proposal**"). Pursuant to the Proposal, the full and final settlement sum by CVMSB shall be reduced to RM113,040,000 (equivalent to approximately HKD258,850,469) which is repayable to Bank Rakyat on or before 30 June 2015, in which (i) an amount of RM4,020,000 (equivalent to approximately HKD9,205,404) must be settled to Bank Rakyat on or before 31 December 2014; (ii) a monthly sum of RM200,000 (equivalent to approximately HKD457,980) shall be repayable to Bank Rakyat on the last day of each calendar month commencing from January 2015 to June 2015 and the final instalment of RM2,820,000 (equivalent to approximately HKD6,457,522) will be paid as bullet payment latest by 30 June 2015; and (iii) a full and final settlement sum of RM105,000,000 (equivalent to approximately HKD240,439,661) be repayable by CVMSB to Bank Rakyat on 30 June 2015.

During the year ended 31 December 2014 and due to continued negative cashflows, the Group defaulted on the repayments of bank loans of RM4,020,000 (equivalent to approximately HKD9,205,404) and breached one of the covenants of the banking facilities. Upon discovery of the breach, the directors of the Company commenced a negotiation of the terms of the loans with Bank Rakyat. These negotiations have concluded on 12 January 2015 whereby Bank Rakyat has agreed to defer the repayment by CVMSB of the bank loan amounting at RM4,020,000 (equivalent to approximately HKD9,205,404) to 16 January 2015, which was originally repayable on or before 31 December 2014. According to Bank Raykat, such deferral is final and Bank Raykat shall not allow any further delay and/or failure on the part of CVMSB to meet its payment obligation. Up to the approval date of the consolidated financial statements, the bank loan of RM4,020,000 (equivalent to approximately HKD9,205,404) is defaulted again and not yet repaid.

On 17 March 2015, the Company received a letter issued by Bank Rakyat indicating that the continued failure to fulfil the repayment obligations as set out in the Proposal constituted a breach of terms and therefore the above Proposal was terminated and/or allowed to be terminated (the "**Letter**"). Accordingly, the total amount owed and repayable to Bank Rakyat was restored to RM203,141,864 (equivalent to approximately HKD465,174,866) as at 28 February 2015 (the "**Outstanding Loan**") which was required to be settled within 14 days from the date of the Letter. According to Bank Rakayt, legal actions will be commenced against CVMSB including all its corporate guarantors if CVMSB failed, neglected or refused to settle the Outstanding Loan within the given period.

18. UNSECURED LOANS FROM THIRD PARTIES

	2014	2013
	HKD	HKD
Within one year	–	150,000,000

The amounts due are based on the scheduled repayment dates set out in the loan agreements which do not have a repayment on demand clause.

On 13 June 2011, the Company entered into a loan agreement with an independent third party for an unsecured loan of HKD50,000,000 at an interest rate of 12% p.a. payable half-yearly. The loan is wholly repayable on or before June 2014.

On 12 February 2014, the Company successfully negotiated with the lender with written confirmation to defer the repayment by a year to 12 June 2015 and to charge interest rate at 12% p.a. payable half-yearly with effect on 13 June 2014.

On 14 October 2011, the Company entered into loan agreements with four holders of convertible bonds, pursuant to which the holders of convertible bonds agreed to make available to the Company with aggregate loan facilities of HKD100,000,000. The Company applied these loans for repayment of the outstanding convertible bonds issued by the Company in September 2010 in the principal sum of respective amount and registered in the name of the lenders. The unsecured loans are recognised initially at fair value less attributable transaction costs. In the opinion of the directors of the Company, the principal value of the unsecured loans is approximate to its fair value. These loans are unsecured, interest bearing at 15% p.a. payable half-yearly and repayable within twelve months from the respective drawdown date.

In March 2012, the Company successfully negotiated with these four lenders in writing to defer the repayment by six months and eighteen days to May 2013 and to charge interest at 18% p.a. payable half-yearly with effect from October 2012.

In March 2013, the Company has successfully negotiated with these four lenders in writing to defer the repayment by a year to April 2014 and to charge interest rate at 18% p.a. payable half-yearly.

On 30 January 2014, the Company further successfully negotiated with these four leaders to defer the repayment by a year to 30 April 2015 and to charge interest rate at 18% p.a. payable half-yearly with effect on 1 May 2014.

