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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 2015

FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to HK$26,246,238, representing a corresponding decrease of 33.9%.
- The Group's gross loss amounted to HK$16,236,725, representing a corresponding decrease of 22.4%.
- The Group's loss for the year amounted to HK$118,384,897, representing a corresponding decrease of 63.7%.
- Loss per share amounted to HK3.29 cents, representing a corresponding decrease of 76.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

Ding He Mining Holdings 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

Business Review

2015 was another difficult year for the Group. Plagued by the worldwide economy downturn and persistent keen competition in the magnesium market, together with the uncertainties in our subsidiary's lingering legal proceedings in Indonesia and the shortage of cash resources, the Group experienced difficulty in exploring new business opportunities.

For the year ended 31 December 2015, the Group's reportable business segments were (i) the mining of dolomite and manufacture of magnesium ingots; (ii) extraction and bottling of mineral water; and (iii) exploration for iron ore, coal and manganese.

Mining of Dolomite and Manufacture of Magnesium Ingots

Following the trend in 2014, the slowdown of the world economy and the depressed price for magnesium continued in the year of 2015. In the face of the challenges of keen competition from other manufacturers and the cost-effectiveness of the operation, the smelter plant of the Group which situates in the State of Perak, Malaysia (the "**Smelter**") maintained its manufacturing operation of refining magnesium crown for sale, instead of a full production line to manufacture magnesium ingots.

The revenue generated by this business segment for the year ended 31 December 2015 recorded a decrease of approximately 33.7% to approximately HK$25,663,000, compared to the year ended 31 December 2014 of approximately HK$38,730,000.

Extraction of dolomite from the dolomite quarry has been halted since 2012. There was no dolomite extracted from the dolomite quarry for the year ended 31 December 2015 (2014: nil).

In light of a "Report and Valuation of the Malaysia Land and Factory Plant" issued by Raine & Horne to Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**") (the "**Report**") dated 29 September 2014, the market value of the property, plant and equipment and interests in leasehold land held for own use under operating lease was approximately RM85.0 million (equivalent to approximately HK$153.3 million). In addition, according to the Valuation and Property Services Department (JPPH), during the year to the end of third quarter of 2015, the nationwide house price index rose by 5.43%, down from an annual rise of 7.88% in the previous year in Malaysia. In this regard, on 29 March 2016, the Directors considered following valuation decision on the Smelter for the year ended 31 December 2015: (i) the Report is the last most available detailed valuation report on market price performed by an independent professional, which can give reference for valuation; (ii) there were no significant changes since the Report was issued in terms of the company and property market in Malaysia. The Directors have already examined the Report and current property market information issued by JPPH and found no significant deterioration as compared to that of last year. The Directors will order a comparable market value valuation report and such report will be available before the Interim Financial Statements of 2016.

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 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 is currently branding and marketing bottled mineral water in PRC under the brand name Jenbo.

During the year of 2015, the investment plan of Long Chuan in a new production line for sparkling water was still in abeyance due to the limited cash resources available for the Group.

In view thereof, the postponement of production line automation and new product line operation had hindered the sales generated by this business segment. In this regard, the Company is negotiating with certain convenient stores, fuel stations and supermarkets in PRC for the distribution of our bottled mineral water.

The revenue generated by this business segment for the year ended 31 December 2015 recorded a decrease of approximately 38.9% to approximately HK$580,000, compared to the year ended 31 December 2014 of approximately HK$950,000.

At 31 December 2015, the management performed a regular review and noted that the financial performance of Long Chuan for the year ended 31 December 2015 was similar to that during the same period of last financial year. The Directors have already examined the discounted cash flow from Long Chuan and found no significant deterioration as compared to that of last year.

Exploration for Iron Ore, Coal and Manganese

The current investment of the Company in Indonesia is the exploration of manganese resources in Yogyakarta Province under the non-wholly owned subsidiary, PT. Laksbang Mediatama ("**PTLM**").

The operation of PTLM (including the exploration project) has been suspended since 2012 due to the conflicts between the directors and legal representative of PTLM. In order to reinstate its operation and exploration activities, PTLM had applied to the Court in Yogyakarta for court ruling on the appointment of re-nominated directors and replacement of legal representative. In accordance with the legal opinion dated 15 March 2015 obtained from the lawyer of PTLM in Indonesia, 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 (i) identifying a legal firm to organise the extraordinary general meeting in accordance with the Indonesian laws and (ii) identifying suitable candidates with the appropriate experience and qualification to fill the vacancies as the legal representative and directors.

As a result of the postponement of the third hearing and additional time is required to identify suitable candidates to fill the vacancies, the potential revenue generating from PTLM was further delayed whereas the estimated future cash inflow derived from the exploration activities of PTLM was deferred. The Directors have already examined the discounted cash flow from the exploration activities of PTLM and recorded an impairment loss recognised in the consolidated statement of profit or loss for the year ended 31 December 2015 is approximately HK$3,740,000 (2014: approximately HK$41,870,000). Therefore, the Directors considered that the book value is close to the fair value of the assets.

Estimated Proved Reserves

The updated mineral reserves of the Group as at 31 December 2015 and 2014 were as follows:

Minerals		Location	Total area	Reserves identified by JORC standard (metric tonnes) as at 31 December 2015 proved	Reserves identified by JORC standard (metric tonnes) as at 31 December 2014 proved
Dolomite	**Lots:**	HS (D) 13756, PT 13404 and HS (D) 13757, PT 13405	13 hectares	19,970[1]	19,970[1]
	Mukim:	Sungai Siput			
	District:	Kuala Kangsar			
	State:	Perak			
	Country:	Malaysia			
Manganese[2]	**Village:**	Jatimulyo	195 hectares	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) For the year end 31 December 2015 and up to the date of this announcement, the operations in Yogyakarta, Indonesia, had been hampered due to the failure to contact the legal representative of PTLM.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2015, the Group's audited consolidated turnover decreased by 33.9% to HK$26,246,238 (2014: HK$39,678,262) 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 97.8%, 0% and 2.2% respectively (2014: 97.6%, 0% and 2.4% respectively).

During the year, the Group recorded a decrease of turnover by 33.7% to HK$25,662,642 (2014: HK$38,730,049) on sales of mining of dolomite and manufacture of magnesium ingots as compared to that of 2014 mainly due to that in face of the challenges of keen competition from other manufacturers and cost-effectiveness of operations.

In addition, 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 38.5% to HK$583,596 (2014: HK$948,213).

Cost of sales

Cost of sales of the Group for the year ended 31 December 2015 amounted to HK$42,482,963 (2014: HK$60,591,754) which mainly includes staff costs, manufacturing overhead, depreciation and amortisation and write off of inventories. The decrease in the cost of sales is mainly due to the decrease in production activities throughout the financial year.

Finance costs

The financial costs of the Group for the year mainly consisted of effective interest and default interest of HK$20,667,905 (2014: HK$19,467,369) for convertible bonds issued by the Company and interest on bank loans HK$21,813,102 (2014: HK$30,402,027).

Other operating expenses

During the year ended 31 December 2015, other operating expenses of the Group was HK$13,886,428 (2014: HK$243,810,022), comprised wholly the impairment losses on exploration and evaluation assets ("**E&E Assets**") of HK$3,736,391 (2014: HK$108,208,053), impairment on other receivable and prepayments was HK$3,000,000 (2014: HK$1,767,649), no impairment on interests in leasehold land held for own use under operating leases was recorded (2014: HK$2,858,305) and no impairment on property, plant and equipment ("**PPE**") was recorded (2014: HK$130,976,015).

During the year ended 31 December 2015, raw material and finished goods and property, plant and equipment of HK$2,199,487 (2014: HK$Nil) and HK$4,950,550 (2014: HK$Nil) were written off, respectively.

Loss before taxation

For the year ended 31 December 2015, the Group incurred a loss before taxation of HK$118,950,160 (2014: HK$349,837,025) mainly resulting from the charging of finance costs of HK$45,492,651 (2014: HK50,952,015), staff costs of HK$9,488,466 (2014: HK$9,238,703) and impairment losses and write-offs of HK$13,886,428 (2014: HK$243,810,022).

Loss per Share

The loss per share for the financial year ended 31 December 2015 decreased substantially to HK$3.29 cents (2014: HK$14.27 cents) as the loss attributable to owners of the Company dropped 60.3% to approximately HK$110,997,358 (2014: approximately HK$279,819,910).

FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities and fund raising activities.

Capital Raising Exercises

On 21 July 2015, the Company and Kingston Securities Limited (the "**Placing Agent**") entered into a placing agreement, whereby the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, of up to 612,000,000 placing shares under the general mandate to not less than six independent third parties at the placing price of HK$0.185 per placing share (the "**Share Placement**"). The Share Placement was completed on 7 August 2015 and the net proceeds from the Share Placement were approximately HK$109.9 million, which have been applied toward for the repayment of indebtedness and the general working capital of the Group.

