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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 2016

FINANCIAL HIGHLIGHTS

The financial highlights of the Group for the year ended 31 December 2016 are summarised as follows:

- The Group's turnover amounted to HK$9,027,978, representing a corresponding decrease of 65.6%.
- The Group's gross loss amounted to HK$217,751, representing a corresponding decrease of 98.7%.
- The Group's profit for the year amounted to HK$50,450,064, as compared to the loss for the year of HK$118,384,897 for last year.
- Earnings per share amounted to HK1.08 cents, as compared to the loss per share of HK3.29 cents for last year.

BUSINESS REVIEW

During the year, Ding He Mining Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") continued to work with stakeholders: potential lenders, investors, and professionals with the attempts to mitigate impacts affected the "group" getting back to normal business, in particular the depressed global magnesium price affected the business in Malaysia, uncertainties in legal proceedings of the business in Indonesia put a halt to the business, and unfavorable market conditions for capital raising activities or continue borrowing money for its operations, all these conditions have been the major factors affecting the Group's performance.

For the year ended 31 December 2016, the Group maintained three major business segments namely, (i) mining of dolomite and manufacture of magnesium ingots; (ii) extraction and bottling of mineral water; and (iii) exploration of iron ore, coal and manganese.

Mining of Dolomite and Manufacture of Magnesium Ingots

Given that the challenges of keen competition from other manufacturers and cost-effectiveness of the production capacity, the smelter plant of the Group which situates in the State of Perak, Malaysia (the "**Smelter**") continued to refrain from its full-scale operation during the year. Moreover, extraction of dolomite has been halted since 2012 and accordingly, there was no dolomite extracted from the dolomite quarry for the year ended 31 December 2016.

For the year ended 31 December 2016, revenue generated from this business segment decreased by approximately 66.6% to HK$8,580,874, as compared to that of HK$25,662,642 for the year ended 31 December 2015.

The Company obtained an update valuation dated 21 March 2017 (the "**Report**") from Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of chartered surveyors and registered valuers. In accordance with the Report, the market value of the leasehold land, building, plant and machinery in Perak was RM80.2 million (equivalent to approximately HK$138.8 million). The valuation adopted (i) comparison method with reference to recent transactions and sale evidences and (ii) cost method through the summation of the value components of the land and cost of building. In view of a moderate increase of 2.5% of house price in Perak in the third quarter of 2016 as released by Valuation and Property Services Department (JPPH), the Board considered that there was no significant deviation in the market situation at 31 December 2016.

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 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 (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 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 (see Note 22(b)). 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 2016 and 2015. Mining activities for this dolomite project had started in 2010 and the amortisation charge relating to the project for the period is included in administrative expenses in the audited consolidated statement of profit or loss for the years ended 31 December 2016 and 2015.

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 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 0.3956 km^2. The principal activities of Long Chuan are manufacturing, sale and distribution of bottled mineral water in the PRC. Long Chuan is currently branding and marketing bottled mineral water in PRC under the brand name Jenbo.

During the year, the investment plan of Long Chuan in a new production line for sparkling water was still in abeyance due to limited cash resources available for the Group. Turnover of this business segment fell approximately 23.4% to HK$447,104 (2015: HK$583,596) and segment loss increased 119.1% to HK$13,707,065 (2015: HK$6,254,840).

At 31 December 2016, the Group reviewed the recoverable amount of this cash generating unit based on value-in-use calculation. In consideration of the performance of Long Chuan since acquisition and with reference to the valuation at 31 December 2016 prepared by GC Appraisals Services Company Limited ("**GC Appraisals**"), an independent valuer, the Directors determined that an impairment loss of HK$17,718,053 (2015: HK$ nil) was recognised in the audited consolidated statement of profit or loss for the year ended 31 December 2016.

Exploration of Iron Ore, Coal and Manganese

PT. Laksbang Mediatama ("**PTLM**"), a non-wholly owned subsidiary of the Company is principally engaged in the exploration of manganese resources in Yogyakarta Province, Indonesia. Due to conflicts between its directors and legal representative, the operation of PTLM (including the exploration project) has been suspended since 2012. As additional time is required to identify suitable candidates to fill the vacancies of directorship and legal representative after a court judgement granted on November 2014, the operation and exploration activities of PTLM are yet to be reinstated. Hence, the potential revenue generating from PTLM was further delayed and the estimated future cash inflow derived from the exploration activities of PTLM was deferred.

At 31 December 2016, the Group reviewed the recoverable amount of this cash generating unit for PTLM based on value-in-use calculation. Taking into consideration the abovementioned uncertainties and making reference to the valuation at 31 December 2016 prepared by GC Appraisals, the Directors determined that an impairment loss of HK$18,648,122 (2015: HK$3,736,391) was recognised in the audited consolidated statement of profit or loss for the year ended 31 December 2016.

Exploration, Development and Mining Production Activities

Geological exploration

The Group has one production operation mining permit right for manganese covering an area of approximately 195 hectares in Yogyakarta Province, Indonesia.

During the year ended 31 December 2016, the Group did not incur any geological exploration expenditure (2015: HK$nil).

Mining of dolomite

At 31 December 2016, the Group did not extract any dolomite from the dolomite land. Hence, the accumulated dolomite reserves identified up to 31 December 2016 remained at 19,970 MT (2015: 19,970 MT).

There were no new contracts and commitments entered into during the year ended 31 December 2016 other than those that were disclosed in the Annual Report 2015.

Iron ore, coal and manganese

During the year under review, there were no development or mining production activities in respect of iron ore and coal minerals.

Estimated Proved Mineral Reserves

The updated mineral reserves of the Group as at 31 December 2016 and 2015 were as follows:

Minerals	**Location**		**Total area**	**Reserves identified by JORC standard (metric tonnes) as at 31 December 2016 proved**	**Reserves identified by JORC standard (metric tonnes) as at 31 December 2015 proved**
Dolomite	Lots: Mukim: District: State: Country:	HS (D) 13756, PT 13404 Sungai Siput Kuala Kangsar Perak Malaysia	13 hectares	19,970[(1)]	19,970[(1)]
Manganese[(2)]	Village: Subdistrict: Regency: Province: Country:	Jatimulyo Girimulyo Kulon Progo Daerah Istimewa Yogyakarta Indonesia	195 hectares	Exploration activities suspended	Exploration activities suspended

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 2016 and up to the date of this announcement, the operations in Yogyakarta, Indonesia, have been hampered due to the failure to contact the legal representative of PTLM and additional time is required to nominate and appoint new directors and legal representative.

Significant Events after the Reporting Period

Subsequent to the end of the reporting period and up to the date of this announcement, the Group had the following material events:

1. On 8 March 2017, the Company and Cheong Lee Securities Limited ("**Cheong Lee**") entered into a placing agreement (the "**Placing Agreement**"), whereby the Company agreed to place up to 150,000,000 placing shares to not less than six independent third parties of the Group at HK$0.084 per placing share (the "**2017 Share Placement**"). The maximum net proceeds arising from the 2017 Share Placement are estimated to be approximately HK$12.22 million. Completion of the 2017 Share Placement is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the placing shares to be placed pursuant to the Placing Agreement on or before 29 March 2017 (or such later date as the parties thereto may agree in writing) (the "**Long Stop Date**"). As the condition precedent of the Placing Agreement cannot be fulfilled on or before the Long Stop Date, the Placing Agreement lapsed on 29 March 2017.

2. On 24 February 2017, 1 March 2017 and 17 March 2017, the Company borrowed unsecured loans of HK$2,000,000, HK$2,000,000 and HK$1,000,000 respectively from independent third parties at interest rate ranging from 3% to 5% per month and are repayable within two months after their respective drawdown dates.

Business Prospect

The Group experienced another challenging year of 2016. Notwithstanding the current situation of the Group and the global political and economical uncertainties, the Directors had successfully mitigated certain liquidity risks of the Group. By negotiating with the creditors of the Group for loan restructuring, the secured bank loans were fully settled during the year. In order to further improve the liquidity of the Group, the Directors planned to negotiate with other creditors to reach alternative repayment arrangements.

In recent years, price of magnesium remained low while competition from other industry players, especially China, continued to be strong that further suppressed the revenue of the Group's mining sector. Having considered the difficulties facing the mining industry, the Group determined to actively explore and identify other acquisition, collaboration and investment opportunities in other industries in an attempt to diversify its business and broaden its revenue sources.

