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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June 2017.

The Group incurred a loss before taxation of approximately HK$21.1 million for the six months ended 30 June 2017 (six months ended 30 June 2016: a profit before taxation of approximately HK$157.8 million) mainly due to the decrease in sale of magnesium ingots and related materials during the period (six months ended 30 June 2016: recorded an one-off and non-recurring nature gain from final reduced bank loans settlement of approximately HK$193.0 million) and recorded a loss from operations of approximately HK$15.5 million (six months ended 30 June 2016: profit from operations of approximately HK$161.1 million), and finance costs of approximately HK$5.6 million (six months ended 30 June 2016: approximately HK$3.3 million).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Ding He Mining Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2017 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2017
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2017 HK$ (Unaudited)	2016 HK$ (Unaudited)
Turnover	*4*	**291,081**	7,230,934
Cost of sales		**(243,408)**	(7,043,276)
Gross profit		**47,673**	187,658
Other revenue	*5*	**625**	192,999,813
Other net losses		**(4,326)**	(144,646)
Selling and distribution expenses		**(148,197)**	(2,352,119)
Administrative expenses		**(15,407,123)**	(29,573,165)
(Loss)/profit from operations		**(15,511,348)**	161,117,541
Finance costs	*6(a)*	**(5,625,535)**	(3,308,754)
(Loss)/profit before taxation	*6*	**(21,136,883)**	157,808,787
Income tax	*7*	**–**	–
(Loss)/profit for the period		**(21,136,883)**	157,808,787
Attributable to:			
Owners of the Company		**(20,539,980)**	160,994,210
Non-controlling interests		**(596,903)**	(3,185,423)
(Loss)/profit for the period		**(21,136,883)**	157,808,787
(Loss)/earnings per share			
Basic and diluted	*8*	**(0.36 cents)**	2.92 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(21,136,883)**	157,808,787
Other comprehensive income/(loss) for the period		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**7,278,887**	(4,986,100)
Total comprehensive (loss)/income for the period	**(13,857,996)**	152,822,687
Attributable to:		
Owners of the Company	**(13,749,867)**	157,072,494
Non-controlling interests	**(108,129)**	(4,249,807)
Total comprehensive (loss)/income for the period	**(13,857,996)**	152,822,687

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017
(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 HK$ (Unaudited)	At 31 December 2016 HK$ (Audited)
Non-current assets			
Property, plant and equipment	11		
— Property, plant and equipment		**142,041,171**	142,529,890
— Interests in leasehold land held for own use under operating leases		**2,961,893**	2,554,427
Goodwill	12	**–**	–
Exploration and evaluation assets	13		
Mining deposit		**163,601**	155,709
		145,166,665	145,240,026
Current assets			
Trade receivables	14	**538,867**	148,646
Prepayments, deposits and other receivables		**1,886,787**	3,212,239
Cash and cash equivalents		**114,477**	493,462
		2,540,131	3,854,347
Current liabilities			
Other payables and accruals		**59,837,930**	54,760,741
Obligations under finance leases		**8,771**	48,954
Amount due to a director		**1,120,686**	–
Amounts due to related parties		**2,585,896**	2,443,919
Convertible bonds	15	**10,000,000**	10,000,000
Interest-bearing borrowings	16	**99,951,200**	137,609,200
		173,504,483	204,862,814
Net current liabilities		**(170,964,352)**	(201,008,467)
Total assets less current liabilities		**(25,797,687)**	(55,768,441)

	Note	At 30 June 2017 HK$ (Unaudited)	At 31 December 2016 HK$ (Audited)
Net liabilities		**(25,797,687)**	(55,768,441)
Capital and reserves			
Share capital	*17*	**1,411,704,051**	1,367,875,301
Reserves		**(1,425,883,782)**	(1,412,730,818)
Total deficit attributable to owners of the Company		**(14,179,731)**	(44,855,517)
Non-controlling interests		**(11,617,956)**	(10,912,924)
Total deficit		**(25,797,687)**	(55,768,441)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 branch office 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 condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2017 comprises the Company and its subsidiaries (together referred to as the "**Group**"). The Group is primarily engaged in the mining of dolomite and manufacturing and sale of magnesium ingots in the state of Perek, Malaysia, exploration of mining resources in Yogyakarta Province in the Republic of Indonesia ("**Indonesia**") and bottling and sale of mineral water in Guangdong Province in the People's Republic of China (the "**PRC**").

The condensed consolidated interim financial statements are presented in HK dollars (HK$), unless otherwise stated.

The condensed consolidated interim financial statements were approved for issue on 30 August 2017.

The condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**").

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial information as comparative information does not constitute the Group's annual financial statements prepared under HKFRSs for that financial year but is derived from those financial statements. Further information relating to these annual financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "**HKCO**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the HKCO.

2 BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016. These condensed consolidated interim financial statements do not include all the information and disclosures required for the full annual financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except as otherwise disclosed in below notes.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2016.