On 21 March 2014, the Company negotiated with all of the above five lenders (collectively known as the "**Lenders**") and entered into capitalisation agreements respectively in relation to, among others, the set-off of each of the Lenders' outstanding principal sum and unpaid interests by way of (i) the issue and allotment of capitalisation shares; and (ii) the issue of convertible preference shares ("**CPS**") (the "**Loan Capitalisation**").

On 12 August 2014, the Company entered into a deed of waiver to each of the Lenders, of which the Lenders (i) confirm that they will waive all their rights in the unpaid interest accrued on the outstanding principal sum from 21 March 2014 to the date of completion of the Loan Capitalisation; and (ii) confirm and agree to release, acquit and discharge the Company from any and all liability of any nature whatsoever and from any and all claims, demands, causes of action or liens of any nature whatsoever arising out of or in connection with Lenders' outstanding principal sum and unpaid interests as at 21 March 2014.

The Loan Capitalisation was eventually completed on 14 August 2014, of which an aggregate of 565,631,172 ordinary shares and an aggregate of 565,631,177 CPS were allotted and issued to the Lenders.

As at 31 December 2013, the outstanding sum to the Lenders which comprises the outstanding principal sum and unpaid interest amounts to HKD181,037,242.

19. SHARE CAPITAL

(a) Authorised and Issued Share Capital

	Note	2014 Number of shares	2014 Amount HKD	2013 Number of Shares	2013 Amount HKD
Authorised:					
At 1 January	(d)	–	–	10,000,000,000	250,000,000
Consolidation of shares		–	–	(7,500,000,000)	–
At 31 December		–	–	2,500,000,000	250,000,000
Ordinary shares, issued and fully paid:					
At 1 January		**1,608,184,265**	**160,818,427**	5,012,680,556	125,317,014
Consolidation of shares	(c)	–	–	(4,020,462,798)	–
Conversion of convertible bonds	(b)	–	–	347,936,507	8,698,413
Transition to no-par value regime on 3 March 2014	(f)	–	**690,145,419**	–	–
Shares issued pursuant to a share placing	(b)	**321,636,000**	**48,245,400**	268,030,000	2,6803,000
Share issued pursuant to the Loan Capitalisation	(b)	**565,631,172**	**90,500,988**	–	–
At 31 December		**2,495,451,437**	**989,710,234**	1,608,184,265	160,818,427

(b) Issue of Shares

On 15 January 2013, the Company issued 347,936,507 ordinary shares of HKD0.025 each in respect of the conversion of convertible bonds with a principal amount of HKD43,840,000 held by Voice Key Group Limited (see Note 16).

On 2 September 2013, 268,030,000 ordinary shares of HKD0.10 each were issued at a price of HKD0.168 each for cash consideration of HKD45,029,040.

On 31 July 2014, 321,636,000 ordinary shares of HKD0.10 each were issued by placing at HKD0.15 each for cash consideration of HKD48,245,400.

On 14 August 2014, an aggregate of 565,631,172 ordinary shares and an aggregate of 565,631,177 CPS each were issued at a price of HKD0.16 and HKD0.16 respectively in respect of the Loan Capitalisation (Note 18).

(c) Consolidation of shares

As announced by the Company on 12 July 2013, the Company proposed to effect a share consolidation and every four issued and unissued shares of the Company of HKD0.025 each were consolidated into one consolidated share of HKD0.10 each. An ordinary resolution approving the share consolidation was passed at the extraordinary general meeting of the Company held on 29 July 2013 and the share consolidation became effective on 30 July 2013.

(d) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(e) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(f) In accordance with the transitional provisions as set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), any amount standing to the credit of the share premium has become part of the Company's share capital on 3 March 2014.

AUDITOR'S REPORT

An extract of the auditor's report issued by Baker Tilly is as follows:

BASIS FOR DISCLAIMER OF OPINION

1. **Opening balances and corresponding figures**

   The consolidated financial statements of the Group for the year ended 31 December 2013, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the significance of the possible effect of the limitations on the scope of the audit in relation to the (a) valuations of exploration and evaluation assets, goodwill and property, plant and equipment and associated deferred tax liabilities; (b) turnover, trade receivables, cost of inventories sold and inventories and accumulated losses derived by the mineral water operation in the People's Republic of China (the "**PRC**"); and (c) valuations of the Company's investments in subsidiaries and amounts due from subsidiaries and the material fundamental uncertainty in relation to going concern. Details of the qualified audit opinions were set out in the independent auditor's report dated 28 March 2014 and included in the Company's annual report for the year ended 31 December 2013.