During the period from 7 August 2015, being the date of completion of the Share Placement, to 31 December 2015, the Group has applied the net proceeds from the Share Placement as follows:

	Amount utilised as at the date of this announcement *HK$'000*
Repayment of short term third parties loans and bank loan with interest	48,100
Repayment of convertible bonds with interest	34,000
Working capital and other general corporate purposes	27,800
Total	109,900

On 21 July 2015, the Company entered into an underwriting agreement with Kingston Securities Limited (as underwriter) in respect of an open offer of not less than 1,530,541,307 offer shares and not more than 1,853,089,603 offer shares at the subscription price of HK$0.1 per offer share on the basis of one offer share for every two shares on the record date and payable in full on acceptance. The open offer was completed on 19 November 2015. The net proceeds from the Open Offer were approximately HK$177.7 million, which have been applied towards second cash repayment of bank loan, repayment of matured convertible bonds and general working capital.

During the period from 19 November 2015, being the date of completion of the Open Offer, to 31 December 2015, the Group has applied the net proceeds from the Open Offer as follows:

	Amount utilised as at the date of this announcement *HK$'000*
Repayment of second bank loans with interest	104,800
Repayment of convertible bonds with interest	50,600
Working capital and other general corporate purposes	22,300
Total	177,700

Bank Loans — Secured

As at 31 December 2015, the Company had secured bank loans of HK$260,423,032 (2014: HK$381,392,173).

The secured bank loans as at 31 December 2015 were interest bearing at 8.85% p.a. (2014: 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 HK$1,586,032) with effect from August 2011 to December 2013 and increasing to RM4,200,000 (equivalent to HK$9,942,287) from January 2014 to the second last repayment of the loans in 2018.

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 were concluded on 24 February 2014 whereby Bank Rakyat agreed to extend a one year grace period without executing legal proceedings against the Company and CVMSB until 31 December 2014. CVMSB is required to repay monthly instalment of RM670,000 (equivalent to HK$1,586,032) 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 loans 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 HK$258,850,469) which is repayable to Bank Rakyat on or before 30 June 2015, in which (i) an amount of RM4,020,000 (equivalent to approximately HK$9,205,404) must be settled to Bank Rakyat on or before 31 December 2014; (ii) a monthly sum of RM200,000 (equivalent to approximately HK$457,980) 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 HK$6,457,522) 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 HK$240,439,661) 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 HK$9,205,404) 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 were 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 HK$9,205,404) 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. However, the bank loan of RM4,020,000 (equivalent to approximately HK$9,205,404) was defaulted again and not yet repaid up to March 2015.

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. Accordingly, the total amount owed and repayable to Bank Rakyat was restored to RM203,141,864 (equivalent to approximately HK$465,174,866) as at 28 February 2015 (the "**Outstanding Loan**"), which was required to be settled within 14 days from the date of that letter. According to Bank Rakayt, legal actions would be commenced against CVMSB including all its corporate guarantors if CVMSB failed, neglected or refused to settle the Outstanding Loan within the given period.

On 26 June 2015, the Group further accepted the latest restructuring proposal offered by Bank Rakyat, pursuant to which the total amount owed and repayable to Bank Rakyat by CVMSB agreed to be reduced to RM113,040,000 (equivalent to approximately HK$203,932,888) by means of cash settlement of RM68,040,000 (equivalent to approximately HK$122,749,414) and redemption of charged properties for RM45,000,000 (equivalent to approximately HK$81,183,475). The first cash repayment of RM11,300,000 (equivalent to approximately HK$20,386,073) was settled by the Group on 2 July 2015 (ie. within 7 working days from 26 June 2015) and the remaining balance of RM56,740,000 (equivalent to approximately HK$102,363,341) was settled by the Group on 30 November 2015 as per the extended settlement deadline. Upon full repayment of the cash settlements to Bank Rakyat, CVMSB is entitled to redeem the charged properties for RM45,000,000 (equivalent to approximately HK$81,183,475). The redemption shall take place within six months from 26 June 2015 and at the discretion of Bank Rakyat, extend for further six months if there is a proof of sale provided by CVMSB. An additional charge calculated at a rate of 3.85% per annum shall be imposed on the outstanding balance of RM45,000,000 (equivalent to approximately HK$81,183,475) after full repayment of the above mentioned cash settlement and until the full redemption payment of the charged properties. On 26 November 2015, Bank Rakyat issued a letter to CVMSB informing CVMSB that Bank Rakyat has agreed to extend the redemption until 30 June 2016. Accordingly, from January 2016 onwards, CVMSB is required to pay a monthly charge of RM144,375 (equivalent to approximately HK$260,464) to Bank Rakyat until full settlement of the redemption payment for the redemption. Any breach of the above mentioned terms and conditions shall constitute an event of default and this revised restructuring proposal shall be terminated and Bank Rakyat has the right to proceed with legal actions against CVMSB and the Company.

Convertible Bonds

As at 31 December 2015, convertible bonds of the Company was HK$29,000,000 (2014: HK$94,278,123).

During the year ended 31 December 2015, a principal amount of HK$29,000,000 in the convertible bonds matured.

As at 31 December 2015, all the matured bonds ("Matured Bonds") were defaulted and due for repayments. 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 date of this announcement, the Proposed Alteration of the Matured Bonds have not been fixed and confirmed yet.

Liquidity and Financial Resources

As at 31 December 2015, net current liabilities of the Group stood at HK$314,988,278 (2014: HK$577,355,794). Included in current liabilities were secured bank loans and finance lease creditors of HK$260,597,846 (2014: HK$381,707,629). The bank loans from Bank Rakyat bear an interest rate of 8.85% per annum as at 31 December 2015 (2014: 8.6% 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 3.11 times (2014: 1.56 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 deposits, bank and cash balances as at 31 December 2015 was HK$11,964,081 (2014: HK$381,670). The Group's prepayments, deposits and other receivables amounted to HK$3,647,537 (2014: HK$1,567,332).

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;

(ii) the Company announced on 2 March 2016 that the Company had entered into a placing agreement with a placing agent, pursuant to which the Company agreed to place up to 1,101,924,000 placing shares to not less than six independent third parties of the Group at HK$0.10 per placing share. The maximum net proceeds arising from the share placing are estimated to be approximately HK$106.9 million. On 23 March 2016, the Company entered into a supplemental placing agreement with the placing agent, both agreed that the number of placees can be less than six. Up to the approval date of the consolidated financial statements, the share placing is still conditional upon fulfilment of the conditions set out in the placing agreements and the Company's announcements dated 2 March 2016 and 23 March 2016;

(iii) upon the Group fulfilled all the terms and conditions in the restructuring proposal as offered by Bank Rakyat on 26 June 2015, the total amount of bank loans owed and repayable to Bank Rakyat will be reduced to RM113.0 million (equivalent to approximately HK$203.9 million), representing loans reduction amounting to approximately RM95.0 million (equivalent to approximately HK$171.4 million). The first cash repayment of RM11.3 million (equivalent to approximately HK$25.9 million) was settled by the Group on 2 July 2015. The second cash repayment of RM56.7 million (equivalent to approximately HK$103.4 million) was settled by the Group on 30 November 2015. Under the restructuring proposal, the total amount of bank loans owed and repayable to Bank Rakyat will be RM45.0 million (equivalent to approximately HK$81.2 million);

(iv) to mitigate the risk of potential litigations, the Group is using their best efforts to (i) arrange to continue to pay the overdue interest to the bondholders in due course and (ii) further re-negotiate with bondholders for the extension of maturity dates and proposed alteration of terms of these convertible bonds; and

(v) the Group is seeking investors or strategic partners for the Group's projects in Hong Kong, the PRC and the rest of the world.

Capital expenditure

The carrying amount of the Group's property, plant and equipment, and interests in leasehold land held for own use under operating leases as at 31 December 2015 had decreased by 25.8% and 42.4% respectively to HK$177,870,889 and HK$3,173,431 respectively (2014: HK$239,763,035 and HK$5,508,271 respectively) mainly due to annual depreciation charge.

Charge on Assets

The bank loans are granted to the Group's wholly owned subsidiary, 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 account 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 Holdings Limited.

Share Capital

As at 31 December 2015, the share capital of the Company was HK$1,367,875,301 (as at 31 December 2014: HK$989,710,234).

On 30 July 2014, 321,636,000 ordinary shares were issued by placing at HK$0.15 each for cash consideration of HK$48,245,400, net of expenses incurred.

On 14 August 2014, an aggregate of 565,631,172 ordinary shares and an aggregate of 565,631,177 convertible preference shares ("**CPS**") each were issued at a price of HK$0.16 and HK$0.16 each respectively in respect of the Loan Capitalisation.

On 10 April 2015, the Company's CPS with principal value of HK$90,500,988 were converted into 565,631,177 ordinary shares of the Company at a conversion price of approximately HK$0.16 per ordinary share. Accordingly, an aggregate amount of HK$90,500,988 was released from convertible preference shares reserve, and was credited to share capital account.

On 7 August 2015, 612,000,000 ordinary shares were issued by placing at HK$0.185 each for cash consideration of HK$109,935,500, net of expenses incurred.

On 19 November 2015, 1,836,541,307 ordinary shares were issued by open offer at HK$0.10 each for cash consideration of HK$177,728,579, net of expenses incurred.