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

(i) the Group incurred a loss for the period attributable to owners of the Company of HK$20,539,980 (unaudited) (excluding the gain on loans reduction recognised of HK$192,992,398 (unaudited), six months ended 30 June 2016 (unaudited): HK$31,998,188), and, as at 30 June 2017, the Group's current liabilities exceeded its current assets by HK$170,964,352 (unaudited) (31 December 2016 (audited): HK$201,008,467);

(ii) at 30 June 2017, the Group has cash and cash equivalents of HK$114,477 (unaudited) (31 December 2016 (audited): HK$493,462) which is insufficient to settle all the current liabilities, they mainly included accrued salaries of HK$6,860,925 (unaudited) (31 December 2016 (audited): HK$3,984,316) payables due in the immediate month, accrued interest on convertible bonds of HK$4,115,164 (unaudited) (31 December 2016 (audited): HK$3,321,440); and committed to contract for of HK$14,352,735 (unaudited) (31 December 2016 (audited): HK$13,660,426) in the Group's capital commitments;

(iii) as explained in Note 13(a) to the condensed consolidated interim financial statements, the production plant in Malaysia was suspended since the year ended 31 December 2012;

(iv) as detailed in Notes 13(b) and 13(c) to the condensed consolidated interim financial statements, there were no exploration activities conducted in the six months ended 30 June 2017 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 13(c) to the condensed consolidated interim 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;

2 BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

(vi) as detailed in Note 15(a) to the condensed consolidated interim financial statements, the remaining 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 default and immediately due for repayments as at 30 June 2017. 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/or other possible alteration of terms of the Matured Bonds ("**Proposed Alteration**"); (ii) as negotiated with the holders of the Matured Bonds, among them except for two holders are under settlement arrangements, 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. The interest thereon is HK$500,000 charged to the six months ended 30 June 2017. As at the approval date of the condensed consolidated interim financial statements, the Proposed Alteration have not been fixed and confirmed yet;

(vii) As detailed in Note 16(b) to the condensed consolidated interim financial statements, the Company defaulted on the repayments of the outstanding aggregated loans of HK$69,951,200 and interest accrued, handling fees and further charges during the period in relation to the outstanding loans amounting to a total sum of HK$1,523,811. 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 bondholders of the Matured Bonds may without further notice institute such proceedings as it may think fit to enforce repayment of the Matured Bonds.

2 BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

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

(I) subsequent to the end to the reporting period, on 26 July 2017, the Company borrowed unsecured loans of HK$1,000,000 from independent third parties at interest rate 20% per year and are repayable within six months after the drawdown date;

(II) the Group has extended 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 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 CVM Magnesium Sdn. Bhd. ("CVMSB"), a wholly-owned subsidiary of the Company, 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 loans 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 condensed consolidated interim 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 condensed consolidated interim financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements as at and for the year ended 31 December 2016.

The HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 January 2017, the adoption has no significant impact on the Group's condensed consolidated interim financial statements; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's consolidated financial statements.

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 period is as follows:

	Six months ended 30 June	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Sales of bottled mineral water	**291,081**	288,060
Sales of magnesium ingots and related materials	**–**	6,942,874
	291,081	7,230,934

5 OTHER REVENUE

	Six months ended 30 June	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Interest income	**58**	281
Gain on loans reduction	**–**	192,992,398
Sundry income	**567**	7,134
	625	192,999,813

6 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June 2017 HK$ (Unaudited)	2016 HK$ (Unaudited)
(a) Finance costs:		
Interest on bank loans wholly repayable within 5 years	**–**	1,642,180
Interest on convertible bonds	**500,000**	1,478,826
Interest on unsecured loans from third parties wholly repayable within 5 years	**5,123,811**	153,000
Overdraft interest	**864**	–
Finance charges on obligations under finance leases	**860**	4,748
Other borrowings costs	**–**	30,000
	5,625,535	3,308,754

	Six months ended 30 June 2017 HK$ (Unaudited)	2016 HK$ (Unaudited)
(b) Staff costs (including directors' remuneration):		
Salaries, wages, bonuses and other benefits	**4,734,914**	4,781,047
Share-based payments	**–**	8,385,648
Contributions to defined contribution retirement plan	**79,535**	150,471
	4,814,449	13,317,166

	Six months ended 30 June 2017 HK$ (Unaudited)	2016 HK$ (Unaudited)
(c) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**51,459**	55,026
Cost of inventories sold	**243,408**	7,043,276
Depreciation	**7,349,438**	8,470,097
Operating lease charges in respect of:		
— office equipment	**6,175**	–
— office premises	**639,950**	522,817

7 INCOME TAX

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. On the basis stated below, no income tax has been provided by the Group for the six months ended 30 June 2017 and 2016 (unaudited).

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017. 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 six months ended 30 June 2017 and 2016 (unaudited).

Malaysian Income Tax is calculated at 25% (six months ended 30 June 2016: 25%) of assessable profits for the six months ended 30 June 2017. 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 six months ended 30 June 2017 and 2016 (unaudited).

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 six months ended 30 June 2017 and 2016. 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 six months ended 30 June 2017 and 2016 (unaudited).

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% (six months ended 30 June 2016: 25%) for the six months ended 30 June 2017. 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 six months ended 30 June 2017 and 2016 (unaudited).

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.