   We were unable to obtain sufficient appropriate audit evidence to enable us to assess the limitation of scope for the year ended 31 December 2013. Any adjustments found to be necessary to the opening balances as at 1 January 2014 may affect the balance of accumulated losses as at 1 January 2014 and the operating results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2014. The comparative figures showed in the consolidated financial statements may not be comparable with the figures for the current year.

2. **Scope Limitation: valuations of exploration and evaluation assets, goodwill and property, plant and equipment and associated deferred tax liabilities**

During the year 2014, the principal operations of the Group included: (a) mining of dolomite and manufacture of magnesium ingots in Malaysia; (b) exploration for iron ore, coal and manganese in the Republic of Indonesia ("Indonesia"); and (c) extraction and bottling of mineral water in the PRC. Due to various material fundamental uncertainties faced by the Group, as disclosed in notes 2(b), 15 and 17 to the consolidated financial statements, these principal operations, except for the the disposal of a number of subsidiaries involved in exploration for iron ore, coal and manganese in Indonesia on 3 April 2014 and operation of extraction and bottling of mineral water, are effectively suspended for various reasons. At the same time, the extraction and bottling of mineral water operation is not generating positive cash flow for the Group as anticipated by the management of the Company. Included in the consolidated statement of financial position as at 31 December 2014 are: (a) exploration and evaluation assets with an aggregate carrying value of HKD41,660,400 (2013: HKD151,770,300); (b) goodwill arising from business combinations with an aggregate carrying value of HKDNil (2013: HKDNil); (c) property, plant and equipment, including the interest in leasehold land, with an aggregate carrying value of HKD245,271,306 (2013: HKD419,614,001); and (d) deferred tax liabilities associated with the fair value adjustment on the exploration and evaluation assets of HKD8,568,647 (2013: HKD32,061,574).

As required by Hong Kong Accounting Standard 36 "Impairment of assets" ("**HKAS 36**") issued by the HKICPA, at the end of the reporting period, the Group has identified that there were certain indications of impairment of the above named assets, and therefore, the Group appointed an independent valuer, GC Appraisals Services Company Limited ("**GC Appraisals**" or "**the valuer**") to perform valuations to assess the recoverable amounts of these assets as at the end of the reporting period. As defined in HKAS 36, the recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. The valuer was unable to find comparable recent transactions in similar extractive assets to determine the fair value less cost of disposal of these assets. As an alternative, the valuer estimated the value in use as the recoverable amount of these assets. The estimation is prepared using an income-based approach and is based on the estimated reserves of these extractive sites from outdated technical reports prepared in prior years ("**Technical Reports**") and assumptions as to the Group's ability to explore for these mineral resources, particularly exploration for manganese in Indonesia and to operate the plants for production of magnesium ingots and bottled mineral water in Malaysia and the PRC, respectively. As a result, impairment losses on (a) exploration and evaluation assets of HKD108,208,053 (2013: HKD207,562,580); (b) goodwill of HKD Nil (2013: HKD111,180,501); and (c) property, plant and equipment, including the interest in leasehold land, of HKD133,834,320 (2013: HKD26,767,044) have been recognised and included in other operating expenses in the consolidated statement of profit or loss for the year.

Taking into consideration that the Group has not incurred any exploration and evaluation expenditures on those remaining extractive operations since 2012 due to financial constraints and still unable to obtain up-to-date technical data for these remaining extractive operations in the current year and that the Group does not have sufficient working capital to finance these extractive operations, we are unable to assess the reliability of these valuations prepared for financial reporting purposes. In addition, we consider that the technical data in the Technical Reports used to prepare the valuations are not up-to-date and we are unable to verify the Group's ability, both financially and technically, to undertake exploration for or exploitation of any of the resources under the relevant mining permits and to operate the plants for production of magnesium ingots and bottled mineral water in Malaysia and the PRC, respectively. As further disclosed in note 15(c) to the consolidated financial statements, PT. Laksbang Mediatama ("**PTLM**") holds a production operation mining permit for manganese ("**Mining Permit**") and PTLM lost contact with its legal representatives in 2012. On 21 August 2014 and 13 October 2014 respectively, PTLM received warning letter from Trade and Energy Industries of Resource of Minerals Office Government of Kulon Progo Regency reminding PTLM to immediate implement its obligations as the holder of Mining Permit by submitting the tax form and reporting of PTLM's status to the relevant Indonesian authority with the legal representatives' signatures, not later than one month from the date of the letter. On 22 September 2014 and 4 November 2014 respectively, the management of the Company reiterated that it is currently undergoing management restructuring and therefore all activities are currently being suspended temporarily until the management restructuring is completed. Besides, once the management restructuring has been completed, PTLM will resume with investment and other mining activities. Due to previous failure in calling for extraordinary meetings for appointing new directors and legal representatives to the board of PTLM, PTLM had applied to the Court in Yogyakarta for a court ruling on the appointment of re-nominated directors and replacement of legal representatives. Nevertheless, the third hearing was further postponed by the court to 30 September 2014. On 19 November 2014, court judgement stipulated that the holding company of PTLM could organise an Extraordinary General Meeting of shareholders to undergo the re-nomination of the legal representative ("**EGM**"). The EGM and the re-nomination of the legal representative according to the relevant legal requirement of Indonesia are still in process as at the approval date of the consolidated financial statements.