Human Resources

As at 31 December 2015, the Group had a total of approximately 80 employees (31 December 2014: 80 employees). Total staff costs (including Directors' remuneration) for the year ended 31 December 2015 were HK$9,488,466 (2014: HK$9,238,703) representing approximately 11.1% (2014: 8.7%) of the Group's total cost of sales, selling 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 review the remuneration policies and packages on a regular basis.

Contingent Liabilities

As at 31 December 2015, the Company has issued a corporate guarantee totaling RM850,000 (equivalent to approximately HK$1,533,000) (2014: RM850,000 (equivalent to approximately HK$1,887,000) to a supplier in respect of the purchase of liquefied petroleum gas made by CVMSB.

As at 31 December 2015, the Company has issued corporate guarantees totaling RM133,004 (equivalent to approximately HK$240,000) (2014: RM133,004 (equivalent to approximately HK$300,000)) for finance lease creditors in respect of the purchase of motor vehicles and equipment by CVMSB.

As at 31 March 2016, CVMSB has not yet settled the outstanding loans from Bank Rakyat. Bank Rakyat has the right to commence litigation against CVMSB and its corporate guarantors (i.e. the Company) to recover the loans. The Company and CVMSB are using their best effort with an intention to further negotiate with Bank Rakyat to restructure the repayment term. It is expected that in the event a proposal cannot be reached between CVMSB and Bank Rakyat, there would be material adverse impact on the financial position of the Group as a whole.

The non-redemption of the matured convertible bonds by the Company when they fall due and payable at its principal amount 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 2015 was a year of challenges. Considering the current situation of the Group and the uncertainties in the economy, the Directors determined to mitigate the liquidity issues faced by the Group and impose more stringent cost control strategy and simultaneously, broaden sources of our income.

To mitigate the liquidity issues, upon the Group having fulfilled all the terms and conditions in the latest restructuring proposal as offered by Bank Rakyat on 26 June 2015, the total amount of bank loans owed and repayable to Bank Rakyat will be reduced to RM113.0 million (equivalent to approximately HK$203.9 million), representing loans reduction amounting to approximately RM95.0 million (equivalent to approximately HK$171.4 million). The first cash repayment of RM11.3 million (equivalent to approximately HK$25.9 million) was settled by the Group on 2 July 2015. The second cash repayment of RM56.7 million (equivalent to approximately HK$103.4 million) was settled by the Group on 30 November 2015. Under the latest restructuring proposal, the total amount of bank loans owed and repayable to Bank Rakyat will be RM45.0 million (equivalent to approximately HK$81.2 million) compared to the secured bank loans of RM144.4 million (equivalent to approximately HK$260.4 million) in the facilities agreement as at 31 December 2015.

To impose more stringent cost control strategy and simultaneously broaden the sources of our income, on 23 March 2016, Long Chuan entered into a non-legally binding memorandum of understanding (the "**MOU**") with (Yihua Department Store Limited) (the "**Customer**") to which (i) Long Chuan shall supply bottled mineral water to the Customer under a brand to be jointly agreed by Long Chuan and the Customer; (ii) the Customer shall conduct due diligence on Long Chuan and the products; and (iii) the Customer intends to purchase not less than one million boxes of mineral water from Long Chuan in year 2016 with an initial order of 100,000 boxes subject to the entering into of an agreement after arm's length negotiations (the "**Possible Transaction**"). For the avoidance of doubt, the MOU only represents a preliminary intention of the parties and does not create legal binding obligations on the parties on the Possible Transaction.

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 by engaging and marketing our bottled water with sizeable chain stores or supermarkets in 2016. In this regard, we look forward to capturing a larger share of PRCs domestic mineral water consumer market in the coming financial year by intensifying our marketing activities to increase our brand awareness. With demand growth outpacing supply, the mineral water industry cycle should remain on an upward trend over the next few years.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December

	Note	2015 HK$	2014 HK$
Turnover	*4*	**26,246,238**	39,678,262
Cost of sales		**(42,482,963)**	(60,591,754)
Gross loss		**(16,236,725)**	(20,913,492)
Other revenue		**98,179**	370,277
Other net (losses)/gains		**(155,056)**	10,490,395
Selling and distribution expenses		**(952,621)**	(5,462,225)
Administrative expenses		**(42,324,858)**	(39,559,943)
Loss from operations		**(59,571,081)**	(55,074,988)
Finance costs	*6a*	**(45,492,651)**	(50,952,015)
Other operating expenses	*6c*	**(13,886,428)**	(243,810,022)
Loss before taxation		**(118,950,160)**	(349,837,025)
Income tax credit	*7*	**565,263**	23,351,259
Loss for the year		**(118,384,897)**	(326,485,766)
Attributable to:			
Owners of the Company		**(110,997,358)**	(279,819,910)
Non-controlling interests		**(7,387,539)**	(46,665,856)
Loss for the year		**(118,384,897)**	(326,485,766)
Loss per share	*8*		
Basic and diluted		**(3.29 cents)**	(14.27 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	2015	2014
	HK$	*HK$*
Loss for the year	**(118,384,897)**	(326,485,766)
Other comprehensive loss for the year		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of tax	**35,255,184**	3,027,119
— Reclassification of other comprehensive income upon disposal of overseas subsidiaries	**–**	(1,522,118)
Total comprehensive loss for the year	**(83,129,713)**	(324,980,765)
Attributable to:		
Owners of the Company	**(76,940,835)**	(277,777,582)
Non-controlling interests	**(6,188,878)**	(47,203,183)
Total comprehensive loss for the year	**(83,129,713)**	(324,980,765)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015
(Expressed in Hong Kong dollars)

	Note	**2015** *HK$*	2014 *HK$*
Non-current assets			
Property, plant and equipment			
— Property, plant and equipment	*10*	**177,870,889**	239,763,035
— Interests in leasehold land held for own use under operating leases	*10*	**3,173,431**	5,508,271
Deposits paid for acquisition of property, plant and equipment		**9,866,833**	–
Goodwill	*11*	**–**	–
Exploration and evaluation assets	*12*	**37,399,285**	41,660,400
Mining deposit		**162,367**	199,778
		228,472,805	287,131,484
Current assets			
Inventories	*13*	**–**	3,714,563
Trade receivables	*14*	**177,489**	2,854,282
Prepayments, deposits and other receivables	*15*	**3,647,537**	1,567,332
Amounts due from related parties		**475,426**	36,391
Tax recoverable		**3,280**	–
Pledged deposits		**–**	2,735
Cash and cash equivalents		**11,964,081**	378,935
		16,267,813	8,554,238
Current liabilities			
Trade and other payables	*16*	**37,441,499**	105,108,868
Obligations under finance leases		**174,814**	315,456
Amount due to a director		**347**	138,000
Amounts due to related parties		**2,416,399**	4,398,961
Convertible bonds	*17*	**29,000,000**	94,278,123
Bank loans — secured	*18*	**260,423,032**	381,392,173
Unsecured loans from third parties	*19*	**1,800,000**	–
Tax payable		**–**	278,451
		331,256,091	585,910,032
Net current liabilities		**(314,988,278)**	(577,355,794)
Total assets less current liabilities		**(86,515,473)**	(290,224,310)

	Note	2015 HK$	2014 HK$
Non-current liabilities			
Obligations under finance leases		**51,005**	260,030
Deferred tax liabilities		**7,952,143**	8,568,647
		8,003,148	8,828,677
Net liabilities		**(94,518,621)**	(299,052,987)
Capital and reserves			
Share capital	*20*	**1,367,875,301**	989,710,234
Convertible preference shares		**–**	90,500,988
Reserves		**(1,461,719,130)**	(1,384,778,295)
Total deficit attributable to owners of the Company		**(93,843,829)**	(304,567,073)
Non-controlling interests		**(674,792)**	5,514,086
Total deficit		**(94,518,621)**	(299,052,987)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 COMPANY INFORMATION

Ding He Mining Holdings 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**").

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "**Group**"). The principal activity of the Company is investment holding. The principal activities of its subsidiaries are mining of dolomite and manufacturing of magnesium ingots, trading in magnesium ingots, exploration for manganese and extraction and bottling of mineral water.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

(b) Basis of preparation

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed on the consolidated financial statements.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Company in light of the fact that:

(i) The Group incurred a loss for the year attributable to owners of the Company of HK$110,997,358 (2014: HK$279,819,910) for the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by HK$314,988,278 (2014: HK$577,355,794);

(ii) At 31 December 2015, the Group has cash and cash equivalents of HK$11,964,081 (2014: HK$378,935) which is insufficient to settle all the current liabilities, they mainly included accrued salaries of HK$3,189,592 (2014: HK$2,800,027) payables due in the immediate month, accrued interest on convertible bonds of HK$2,979,773 (2014: HK$6,852,144); and committed to contract for of HK$14,244,500 (2014: HK$17,526,584) in the Group's capital commitments;

(iii) As explained in Note 10(b), the production plant in Malaysia was suspended since the year ended 31 December 2012;

(iv) As detailed in Notes 12(b) and 12(c), there were no exploration activities conducted in the year ended 31 December 2015 for coal and manganese. This was because the Group is trying to reallocate its limited cash resources to other prospective business segments;

(v) As explained in Notes 12(c), the Group lost contact with the legal representatives of PT. Laksbang Mediatama ("PTLM") in prior years and the re-nomination of the legal representatives has not yet been completed. PTLM holds a production operating mining permit for manganese in Indonesia. 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. The operations and future profitability of the Group might be affected by the loss of contact with the PTLM's legal representatives;

(vi) As detailed in Note 17(a), the outstanding aggregate principal amount of convertible bonds of HK$29,000,000 (the "Matured Bonds") following the non-redemptions of First Tranche Bonds, Second Tranche Bonds, Third Tranche Bonds, Fourth Bonds and Fifth Tranche Bonds on 1 December 2014, 29 December 2014, 9 January 2015, 4 March 2015 and 22 March 2015, respectively, all the Matured Bonds were defaulted and due for repayments as at 31 December 2015. 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. The interest thereon is approximately HK$2,979,773 for the year ended 31 December 2015. As at the approval date of the consolidated financial statements, the Proposed Alteration have not been fixed and confirmed yet.