At 30 June 2017 and 2016 (unaudited), the Group has not recognised deferred tax assets in respect of accumulated tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions. The tax losses do not expire under current tax legislation except for those losses made by the PRC subsidiary which will expire within five years from the year of incurrence. Other temporary differences are not material.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the loss attributable to owners of the Company of HK$20,539,980 (unaudited) (six months ended 30 June 2016 (unaudited): profit attributable to owners of the Company of HK$160,994,210) and the weighted average number of 5,731,447,125 (unaudited) (30 June 2016 (unaudited): 5,509,623,921) ordinary shares in issue during the six months ended 30 June 2017, calculated as follows:

	2017 **(Unaudited)**	2016 (Unaudited)
Issued ordinary shares at 1 January	**5,509,623,921**	5,509,623,921
Effect of issue of new shares pursuant to a share placing	**30,662,983**	–
Effect of shares issued pursuant to the loan capitalisation	**191,160,221**	–
Weighted average number of shares at 30 June	**5,731,447,125**	5,509,623,921

(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 INTERIM DIVIDENDS

The Directors of the Company did not declare the payment of dividend for the six months ended 30 June 2017 and 2016.

10 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 condensed consolidated interim 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 indirectly owned subsidiary.

The accounting policies of the reportable segments are the same as those used for the preparation of the condensed consolidated interim financial statements.

10 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

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

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

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

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

	Mining of dolomite and manufacture of magnesium ingots *HK$*	**Exploration for iron ore, coal and manganese** *HK$*	**Extraction and bottling of mineral water** *HK$*	**Total** *HK$*
Six months ended 30 June 2017 (unaudited)				
Reportable segment revenue *(Note)*	**–**	**–**	**291,081**	**291,081**
Segment loss	**(1,316,595)**	**(10,551)**	**(1,205,478)**	**(2,532,624)**
Interest income	**–**	**–**	**29**	**29**
Depreciation and amortisation	**(7,348,818)**	**(620)**	**–**	**(7,349,438)**
Finance costs	**(860)**	**–**	**–**	**(860)**
As at 30 June 2017 (unaudited)				
Segment assets	**145,051,185**	**24,864**	**1,236,927**	**146,312,976**
Segment liabilities	**(3,643,164)**	**(1,532,534)**	**(4,627,153)**	**(9,802,851)**

10 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (continued)

	Mining of dolomite and manufacture of magnesium ingots *HK$*	Exploration for iron ore, coal and manganese *HK$*	Extraction and bottling of mineral water *HK$*	Total *HK$*
Six months ended 30 June 2016 (unaudited)				
Reportable segment revenue *(Note)*	6,942,874	–	288,060	7,230,934
Segment loss	(8,536,416)	96,306	(6,204,956)	(14,645,066)
Interest income	–	–	192	192
Depreciation and amortisation	(7,914,428)	(60,844)	(324,451)	(8,299,723)
Finance costs	(1,646,295)	–	–	(1,646,295)
As at 31 December 2016 (audited)				
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)

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months ended 30 June 2017 and 2016.

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

	Six months ended 30 June	
	2017 *HK$* **(Unaudited)**	2016 *HK$* (Unaudited)
Revenue		
Reportable segment revenue	**291,081**	7,230,934
Profit/(loss)		
Reportable segment loss	**(2,532,624)**	(14,645,066)
Interest income	**29**	192
Depreciation and amortisation	**(7,349,438)**	(8,299,723)
Finance costs	**(860)**	(1,646,295)
Other unallocated amounts		
— Interest income	**29**	89
— Depreciation and amortisation	**–**	(225,400)
— Finance costs	**(5,624,675)**	(1,662,459)
— Others	**(5,629,344)**	184,287,449
Consolidated (loss)/profit before taxation	**(21,136,883)**	157,808,787

10 SEGMENT REPORTING (Continued)

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

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
Assets		
Reportable segment assets	**146,312,976**	147,307,623
Unallocated corporate assets:		
— Cash and cash equivalents	**114,477**	493,462
— Others	**1,279,343**	1,293,288
Consolidated total assets	**147,706,796**	149,094,373
Liabilities		
Reportable segment liabilities	**(9,802,851)**	(9,730,603)
Unallocated corporate liabilities:		
— Convertible bonds	**(10,000,000)**	(10,000,000)
— Unsecured loans from third parties	**(99,951,200)**	(137,609,200)
— Others	**(53,750,432)**	(47,523,011)
Consolidated total liabilities	**(173,504,483)**	(204,862,814)

(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**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	**–**	–	**–**	5,226,874	**291,081**	288,060	**–**	1,716,000	**291,081**	7,230,934

	Hong Kong		**Malaysia**		**The PRC**		**Indonesia**		**Total**	
	At 30 June 2017	At 31 December 2016	**At 30 June 2017**	At 31 December 2016	**At 30 June 2017**	At 31 December 2016	**At 30 June 2017**	At 31 December 2016	**At 30 June 2017**	At 31 December 2016
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Specified non-current assets	**805,247**	805,247	**144,336,554**	144,411,235	**–**	–	**24,864**	23,544	**145,166,665**	145,240,026

10 SEGMENT REPORTING (Continued)

(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:

	Six months ended 30 June	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Customer A[1]	**–**	3,689,400
Customer B[1]	**–**	3,253,474
Customer C[2]	**291,081**	N/A[3]

[1] All revenue disclosed above is related to the mining of dolomite and manufacture of magnesium ingots segment.