Going forward, the Company will continue to heighten its efforts to resolve and leverage the challenges in the current business units. The Group will take prudent measures to improve its overall performance efficiency and explore opportunities in other new business areas with the aim of minimising the risk and optimising the value of the Group and our shareholders as a whole.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group's turnover decreased by 65.6% to HK$9,027,978 as compared to that of 2015. The decrease was mainly due to persisting soft market for magnesium and the limited cash resources for the Group to develop its businesses. Profit attributable to owners of the Company amounted to HK$59,382,332 (2015: loss attributable to owners of the Company amounted to HK$110,997,358) as a result of an exceptional gain on loans reduction during the year. Earnings per share for the year ended 31 December 2016 was HK1.08 cents (2015: loss per share of HK3.29 cents).

Turnover

For the year ended 31 December 2016, the Group's audited consolidated turnover decreased by 65.6% to HK$9,027,978 (2015: HK$26,246,238) as compared to that of last year. Turnover attributable to (i) mining of dolomite and manufacture of magnesium ingots; (ii) extraction and bottling of mineral water; and (iii) exploration for iron ore, coal and manganese were 95.0%, 5.0% and 0% respectively (2015: 97.8%, 2.2% and 0% respectively).

During the year, the Group recorded a decrease of turnover by 66.6% to HK$8,580,874 (2015: HK$25,662,642) on sales of mining of dolomite and manufacture of magnesium ingots as compared to that of 2015 mainly due to intense market competition and cost-effectiveness of operations.

In addition, the limited cash resources of the Group to market the bottled-mineral water business hindered the segment's performance and accordingly, sales of bottled mineral water fell by 23.4% to HK$447,104 (2015: HK$583,596).

Cost of sales

Cost of sales of the Group for the year ended 31 December 2016 of HK$9,245,729 (2015: HK$42,482,963) included mainly staff costs, manufacturing overheads, depreciation and amortisation and inventories written-off. The decrease in the cost of sales was primarily due to the decline in production activities throughout the year.

Other revenue

The Group received interest income of HK$1,294 (2015: HK$6,657) from money deposited with approved financial institutions during the year. The Group also recorded an exceptional gain on loans reduction of HK$192,992,398 (2015: HK$nil) as a result of secured bank loan restructuring with Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**") and sundry income of HK$204,223 (2015: HK$91,522).

Other net loss

For the year ended 31 December 2016, other net loss comprised net foreign exchange losses of HK$8,503,141 (2015: HK$155,056).

Selling and distribution expenses

As a consequence of a curtailment of production activities, selling and distribution expenses of the Group decreased by 76.3% to HK$225,688 (2015: HK$952,621) for the year ended 31 December 2016.

Administrative expenses

Administrative expenses of the Group increased by 26.8% to HK$53,659,252 (2015: HK$42,324,858) for the year ended 31 December 2016 as compared to that of 2015.

Finance costs

Finance costs of the Group for the year was HK$27,819,101 (2015: HK$45,492,651), mainly consisted of interest on other borrowings from third parties of HK$23,763,292 (2015: HK$1,245,736) and default interest of HK$3,234,970 (2015: HK$11,422,034) for convertible bonds issued by the Company and interest on bank loans of HK$811,217 (2015: HK$21,813,102).

Other operating expenses

For the year ended 31 December 2016, other operating expenses of the Group was HK$60,275,061 (2015: HK$13,886,428), comprised primarily the impairment of exploration and evaluation assets of HK$36,366,175 (2015: HK$3,736,391), the impairment of property, plant and equipment of HK$9,210,610 (2015: HK$ nil) and the impairment of other receivable and prepayments of HK$1,378,000 (2015: HK$3,000,000). Besides, property, plant and equipment amounted to HK$13,131,002 (2015: HK$4,950,550) and no raw material and finished good (2015: HK$2,199,487) were written off during the year.

Income tax credit

For the year ended 31 December 2016, the Group recorded income tax credit of HK$7,952,143 (2015: HK$565,263) arising from the reversal of temporary differences.

Profit/loss

For the year ended 31 December 2016, the Group recorded profit before taxation of HK$42,497,921 (2015: loss before taxation of HK$118,950,160) which was a result of profit from operations of HK$130,592,083 (2015: loss from operations of HK$59,571,081), finance costs of HK$27,819,101 (2015: HK$45,492,651) and other operating expenses of HK$60,275,061 (2015: HK$13,886,428).

Profit from operations was mainly attributable to a gain on bank loans reduction of HK$192,992,398 recognised during the year which was one-off and non-recurring in nature. Excluding the gain on bank loans reduction, the Group would have recorded a loss from operations of HK$62,400,315 (2015: HK$59,571,081) and a loss attributable to owners of the Company of HK$133,610,066 (2015: HK$110,997,358) for the year.

Earnings per share for the year ended 31 December 2016 was HK1.08 cents (2015: loss per share of HK3.29 cents).

Financial Position

As at 31 December 2016, total assets of the Group were HK$149,094,373 (2015: HK$244,740,618), representing a decrease of 39.1% as compared to that of 2015. In particular, current assets decreased by 76.3% to HK$3,854,347 (2015: HK$16,267,813) and non-current assets decreased by 36.4% to HK$145,240,026 (2015: HK$228,472,805). The significant decrease in current assets was mainly attributable to limited cash resources available for operating the Group's cash generating units and the repayment of the secured bank loans to Bank Raykat during the year that substantially reduced the cash and cash equivalents of the Company. The decrease in non-current assets was primarily due to the impairment of exploration and evaluation assets of HK$36,366,175, write-off of property, plant and equipment of HK$13,131,002 and depreciation and amortisation of HK$16,608,135 during the year.

Total liabilities as at 31 December 2016 were HK$204,862,814 (2015: HK$339,259,239), representing a decrease by 39.6% as compared to that of 2015. In particular, current liabilities decreased by 38.2% to HK$204,862,814 (2015: HK$331,256,091), which was principally attributable to the settlement of the secured bank loans and the escalated interest-bearing borrowings at the end of the reporting date. As at 31 December 2016, the Group had no non-current liabilities (2015: HK$8,003,148).

As at 31 December 2016, net current liabilities and total deficit of the Group were HK$201,008,467 (2015: HK$314,988,278) and HK$55,768,441 (2015: HK$94,518,621) respectively.

Capital Raising Exercise

On 2 March 2016, the Company and Upbest Securities Company Limited ("**Upbest**") entered into a placing agreement, whereby the Company had conditionally agreed to place, through Upbest, on a best effort basis, up to 1,101,924,000 placing shares under the general mandate to not less than six independent third parties at a placing price of HK$0.1 per placing share (the "**2016 Share Placement**"). On 23 March 2016, the Company and Upbest further entered into a supplemental agreement, pursuant to which the long stop date of the 2016 Share Placement be extended to 13 April 2016 (or such later date as both parties may agree in writing) and the number of placee(s) to be procured by Upbest could be less than six. In light of the then market circumstances and the condition precedent of the placing agreement had not been fulfilled, the Company and Upbest had entered into a deed of termination and agreed to terminate the 2016 Share Placement on 13 April 2016.

Secured Bank Loans

Subsequent to the acceptance of the bank loan restructuring proposal offered by Bank Rakyat, CVM Magnesium Sdn. Bhd. ("**CVMSB**"), a wholly-owned subsidiary of the Company, had repaid all overdue secured bank loans to Bank Rakyat during the year and accordingly, the Group recorded no outstanding secured bank loans as at 31 December 2016 (2015: HK$260,423,032) and a gain on loans reduction amounted to RM99,352,487 (equivalent to approximately HK$192,992,398) (2015: HK$ nil) was recognised in profit or loss.

Details of the Group's secured bank loans are set out in note 18 to the consolidated financial statements.

Loans from Third Parties

As at 31 December 2016, the Company had outstanding loans (the "**Borrowings**") of HK$107,609,200 (2015: HK$1,800,000) from independent third parties. The Borrowings carried fixed interest rates ranging from 10.0% to 12.0% per annum and 2% to 4% per month and were repayable within two months to one year after the respective drawdown dates.

Details of the Group's Borrowings are set out in notes 19 to the consolidated financial statements.