Accordingly, we are unable to assess whether the recoverable amounts of these assets at the end of the reporting period are reliably measured and the feasibility of these operations. There are no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment losses should be recognised in the current year, whether any further impairment losses should be recognised on these assets and whether the carrying amounts of the exploration and evaluation assets, goodwill and property, plant and equipment and associated deferred tax liabilities are free from material misstatement. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, would have had a consequential effect on the net liabilities of the group and on its loss for the current year.

3. Scope limitation: fair value and/or carrying amounts of the liability component and the convertible bond equity reserve of the convertible bonds

As disclosed in note 26(a) to the consolidated financial statements, the maturity date of the five principal amounts of convertible bonds of HKD26,000,000 ("**First Tranche Bonds**"), HKD17,000,000 ("**Second Tranche Bonds**"), HKD10,000,000 ("Third Tranche Bonds"), HKD10,000,000 ("**Fourth Tranche Bonds**") and HKD17,000,000 ("**Fifth Tranche Bonds**") is 1 December 2014, 29 December 2014, 9 January 2015, 4 March 2015 and 22 March 2015 respectively. The above aggregate principal amount of HKD80,000,000 is collectively referred to as the "Matured Bonds". The directors of the Company represented that (i) the Company is currently in the course of arm's length negotiations with the holders of the Matured bonds in relation to, among others, the possible extension of the Matured Bonds and other possible alteration of terms of the Matured Bonds ("**Proposed Alteration**"); (ii) as negotiated with the holders of the Matured Bonds, they verbally agreed not to redeem the Matured Bonds until the Proposed Alteration is confirmed; and (iii) the interest on the Matured Bonds will continue to be payable by the Company until the date of redemption pursuant to the terms of the Matured Bonds. As at the approval date of the consolidated financial statements, the Proposed Alteration of these Matured Bonds have not been fixed and confirmed yet.

As disclosed in note 26(b) to the consolidated financial statements, the maturity date of the principal amount of convertible bonds of HKD16,680,682 ("Victory Dragon Bond") at 31 December 2014 is due in 2017.

The non-redemption of First Tranche Bonds on 1 December 2014 technically constitutes an event of default on the part of the Company and can lead to a mandatory redemption of the Second Tranche Bonds, Third Tranche Bonds, Fourth Tranche Bonds, Fifth Tranche Bonds and Victory Dragon Bond (the "**Non-redemption**"). Therefore, the Matured Bonds and Victory Dragon Bond have become due and payable at their principal amounts if any of their holders serves a notice on the Company subsequent to 1 December 2014. As at the approval date of the consolidated financial statements, the Company represented that no mandatory redemption request has been received from any of the bondholders of the Matured Bonds and Victory Dragon Bond.

The directors of the Company appointed Valuer to perform valuations to assess the fair value of the Third Tranche Bonds, Fourth Tranche Bonds, Fifth Tranche Bonds and Victory Dragon Bond as at 31 December 2014. The valuations of Third Tranche Bonds, Fourth Tranche Bonds, Fifth Tranche Bonds and Victory Dragon Bond are determined assuming redemption on 9 January 2015, 4 March 2015, 22 March 2015 and in 2017 respectively. The valuations do not take into consideration of the Proposed Alteration and the Non-redemption as at 31 December 2014. As at 31 December 2014, the fair value of the liability component of Third Tranche Bonds, Fourth Tranche Bonds, Fifth Tranche Bonds and Victory Dragon Bond is approximately HKD10,931,000, HKD10,525,000, HKD17,669,000 and HKD12,013,000 respectively. In respect of the fair value of the First Tranche Bonds and Second Tranche Bonds, the directors of the Company consider it approximates to its principal amount as at 31 December 2014.