[2] All revenue disclosed above is related to the Extraction and bottling of mineral water segment.

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

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017 and 2016 (unaudited), no property, plant and equipment was acquired by the Group.

No assets were written off during the six months ended 30 June 2017 and 2016 (unaudited).

During the six months ended 30 June 2017 and 2016 (unaudited), no assets were disposed.

12 GOODWILL

	HK$
Cost:	
At 1 January 2016 (audited), 31 December 2016 (audited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	252,803,090
Accumulated impairment losses:	
At 1 January 2016 (audited), 31 December 2016 (audited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	252,803,090
Carrying amount:	
At 30 June 2017 (unaudited)	–
At 31 December 2016 (audited)	–

13 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 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
At 1 January 2017	4,125,190	280,105,082	145,697,056	429,927,328
Exchange adjustments	–	–	–	–
At 30 June 2017	4,125,190	280,105,082	145,697,056	429,927,328
Accumulated amortisation and impairment:				
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
At 1 January 2017	4,125,190	280,105,082	145,697,056	429,927,328
Impairment loss	–	–	–	–
Exchange adjustments	–	–	–	–
At 30 June 2017	4,125,190	280,105,082	145,697,056	429,927,328
Carrying amount:				
At 30 June 2017	–	–	–	–
At 31 December 2016	–	–	–	–

(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 period ended 30 June 2017.

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" (2016: "administrative expenses") in the consolidated statement of profit or loss of the Group.

13 EXPLORATION AND EVALUATION ASSETS (Continued)

(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 PTCV 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.

13 EXPLORATION AND EVALUATION ASSETS (Continued)

(c) (continued)

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 six months ended 30 June 2017 and 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 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 30 June 2017, 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.

14 TRADE RECEIVABLES

	At 30 June 2017 *HK$* **(Unaudited)**	At 31 December 2016 *HK$* (Audited)
Trade receivables	**538,867**	211,924
Less: provision for impairment	**–**	(63,278)
	538,867	148,646

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

(a) Ageing analysis

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

	At 30 June 2017 *HK$* **(Unaudited)**	At 31 December 2016 *HK$* (Audited)
Current, neither past due nor impaired	**345,654**	–
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
Over 12 months past due	**193,213**	99,838
Amounts past due	**193,213**	148,646
Total	**538,867**	148,646

Trade receivables derived from sales of magnesium ingots are due within 14 days (unaudited) (31 December 2016 (audited): 14 days) from the date of the bill of lading for exports sales or date of invoice for local sales. Other than that the Group has a policy of allowing customers for domestic trading and distribution in the PRC with credit terms or normally cash on delivery.

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

(b) At 30 June 2017, none of trade receivables (unaudited) (31 December 2016 (audited): HK$Nil) were pledged as security for banking facilities granted to the Group.

15 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 the reporting period, the remaining outstanding aggregate principal amount of convertible bonds being available was HK$10,000,000 (unaudited) (31 December 2016 (audited): HK$10,000,000).

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 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 30 June 2017, all the Matured Bonds were remained in default 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 condensed consolidated interim financial statements, the Proposed Alteration of the Matured Bonds have not been fixed and confirmed yet.

At 30 June 2017, convertible bonds are due for repayment as follows:

	At 30 June 2017 *HK$* **(Unaudited)**	At 31 December 2016 *HK$* (Audited)
Already past due or within 1 year	**10,000,000**	10,000,000

The interest charged for the six months ended 30 June 2017 is calculated by applying an effective interest rate with 10% p.a. (unaudited) (30 June 2016 (unaudited): 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 30 June 2017 to be approximately HK$10,000,000 (31 December 2016 (audited): HK$10,000,000). The fair value is assumed to be its principal amount.

15 CONVERTIBLE BONDS (Continued)

(a) (continued)

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

	First Tranche Bonds *HK$*	Second Tranche Bonds *HK$*	Third Tranche Bonds *HK$*	Fourth Tranche Bonds *HK$*	Fifth Tranche Bonds *HK$*	Total *HK$*
At 1 January 2016 (audited)	–	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 (audited)	–	–	–	10,000,000	–	10,000,000
At 1 January 2017 (audited)	–	–	–	10,000,000	–	10,000,000
Redemptions of convertible bonds	–	–	–	–	–	–
Liability component as at 30 June 2017 (unaudited)	–	–	–	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**").

15. CONVERTIBLE BONDS (Continued)

(b) (continued)

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 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 31 December 2016 (audited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	–	–	–

16 INTEREST-BEARING BORROWINGS

	At 30 June 2017 HK$ (Unaudited)	At 31 December 2016 HK$ (Audited)
Unsecured bonds 2% 2017 *(Note 15(a))*	**30,000,000**	30,000,000
Loans from Third Parties *(Note 15(b))*	**69,951,200**	107,609,200
	99,951,200	137,609,200

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

(a) Unsecured bonds

As at 30 June 2017, the outstanding amount of unsecured bonds to independent third parties was HK$30,000,000 (unaudited) (31 December 2016 (audited): HK$30,000,000), with interests bearing at 2% per month and will mature on 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.

On 22 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, with interest rate at the range from 3% to 5% per month and are repayable within one to three months after the drawdown date.