Convertible Bonds

As at 31 December 2016, the principal amount of the convertible bonds of the Company ("**Matured Bonds**") in default was HK$10,000,000 (2015: HK$29,000,000) which were immediate due for repayment. The default interest thereon was HK$3,234,970 (2015: interest (including default interest) of HK$20,667,905). As at the approval date of the consolidated financial statements, the Company has not yet concluded any alterations in the terms of the Matured Bonds with the Matured Bonds holder.

Details of the Group's convertible bonds are set out in note 17 to the consolidated financial statements.

Unsecured Bonds

During the year ended 31 December 2016, the Company issued unsecured bonds in an aggregate principal amount of HK$30,000,000 (2015: HK$nil) to independent third parties. The unsecured bonds are interest bearing at 2.0% per month and will mature in twelve months after the issuance of the bonds.

Liquidity and Financial Resources

As at 31 December 2016, net current liabilities of the Group stood at HK$201,008,467 (2015: HK$314,988,278). Besides, the Group maintained cash and cash balances of HK$493,462 (2015: HK$11,964,081). The Group's prepayments, deposits and other receivables amounted to HK$3,212,239 (2015: HK$3,647,537).

As at 31 December 2016, the Group had no outstanding secured bank loan (2015: HK$260,423,032). Included in current liabilities were interest-bearing borrowings from independent third parties and finance lease creditors of HK$137,658,154 (2015: HK$1,974,814). The Group had negative gearing ratio of 3.29 times (2015: 3.11 times), which was calculated on the basis of total finance leases, convertible bonds and interest-bearing borrowings over total deficit attributable to owners of the Company.

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) On 13 July 2016 and 18 August 2016, the Company borrowed an aggregate of HK$101,609,200 and HK$1,000,000 from an independent third party, with interests bearing at 10% to 12% per annum and 4% per month respectively and repayable within two months after their respective drawdown dates or within 20 business days after the lender has served the Company a written notice for immediate repayment. The Company has also pledged the issued shares of CVMSB as security for the loan of HK$50,000,000 as included in aforementioned;

(iii) On 11 November 2016 and 6 December 2016, the Company borrowed unsecured interest bearing loans of HK$3,000,000 and HK$2,000,000 respectively from independent third parties, with interest rates at 2% and 4% per month. The loans are repayable within two months from the end of the reporting period;

(iv) The Group is using its best efforts to (i) arrange to pay the overdue interest to the holder of the Matured Bonds in due course and (ii) further negotiate with the bondholder for the extension of maturity dates and proposed alteration of terms of the Matured Bonds; and

(v) The Group is using its best efforts to (i) arrange to pay the overdue principals and interests in respect of the interest-bearing loans from independent third parties in due course and (ii) further negotiate with the lenders for the extension of maturity dates and proposed alteration of terms of the loans.

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

Charge on Assets

During the year ended 31 December 2016, the overdue secured bank loans granted to CVMSB were repaid in full and the charged properties were discharged by Bank Rakyat and redeemed by the Group.

On 30 July 2016, the Group obtained an interest-bearing loan amounting to HK$50,000,000 from an independent third party which was secured by way of a pledge over the entire issued capital of CVMSB.

Capital Expenditure and Capital Commitment

The Group had no capital expenditure for the years ended 31 December 2016 and 2015.

As at 31 December 2016, the Group had capital commitments contracted but not provided for in respect of certain construction, engineering and management service contracts in Malaysia was HK$13,660,426 (2015: HK$14,244,500).

Contingent liabilities

As at 31 December 2016, the Company has issued corporate guarantees totalling RM133,004 (equivalent to approximately HK$230,000) (2015: RM133,004 (equivalent to approximately HK$240,000)) for finance lease creditors in respect of the purchase of motor vehicles by CVMSB.

The Matured Bonds remained in default and were immediately due for repayments as at 31 December 2016. Pursuant to the convertible bonds agreements, at any time after the convertible bonds have become payable, the respective convertible bondholders may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

The loans from third parties were defaulted and immediately due for repayments as at 31 December 2016. Pursuant to the loan agreements, the principal amount drawn and for the time being outstanding under the facilities, all interest accrued thereon and all other monies payable under the agreements to be forthwith due and payable, the respective lenders may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

SHARE CAPITAL

The share capital of the Company was HK$1,367,875,301 as at 31 December 2016 and 2015.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total of approximately 80 employees (2015: 80 employees). Total staff costs (including Directors' remuneration) for the year ended 31 December 2016 were HK$19,016,094 (2015: HK$9,488,466) representing approximately 30.1% (2015: 11.1%) of the Group's total cost of sales, selling and administrative expenses.

Remuneration packages of the Directors are recommended by the Remuneration Committee and approved by the Board. Employee remuneration will be determined by the management with reference to the performance, experience and industry practice. 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 HK$	2015 HK$
Turnover	4	**9,027,978**	26,246,238
Cost of sales		**(9,245,729)**	(42,482,963)
Gross loss		**(217,751)**	(16,236,725)
Other revenue		**193,197,915**	98,179
Other net losses		**(8,503,141)**	(155,056)
Selling and distribution expenses		**(225,688)**	(952,621)
Administrative expenses		**(53,659,252)**	(42,324,858)
Profit/(loss) from operations		**130,592,083**	(59,571,081)
Finance costs	6(a)	**(27,819,101)**	(45,492,651)
Other operating expenses	6(c)	**(60,275,061)**	(13,886,428)
Profit/(loss) before taxation	6	**42,497,921**	(118,950,160)
Income tax credit	7	**7,952,143**	565,263
Profit/(loss) for the year		**50,450,064**	(118,384,897)
Attributable to:			
Owners of the Company		**59,382,332**	(110,997,358)
Non-controlling interests		**(8,932,268)**	(7,387,539)
Profit/(loss) for the year		**50,450,064**	(118,384,897)
Earnings/(loss) per share	8		
Basic and diluted		**1.08 cents**	(3.29 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016	2015
	HK$	*HK$*
Profit/(loss) for the year	**50,450,064**	(118,384,897)
Other comprehensive (loss)/income for the year		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of tax	**(20,085,532)**	35,255,184
Total comprehensive income/(loss) for the year	**30,364,532**	(83,129,713)
Attributable to:		
Owners of the Company	**40,602,664**	(76,940,835)
Non-controlling interests	**(10,238,132)**	(6,188,878)
Total comprehensive income/(loss) for the year	**30,364,532**	(83,129,713)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 HK$	2015 HK$
Non-current assets			
Property, plant and equipment	*10*		
— Property, plant and equipment		**142,529,890**	177,870,889
— Interests in leasehold land held for own use under operating leases		**2,554,427**	3,173,431
Deposits paid for acquisition of property, plant and equipment		**–**	9,866,833
Goodwill	*11*	**–**	–
Exploration and evaluation assets	*12*	**–**	37,399,285
Mining deposit		**155,709**	162,367
		145,240,026	228,472,805
Current assets			
Inventories	*13(a)*	**–**	–
Trade receivables	*14*	**148,646**	177,489
Prepayments, deposits and other receivables	*15*	**3,212,239**	3,647,537
Amount due from a related party		**–**	475,426
Tax recoverable		**–**	3,280
Cash and cash equivalents		**493,462**	11,964,081
		3,854,347	16,267,813
Current liabilities			
Other payables and accruals	*16*	**54,760,741**	37,441,499
Obligations under finance leases		**48,954**	174,814
Amount due to a director		**–**	347
Amounts due to related parties		**2,443,919**	2,416,399
Convertible bonds	*17*	**10,000,000**	29,000,000
Bank loans — secured	*18*	**–**	260,423,032
Interest-bearing borrowings	*19*	**137,609,200**	1,800,000
		204,862,814	331,256,091
Net current liabilities		**(201,008,467)**	(314,988,278)
Total assets less current liabilities		**(55,768,441)**	(86,515,473)

	Note	2016 HK$	2015 HK$
Non-current liabilities			
Obligations under finance leases		**–**	51,005
Deferred tax liabilities		**–**	7,952,143
		–	8,003,148
Net liabilities		**(55,768,441)**	(94,518,621)
Capital and reserves			
Share capital	*20*	**1,367,875,301**	1,367,875,301
Reserves		**(1,412,730,818)**	(1,461,719,130)
Total deficit attributable to owners of the Company		**(44,855,517)**	(93,843,829)
Non-controlling interests		**(10,912,924)**	(674,792)
Total deficit		**(55,768,441)**	(94,518,621)

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 of the consolidated financial statements

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, except otherwise stated below.