(vii) As detailed in Note 18, secured bank loans of HK$260,423,032 (2014: HK$381,392,173) are already due for repayment as the Company's wholly-owned subsidiary, CVM Magnesium Sdn. Bhd. ("CVMSB") is unable to fulfill the covenants set out in the facilities agreement. On 26 June 2015, the Group accepted the latest restructuring proposal offered by Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat"). Pursuant to which, the total amount owed and repayable to Bank Rakyat by CVMSB agreed to be reduced to RM113,040,000 (equivalent to approximately HK$203,932,888) by means of cash settlements of RM68,040,000 (equivalent to approximately HK$122,749,414) and redemption of charged properties for RM45,000,000 (equivalent to approximately HK$81,183,475). The first cash repayment of RM11,300,000 (equivalent to approximately HK$20,386,073) was settled by the Group on 2 July 2015 within 7 working days from 26 June 2015 and the remaining balance of RM56,740,000 (equivalent to approximately HK$102,363,341) was settled by the Group on 30 November 2015 as per the extended settlement deadline. Upon full repayment of the cash settlements to Bank Rakyat, CVMSB is entitled to redeem the charged properties for RM45,000,000 (equivalent to approximately HK$81,183,475). The redemption shall take place within six months from 26 June 2015 and at the discretion of Bank Rakyat, extend for further six months if there is a proof of sale provided by CVMSB. An additional charge calculated at a rate of 3.85% per annum shall be imposed on the outstanding balance of RM45,000,000 (equivalent to approximately HK$81,183,475) after full repayment of the above mentioned cash settlements and until the full redemption payment of the charged properties. On 26 November 2015, Bank Rakyat issued a letter to CVMSB informing CVMSB that Bank Rakyat has agreed to extend the redemption until 30 June 2016. Accordingly, from January 2016 onwards, CVMSB is required to pay a monthly charge of RM144,375 (equivalent to approximately HK$260,464) to Bank Rakyat until full settlement of the redemption payment for the redemption. Any breach of the above mentioned terms and conditions shall constitute an event of default and this revised restructuring proposal shall be terminated and Bank Rakyat has the right to proceed with legal actions against CVMSB and the Company;

(viii) The Company has corporate guarantees totalling approximately RM184,600,000 (equivalent to approximately HK$333,033,000) (2014: RM184,600,000 (equivalent to approximately HK$409,767,000)) to Bank Rakyat in respect of bank loan facilities granted to CVMSB. As explained in Note 18, CVMSB has defaulted repayment of the bank loan facilities. Therefore, a possible claim might be made against the Company under the corporate guarantees if no remedial action is taken by the Company; and

(ix) The bondholders of the Matured Bonds may without further notice institute such proceedings as it may think fit to enforce repayment of the Matured Bonds.

The directors of the Company have taken the following actions to mitigate the liquidity issues faced by the Group:

(I) Subsequent to the end of the reporting period, the Company had announced on 2 March 2016 that the Company entered into a placing agreement with the placing agent, pursuant to which the Company agreed to place up to 1,101,924,000 placing shares to not less than six independent third parties of the Group at HK$0.10 per placing share. The maximum net proceeds arising from the share placing are estimated to be approximately HK$106.9 million. On 23 March 2016, the Company entered into a supplemental placing agreement with the placing agent, both agreed that the number of placees can be less than six. Up to the approval date of the consolidated financial statements, the share placing is still conditional upon fulfilment of the conditions set out in the placing agreements and the Company's announcements dated 2 March 2016 and 23 March 2016;

(II) As detailed in Note 18, upon the Group fulfilled all the terms and conditions in the restructuring proposal as offered by Bank Rakyat on 26 June 2015, the total amounts of bank loans owed and repayable to Bank Rakyat will be reduced to RM113.0 million (equivalents to approximately HK$203.9 million), representing loans reduction amount to approximately RM95.0 million (equivalent to approximately HK$171.4 million);

(III) As detailed in Notes 17(a), the Group is exposed to potential litigations. The Group is using their best efforts to (i) arrange to continue to pay the overdue interests to the bondholders in due course and (ii) further re-negotiate with bondholders for the extension of maturity dates and Proposed Alteration of terms of these convertible bonds; and

(IV) The Group is seeking investors or strategic partners for the Group's projects in Hong Kong, People's Republic of China (the "PRC") and the rest of the world.

The directors of the Company consider that taking into account of the above, the cash requirements of the Group for the next twelve months from the end of the reporting period and the Group's ability to attain future profitable operations in CVMSB and its indirectly owned subsidiary, 龍川升龍礦泉有限公司 (Long Chuan Shen Long Mineral Water Co., Ltd.) ("Long Chuan") and all existing banking facilities will be continuously available for the Group's use, the Group will have sufficient working capital to meet in full their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

— Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

— Annual improvements to HKFRSs 2010–2012 cycle

— Annual improvements to HKFRSs 2011–2013 cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these consolidated financial statements as there is no defined benefit plan operated by the Group.

Annual improvements to HKFRSs 2010–2012 cycle and 2011–2013 cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4 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:

	2015	2014
	HK$	*HK$*
Sales of bottled mineral water	**583,596**	948,213
Sales of magnesium ingots and related materials	**25,662,642**	38,730,049
	26,246,238	39,678,262

5 SEGMENT REPORTING

The Group has identified the reportable segments set out below. The segment information reported internally to the Group's 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 pledged deposits, cash and cash equivalents and other corporate assets. Segment liabilities include non-current liabilities and current liabilities with the exception of liabilities associated with 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 *HK$*	Exploration for iron ore, coal and manganese *HK$*	Extraction and bottling of mineral water *HK$*	Total *HK$*
Year ended 31 December 2015				
Reportable segment revenue *(Note)*	**25,662,642**	**–**	**583,596**	**26,246,238**
Segment loss	**(20,245,305)**	**(229,671)**	**(6,254,840)**	**(26,729,816)**
Interest income	**1,778**	**–**	**134**	**1,912**
Finance costs	**(23,457,888)**	**–**	**(494,982)**	**(23,952,870)**
Depreciation and amortisation	**(16,483,927)**	**(124,533)**	**(1,219,341)**	**(17,827,801)**
Impairment of exploration and evaluation assets	**–**	**(3,736,391)**	**–**	**(3,736,391)**
Write off of inventories	**(2,199,487)**	**–**	**–**	**(2,199,487)**
Write off of property, plant and equipment	**–**	**–**	**(4,950,550)**	**(4,950,550)**
Additions to segment non-current assets	**–**	**–**	**9,952,483**	**9,952,483**
As at 31 December 2015				
Segment assets	**171,965,167**	**18,400,546**	**35,878,510**	**226,244,223**
Segment liabilities	**(3,321,457)**	**(1,516,380)**	**(5,716,965)**	**(10,554,802)**

	Mining of dolomite and manufacture of magnesium ingots *HK$*	Exploration for iron ore, coal and manganese *HK$*	Extraction and bottling of mineral water *HK$*	Total *HK$*
Year ended 31 December 2014				
Reportable segment revenue *(Note)*	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)
Impairments of				
— exploration and evaluation assets	–	(41,871,600)	(66,336,453)	(108,208,053)
— interests on leasehold land	(2,858,305)	–	–	(2,858,305)
— other receivables 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)
Additions to segment non-current assets	–	–	168,234	168,234
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)

Note:

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: HK$Nil).