During our audit of the consolidated financial statements for the year ended 31 December 2014, we were not provided with sufficient appropriate audit evidence that we considered necessary for the assessment of the fair value and/or carrying amount of the Matured Bonds and Victory Dragon Bond and we were unable to satisfy ourselves as to whether:

(i) As defined in Hong Kong Accounting Standard 39 “Financial Instruments: Recognition and Measurement” (“**HKAS 39**”) issued by the HKICPA, an exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, of which the difference between the respective carrying amounts is recognised in profit or loss. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, of which the difference between the respective carrying amounts is recognised in profit or loss. In respect of the First Tranche Bonds, they have been defaulted since 1 December 2014. In respect of the Second Tranche Bonds, Third Tranche Bonds, Fourth Tranche Bonds, Fifth Tranche Bonds and Victory Dragon Bond, the maturity dates thereof have been changed in substance because they have become due and payable at their principal amounts on 1 December 2014 if any of the holders serves a notice on the Company as a result of the Non-redemption. Therefore, extinguishments and/or modifications of the Matured Bonds and Victory Dragon Bond have occurred on 1 December 2014. Since the Proposed Alteration have not been fixed and confirmed up to the approval date of the consolidated financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. In addition, taking into consideration that the valuations exclude the assumptions as to the Proposed Alteration and the Non-redemption as at 31 December 2014, the fair value of the liability components together with the gain/loss arising from the extinguishment of the original financial liability and the recognition of a new financial liability (if any) of the Matured Bonds and

Victory Dragon Bond as required by HKAS 39 are unable to be reliably measured;

(ii) As at 31 December 2014, the carrying amount of the convertible bond equity reserve in respect of First Tranche Bonds, Second Tranche Bonds, Third Tranche Bonds, Fourth Tranche Bonds, Fifth Tranche Bonds and Victory Dragon Bond is HKD9,643,725, HKD6,553,950, HKD1,640,925, HKD1,783,275, HKD2,789,475 and HKD6,920,516 respectively. As stated in the agreements of the Matured Bonds and Victory Dragon Bond, the bondholders shall have the right to convert the Matured Bonds into shares of the Company (the "**Conversion Right**"), at any time from the date of issue of the Matured Bonds up to the maturity date of the Matured Bonds. Since the Proposed Alteration have not been fixed and confirmed up to the approval date of the consolidated financial statements, we are unable to ascertain the existence of the Conversion Right and the carrying value thereof in relation to the Matured Bonds and Victory Dragon Bond as at 31 December 2014.

(iii) Accordingly, we are unable to assess whether the fair value and/or carrying amounts of the liability component and convertible bond equity reserve of the Matured Bonds and Victory Dragon Bond at the end of the reporting period are reliably measured. There are no alternative audit procedures that we could perform to satisfy ourselves as to whether the fair value and/or carrying amounts of the liability component and the convertible bond equity reserve of the Matured Bonds and Victory Dragon Bond are free from material misstatement. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, would have had a consequential effect on the net liabilities of the Group and on its loss for the current year.

4. **Scope Limitation: material fundamental uncertainties relating to the going concern basis of presentation of the consolidated financial statements**

As disclosed in note 2(b) to the consolidated financial statements, the Group and the Company have encountered a number of circumstances giving rise to material fundamental uncertainties. The Group and the Company are principally sustained in their daily operations by bank loans, convertible bonds and placing of shares. The Group and the Company are pursuing certain finance measures set out in note 2(b) to the consolidated financial statements, including, among others, actively negotiating with potential investors in respect of possible capital injection arrangements into the Group and in process of on-going negotiations with its holders of the Matured Bonds and principal bank for possible restructuring proposals of the Non-redemption of the Matured Bonds and the repayment of secured bank loans respectively to maintain the Group as a going concern (the "**Measures**"). The directors are of the opinion that should the Measures be successfully implemented, the current severe financial position of the Group could be turnaround. Consequently, the directors of the Company have prepared the consolidated financial statements on a going concern basis, the validity of which depends upon the successful outcome of these Measures to be undertaken as soon as possible in order to satisfy the Group's working capital needs, improve its cash flow position and address its capital deficiency. Notwithstanding negotiations were being actively conducted, these Measures had yet to give rise to any conclusion as at the approval date of the consolidated financial statements. Accordingly, we are unable to obtain sufficient appropriate audit evidence for us to assess the validity of the going concern assumption which depends on the continuing financial support of the Group's bankers and creditors and the Group's ability to generate adequate working capital in near future. The existence of these material fundamental uncertainties casts significant doubt on the Group's and the Company's ability to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect a realisation basis which includes, where appropriate, writing down the Group's and the Company's assets to net realization value, and providing for any contractual commitments that become effective at the end of the reporting period. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to re-classify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