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) Excluding the gain on loans reduction recognised for the year ended 31 December 2016 of HK$192,992,398 (2015: HK$Nil), the Group incurred a loss for the year attributable to owners of the Company of HK$133,610,066 (2015: HK$110,997,358) and, as of that date, the Group's current liabilities exceeded its current assets by HK$201,008,467 (2015: HK$314,988,278);

(ii) At 31 December 2016, the Group has cash and cash equivalents of HK$493,462 (2015: HK$11,964,081) which is insufficient to settle all the current liabilities, they mainly included accrued salaries of HK$3,984,316 (2015: HK$3,189,592) payables due in the immediate month, accrued interest on convertible bonds of HK$3,321,440 (2015: HK$2,979,773); accrued interest on interest bearing borrowings of HK$13,702,293 (2015: HK$Nil); and committed to contract for of HK$13,660,426 (2015: HK$14,244,500) in the Group's capital commitments;

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

(iv) As detailed in Notes 12(b) and 12(c) to the consolidated financial statements, there were no exploration activities conducted in the year ended 31 December 2016 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 Note 12(c) to the consolidated financial statements, 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) to the consolidated financial statements, the remained outstanding aggregate principal amount of convertible bonds of HK$10,000,000 (the "**Matured Bonds**") following the non-fully redemptions of Fourth Tranche Bonds on 4 March 2015, all the Matured Bonds were remained in defaulted and immediately due for repayments as at 31 December 2016. 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 holder of the Matured Bonds, who has 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$3,321,440 (2015: HK$2,979,773) for the year ended 31 December 2016. 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 19(b) to the consolidated financial statements, the Company defaulted on the repayments of the outstanding aggregated loans of HK$102,609,200 and interest accrued, handling fees and further charges during the year in relation to the outstanding loans amounting to a total sum of HK$16,337,418. The directors of the Company represented that (i) the Company commenced a negotiation of the terms of the loans with the third party; (ii) the interest and further charges on the matured loans will continue to be payable by the Company until the matured loans and related interest and charges are repaid in full. As at the approval date of the consolidated financial statements, the revised terms have not been concluded yet;

(viii) The bondholder of the Matured Bonds and the lenders of the Matured Loans may without further notice institute such proceedings as it may think fit to enforce repayment of the Matured Bonds and defaulted loans.

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 8 March 2017 that the Company entered into a placing agreement with the placing agent, pursuant to which the Company agreed to place up to 150,000,000 placing shares to not less than six independent third parties of the Group at HK$0.084 per placing share. The maximum net proceeds arising from the share placing are estimated to be approximately HK$12.22 million. Up to the approval date of the consolidated financial statements, although the share placing has expired as per the Company's announcement dated 29 March 2017 of which fulfilment of the conditions set out in the placing agreements have not been reached and the Company will seek another placing agent in near future.

(II) On 10 August 2016 and 11 August 2016, Bank Rakyat acknowledged the Group that final settlement of RM45,000,000 (equivalents to approximately HK$87,412,588) for the redemption of charged properties was received and on 18 November 2016, Bank Rakyat completed the process of discharging the Group's properties in Malaysia as pledged security. Accordingly, an one-off non-recurring gain on loans reduction amounted to RM99,352,487 (equivalents to approximately HK$192,992,398) was recognised in profit or loss and all the secured bank loans due to Bank Rakyat were settled during the year;

(III) During the year ended 31 December 2016, the Company borrowed interest bearing loans totalling HK$107,609,200 from independent third parties, with interests bearing at 10%–48% per annum respectively and repayable within two months after their respective drawdown dates or within 20 business days after the lender has served the Company a written notice for immediate repayment. The Company has also pledged the issued shares of CVMSB as security for the HK$50,000,000 loan included in aforementioned;

(IV) On 6 October 2016 and 24 November 2016, the Company issued an aggregate of HK$30,000,000 unsecured bonds to independent third parties, which interests bearing at 2% per month and will mature on one year from the date of issuance of the bonds;

(V) As detailed in Notes 17(a) and 19(b), the Group is exposed to potential litigations. The Group is using their best efforts to have (i) arranged to continue to pay the overdue interests to the bondholders and the lender in due course and (ii) further re-negotiate with bondholders and the lender for the extension of maturity dates and Proposed Alteration/Proposed Extension of terms of these convertible bonds and interest-bearing borrowings; and

(VI) The Group has sought its global searching for investors or strategic partners for the Group's projects in Hong Kong, 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 loan 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:

— Annual improvements to HKFRSs 2012–2014 cycle, Amendments to HKFRSs

— Amendments to HKAS 1, Disclosure initiative

— Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation

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:

Annual improvements to HKFRSs 2012–2014 cycle, Amendments to HKFRSs

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 19, Employee Benefits has been amended to clarify that the depth of the market for high quality corporate bonds should be assessed at currency level, and not at the country level. These amendments do not have an impact on these consolidated financial statements as there is no such employee benefit operated by the Group.

Amendments to HKAS 1, Disclosure initiative

The amendments clarify various presentation issues. The amendments do not have an impact on the presentation of consolidated financial statements as the Group does not have equity-accounted associates and joint ventures.

Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation

The amendments introduce a rebuttable presumption to HKAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments do not have an impact on the Group's property, plant and equipment, exploration and evaluation assets and related depreciation and amortisation as the Group does not adopt the revenue-based depreciation methods.

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:

	2016	2015
	HK$	*HK$*
Sales of bottled mineral water	**447,104**	583,596
Sales of magnesium ingots and related materials	**8,580,874**	25,662,642
	9,027,978	26,246,238

5 SEGMENT REPORTING

The Group has identified the reportable segments set out below. The segment information reported internally to the Group's 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, Malaysia and China.
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 an 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 interest-bearing borrowings, 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 2016				
Reportable segment revenue *(Note)*	**8,580,874**	**-**	**447,104**	**9,027,978**
Segment loss	**(11,301,928)**	**(371,116)**	**(13,707,065)**	**(25,380,109)**
Interest income	**992**	**–**	**211**	**1,203**
Finance costs	**(817,747)**	**–**	**–**	**(817,747)**
Gain on loan reduction	**192,992,398**	**–**	**–**	**192,992,398**
Depreciation and amortisation	**(15,529,796)**	**(122,200)**	**(799,882)**	**(16,451,878)**
Impairment of exploration and evaluation assets	**–**	**(18,648,122)**	**(17,718,053)**	**(36,366,175)**
Impairment of interest in leasehold land	**(125,996)**	**–**	**–**	**(125,996)**
Impairment of trade receivable	**–**	**–**	**(63,278)**	**(63,278)**
Impairment of property, plant and equipment	**(9,210,610)**	**–**	**–**	**(9,210,610)**
Write off of property, plant and equipment	**–**	**–**	**(13,131,002)**	**(13,131,002)**
Additions to segment non-current assets	**–**	**–**	**9,227,890**	**9,227,890**
As at 31 December 2016				
Segment assets	**145,039,355**	**23,544**	**2,244,724**	**147,307,623**
Segment liabilities	**(2,687,243)**	**(1,365,054)**	**(5,678,306)**	**(9,730,603)**

	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)

Note:

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: HK$Nil).