In pursuant to the subscription agreements with the lender, on 16 May 2017 and 29 May 2017, the Company has issued 250,000,000 ordinary shares and 700,000,000 ordinary shares respectively to offset the outstanding loan in the amount of HK$10,200,000 and HK$28,000,000 respectively.

17 SHARE CAPITAL

	Note	At 30 June 2017 Number of shares (Unaudited)	At 30 June 2017 Amount HK$ (Unaudited)	At 31 December 2016 Number of shares (Audited)	At 31 December 2016 Amount HK$ (Audited)
Ordinary shares, issued and fully paid:					
At 1 January		**5,509,623,921**	**1,367,875,301**	5,509,623,921	1,367,875,301
Shares issued pursuant to a share placing	*(i)*	**150,000,000**	**5,628,750**	–	–
Shares issued pursuant to the loan capitalisation	*(i)*	**950,000,000**	**38,200,000**	–	–
At 30 June/31 December		**6,609,623,921**	**1,411,704,051**	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 16 May 2017, 250,000,000 ordinary shares were issued in pursuant to the agreement of subscription of new shares at HK$0.0408 each by loan capitalization of HK$10,200,000.

On 25 May 2017, 150,000,000 ordinary shares were issued by placing at HK$0.0395 each for cash consideration of HK$5,628,750 net of expenses incurred.

On 29 May 2017, 700,000,000 ordinary shares were issued in pursuant to the agreement of subscription of new shares at HK$0.04 each by loan capitalization of HK$28,000,000.

18 SHARE-BASED PAYMENTS

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 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 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:

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

18 SHARE-BASED PAYMENTS (Continued)

Details of the outstanding share options are as follows:

	2017		2016	
	Number of share options (Unaudited)	**Weighted average exercise price (Unaudited)**	Number of share options (Audited)	Weighted average exercise price (Audited)
Outstanding at 1 January	**245,178,252**	**N/A**	–	N/A
Granted during the period/year	**–**	**HK$0.100**	245,178,252	N/A
Outstanding at 30 June/31 December	**245,178,252**	**HK$0.100**	245,178,252	N/A
Exercisable at 30 June/31 December	**245,178,252**	**HK$0.100**	245,178,252	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 model. Expectations of early exercise are incorporated into the binomial 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.

19 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2017 not provided for in the condensed consolidated interim financial statements were as follows:

	At 30 June 2017 ***HK$*** **(Unaudited)**	At 31 December 2016 *HK$* (Audited)
Contracted for	**14,352,735**	13,660,426
Authorised but not contracted for	**–**	–
	14,352,735	13,660,426

19. COMMITMENTS(Continued)

(b) Future minimum royalty payments

Pursuant to the Mining Agreement (Note 13(a)), the royalties to MERSB are subject to a monthly minimum payment of RM30,000 (equivalent to approximately HK$54,534) (unaudited) (31 December 2016 (audited): RM30,000 (equivalent to approximately HK$51,903)) 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$9,488,839) (unaudited) (31 December 2016 (audited): RM5,220,000 (equivalent to approximately HK$9,031,142)) over the 20 years period.

(c) Operating lease commitments

At 30 June 2017, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017	At 31 December 2016
	HK$	*HK$*
Within 1 year	**314,045**	257,265
After 1 year but within 5 years	**1,011,614**	1,002,355
After 5 years	**–**	93,971
	1,325,659	1,353,591

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

(d) Environmental contingencies

The Group has not incurred any significant expenditure for environment remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, 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.

20 CONTINGENT LIABILITIES

(a) Corporate guarantees issued

As at 30 June 2017, the Company has issued corporate guarantees totalling RM133,004 (equivalent to approximately HK$241,773) (unaudited) (31 December 2016 (audited): RM133,004 (equivalent to approximately HK$230,000)) for finance lease creditors in respect of the purchase of motor vehicles and equipment by CVMSB.

In respect of the Company's corporate guarantee provided in relation to above other financing facilities granted to a supplier of liquefied petroleum gas made by CVMSB and the guarantee given to finance lease creditors of motor vehicles and equipment purchased by CVMSB, the directors of the Company consider the possibility of being materialised is remote and immaterial. The directors of the Company consider that no such liabilities are required to be recognised as at 30 June 2017 (unaudited) and 31 December 2016 (audited).

The Company has not recognised any deferred income in respect of the corporate guarantees as its fair value cannot be reliably measured and its transaction price was HK$Nil for the six months ended 30 June 2017 and 2016 (unaudited).

(b) Contingent liability arising from default of convertible bonds

As explained in Note 15(a) to the condensed consolidated interim financial statements, all the Matured Bonds were remained in defaulted and immediately due for repayments as at 30 June 2017. 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.

21 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in Notes 2, 16 and 17 to the condensed consolidated interim financial statements, there are no other material non-adjusting events subsequent to the end of the reporting period and up to the approval date of the condensed consolidated interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2017, due to a competition from PRC companies in commodity market and the combination of internal factors such as limited financial resources affecting the Group to perform effectively. For the six months ended 30 June 2017, the Group's reportable business segments are namely (i) the mining of dolomite and manufacture of magnesium ingots; (ii) extraction and bottling of mineral water; and (iii) exploration for iron ore, coal and manganese.