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

	2015	2014
	HK$	*HK$*
Revenue		
Reportable segment revenue	**26,246,238**	39,678,262
Loss		
Reportable segment loss	**(26,729,816)**	(37,261,989)
Depreciation and amortisation	**(17,866,263)**	(23,701,500)
Finance costs	**(45,492,651)**	(50,952,015)
Gain on disposal of subsidiaries	**–**	10,471,934
Interest income	**6,657**	4,619
Impairment of exploration and evaluation assets	**(3,736,391)**	(108,208,053)
Impairment of interests in leasehold land	**–**	(2,858,305)
Impairment of other receivables and prepayments	**(3,000,000)**	(1,767,649)
Impairment of property, plant and equipment	**–**	(130,976,015)
Write off of inventories	**(2,199,487)**	–
Write off of property, plant and equipment	**(4,950,550)**	–
Write down of inventories	**–**	(1,082,237)
Other unallocated amounts	**(14,981,659)**	(3,505,815)
Consolidated loss before taxation	**(118,950,160)**	(349,837,025)
Assets		
Reportable segment assets	**226,244,223**	290,594,029
Unallocated corporate assets:		
— Pledged deposits	**–**	2,735
— Cash and cash equivalents	**11,964,081**	378,935
— Others	**6,532,314**	4,710,023
Consolidated total assets	**244,740,618**	295,685,722
Liabilities		
Reportable segment liabilities	**(10,554,802)**	(20,499,957)
Unallocated corporate liabilities:		
— Bank loans — secured	**(260,423,032)**	(381,392,173)
— Convertible bonds	**(29,000,000)**	(94,278,123)
— Unsecured loans from third parties	**(1,800,000)**	–
— Deferred tax liabilities	**(7,952,143)**	(8,568,647)
— Others	**(29,529,262)**	(89,999,809)
Consolidated total liabilities	**(339,259,239)**	(594,738,709)

(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.

	South America		**Asia**		**The PRC**		**Europe**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Turnover	**17,589,455**	38,013,988	**2,225,215**	716,061	**583,596**	948,213	**5,847,972**	–	**26,246,238**	39,678,262

	Hong Kong		**Malaysia**		**The PRC**		**Indonesia**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Specified non–current assets	**914,668**	4,624,245	**175,157,108**	229,226,226	**33,473,868**	30,850,732	**18,927,161**	22,430,281	**228,472,805**	287,131,484

(d) Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's total revenue, is set out as below:

	2015	2014
	HK$	*HK$*
Customer A[1]	**5,553,787**	N/A[2]
Customer B[1]	**5,080,296**	N/A[2]
Customer C[1]	**14,876,024**	38,013,988

[1] Revenue from the mining of dolomite and manufacture of magnesium ingots segment

[2] The corresponding revenue did not contribute 10% or more of the Group's total revenue

6 LOSS BEFORE TAXATION

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

(a) Finance costs:

	2015	2014
	HK$	*HK$*
Interest on bank loans wholly repayable within 5 years	**21,813,102**	30,402,027
Effective interest on convertible bonds	**9,245,871**	19,467,369
Default interest on convertible bonds	**11,422,034**	–
Interest on unsecured loans from third parties wholly repayable within 5 years	**1,245,736**	–
Amortisation of loan transaction costs	**1,630,597**	372,904
Finance charges on obligations under finance leases	**20,077**	42,654
Other borrowings costs to financial institutions	**115,234**	698,158
Others	**–**	(31,097)
	45,492,651	50,952,015

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

	2015	2014
	HK$	*HK$*
Salaries, wages, bonuses and other benefits	**9,158,216**	8,700,502
Contributions to defined contribution retirement plan	**330,250**	538,201
	9,488,466	9,238,703

(c) Other operating expenses

	2015	2014
	HK$	*HK$*
Impairments of:		
— exploration and evaluation assets	**3,736,391**	108,208,053
— interests in leasehold land held for own use under operating leases	**–**	2,858,305
— other receivables and prepayments	**3,000,000**	1,767,649
— property, plant and equipment	**–**	130,976,015
	6,736,391	243,810,022
Write offs of:		
— inventories	**2,199,487**	–
— property, plant and equipment	**4,950,550**	–
	7,150,037	–
	13,886,428	243,810,022

(d) Other items:

	2015	2014
	HK$	*HK$*
Amortisation of interests in leasehold land held for own use under operating leases	**3,675**	129,465
Auditors' remuneration	**1,345,778**	1,175,496
Cost of inventories sold #	**40,283,476**	59,509,517
Depreciation	**17,862,588**	23,572,035
Operating lease charges in respect of:		
— office equipment	**12,026**	34,173
— office premises	**698,089**	1,506,399

\# The cost of inventories sold includes HK$17,393,866 (2014: HK$25,141,265) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

7 INCOME TAX CREDIT

(a) Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	HK$	*HK$*
Current tax — Malaysian Income Tax		
Provision for the year	**–**	138,017
Under-provision in respect of prior year	**51,241**	3,651
	51,241	141,668
Deferred tax		
Reversal of temporary differences	**(616,504)**	(23,492,927)
Total income tax credit	**(565,263)**	(23,351,259)

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% (2014: 16.5%).

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year ended 31 December 2015. 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 2015 and 2014.

Malaysian Income Tax is calculated at 25% (2014: 25%) of assessable profits for the year ended 31 December 2015. The provision of Malaysian Income Tax is calculated at 25% of the estimated assessable profits for the years ended 31 December 2015 and 2014.

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 2015 and 2014. 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 2015 and 2014.

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% (2014: 25%) for the year ended 31 December 2015. 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 2015 and 2014.

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:

	2015	2014
	HK$	*HK$*
Loss before taxation	**(118,950,160)**	(349,837,025)
Notional tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(27,224,971)**	(80,487,807)
Tax effect of non-taxable income	**(15,237)**	(1,777,998)
Tax effect of non-deductible expenses	**13,731,507**	65,848,573
Tax effect of unused tax losses not recognised	**2,096,092**	2,370,475
Tax effect of reversal of temporary differences previously recognised	**–**	(23,492,927)
Tax effect of temporary differences not recognised	**10,796,105**	14,184,774
Under-provision in previous year	**51,241**	3,651
Actual income tax credit	**(565,263)**	(23,351,259)

8 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 HK$110,997,358 (2014: HK$279,819,910) and the weighted average number of 3,370,501,216 (2014: HK$1,960,842,643) shares in issue during the year, calculated as follows:

(i) Number of shares:

	2015	2014
Issued ordinary shares at 1 January	**2,495,451,437**	1,608,184,265
Effect of issue of new shares pursuant to a share placing	**246,476,712**	135,703,956
Effect of shares issued pursuant to the loan capitalisation	**412,213,406**	216,954,422
Effect of issue of new shares pursuant to an open offer	**216,359,661**	–
Weighted average number of shares at 31 December	**3,370,501,216**	1,960,842,643

(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.

9 DIVIDEND

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2015 (2014: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Plant and machinery**	**Motor vehicles**	**Furniture and fittings**	**Office equipment**	**Computer equipment**	**Retorts**	**Sub-total**	**Interests in leasehold land held for own use under operating leases**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost:										
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	694,454,232
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
At 1 January 2015	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
Additions	–	–	–	85,650	–	–	–	85,650	–	85,650
Write off	–	(5,999,981)	–	–	–	–	–	(5,999,981)	–	(5,999,981)
Exchange adjustments	(32,983,249)	(70,123,313)	(207,839)	(1,970,702)	(2,371)	–	(9,945,835)	(115,233,309)	(3,779,486)	(119,012,795)
At 31 December 2015	143,884,305	305,071,369	2,005,411	9,174,461	138,504	118,322	63,345,311	523,737,683	9,270,665	533,008,348
Accumulated depreciation, amortisation and impairment:										
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
At 1 January 2015	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
Charge for the year	3,288,400	10,956,781	206,775	926,714	4,884	10,287	2,468,747	17,862,588	3,675	17,866,263
Write off	–	(1,049,431)	–	–	–	–	–	(1,049,431)	–	(1,049,431)
Exchange adjustments	(20,122,528)	(46,689,161)	(191,563)	(1,303,153)	(2,371)	–	(7,759,875)	(76,068,651)	(1,448,321)	(77,516,972)
At 31 December 2015	89,115,776	206,288,633	1,348,825	6,278,621	65,416	110,545	42,658,978	345,866,794	6,097,234	351,964,028
Carrying amount:										
At 31 December 2015	54,768,529	98,782,736	656,586	2,895,840	73,088	7,777	20,686,333	177,870,889	3,173,431	181,044,320
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

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

	2015	2014
	HK$	*HK$*
Interests in leasehold land held for own use under operating leases outside Hong Kong — long term	**3,173,431**	5,508,271

(b) Included in the Group's property, plant and equipment as at 31 December 2015 are buildings, plant and machinery, motor vehicles, retorts and interests in leasehold land held for own use under operating leases, with carrying amounts of HK$52,675,114 (2014: HK$68,682,011), HK$96,035,253 (2014: HK$129,002,404), HK$Nil (2014: HK$87,856), HK$20,686,333 (2014: HK$25,341,040) and HK$3,173,431 (2014: HK$5,508,271), respectively located in Malaysia and operated by CVMSB. The operation of the production plant of CVMSB was suspended since 2012. During the year, the directors of the Company conducted their own assessment review on the recoverable amount of cash-generating units ("**CGU**") for mining of dolomite and manufacture of magnesium ingots based on value in use calculation and determined that an impairment loss of HK$Nil (2014: HK$133,834,320) 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% 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 interests in leasehold land held for own use under operating leases of the Group with an aggregate carrying amount of HK$76,695,579 (2014: HK$99,531,322) are pledged to a bank for banking facilities granted to the Group (see Note 18).

(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 2015, the carrying amount of motor vehicles and furniture and fittings held under finance leases of the Group was HK$588,615 (2014: HK$1,559,886).

(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 HK$1,644,109 (2014: HK$1,769,261) as at 31 December 2015.