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

	2016	2015
	HK$	*HK$*
Revenue		
Reportable segment revenue	**9,027,978**	26,246,238
Profit/(loss)		
Reportable segment loss	**(25,380,109)**	(26,729,816)
Depreciation and amortisation	**(16,608,135)**	(17,866,263)
Finance costs	**(27,819,101)**	(45,492,651)
Interest income	**1,294**	6,657
Equity-settled share-based payment	**(8,385,648)**	–
Impairment of trade receivable	**(63,278)**	–
Impairment of exploration and evaluation assets	**(36,366,175)**	(3,736,391)
Impairment of interests in leasehold land	**(125,996)**	–
Gain on loan reduction	**192,992,398**	–
Impairment of other receivables and prepayments	**(1,378,000)**	(3,000,000)
Impairment of property, plant and equipment	**(9,210,610)**	–
Write off of inventories	**–**	(2,199,487)
Write off of property, plant and equipment	**(13,131,002)**	(4,950,550)
Other unallocated amounts	**(12,027,717)**	(14,981,659)
Consolidated profit/(loss) before taxation	**42,497,921**	(118,950,160)
Assets		
Reportable segment assets	**147,307,623**	226,244,223
Unallocated corporate assets:		
— Cash and cash equivalents	**493,462**	11,964,081
— Others	**1,293,288**	6,532,314
Consolidated total assets	**149,094,373**	244,740,618
Liabilities		
Reportable segment liabilities	**(9,730,603)**	(10,554,802)
Unallocated corporate liabilities:		
— Bank loans — secured	**–**	(260,423,032)
— Convertible bonds	**(10,000,000)**	(29,000,000)
— Interest-bearing borrowings	**(137,609,200)**	(1,800,000)
— Deferred tax liabilities	**–**	(7,952,143)
— Others	**(47,523,011)**	(29,529,262)
Consolidated total liabilities	**(204,862,814)**	(339,259,239)

(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, deposits paid for acquisition of property, plant and equipment, 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Turnover	**–**	17,589,455	**5,226,874**	2,225,215	**447,104**	583,596	**3,354,000**	5,847,972	**9,027,978**	26,246,238

	Hong Kong		Malaysia		The PRC		Indonesia		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Specified non-current assets	**805,247**	914,668	**144,411,235**	175,157,108	**–**	33,473,868	**23,544**	18,927,161	**145,240,026**	228,472,805

(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:

	2016	2015
	HK$	*HK$*
Customer A[1]	**4,891,474**	5,553,787
Customer B[1]	**3,689,400**	5,080,296
Customer C[1]	**N/A[2]**	14,876,024

[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 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs:

	2016	2015
	HK$	*HK$*
Interest on bank loans wholly repayable within 5 years	**811,217**	21,813,102
Effective interest on convertible bonds	**–**	9,245,871
Default interest on convertible bonds	**3,234,970**	11,422,034
Interest on other borrowings from third parties wholly repayable within 5 years	**23,763,292**	1,245,736
Amortisation of loan transaction costs	**–**	1,630,597
Finance charges on obligations under finance leases	**6,530**	20,077
Other borrowings costs to financial institutions	**3,092**	115,234
	27,819,101	45,492,651

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

	2016	2015
	HK$	*HK$*
Salaries, wages, bonuses and other benefits	**10,322,832**	9,158,216
Equity-settled share-based payments	**8,385,648**	–
Contributions to defined contribution retirement plan	**307,614**	330,250
	19,016,094	9,488,466

(c) Other operating expenses

	2016	2015
	HK$	*HK$*
Impairments of:		
— exploration and evaluation assets	**36,366,175**	3,736,391
— interests in leasehold land held for own use under operating leases	**125,996**	–
— other receivables and prepayments	**1,378,000**	3,000,000
— property, plant and equipment	**9,210,610**	–
— trade receivables	**63,278**	–
	47,144,059	6,736,391
Write offs of:		
— inventories	**–**	2,199,487
— property, plant and equipment	**13,131,002**	4,950,550
	13,131,002	7,150,037
	60,275,061	13,886,428

(d) Other items:

	2016	2015
	HK$	*HK$*
Amortisation of interests in leasehold land held for own use under operating leases	**1,308**	3,675
Auditors' remuneration	**1,211,584**	1,345,778
Cost of inventories sold#	**9,245,729**	40,283,476
Depreciation	**16,606,827**	17,862,588
Operating lease charges in respect of:		
— office equipment	**7,000**	12,026
— office premises	**1,699,866**	698,089

\# The cost of inventories sold includes HK$500,357 (2015: HK$17,393,866) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX CREDIT

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

	2016	2015
	HK$	*HK$*
Current tax — Malaysian Income Tax		
Provision for the year	**–**	–
Under-provision in respect of prior years	**–**	51,241
	–	51,241
Deferred tax		
Reversal of temporary differences	**(7,952,143)**	(616,504)
Total income tax credit	**(7,952,143)**	(565,263)

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% (2015: 16.5%).

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year ended 31 December 2016. 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 2016 and 2015.

Malaysian Income Tax is calculated at 24% (2015: 25%) of assessable profits for the year ended 31 December 2016. No provision for Malaysian Income Tax had been made as the Group did not have assessable profit which is subject to Malaysian Income Tax for the years ended 31 December 2016 and 2015.

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 2016 and 2015. 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 2016 and 2015.

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% (2015: 25%) for the year ended 31 December 2016. 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 2016 and 2015.

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 profit/(loss) at applicable tax rates is as follows:

	2016	2015
	HK$	*HK$*
Profit/(loss) before taxation	**42,497,921**	(118,950,160)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**17,894,801**	(27,224,971)
Tax effect of non-taxable income	**(44,578,147)**	(15,237)
Tax effect of non-deductible expenses	**14,169,060**	13,731,507
Tax effect of unused tax losses not recognised	**874,605**	2,096,092
Tax effect of temporary differences not recognised	**3,687,538**	10,796,105
Under-provision in previous year	**–**	51,241
Actual income tax credit	**(7,952,143)**	(565,263)

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of HK$59,382,332 (2015: (HK$110,997,358)) and the weighted average number of 5,509,623,921 (2015: 3,370,501,216) shares in issue during the year, calculated as follows:

(i) Number of shares:

	2016	2015
Issued ordinary shares at 1 January	**5,509,623,921**	2,495,451,437
Effect of issue of new shares pursuant to a share placing	**–**	246,476,712
Effect of shares issued pursuant to the loan capitalisation	**–**	412,213,406
Effect of issue of new shares pursuant to an open offer	**–**	216,359,661
Weighted average number of shares at 31 December	**5,509,623,921**	3,370,501,216

(b) Diluted earnings/(loss) per share

The computation of diluted earnings/(loss) per share does not assume the conversions/exercises of the Company's outstanding convertible bonds and share options since their conversions/exercises would have an anti-dilutive effect on the basic earnings/(loss) per share.

9 DIVIDEND

The directors do not recommend the payment of any dividend for the financial year ended 31 December 2016 (2015: 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 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
At 1 January 2016	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
Additions	9,227,890	–	–	–	–	46,835	–	9,274,725	–	9,274,725
Write off	(11,417,127)	(5,284,238)	(267,347)	(164,184)	–	–	–	(17,132,896)	–	(17,132,896)
Exchange adjustments	(5,892,954)	(11,605,824)	(57,205)	(311,063)	(53,927)	(1,936)	(684,134)	(18,607,043)	(1,761,397)	(20,368,440)
At 31 December 2016	135,802,114	288,181,307	1,680,859	8,699,214	84,577	163,221	62,661,177	497,272,469	7,509,268	504,781,737
Accumulated depreciation, amortisation and impairment:										
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
At 1 January 2016	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
Charge for the year	3,303,744	9,768,912	98,024	1,092,813	4,884	12,671	2,325,779	16,606,827	1,308	16,608,135
Write off	(615,827)	(3,219,142)	(121,693)	(45,232)	–	–	–	(4,001,894)	–	(4,001,894)
Impairment	3,029,403	5,323,628	–	–	–	–	857,579	9,210,610	125,996	9,336,606
Exchange adjustments	(3,693,291)	(8,248,789)	(59,212)	(339,546)	(10,115)	(326)	(588,479)	(12,939,758)	(1,269,697)	(14,209,455)
At 31 December 2016	91,139,805	209,913,242	1,265,944	6,986,656	60,185	122,890	45,253,857	354,742,579	4,954,841	359,697,420
Carrying amount:										
At 31 December 2016	44,662,309	78,268,065	414,915	1,712,558	24,392	40,331	17,407,320	142,529,890	2,554,427	145,084,317
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

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

	2016	2015
	HK$	*HK$*
Interests in leasehold land held for own use under operating leases outside Hong Kong — long term	**2,554,427**	3,173,431

(b) Included in the Group's property, plant and equipment as at 31 December 2016 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$44,638,766 (2015: HK$52,675,114), HK$78,268,065 (2015: HK$96,035,253), HK$Nil (2015: HK$Nil), HK$17,407,320 (2015: HK$20,686,333) and HK$2,554,427 (2015: HK$3,173,431), 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 the fair value less cost of disposal and determined that an impairment loss of HK$9,336,606 (2015: HK$Nil) was recognised and included in other operating expenses in the consolidated statement of profit or loss.

In respect of the cash-generating unit ("CGU") for mining of dolomite and manufacture of magnesium ingots, the Group appointed an independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd. to perform valuations to assess the recoverable amount of this CGU basis on the fair value less costs of disposal by using the comparable recent transactions in similar extractive assets as at the end of the reporting period.