Mining of Dolomite and Manufacture of Magnesium Ingots

In the face of the challenges of the keen competition from other manufacturers and the cost-effectiveness of the operation, the smelter plant of the Group which situates in the State of Perak, Malaysia (the "**Smelter**") maintained its processing operation of refining magnesium crown for sale, instead of a full production line to manufacture magnesium ingots.

There is no revenue generated by the sales of magnesium ingots and related materials for the six months ended 30 June 2017, compared to those in six months ended 30 June 2016 recorded approximately HK$6,900,000.

Extraction of dolomite from the dolomite quarry has been halted since 2012. There was no dolomite extracted from the dolomite quarry for the first six months in 2017 (six months ended 30 June 2016: nil).

In light of the continuous gross losses recorded by the Smelter, the suspension of its mining activities and the partial operation of its production line since 2012, the Directors have plan to review on the recoverable amount of this cash-generating unit at the end of financial year 2017 by referencing to the full-year market situation of magnesium so as to revise the cash flow projection for next year and calculate the value in use of dolomite and manufacture of magnesium ingots.

Pursuant to an agreement (the "**Mining Agreement**") entered into between CVMSB and 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, on 15 June 2006, 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 CVMSB 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 (see Note 20(b)). Due to suspension of its production plant since 2012, CVMSB did not extract any dolomite from the Dolomite Land during the six months ended 30 June 2017 and 2016.

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" (six months ended 30 June 2016: "administrative expenses") in the condensed consolidated statement of profit or loss.

Extraction and Bottling of Mineral Water

During the first half of 2017, the investment plan of 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**") in a new production line for sparkling water is still in abeyance due to the limited cash resources available for the Group. In view thereof, the postponement of production line automation and new product line operation had hindered the sales generated by this business segment. The Company is negotiating with certain distributors in PRC and in Hong Kong for the sales of our bottled mineral water. Long Chuan recorded a turnover of approximately HK$291,000 (six months ended 30 June 2016: approximately HK$288,000) and gross profit of approximately HK$47,000 (six months ended 30 June 2016: gross loss of approximately HK$354,000).

At 30 June 2017, the management performed a regular review and noted that the financial performance of Long Chuan during the six months ended 30 June 2017 was similar to that during the same period of last financial year. The Directors have already examined the discounted cash flow from Long Chuan and found no significant deterioration as compared to that of last year. The Company will review the fair value of the assets of Long Chuan at the end of this year.

There was no impairment loss recognised in the unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

Exploration for Iron Ore, Coal and Manganese

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

As disclosed in the previous reports, the operation of PTLM (including the exploration project) has been suspended since 2012 due to the conflicts between the directors and legal representative of PTLM. In order to reinstate its operation and exploration activities, PTLM had applied to the Court in Yogyakarta for court ruling on the appointment of re-nominated directors and replacement of legal representative. In accordance with the legal opinion dated 15 March 2015 obtained from the lawyer of PTLM in Indonesia, the court has granted judgment on 19 November 2014 principally to stipulate PTLM to organise an extraordinary general meeting properly. PTLM is in the process of (i) identifying a legal firm to organise the extraordinary general meeting in accordance with the Indonesian laws and (ii) identifying suitable candidates with the appropriate experience and qualification to fill the vacancies as the legal representative and directors.

As a result of the postponement of the third hearing and additional time is required to identify suitable candidates to fill the vacancies, the potential revenue generating from PTLM was further delayed whereas the estimated future cash inflow derived from the exploration activities of PTLM was deferred. The Directors have already examined the discounted cash flow from the exploration activities of PTLM and found there was no significant deterioration comparing to that of last year. As at 30 June 2017, the book value of the exploration and evaluation assets under this business segment is approximately HK$18.77 million. Therefore, the Directors considered that the book value is close to the fair value of the assets and will review the fair value of the assets again at the end of this year.

As explained in Note 13(c) to the condensed consolidated interim 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.

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 six months ended 30 June 2017, the Group's geological exploration expenditure amounted to nil (six months ended 30 June 2016: nil).

Mining of dolomite

As at 30 June 2017, the Group did not extract any dolomite from the dolomite land. Hence, the accumulated dolomite reserves identified up to 30 June 2017 remained at 19,970 MT (up to 30 June 2016: 19,970 MT).

The expenditure incurred on dolomite mining production activities, which was mainly minimum royalty payment, for the six months ended 30 June 2017 was Nil (six months ended 30 June 2016: HK$Nil).

There were no new contracts and commitments entered into during the six months ended 30 June 2017 other than those that were disclosed in the Annual Report 2016.

Iron ore, coal and manganese

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

There were also no development or mining production activities in respect of manganese minerals in the six months ended 30 June 2017 due to the absence of the legal representative in the operation office in Indonesia. The expenditure incurred in these activities was therefore nil (six months ended 30 June 2016: nil).