11 GOODWILL

Cost:	*HK$*
At 1 January 2014	332,328,997
Derecognised on disposal of subsidiaries	(79,525,907)
At 31 December 2014, 1 January 2015 and 31 December 2015	252,803,090
Accumulated impairment losses:	
At 1 January 2014	332,328,997
Derecognised on disposal of subsidiaries	(79,525,907)
At 31 December 2014, 1 January 2015 and 31 December 2015	252,803,090
Carrying amount:	
At 31 December 2015	–
At 31 December 2014	–

(a) The goodwill was originally arose partly due to 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 HK$161,763,000. Accordingly, the goodwill arising from the acquisition of the Victory Dragon Group was calculated to be HK$111,180,501.

(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:

	2015	2014
	HK$	*HK$*
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% (2014: 5.7%), 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 35.89% (2014: 49.17%). 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, an impairment loss of HK$111,180,501 on its CGU containing goodwill had been recognised for the year ended 31 December 2013.

12 EXPLORATION AND EVALUATION ASSETS

	Mining of dolomite and manufacture of magnesium ingots	Exploration for iron ore, coal and manganese	Extraction and bottling of mineral water	Total
	HK$	*HK$*	*HK$*	*HK$*
Cost:				
At1 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
At 1 January 2015	4,125,190	280,166,490	157,620,089	441,911,769
Exchange adjustments	–	140,878	(4,596,484)	(4,455,606)
At 31 December 2015	4,125,190	280,307,368	153,023,605	437,456,163
Accumulated amortisation and impairment:				
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
At 1 January 2015	4,125,190	257,674,090	138,452,089	400,251,369
Impairment loss	–	3,736,391	–	3,736,391
Exchange adjustments	–	106,629	(4,037,511)	(3,930,882)
At 31 December 2015	4,125,190	261,517,110	134,414,578	400,056,878
Carrying amount:				
At 31 December 2015	–	18,790,258	18,609,027	37,399,285
At 31 December 2014	–	22,492,400	19,168,000	41,660,400

(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 2015 and 2014.

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" (2014: "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 HK$3,506,411 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 was resulted from the suspension of CVMSB's production plant and its operating loss. Hence, no further impairment loss was noted since 31 December 2012.

(b) PT. Commerce Venture Iron Ore ("**PTCV Iron**") and PT. Commerce Venture Coal ("**PTCV Coal**"), both are 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 PTVC Coal were disposed to an 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 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 years ended 31 December 2015 and 2014, 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 years ended 31 December 2015 and 2014.

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 HK$87,500,000 had been recognised 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 Mining 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 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 Mining Permit and any other government regulations it would be subject to re-nominating the legal representatives. 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 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.

No exploration and evaluation costs were capitalised and no income was derived from the mining of manganese during the years ended 31 December 2015 and 2014.

At 31 December 2015, 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 25.90% (2014: 25.51%). The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. Taking into consideration the uncertainties mentioned above and making reference to the valuation performed by GC Appraisals as at 31 December 2015, the Company's directors determined that an impairment loss of HK$3,736,391 (2014: HK$41,871,600) has been recognised and included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2015.

(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 Longchuan 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 also been granted in prior years a mineral water extraction permit (礦泉水採礦許可證) 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 the Water 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 and a progress confirmation on 15 March 2016 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 11, sustained operating losses and unable to generate positive cash flow from the date of acquisition in April 2012 to 31 December 2015, 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 2015, 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 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% (2014: 5.7%), 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 35.89% (2014: 49.17%). 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 11, and making reference to the valuation performed by GC Appraisals as at 31 December 2015, the Company's directors determined that an impairment loss of HK$Nil (2014: HK$66,336,453) has been recognised and included in other operating expenses in the consolidated statement of profit or loss.

13 INVENTORIES

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

	2015	2014
	HK$	*HK$*
Raw materials	**–**	1,929,238
Work-in-progress	**–**	38,062
Finished goods	**–**	1,747,263
	–	3,714,563

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

	2015	2014
	HK$	*HK$*
Carrying amount of inventories sold	**40,283,476**	59,509,517
Write off of inventories	**2,199,487**	–
Write down of inventories	**–**	1,082,237
	42,482,963	60,591,754

During the year ended 31 December 2015, raw material and finished goods of HK$2,199,487 (2014: HK$Nil) were written off. This was because these raw material and finished goods had been deteriorated tremendously and could not be used as assessed by the management of the Company.

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 HK$Nil (2014: HK$1,082,237) was made at 31 December 2015.

14 TRADE RECEIVABLES

	2015	2014
	HK$	*HK$*
Trade receivables	**177,489**	2,854,282

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:

	2015	2014
	HK$	*HK$*
Current, neither past due nor impaired	**49,428**	2,711,735
Less than 1 month past due	**–**	388
1 month to 2 months past due	**–**	9,237
More than 2 months but less than 12 months past due	**16,936**	29,907
Over 12 months past due	**111,125**	103,015
Amounts past due	**128,061**	142,547
Total	**177,489**	2,854,282

Trade receivables derived from sales of magnesium ingots are due within 14 days (2014: 14 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 2015, none of trade receivables (2014: HK$Nil) were pledged as security for banking facilities granted to the Group.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$	*HK$*
Other receivables	**2,062,576**	42,487
Advance payment to a contractor *(Note (a))*	**13,767,479**	14,911,170
Prepayments for raw materials and machinery *(Note (b))*	**625,470**	677,430
Deposits and prepayments	**1,584,961**	1,524,845
	18,040,486	17,155,932
Less: Impairment losses		
— advance payment to a contractor *(Note (a))*	**(13,767,479)**	(14,911,170)
— prepayments for raw materials and machinery *(Note (b))*	**(625,470)**	(677,430)
	3,647,537	1,567,332

Apart from certain of the Group's deposits and prepayments of HK$438,834 (2014: HK$637,851), 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 HK$13,767,479 (2014: HK$14,911,170) 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 2015 and 2014.

(b) At 31 December 2015, the Group had made prepayments of HK$625,470 (2014: HK$677,430) 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 2015 and 2014.

16 TRADE AND OTHER PAYABLES

	2015	2014
	HK$	*HK$*
Trade payables	**–**	2,831,490
Accrued interest on bank loans	**–**	64,049,521
Accrued interest on convertible bonds	**2,979,773**	6,852,144
Accrued salaries	**3,189,592**	2,800,027
Other payables and accrued expenses	**31,272,134**	28,575,686
	37,441,499	105,108,868

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:

	2015	2014
	HK$	*HK$*
Current	**–**	2,701,050
Due within 3 months	**–**	–
Due after 3 months but within 12 months	**–**	32,983
Over 12 months	**–**	97,457
	–	2,831,490

17 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 period of eight months to three years from the date of issue for an aggregate principal amount of HK$80,000,000. The convertible bonds bear interest at 10% p.a. payable annually and are unsecured. As at the end of reporting period, the outstanding aggregate principal amount of the convertible bonds was HK$29,000,000 (2014: HK$80,000,000).

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 HK$0.10 per share. As a result of the share consolidation in July 2013, the conversion price of outstanding convertible bonds of the Company was adjusted from HK$0.10 per share to HK$0.40 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 HK$Nil ("**First Tranche Bonds**"), HK$12,000,000 ("**Second Tranche Bonds**"), HK$Nil ("**Third Tranche Bonds**"), HK$10,000,000 ("**Fourth Tranche Bonds**") and HK$7,000,000 ("**Fifth Tranche Bonds**") is 1 December 2014, 29 December 2014, 9 January 2015, 4 March 2015 and 22 March 2015 respectively. The above outstanding aggregate principal amount of HK$29,000,000 is collectively referred to as the "Matured Bonds". As at 31 December 2015, all the Matured Bonds were defaulted and due for repayments. 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 ("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 the Matured Bonds have not been fixed and confirmed yet.

At 31 December 2015, convertible bonds are due for repayment as follows:

	2015	2014
	HK$	*HK$*
Already past due or within 1 year	**29,000,000**	82,561,759

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. (2014: 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 Matured Bonds as at 31 December 2015 to be approximately HK$29,000,000 (2014: HK$82,125,000). The fair value is assumed to be its principal amount.

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 *HK$*	Second Tranche Bonds *HK$*	Third Tranche Bonds *HK$*	Fourth Tranche Bonds *HK$*	Fifth Tranche Bonds *HK$*	Total *HK$*
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
At 1 January 2015	26,000,000	17,000,000	10,916,090	10,657,809	17,987,860	82,561,759
Interest charged	–	–	83,910	342,191	712,140	1,138,241
Interest paid	–	–	(1,000,000)	(1,000,000)	(1,700,000)	(3,700,000)
Redemptions of convertible bonds	(26,000,000)	(5,000,000)	(10,000,000)	–	(10,000,000)	(51,000,000)
Liability component as at 31 December 2015	–	12,000,000	–	10,000,000	7,000,000	29,000,000

(b) In 2012, the Company issued convertible bonds with maturity date on the fifth anniversary of the date of issue (i.e. 17 April 2017) for an aggregate principal amount of HK$106,840,000 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 HK$1,000,000 into ordinary shares of the Company at a fixed conversion price of HK$0.126 per share. As a result of the share consolidation in July 2013, the conversion price of outstanding convertible bonds of the Company was adjusted from HK$0.126 per share to HK$0.504 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 HK$43,840,000 were converted into 347,936,507 ordinary shares of the Company at HK$0.025 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 HK$50,000,000.