(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$Nil (2015: HK$76,695,579) 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 1 year. None of the leases includes contingent rentals. As at 31 December 2016, the carrying amount of motor vehicles and furniture and fittings held under finance leases of the Group was HK$246,848 (2015: HK$588,615).

(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$Nil (2015: HK$1,644,109) as at 31 December 2016.

11 GOODWILL

	HK$
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	252,803,090
Accumulated impairment losses:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	252,803,090
Carrying amount:	
At 31 December 2016	–
At 31 December 2015	–

(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:

	2016	2015
	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% (2015: 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 18.11% (2015: 35.89%). 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 *HK$*	Exploration for iron ore, coal and manganese *HK$*	Extraction and bottling of mineral water *HK$*	Total *HK$*
Cost:				
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
At 1 January 2016	4,125,190	280,307,368	153,023,605	437,456,163
Exchange adjustments	–	(202,286)	(7,326,549)	(7,528,835)
At 31 December 2016	4,125,190	280,105,082	145,697,056	429,927,328
Accumulated amortisation and impairment:				
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
At 1 January 2016	4,125,190	261,517,110	134,414,578	400,056,878
Impairment loss	–	18,648,122	17,718,053	36,366,175
Exchange adjustments	–	(60,150)	(6,435,575)	(6,495,725)
At 31 December 2016	4,125,190	280,105,082	145,697,056	429,927,328
Carrying amount:				
At 31 December 2016	–	–	–	–
At 31 December 2015	–	18,790,258	18,609,027	37,399,285

(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 2016 and 2015.

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" (2015: "administrative expenses") in the consolidated statement of profit or loss of the Group.

(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 view of that the Group is intention to dispose of all its equity interests in PTCV Coal and PTCV Iron.

There were not any impact of the above subsidiaries thereafter since they were all disposed since 3 April 2014.

(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. 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 representatives to the board of PTLM, PTLM had applied to the Court in Yogyakarta for a court ruling on the appointment of re-nominated directors and replacement of legal representatives. Nevertheless, the third hearing was further postponed by the court to 30 September 2014. On 19 November 2014, court judgement stipulated that the holding company of PTLM could 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 representatives according to the relevant legal requirement of Indonesia are still in process as at the approval date of the consolidated financial statements.

No exploration and evaluation costs were capitalised and no income was derived from the mining of manganese during the years ended 31 December 2016 and 2015.

At 31 December 2016, 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 license 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 23.60% (2015: 25.90%). 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 2016, the Company's directors determined that an impairment loss of HK$18,648,122 (2015: HK$3,736,391) has been recognised and included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

(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 2016, 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 2016, the Group determined the recoverable amount of CGU for extraction and bottling of mineral water based on value in use calculation. The calculation uses cash flow projection based on financial budgets and production forecast as prepared by management covering a five-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% (2015: 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 18.11% (2015: 35.89%). 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 2016, the Company's directors determined that an impairment loss of HK$17,718,053 (2015: HK$Nil) 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:

	2016	2015
	HK$	*HK$*
Raw materials	**–**	–
Work-in-progress	**–**	–
Finished goods	**–**	–
	–	–

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

	2016	2015
	HK$	*HK$*
Carrying amount of inventories sold	**9,245,729**	40,283,476
Write off of inventories	**–**	2,199,487
	9,245,729	42,482,963

During the year ended 31 December 2016, raw material and finished goods of HK$Nil (2015: HK$2,199,487) 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.

14 TRADE RECEIVABLES

	2016	2015
	HK$	*HK$*
Trade receivables	**211,924**	177,489
Less: provision for impairment	**(63,278)**	–
	148,646	177,489

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, net of provision for impairment is as follows:

	2016	2015
	HK$	*HK$*
Current, neither past due nor impaired	**–**	49,428
Less than 1 month past due	**492**	–
1 month to 2 months past due	**386**	–
More than 2 months but less than 12 months past due	**47,930**	16,936
Over 12 months past due	**99,838**	111,125
Amounts past due	**148,646**	128,061
Total	**148,646**	177,489

Trade receivables derived from sales of magnesium ingots are due within 14 days (2015: 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) The movements in provision for impairment during the year were as follows:

	2016	2015
	HK$	*HK$*
At 1 January	**–**	–
Impairment loss recognised	**63,278**	–
At 31 December	**63,278**	–

(c) At 31 December 2016, none of trade receivables (2015: HK$Nil) were pledged as security for banking facilities granted to the Group.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$	*HK$*
Other receivables	**3,415,350**	2,062,576
Advance payment to a contractor *(Note 15(a))*	**11,621,941**	13,767,479
Prepayments for raw materials and machinery *(Note 15(b))*	**527,997**	625,470
Deposits and prepayments	**1,174,889**	1,584,961
	16,740,177	18,040,486
Less: Impairment losses		
— other receivables	**(1,300,000)**	–
— advance payment to a contractor *(Note (a))*	**(11,621,941)**	(13,767,479)
— prepayments for raw materials and machinery *(Note (b))*	**(527,997)**	(625,470)
— deposits and prepayments	**(78,000)**	–
	3,212,239	3,647,537

Apart from certain of the Group's deposits and prepayments of HK$732,536 (2015: HK$438,834), 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 RM6,717,482 (equivalent to approximately HK$11,621,941) (2015: RM6,717,482 (equivalent to approximately HK$13,767,479)) 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 2016 and 2015.

(b) In prior years, the Group had made prepayments of RM305,182 (equivalent to approximately HK$527,997) (2015: RM305,182 (equivalent to approximately HK$625,470)) 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 2016 and 2015.

16 OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$	*HK$*
Accrued interest on convertible bonds	**3,321,440**	2,979,773
Accrued interest on other borrowings	**13,702,293**	–
Accrued salaries	**3,984,316**	3,189,592
Other payables and accrued expenses	**33,752,692**	31,272,134
	54,760,741	37,441,499

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

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 convertible bonds being available was HK$10,000,000 (2015: HK$29,000,000).

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 original maturity date of the five principal amounts (out of which 2 principal amounts were redeemed in the prior years) of remaining outstanding convertible bonds of HK$Nil ("**First Tranche Bonds**"), HK$Nil ("**Second Tranche Bonds**"), HK$Nil ("**Third Tranche Bonds**"), HK$10,000,000 ("**Fourth Tranche Bonds**") and HK$Nil ("**Fifth Tranche Bonds**") is 1 December 2014, 29 December 2014, 9 January 2015, 4 March 2015 and 22 March 2015 respectively. The above remaining outstanding aggregate principal amount of HK$10,000,000 is collectively referred to as the "Matured Bonds". As at 31 December 2016, all the Matured Bonds were remained in defaulted and immediately 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 have 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 full 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 2016, convertible bonds are due for repayment as follows:

	2016	2015
	HK$	*HK$*
Already past due or within 1 year	**10,000,000**	29,000,000

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. (2015: 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 2016 to be approximately HK$10,000,000 (2015: HK$29,000,000). 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	Second Tranche Bonds	Third Tranche Bonds	Fourth Tranche Bonds	Fifth Tranche Bonds	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
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
At 1 January 2016	–	12,000,000	–	10,000,000	7,000,000	29,000,000
Redemptions of convertible bonds	–	(12,000,000)	–	–	(7,000,000)	(19,000,000)
Liability component as at 31 December 2016	–	–	–	10,000,000	–	10,000,000

(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 original 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.

During the year ended 31 December 2015, all the outstanding principal amount of convertible bonds in relation to the Victory Dragon Group being available was redeemed.

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

	Liability component	**Equity component**	**Total**
	HK$	*HK$*	*HK$*
At 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, 1 January 2016 and 31 December 2016	–	–	–

The interest for the year ended 31 December 2015 was calculated by applying an effective interest rate of 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. This fair value has been calculated by discounting the future cash flows at the market rate.