There were no new contracts and commitments entered into during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

Estimated Proved Reserves

The updated mineral reserves of the Group as at 30 June 2017 and 31 December 2016 were as follows:

Minerals	**Location**	**Total area**	**Reserves identified by JORC standard (metric tonnes) as at 30 June 2017 proved**	**Reserves identified by JORC standard (metric tonnes) as at 31 December 2016 proved**
Dolomite	**Lots**: HS (D) 13756, PT 13404 and HS (D) 13757, PT 13405 **Mukim**: Sungai Siput **District**: Kuala Kangsar **State**: Perak **Country**: Malaysia	13 hectares	19,970[1]	19,970[1]
Manganese[2]	**Village**: Jatimulyo **Subdistrict**: Girimulyo **Regency**: Kulon Progo **Province**: Daerah Istimewa Yogyakarta **Country**: Indonesia	195 hectares	Under exploration	Under exploration

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) During the six month ended 30 June 2017 and up to the date of this announcement, the operations in Yogyakarta, Indonesia, had been hampered due to the failure to contact the legal representative of PT Laksbang Mediatama.

Outlook

Since the beginning of last year and till the date of this Report, the Group had strived its best efforts to make strengthen its financial positions and we have seen dramatic improvements in the six months ended 30 June 2017; the subsequent completion of the final repayment of the bank loans in August has finally made the success of the bank loan restructuring program which started from the end of 2014.

The completion of the debt restructuring has turned around the Group's internal business environment from worse to ready for profit making, the Group is ready to take the next steps in its business plan, apart from improving the existing businesses , resolving past issues to clean up the corporate environment, we are also keeping eyes open for new business opportunities in a globalised prospective, these including but not limited to plans for strategic partnership alliance, business acquisitions, and investments.

FINANCIAL REVIEW

Turnover and Other Revenue

The Group's turnover for the six months ended 30 June 2017 was approximately HK$291,000 (six months ended 30 June 2016: approximately HK$7,230,000). The Group received interest income of HK$58 from money deposited with approved financial institutions and no rental income from leasing of drilling machines for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$281). The Group has not recorded any gain on loans reduction for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$192,990,000) and sundry income HK$567 (six months ended 30 June 2016: HK$7,134).

Cost of Sales

Cost of sales of the Group for the six months ended 30 June 2017 amounted to approximately HK$243,000 (six months ended 30 June 2016: approximately HK$7,040,000) which mainly included staff costs, depreciation and amortisation. The decrease in the cost of sales was primarily attributable to the decrease in all components of the cost of sales for a lower operating volume at the Smelter.

Administrative Expenses

The administrative expenses decreased by 47.9% to approximately HK$15,407,000 in the first half of 2017 from approximately HK$29,570,000 for the same period of last year.

Net Foreign Exchange Losses

During the period under review, the net gain of approximately HK$4,000 (six months ended 30 June 2016: approximately HK$140,000 on foreign exchange mainly represented the net realised gain/losses on sales receipts net off against payments to suppliers and creditors in Malaysia and Indonesia.

Looking forward, the Group will be exposed to foreign currency risk primarily through exposures in sales and purchases that are denominated in foreign currencies other than the Group's functional currency (e.g. US Dollars, Ringgit Malaysia, Chinese Renminbi and Indonesian Rupiah). The Group did not use any financial instruments for any hedging purposes during the six months ended 30 June 2017.

Finance Costs

The Group's finance costs principally consisted of interest of approximately HK$500,000 (six months ended 30 June 2016: approximately HK$1,480,000) for convertible bonds issued by the Company, interest expenses of approximately HK$5,124,000 on loans from third parties (six months ended 30 June 2016: approximately HK$150,000) and interest on the Group's bank loans of approximately HK$Nil (six months ended 30 June 2016: approximately HK$1,640,000).

Profit/(Loss) Before Taxation

The Group incurred a loss before taxation of approximately HK$21,140,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: profit before taxation of approximately HK$157,810,000) primarily as a result of loss from operations of approximately HK$15,510,000 (six months ended 30 June 2016: a result of gain from operations approximately HK$161,120,000), finance costs of approximately HK$5,630,000 (six months ended 30 June 2016: approximately HK$3,310,000).

The decrease in profit is mainly due to the gain resulted from final reduced bank loans settlement of approximately HK$193.0 million recognised in the six months ended 30 June 2016. Such gain is one-off and non-recurring in nature and the Group is expected to have operational loss regarding that period.

The Group incurred a loss for the period attributable to owners of the Company of HK$20,540,000 (unaudited) compared to a loss for the same period last year of HK$31,998,188, which excluding the gain on loans reduction of HK$192,992,398 (unaudited), and, as at 30 June 2017, the Group's current liabilities exceeded its current assets by HK$170,964,352 (unaudited) (31 December 2016 (audited): HK$201,008,467).

Earnings/(Loss) per Share

Loss per share for the six months ended 30 June 2017 was HK0.36 cents (six months ended 30 June 2016: earnings per share of HK2.92 cents).

FINANCIAL POSITION

Convertible Bonds

As at 30 June 2017, the principal amount of the convertible bonds of the Company (the "**Matured Bonds**") in default was HK$10,000,000 (31 December 2016: HK$10,000,000) which were immediate due for repayment. The default interest thereon was HK$4,115,164 (31 December 2016: interest (including default interest) of HK$3,234,970). As at the approval date of the condensed consolidated interim financial statements, the Company has not yet concluded any alterations in the terms of the Matured Bonds with the Matured Bonds holder.