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 HK$50,000,000 or otherwise cause the outstanding principal amount of the convertible bonds below HK$50,000,000.

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 HK$8,228,917. Based on the exchange rate at that time, the Guaranteed Profit was HK$38,090,401 (equivalent to RMB30,000,000), and hence, the actual shortfall between the audited net loss and the Guaranteed Profit was HK$46,319,318. As such on 16 October 2013, the convertible bonds in the principal amount of HK$46,319,318 was cancelled and deducted.

As at the end of the reporting period, the outstanding principal amount of convertible bonds in relation to the Victory Dragon Group was HK$Nil (2014: HK$16,680,682).

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

	Liability component *HK$*	**Equity component** *HK$*	**Total** *HK$*
At 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 and 1 January 2015	11,716,364	6,920,516	18,636,880
Interest charged	8,107,630	–	8,107,630
Interest paid	(573,780)	–	(573,780)
Redemptions of convertible bonds	(19,250,214)	(6,920,516)	(26,170,730)
At 31 December 2015	–	–	–

The interest for the year is calculated by applying an effective interest rate of 17.58% p.a. (2014: 17.58% 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 2015 to be approximately HK$Nil (2014: HK$12,013,000). This fair value has been calculated by discounting the future cash flows at the market rate.

18 BANK LOANS — SECURED

	2015			2014		
	Nominal value	**Less: unamortised costs**	**Total**	Nominal value	Less: unamortised costs	Total
	HK$	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*
Bank loans, secured	**260,423,032**	**–**	**260,423,032**	383,212,795	(1,820,622)	381,392,173

At 31 December 2015, interest bearing bank loans are due for repayment as follows:

	2015	2014
	HK$	*HK$*
Already past due or within 1 year	**260,423,032**	381,392,173

	2015	2014
	HK$	*HK$*
Transaction costs		
Cost:		
At 1 January	**8,699,851**	9,277,771
Write off	**(7,791,815)**	–
Exchange adjustments	**(908,036)**	(577,920)
At 31 December	**–**	8,699,851
Accumulated amortisation:		
At 1 January	**6,879,229**	6,940,385
Write off	**(7,791,815)**	–
Amortisation for the year	**1,630,597**	372,904
Exchange adjustments	**(718,011)**	(434,060)
At 31 December	**–**	6,879,229
Unamortised transaction costs	**–**	1,820,622

The secured bank loans as at 31 December 2015 are interest bearing at 8.85% p.a. (2014: 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 HK$1,586,032) with effect from August 2011 to December 2013 and increasing to RM4,200,000 (equivalent to HK$9,942,287) 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.

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 HK$1,586,032) 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 loans 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 HK$258,850,469) which is repayable to Bank Rakyat on or before 30 June 2015, in which (i) an amount of RM4,020,000 (equivalent to approximately HK$9,205,404) must be settled to Bank Rakyat on or before 31 December 2014; (ii) a monthly sum of RM200,000 (equivalent to approximately HK$457,980) 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 HK$6,457,522) 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 HK$240,439,661) 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 HK$9,205,404) 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 HK$9,205,404) 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. However, the bank loan of RM4,020,000 (equivalent to approximately HK$9,205,404) was defaulted again and not yet repaid up to March 2015.

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. Accordingly, the total amount owed and repayable to Bank Rakyat was restored to RM203,141,864 (equivalent to approximately HK$465,174,866) as at 28 February 2015 (the "**Outstanding Loan**") which was required to be settled within 14 days from the date of that 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.

On 26 June 2015, the Group further accepted the latest restructuring proposal offered by Bank Rakyat. Pursuant to which, the total amount owed and repayable to Bank Rakyat by CVMSB agreed to be reduced to RM113,040,000 (equivalents to approximately HK$203,932,888) by means of cash settlements of RM68,040,000 (equivalents to approximately HK$122,749,414) and redemption of charged properties for RM45,000,000 (equivalents to approximately HK$81,183,475). The first cash repayment of RM11,300,000 (equivalents to approximately HK$20,386,073) was settled by the Group on 2 July 2015 within 7 working days from 26 June 2015 and the remaining balance of RM56,740,000 (equivalents to approximately HK$102,363,341) was settled by the Group on 30 November 2015 as per the extended settlement deadline. Upon full repayment of the cash settlements to Bank Rakyat, CVMSB is entitled to redeem the charged properties for RM45,000,000 (equivalents to approximately HK$81,183,475). The redemption shall take place within six months from 26 June 2015 and at the discretion of Bank Rakyat, extend for further six months if there is a proof of sale provided by CVMSB. An additional charge calculated at a rate of 3.85% per annum shall be imposed on the outstanding balance of RM45,000,000 (equivalents to approximately HK$81,183,475) after full repayment of the above mentioned cash settlements and until the full redemption payment of the charged properties. On 26 November 2015, Bank Rakyat issued a letter to CVMSB informing CVMSB that Bank Rakyat has agreed to extend the redemption until 30 June 2016. Accordingly, from January 2016 onwards, CVMSB is required to pay a monthly charge of RM144,375 (equivalent to approximately HK$260,464) to Bank Rakyat until full settlement of the redemption payment for the redemption. Any breach of the above mentioned terms and conditions shall constitute an event of default and this revised restructuring proposal shall be terminated and Bank Rakyat has the right to proceed with legal actions against CVMSB and the Company.

19 UNSECURED LOANS FROM THIRD PARTIES

	2015	2014
	HK$	*HK$*
Within 1 year	**1,800,000**	–

On 5 November 2015, the Company entered into a loan agreement with an independent third party for an unsecured loan of HK$1,800,000 at an interest rate of 24% p.a. payable monthly. The amount due is repayable on demand.

For the year ended 31 December 2014, the unsecured loans from third parties brought forward of HK$150,000,000 were settled by way of loan capitalisation. The cause and effect are set out as follows:

On 13 June 2011, the Company entered into a loan agreement with an independent third party for an unsecured loan of HK$50,000,000 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 HK$100,000,000. 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 12 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. On 10 April 2015, the holders of CPS converted 565,631,177 CPS at a total nominal value of HK$90,500,988 into 565,631,177 ordinary shares of the Company, and the CPS have been fully converted as of 31 December 2015.

20 SHARE CAPITAL

(a) Authorised and Issued Share Capital

	Note	**2015** Number of shares	**2015** Amount HK$	2014 Number of shares	2014 Amount HK$
Ordinary shares, issued and fully paid:					
At 1 January		**2,495,451,437**	**989,710,234**	1,608,184,265	160,818,427
Conversion of convertible preference share	*(i)*	**565,631,177**	**90,500,988**	–	–
Transition to no-par value regime on 3 March 2014	*(ii)*	**–**	**–**	–	690,145,419
Shares issued pursuant to a share placing	*(i)*	**612,000,000**	**109,935,500**	321,636,000	48,245,400
Shares issued pursuant to the Loan Capitalisation	*(i)*	**–**	**–**	565,631,172	90,500,988
Shares issued pursuant to an open offer	*(i)*	**1,836,541,307**	**177,728,579**	–	–
At 31 December		**5,509,623,921**	**1,367,875,301**	2,495,451,437	989,710,234

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Issue of shares

On 30 July 2014, 321,636,000 ordinary shares were issued by placing at HK$0.15 each for cash consideration of HK$48,245,400, net of expenses incurred.

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 HK$0.16 and HK$0.16 respectively in respect of the Loan Capitalisation (Note 18).

On 10 April 2015, the Company's CPS with principal value of HK$90,500,988 were converted into 565,631,177 ordinary shares of the Company at a conversion price of approximately HK$0.16 per ordinary share. Accordingly, an aggregate amount of HK$90,500,988 was released from convertible preference shares reserve, and was credited to share capital account.

On 7 August 2015, 612,000,000 ordinary shares were issued by placing at HK$0.185 each for cash consideration of HK$109,935,500, net of expenses incurred.

On 19 November 2015, 1,836,541,307 ordinary shares were issued by open offer at HK$0.10 each for cash consideration of HK$177,728,579, net of expenses incurred.

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

21 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2015 not provided for in the consolidated financial statements were as follows:

	2015	2014
	HK$	*HK$*
Contracted for	**14,244,500**	17,526,584
Authorised but not contracted for	**–**	–
	14,244,500	17,526,584

(b) Future minimum royalty payments

Pursuant to the Mining Agreement (Note 12), the royalties to MERSB are subject to a monthly minimum payment of RM30,000 (equivalent to approximately HK$54,122) (2014: RM30,000 (equivalent to approximately HK$66,905)) for a period of 20 years, unless early terminated by the Group by giving one month's written notice to MERSB. The total minimum royalties amounted to RM5,220,000 (equivalent to approximately HK$9,417,283) (2014: RM5,220,000 (equivalent to approximately HK$11,640,000)) over the 20 years period.