5. **Scope Limitation: valuation and impairment assessment of the Company's investments in subsidiaries and amounts due from subsidiaries**

   Included in the Company's statement of financial position are gross investments in subsidiaries of HKD337,898,800 (2013: HKD457,898,800), amounts due from subsidiaries of HKD640,501,508 (2013: HKD610,636,881) and an impairment provision in aggregate of HKD914,190,648 (2013: HKD996,599,680), respectively. As required by HKAS 36 issued by the HKICPA, at the end of the reporting period, the Company should assess whether there are any indications of impairment on the carrying amounts of these balances. As reported in the aforesaid basis for disclaimer of opinion, there are material fundamental uncertainties that may affect our ability to assess the validity of the going concern assumption and operations of these subsidiaries. We are unable to satisfy ourselves as to whether any further impairment losses should be recognised on these balances and whether the carrying amounts of investments in subsidiaries and amounts due from these subsidiaries are fairly stated at the end of the reporting period. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, would have had a consequential effect on the net liabilities of the Company and on its loss for the current year.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been prepared in accordance with the Hong Kong Companies Ordinance.

CORPORATE GOVERNANCE

Ding He Mining Holdings Limited ("**Company**", together with its subsidiaries, "**Group**") is committed to enhancing the corporate governance and transparency of the Group by applying the principles in the CG code provisions of the Code on Corporate Governance Practices ("**CG Code**") set out in Appendix 14 of the Rules ("**Listing Rules**") Governing the Listing of Securities on the Stock Exchange ("**Stock Exchange**"). The board ("**Board**") of directors ("**Directors**") of the Company reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements and to fulfill its commitment to maintain a high standard of corporate governance. To the best knowledge and belief of the Directors, the Company has applied the principles of the CG Code and complied with all applicable code provisions of the CG Code throughout the year ended 31 December 2014, save and except for the deviations from code provisions A.1.1, A.4.1 and A.6.7.

Code provision A.1.1 stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year, only two regular Board meetings were held to review and discuss the annual and interim results. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary. Board meetings of the Company are held on the occasions when material board decisions are required.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors of the Company ("**Independent Non-executive Directors**") were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain Independent Non-executive Directors were unable to attend the annual general meeting and extraordinary general meeting of the Company held on 13 June 2014 and 18 July 2014 respectively due to their other business engagements.

The audit committee of the Company ("**Audit Committee**") comprises wholly Independent Non-executive Directors of the Company ("**INEDs**"). The Audit Committee has reviewed with the management of the Company and the external auditor the accounting principles and practices adopted by the Group and also discussed auditing and financial reporting matters including the review of the Group's audited consolidated financial statements for the year ended 31 December 2014.

The remuneration committee of the Company ("**Remuneration Committee**") comprises three INEDs and one Executive Director. It is responsible for advising the Board on the emolument policies towards Directors and senior management.

The nomination committee of the Company ("**Nomination Committee**") comprises three INEDs and one Executive Director. It is responsible for reviewing the board structure and its diversity as well as recommending the Board on the appointment and re-appointment of Directors (including Independent Non-executive Directors). The Board adopted a "Board Diversity Policy", the objective of which is to ensure selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The terms of reference of each of the Audit Committee, Remuneration Committee and Nomination Committee, explaining their roles and the authorities delegated to them by the Board, are available on request and included on the website of the Company.

As at the date of this announcement, the Board comprises:

Executive Directors	Independent Non-executive Directors
Mr. Du Jian Jun (Chairman)	Ms. Wong Choi Kay
Mr. Ji Kuang (Vice Chairman)	Mr. Tony Tan
Dato' Lim Ooi Hong	Mr. Cheung Ning
Mr. Leung Wai Kwan (Chief Executive Officer)	Mr. Chan Kin Ho Philip
Ms. Meng Xiao Ying	Ms. Tian Jinghua
Mr. Fan Weipeng	
Mr. Zheng Changxing	

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2014 and up to the date of this announcement.

PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly on the preliminary announcement.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2014 (2013: nil).

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.dinghemining.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2014 containing all information required by the Listing Rules will be despatched to the Shareholders and make available on the abovementioned websites in due course.

By Order of the Board
Ding He Mining Holdings Limited
DU JIAN JUN
Chairman and Executive Director

Hong Kong, 31 March 2015