Liquidity and Financial Resources

Net current liabilities of the Group stood at HK$170,964,352 as at 30 June 2017 (31 December 2016: HK$201,008,467). Included in current liabilities were interest-bearing borrowings from independent third parties and finance lease creditors of HK$99,959,971 (31 December 2016: HK$137,658,154). The Group had a gearing ratio of approximately negative 7.75 times (which is calculated on the basis of total finance leases, interest bearing borrowings and convertible bonds over total equity attributable to owners of the Company) as at 30 June 2017 (31 December 2016: negative 3.29 times).

At 30 June 2017, the Group has cash and cash equivalents of HK$114,477 (unaudited) (31 December 2016 (audited): HK$493,462) which is insufficient to settle all the current liabilities, they mainly included accrued salaries of HK$6,860,925 (unaudited) (31 December 2016 (audited): HK$3,984,316) payables due in the immediate month, accrued interest on convertible bonds of HK$4,115,164 (unaudited) (31 December 2016 (audited): HK$3,321,440); and committed to contract for of HK$14,352,735 (unaudited) (31 December 2016 (audited): HK$13,660,426) in the Group's capital commitments.

Total deficit attributable to owners of the Company was approximately HK$14,180,000 as at 30 June 2017 which was decreased from deficit of approximately HK$44,855,000 as at 31 December 2016 mainly due to the effect of shares issued pursuant to the loan capitalisation and share placing amounting to HK$38,200,000 and HK$5,628,750 respectively during the period.

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 1 August 2016, the Company borrowed HK$42,000,000 and HK$50,000,000 respectively from an independent third party, with interests bearing at 12% and 10% 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 as aforementioned;

(iii) All the Matured Bonds of the Group were remained in default and immediately due for repayments as at 30 June 2017. The Group is using their best efforts to (i) arrange to continue to pay the overdue interests to the bondholders in due course and (ii) further re-negotiate with bondholders for the extension of maturity dates and Proposed Alteration of terms of these convertible bonds;

(iv) On 26 July 2017, the Company borrowed unsecured loans of HK$1,000,000 from independent third parties at interest rate 20% per annum and are repayable within six months after the drawdown date; and

(v) The Group has extended its global searching for investors or strategic partners for the Group's projects in Hong Kong, the PRC and other part of the world.

Capital Expenditure

The carrying amount of the Group's property, plant and equipment as at 30 June 2017 decreased by 0.3% to approximately HK$142,040,000 (31 December 2016: approximately HK$142,530,000) mainly as a result of the depreciation and amortisation charges and a foreign exchange gain incurred during the six months ended 30 June 2017.

Charge on Assets

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.

Human Resources

As at 30 June 2017 the Group had a total of approximately 80 employees (31 December 2016: 80 employees). Total staff costs (including Directors' remuneration) for the six months ended 30 June 2017 were approximately HK$4,814,000 (six months ended 30 June 2016: approximately HK$13,320,000) representing approximately 30.97% (six months ended 30 June 2016: 36.38%) of the Group's total cost of sales and administrative expenses. Employees are remunerated based on their performance, experience and industry practice. Bonuses are rewarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviewed the remuneration policies and packages on a regular basis and had streamlined the workforce during the first half of this year.

INTERIM DIVIDEND

The Board of Directors of the Company resolved not to declare the payment of any dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil). Accordingly, there will be no closure of the register of members of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2017, the Company has adopted the applicable code provisions and certain recommended best practices stipulated in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing rules. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions on the Code by the Company during any time of the interim period, except for certain deviations which are summarised below:

Code Provision A.4.1

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

Code Provision A.5.1

Code Provision A.5.1 of the Code provides that the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the retirement of Chan Kin Ho Philip ("**Mr. Chan**") as independent non-executive Director on 30 June 2017, he also ceased to act as the chairman of the nomination committee of the Company (the "**Nomination Committee**"). The Nomination Committee failed to be chaired by the Chairman of the Board or an independent non-executive Director since then until the appointment of Mr. Du Jian Jun, the Chairman of the Board, as the chairman of the Nomination Committee on 6 July 2017.

Code Provision C.2.5

Code Provision C.2.5 of the Code provides that an issuer should have an internal audit function. The Company does not maintain an internal audit function for the six months ended 30 June 2017. Taking into account the size and complexity of the operations of the Group and the potential costs involved in setting up an internal audit function, 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.

Code Provision D.1.4

Code Provision D.1.4 of the Code provides that, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for its Directors. However, they are subject to retirement by rotation at least once in every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 30 June 2017 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2017, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE REVIEW

The audit committee of the Company comprises wholly independent non-executive Directors, has reviewed the consistency of the accounting principles and practices adopted by the Group and also discussed issues related to financial reporting, including the review of the Group's unaudited interim results. The unaudited interim results for the period under review have not been audited or reviewed by the auditors of the Company but have been reviewed by the audit committee. The audit committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the Company website at www.dinghemining.com.hk. The interim report 2017 of the Company will also be published on the aforesaid websites in due course.

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

Hong Kong, 30 August 2017

As at the date of this announcement, the executive Directors are Mr. Du Jian Jun, Ms. Lu Sufang, Mr. Leung Wai Kwan, Mr. Yin Shibo, Mr. Fan Weipeng and Mr. Chen Liang, and the independent non-executive Directors are Mr. Liu Bo, Mr. Tong Zhu, Mr. Yuan Guangming and Mr. Chan Woon Wing.