(c) Operating lease commitments

At 31 December 2015, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	HK$	*HK$*
Within 1 year	**578,000**	34,737

The Group is the lessee in respect of certain office premises held under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease when all terms are renegotiated. The leases do not include a contingent rental.

(d) Environmental contingencies

The Group has not incurred any significant expenditure for environment remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

22 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the approval date of the consolidated financial statements, the HKICPA has issued a number of new standards, amendments and Interpretations which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the consolidated financial statements. These include the followings which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of the impact of these amendments and new standards are expected to be in the period of initial application, but is not yet in a position to state whether these amendments and new standards would have a significant impact on the Group's financial statements.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

An extract of the independent auditor's report to be issued by Baker Tilly Hong Kong Limited 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 2014, 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, inventories and accumulated losses derived by the mineral water operation in the People's Republic of China (the "**PRC**"); (c) fair value and/or carrying amounts of the liability component and the convertible bond equity reserve of the convertible bonds; and (d) material fundamental uncertainties in relation to the going concern basis of presentation of the consolidated financial statements. Details of the qualified audit opinions were set out in the independent auditor's report dated 31 March 2015 and included in the Company's annual report for the year ended 31 December 2014.

   We were unable to obtain sufficient appropriate audit evidence to enable us to assess the limitation of scope for the year ended 31 December 2014. Any adjustments found to be necessary to the opening balances as at 1 January 2015 may affect the balance of accumulated losses as at 1 January 2015 and the operating results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2015. 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 2015, 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 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 2015 are: (a) exploration and evaluation assets with an aggregate carrying value of HK$37,399,285 (2014: HK$41,660,400); (b) goodwill arising from business combinations with an aggregate carrying value of HK$Nil (2014: HK$Nil); (c) property, plant and equipment, including the interest in leasehold land, with an aggregate carrying value of HK$181,044,320 (2014: HK$245,271,306); and (d) deferred tax liabilities associated with the fair value adjustment on the exploration and evaluation assets of HK$7,952,143 (2014: HK$8,568,647).

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's management has assessed 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 Group's management 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 Group's management estimated the value in use as the recoverable amounts of these assets.

In respect of the cash-generating unit ("CGU") for mining of dolomite and manufacture of magnesium ingots, we understand that the board of directors has updated business plans for this CGU and performed their own annual impairment assessment based on internal cash flow projections. However, we are unable to obtain from management any updated business plans and evidence in evaluating the estimated value in use to consider the recoverable amount of this CGU.

In respect of the CGUs for exploration for iron ore, coal and manganese and extraction and bottling of mineral water, the Group appointed an independent valuer, GC Appraisals Services Company Limited ("**GC Appraisals**" or "**the Valuer**") to perform valuations to assess the value in use of these CGUs as at the end of the reporting period. The value in use estimations are 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 bottled mineral water in the PRC.

As a result, impairment losses on (a) exploration and evaluation assets of HK$3,736,391 (2014: HK$108,208,053); (b) goodwill of HK$Nil (2014: HK$Nil); and (c) property, plant and equipment, including the interest in leasehold land, of HK$Nil (2014: HK$133,834,320) 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 these extractive operations since 2012 due to financial constraints and still unable to obtain up-to-date technical data for those 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 value in use estimations prepared for financial reporting purposes. In addition, we consider that the technical data in the Technical Reports used to prepare the value in use estimations 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. During the year ended 31 December 2014, 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. Afterwards, 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. In the same year, 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 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 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 notes 25(a) to the consolidated financial statements, the maturity date of the five principal amounts of convertible bonds of HK$Nil ("**First Tranche Bonds**"), HK$12,000,000 ("**Second Tranche Bonds**"), HK$Nil ("**Third Tranche Bonds**"), HK$10,000,000 ("**Fourth Tranche Bonds**") and HK$7,000,000 ("**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 HK$29,000,000 is collectively referred to as the "Matured Bonds". As at 31 December 2015, all the Matured Bonds were defaulted and due for repayments. 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.

During our audit of the consolidated financial statements for the year ended 31 December 2015, 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.

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, Second Tranche Bonds, Third Tranche Bonds, Fourth Tranche Bonds and Fifth Tranche Bonds, they have been defaulted since 1 December 2014, 29 December 2014, 9 January 2015, 4 March 2015 and 22 March 2015 respectively. 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 carrying amounts of the Matured Bonds exclude the assumptions as to the Proposed Alteration as at 31 December 2015, the fair value of the liability component 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 as required by HKAS 39 are unable to be reliably measured.

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 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 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: fair value and/or carrying amount of the secured bank loans

As disclosed in note 26 to the consolidated financial statements, the Group have defaulted the agreed repayment schedule of the secured bank loans during the year ended 31 December 2015. On 26 June 2015, the Group accepted the latest restructuring proposal ("Latest Restructuring Proposal") offered by Bank Kerjasama Rakyat Malaysia Berhad. The completion of the Latest Restructuring Proposal may result in adjustments being made to the fair value and/or carrying amount of the secured bank loans and the interest thereon and any other charges arose as a result of the default, the final results of which is uncertain as at the date of approval of the consolidated financial statements.

As defined in 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. Since the completion of the Latest Restructuring Proposal in respect of the final settlement of the secured bank loans is uncertain 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.

Accordingly, we are unable to assess whether the fair value and/or carrying amount of the secured bank loans at the end of the reporting period are reliably measured, and the interest thereon and any other charges arose as a result of the default. 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 secured bank loans and the interest thereon and any other charges arose as a result of the default 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.

5. 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 has encountered a number of circumstances giving rise to material fundamental uncertainties. The Group is principally sustained in its daily operations by bank loans, convertible bonds and placing of shares. The Group is pursuing certain finance measures set out in note 2(b) to the consolidated financial statements, and therefore, the directors of the Company have prepared the consolidated financial statements on a going concern basis. However, 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 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 assets to net realisation value, and providing for any contractual commitments that become effective at the end of the reporting period. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion section, 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 financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with 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 (the "Company", together with its subsidiaries, the "**Group**") is committed to enhancing the corporate governance and transparency of the Group by applying the principles in the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**"). 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 2015, save and except for the deviations from code provisions A.4.1 and A.6.7.

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 ("**Articles of Association**"). 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 of the Company held on 26 June 2015 due to their other business engagements.

The remuneration committee of the Company ("**Remuneration Committee**") comprises all INEDs. 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 all INEDs. 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
Mr. Du Jian Jun (Chairman)
Mr. Ji Kuang (Co-vice Chairman)
Mr. Li Po Wai (Co-vice Chairman)
Mr. Leung Wai Kwan (Chief Executive Officer)
Ms. Meng Xiao Ying
Mr. Fan Weipeng
Mr. Yin Shibo

Independent Non-executive Directors
Mr. Chan Kin Ho Philip
Ms. Tian Jinghua
Ms. Li Zhenzhen
Mr. Liu Bo

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.

NEW SHARES ISSUED & CONVERTED

Conversion of CPSs

On 10 April 2015, all holders of CPSs converted the CPSs into fully paid ordinary shares in the share capital of the Company on the basis of one conversion share to one CPS and a total of 565,631,177 ordinary shares were issued.

Placing

On 21 July 2015, the Company and Kingston Securities Limited (the "**Placing Agent**") entered into a placing agreement, whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 612,000,000 placing shares to not less than six placees at the placing price of HK$0.185 per placing share. The Board considered that the Placing would enhance its working capital and strengthen its capital base and financial position.

The closing price per ordinary share as quoted on the Stock Exchange on 21 July 2015, being the date of the placing agreement was HK$0.222. The net price for each placing share was approximately HK$0.18.

The placing was completed on 7 August 2015. An aggregate of 612,000,000 placing shares has successfully placed to not less than six placees, who and whose beneficial owners are independent third parties to the Company at a price of HK$0.185 per placing share, raising gross proceeds of HK$113.22 million. The net proceeds from the placing amounted to approximately HK$109.94 million, which would be for the repayment of debts of the Group and as the general working capital of the Group.

Open Offer

On 21 July 2015, the Company proposed to raise gross proceeds (before expenses) of up to approximately HK$153 million (assuming no placing shares were issued and no convertible bonds were converted on or before record date) or HK$185.3 million (assuming the maximum number of placing shares was issued and full conversion of the convertible bonds on or before the record date), by way of an open offer. The Company shall allot and issue not less than 1,530,541,307 offer shares and not more than 1,853,089,603 offer shares to the qualifying shareholders at a subscription price of HK$0.10 per offer share, on the basis of one offer share for every two shares held on the record date. The Board considered that the open offer would enhance its working capital and strengthen its capital base and financial position.

The subscription price was HK$0.10 per offer share, representing a discount of approximately 54.95% to the closing price of HK$0.222 per share as quoted on the Stock Exchange on 21 July 2015.

The Open Offer was completed on 19 November 2015. An aggregate of 1,836,541,307 offer shares were successfully issued at the subscription price of HK$0.10 per offer share on basis of one offer share for every two share held on 22 October 2015, raising gross proceeds of HK$183.6 million. The net proceeds from the open offer amounted to approximately HK$177.7 million, which would be for the repayment of debts of the Group and as the general working capital of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the year ended 31 December 2015.

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 2015 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 2015 (2014: 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 2015 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 2016