18 BANK LOANS — SECURED

	2016			2015		
	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

At 31 December 2016, interest bearing bank loans are due for repayment as follows:

	2016	2015
	HK$	*HK$*
Already past due or within 1 year	–	260,423,032

	2016	2015
	HK$	*HK$*
Transaction costs		
Cost:		
At 1 January	–	8,699,851
Write off	–	(7,791,815)
Exchange adjustments	–	(908,036)
At 31 December	–	–
Accumulated amortisation:		
At 1 January	–	6,879,229
Write off	–	(7,791,815)
Amortisation for the year	–	1,630,597
Exchange adjustments	–	(718,011)
At 31 December	–	–
Unamortised transaction costs	–	–

The secured bank loans as at 31 December 2015 are interest bearing at 8.85% 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 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 (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 charged properties' 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. On 29 June 2016, Bank Rakyat issued a letter to CVMSB informing CVMSB that Bank Rakyat agreed to further extend the deadline for the charged properties' redemption, together with the monthly interest due, to on or before 12 July 2016.

On 10 August 2016 and 11 August 2016, Bank Rakyat acknowledged the Group that final settlement of RM45,000,000 (equivalents to approximately HK$87,412,588) for the redemption of charged properties was received and Bank Rakyat has completed the process of discharging the Group's properties in Malaysia pledged as security on 18 November 2016. Accordingly, an one-off non-recurring gain on loans reduction amounted to RM99,352,487 (equivalent to approximately HK$192,992,398) was recognised in profit or loss during the year.

19 INTEREST-BEARING BORROWINGS

	2016	2015
	HK$	*HK$*
Unsecured bonds *(Note 19(a))*	**30,000,000**	–
Loans from third parties *(Note 19(b))*	**107,609,200**	1,800,000
	137,609,200	1,800,000

All of the interest-bearing borrowings are expected to be settled within one year.

(a) Unsecured bonds

During the year ended 31 December 2016, the Company issued an aggregate of HK$30,000,000 unsecured bonds to independent third parties, with interests bearing at 2% per month and will mature one year from the date of issuance of the bonds.

(b) Loans from third parties

On 13 July 2016 and 18 August 2016, the Company borrowed an aggregate of HK$101,609,200 and HK$1,000,000 from an independent third party, with interests bearing at 10%–12% per annum and 4% per month respectively and repayable within two months after their respective drawdown dates or within 20 business days after the lender has served the Company a written notice for immediate repayment. The Company has also pledged the issued shares of CVMSB as security for the HK$50,000,000 loan as included in aforementioned.

During the year ended 31 December 2016, the Company defaulted on the repayments of the above-mentioned loans and breached one of the covenants of the loan facilities. On 31 December 2016, the Company received a letter issued by the independent third party requiring to repay the outstanding loans of HK$102,609,200 (the "Defaulted Loans") together with interest accrued, handling fees and further charges in relation to the outstanding loans amounting to a total sum of HK$16,337,418 within 7 days from the date of the letter. According to the letter, legal proceedings may commence to recover the payments without further notice. The directors of the Company represented that (i) the Company commenced a negotiation of the terms of the loans with this third party; (ii) the interest and further charges on the matured loans will continue to be payable by the Company until the matured loans and related interest and charges are repaid in full. As at the approval date of the consolidated financial statements, the revised terms have not been concluded yet.

On 11 November 2016 and 6 December 2016, the Company borrowed unsecured interest bearing loans of HK$3,000,000 and HK$2,000,000 respectively from independent third parties, with interests bearing at 2% and 4% per month. The loans are repayable within 2 months from the end of the reporting period. The loans have not been settled as at the approval date of the consolidated financial statements.

During the year ended 31 December 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 loan was subsequently repaid in July 2016.

20 SHARE CAPITAL

(a) Authorised and Issued Share Capital

	Note	**2016** Number of shares	**2016** Amount *HK$*	2015 Number of shares	2015 Amount *HK$*
Ordinary shares, issued and fully paid:					
At 1 January		**5,509,623,921**	**1,367,875,301**	2,495,451,437	989,710,234
Conversion of convertible preference share	*(i)*	–	–	565,631,177	90,500,988
Shares issued pursuant to a share placing	*(i)*	–	–	612,000,000	109,935,500
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**	5,509,623,921	1,367,875,301

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 10 April 2015, the Company's convertible preference shares 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.

21 SHARE OPTION SCHEME

(a) The new share option scheme

Pursuant to the written resolution passed on 4 February 2016, the Company adopted a new share option scheme (the "**Scheme**") to (i) motivate the eligible persons to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on going business relationship with the eligible persons whose contributions are or will be beneficial to the long-term growth of the Group. The Scheme is to remain in force for a period of 10 years from the date of adoption of such scheme and will expire on 3 February 2026.

Under the Scheme, the directors of the Company may at their discretion grant options to (i) any directors, employees, executives or officers of the Company or any subsidiary; or (ii) any consultant, adviser, supplier, customer or agent of the Company or any subsidiary; or (iii) any other person determined by the directors of the Company from time to time to subscribe for the shares of the Company (the "**Shares**").

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per option. The maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options granted to directors, substantial shareholders or any of their respective associates (as defined in the Listing Rules) are required to be approved by the independent non-executive directors (excluding any independent non-executive director who is a grantee). Options granted to substantial shareholders, independent non-executive directors or any of their respective associates (as defined in the Listing Rules) in aggregate in excess of 0.1% of the issued share capital of the Company or with a value in excess of HK$5 million must be approved in advance by the shareholders of the Company.

Options granted may be exercised at any time from date of grant of the share option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the higher of the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options and the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options.

On 12 May 2016, the Company granted 245,178,252 share options in aggregate to certain directors, employees and consultants of the Group under the Scheme. The terms and conditions of the options granted are as follows:

	Number of share options	Vesting conditions	Contractual life of options	Expiry date
Options granted to directors	173,553,145	(i)	10 years	11 May 2026
Options granted to employees	66,115,485	(i)	10 years	11 May 2026
Options granted to consultants	5,509,622	(i)	10 years	11 May 2026
Total share options granted	245,178,252			

Note:

(i) become exercisable from the date of grant to the 10th anniversary of the date of grant.

Details of the outstanding share options are as follows:

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**–**	**N/A**	–	N/A
Granted during the year	**245,178,252**	**HK$0.100**	–	N/A
Outstanding at 31 December	**245,178,252**	**HK$0.100**	–	N/A
Exercisable at 31 December	**245,178,252**	**HK$0.100**	–	N/A

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 10 years.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. Expectations of early exercise are incorporated into a binomial option pricing model.

The inputs into the model were as follows:

Grant date	12 May 2016
Spot price	HK$0.069
Contractual life	10 years
Exercise price	HK$0.100
Expected volatility	88.649%
Risk-free rate	1.243%
Dividend yield	0%

The expected volatility is based on the historical volatility of the Company's share price over the most recent period commensurate with the contractual life of the share options.

(b) The terminated share option scheme

Pursuant to the written resolution passed on 14 October 2008, the Company adopted a share option scheme (the "Scheme") to (i) attract and retain the best quality personnel for the development of the Group's business; (ii) to provide additional incentives to the employees; (iii) to provide eligible persons with the opportunity to acquire proprietary interests in the Group; and (iv) to promote the long term financial success of the Group by aligning the interests of grantees to shareholders. The Scheme is to remain in force for a period of 10 years from the date of adoption of such scheme and will expire on 13 October 2018.

Under the Scheme, the Board of Directors of the Company (the "Directors") may at their discretion grant options to (i) Board of Directors or a duly authorised committee; or (ii) any person employed by the Company or any subsidiary; (iii) any consultant, adviser, supplier, customer or subcontractor of the Company or any other person determined by the Directors from time to time to subscribe for the shares of the Company (the "Shares").

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. The maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholder's approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 10% of the shares in issue from time to time. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing rules. Options granted to substantial shareholders or independent non-executive directors in excess of issued share capital of the Company or with a value in excess of HK$5 million must be approved in advance by the shareholders of the Company.

Options granted may be exercised at any time from date of grant of the share option to the 10th anniversary of the date of grant as may be determined by the Directors. The exercise price is determined by the Directors, and will not be less than the higher of the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options, and the nominal value of share.

No option has been granted by the Company under the Scheme since its adoption date.

The Scheme was terminated pursuant to the written resolution passed on 4 February 2016.

22 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2016 not provided for in the consolidated financial statements were as follows:

	2016	2015
	HK$	*HK$*
Contracted for	**13,660,426**	14,244,500
Authorised but not contracted for	**–**	–
	13,660,426	14,244,500

(b) Future minimum royalty payments

Pursuant to the Mining Agreement (Note 12(a)), the royalties to MERSB are subject to a monthly minimum payment of RM30,000 (equivalent to approximately HK$51,903) (2015: RM30,000 (equivalent to approximately HK$54,122)) 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$9,031,142) (2015: RM5,220,000 (equivalent to approximately HK$9,417,283)) over the 20 years period.

(c) Operating lease commitments

At 31 December 2016, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	HK$	*HK$*
Within 1 year	**257,265**	578,000
After 1 year but within 5 years	**1,002,355**	–
After 5 years	**93,971**	–
	1,353,591	578,000

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 to six years, 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.

23 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the approval date of the consolidated financial statements, the HKICPA has issued a number of new standards and amendments which are not yet effective for the year ended 31 December 2016 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
Amendments to HKAS 7, Disclosure Initiative	1 January 2017
Amendments to HKAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 9, Financial instruments	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16, Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an investor and its Associate or Joint Venture	To be determined

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:

Disclaimer of opinion

Because of the significance of the matters described in the "Basis for disclaimer of opinion" section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. Accordingly, we do not express an opinion on the consolidated financial statements of the Group as to whether they give a true and fair view of the financial position of the Group as at 31 December 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In all other respects, in our opinion the consolidated financial statements have been prepared in accordance with the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

1. *Opening balances and corresponding figures*

   The consolidated financial statements of the Group for the year ended 31 December 2015, 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") for the year ended 31 December 2012 related to the acquisition of those mineral water operation in 2012 which was not able to generate reliable information for financial reporting purposes; (c) fair value and/or carrying amounts of the liability component and the convertible bond equity reserve of the convertible bonds; (d) fair value and/or carrying amount of the secured bank loans; and (e) 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 2016 and included in the Company's annual report for the year ended 31 December 2015.

   We were unable to obtain sufficient and appropriate audit evidence to enable us to assess the limitation of scope for the year ended 31 December 2015. Any adjustments found to be necessary to the opening balances as at 1 January 2016 may affect the balance of accumulated losses as at 1 January 2016 and the operating results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2016. 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 2016, 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 2016 are: (a) exploration and evaluation assets with an aggregate carrying value of HK$Nil (2015: HK$37,399,285); (b) goodwill arising from business combinations with an aggregate carrying value of HK$Nil (2015: HK$Nil); (c) property, plant and equipment, including the interest in leasehold land, with an aggregate carrying value of HK$145,084,317 (2015: HK$181,044,320); and (d) deferred tax liabilities associated with the fair value adjustment on the exploration and evaluation assets of HK$Nil (2015: HK$7,952,143).

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, the Group appointed an independent valuer, Raine & Horne International Zaki + Partners Sdn. Bhd. to perform valuations to assess the recoverable amount of this CGU basis on the fair value less costs of disposal by using the comparable recent transactions in similar extractive assets as at the end of the reporting period.

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$36,366,175 (2015: HK$3,736,391); (b) goodwill of HK$Nil (2015: HK$Nil); and (c) property, plant and equipment, including the interest in leasehold land, of HK$9,336,606 (2015: HK$Nil) 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 remaining 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 and appropriate audit evidence, would have had a consequential effect on the net liabilities of the Group and on its profit for the current year.

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

As disclosed in note 24(a) to the consolidated financial statements, the maturity date of the five principal amounts of remained outstanding convertible bonds of HK$Nil ("First Tranche Bonds"), HK$Nil ("Second Tranche Bonds"), HK$Nil ("Third Tranche Bonds"), HK$10,000,000 ("Fourth Tranche Bonds") and HK$Nil ("Fifth Tranche Bonds") is 1 December 2014, 29 December 2014, 9 January 2015, 4 March 2015 and 22 March 2015 respectively. The above remained outstanding aggregate principal amount of HK$10,000,000 (2015: HK$29,000,000) is collectively referred to as the "Matured Bonds". As at 31 December 2016, 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 2016, we were not provided with sufficient and 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 and 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 2016, 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 and appropriate audit evidence, would have had a consequential effect on the net liabilities of the Group and on its profit for the current year.

4. *Scope limitation: fair value and/or carrying amounts of the interest-bearing borrowings*

As disclosed in note 26(b) to the consolidated financial statements, the Group have defaulted the agreed repayment schedule of the aggregated loans from an independent third party of HK$102,609,200 during the year ended 31 December 2016 (the "Defaulted Loans"). The directors of the Company represented that (i) the Company is currently in the course of arm's length negotiations with the lender of the Defaulted Loans in relation to, among others, the possible extension of the Defaulted Loans and other possible alteration of terms of the Defaulted Loans ("Proposed Extension"); (ii) as negotiated with the lender of the Defaulted Loans, he verbally agreed not to request the payment of the Defaulted Loans until the Proposed Extension is confirmed; and (iii) the interest on the Defaulted Loans will continue to be payable by the Company until the date of settlement pursuant to the terms of the Defaulted Loans. As at the approval date of the consolidated financial statements, the Proposed Extension of the Defaulted Loans have not been fixed and confirmed yet.

During our audit of the consolidated financial statements for the year ended 31 December 2016, we were not provided with sufficient and appropriate audit evidence that we considered necessary for the assessment of the fair value and/or carrying amount of the Defaulted 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 Proposed Extension have not been fixed and confirmed up to the approval date of the consolidated financial statements, we have not been able to obtain sufficient and 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 Defaulted 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 Defaulted 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 and appropriate audit evidence, would have had a consequential effect on the net liabilities of the Group and on its profit for the current year.

5. *Impairment of prepayments, deposits and other receivables*

The Group had outstanding prepayments, deposits and other receivables of HK$16,740,177 as of 31 December 2016, of which HK$15,624,016 have been identified as overdue in accordance with the contract terms. Up to 31 December 2016, the Group has recorded a total impairment of HK$13,527,938 against the balance of prepayments, deposits and other receivables. We were unable to obtain sufficient evidence on the recoverability of the overdue prepayments, deposits and other receivables of HK$2,096,078 in current year. Accordingly, we were unable to satisfy ourselves regarding the adequacy of the impairment provision against the balance of prepayments, deposits and other receivables as at 31 December 2016. Any under-provision for these balances would decrease the net liabilities of the Group as at 31 December 2016 and increase the Group's net profit for the year ended 31 December 2016.

6. *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 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 and 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.

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 (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The board (the "**Board**") of directors (the "**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 2016, save and except for the deviations from code provisions A.2.7, A.4.1, A.6.7 and C.2.5.

Code provision A.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Taking into account the Chairman, Mr. Du Jian Jun is also an executive Director of the Company (the "**Executive Director**"), no meeting shall therefore be held between the chairman (the "**Chairman**") and the non-executive Directors of the Company (the "**Non-executive Directors**") without the Executive Directors present.

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 28 June 2016 due to their other business engagements.

Code provision C.2.5 of the CG Code provides that an issuer should have an internal audit function. The Company does not maintain an internal audit function for the year ended 31 December 2016. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and the close supervision of the management could provide sufficient risk management and internal control for the Group. The Board will review regularly the need to set up an internal audit function or engage an independent professional service provider to review the Group's internal control and risk management system.

The audit committee of the Company (the "**Audit Committee**") comprises wholly Independent Non-executive Directors. The Audit Committee has reviewed with the management of the Company and the external auditor the accounting principles and practices adopted by the Group and also discussed auditing and financial reporting matters including the review of the Group's audited consolidated financial statements for the year ended 31 December 2016.

The remuneration committee of the Company (the "**Remuneration Committee**") comprises wholly Independent Non-executive Directors. It is responsible for advising the Board on the emolument policies towards Directors and senior management.

The nomination committee of the Company (the "**Nomination Committee**") comprises wholly Independent Non-executive Directors. 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, the Remuneration Committee and the Nomination Committee, explaining their roles and the authorities delegated to them by the Board, are available on request and included on the websites of the Company and the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2016 and up to the date of this announcement.

PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 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 2016 (2015: 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 2016 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 2017

As of the date of this announcement, the Executive Directors of the Company are namely, Mr. Du Jian Jun, Mr. Ji Kuang, Mr. Li Po Wai, Mr. Fan Weipeng, Mr. Leung Wai Kwan, Ms. Meng Xiao Ying, Mr. Yin Shibo and Mr. Leung Kwok Peng Joseph and the Independent Non-executive Directors of the Company are namely, Mr. Chan Kin Ho Philip, Ms. Li Zhenzhen, Mr. Liu Bo and Mr. Tong Zhu.