



莊勝百貨集團有限公司
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code : 758)

JUNEFIELD DEPARTMENT STORE GROUP LIMITED

Interim Report 2014

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CORPORATE INFORMATION (as at 28 August 2014)

Board of Directors

Executive Directors

Mr. Zhou Chu Jian He (*Chairman*)

Mr. Liu Zhongsheng
(*Chief Executive Officer*)

Mr. Zhou Jianren

Mr. Xiang Xianhong

Mr. Lei Shuguang

Non-executive Director

Mr. Jorge Edgar Jose Muñoz Ziches

Independent Non-executive Directors

Mr. Lam Man Sum, Albert

Mr. Cao Kuangyu

Mr. Cheung Ka Wai

Audit Committee

Mr. Lam Man Sum, Albert (*Chairman*)

Mr. Cao Kuangyu

Mr. Cheung Ka Wai

Remuneration Committee

Mr. Cheung Ka Wai (*Chairman*)

Mr. Lam Man Sum, Albert

Mr. Cao Kuangyu

Nomination Committee

Mr. Zhou Chu Jian He (*Chairman*)

Mr. Liu Zhongsheng

Mr. Lam Man Sum, Albert

Mr. Cao Kuangyu

Mr. Cheung Ka Wai

Company Secretary

Mr. Chan Kin Lung

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong

Share Registrars and Transfer Office

Principal Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

Hong Kong Branch Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Registered Office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business in Hong Kong

13/F., Bank of East Asia
Harbour View Centre
56 Gloucester Road,
Wanchai, Hong Kong

Principal Place of Business in China

20/F, South Wing, Central Tower
Junefield Plaza
No. 10 Xuan Wu Man Wai Street
Xi Cheng District, Beijing
The People's Republic of China

Stock Code

758

Website

<http://junefield.etnet.com.hk>

The board of directors (the "Board") of Junefield Department Store Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 as below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		Six months ended 30 June	
	<i>Note</i>	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	5	167,187	44,610
Cost of sales and services		(137,886)	(36,882)
Gross profit		29,301	7,728
Other income	5	2,841	2,605
Selling and distribution expenses		(667)	(593)
Administrative expenses		(26,062)	(22,378)
Other operating expenses		(6,466)	(6,436)
Fair value loss on convertible note – conversion option component		(5,373)	–
Fair value losses on reclassification of available-for-sale investments to an associate		–	(36,961)
Fair value gains on investment properties		3,660	1,158
Write down of investment properties in Ecuador	12	(62,822)	–
Operating loss	6	(65,588)	(54,877)
Finance costs	7	(2,096)	(3,277)
Share of profit of a joint venture		–	99,459
Share of loss of an associate		(6,295)	(7,346)
(Loss)/profit before tax		(73,979)	33,959
Income tax expense	8	(6,518)	(4,267)
(Loss)/profit for the period		(80,497)	29,692

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(continued)

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Attributable to:			
Owners of the Company		(80,545)	28,116
Non-controlling interests		48	1,576
		(80,497)	29,692
(Loss)/earnings per share attributable to owners of the Company	9		
Basic (HK cents per share)		(7.88)	2.77
Diluted (HK cents per share)		(7.88)	2.71

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
(Loss)/profit for the period	(80,497)	29,692
Other comprehensive (expense)/income <i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale investments	–	290
Fair value losses on reclassification of available-for-sale investments to an associate	–	36,961
Exchange differences on translation of foreign operations	(15,335)	378
Share of other comprehensive expense of an associate	(787)	–
Other comprehensive (expense)/income for the period, net of tax	(16,122)	37,629
Total comprehensive (expense)/income for the period	(96,619)	67,321
Attributable to:		
Owners of the Company	(90,959)	63,539
Non-controlling interests	(5,660)	3,782
	(96,619)	67,321

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	209,603	221,755
Investment properties	12	127,380	187,321
Prepaid land lease payments		23,582	24,547
Other intangible assets		135,997	143,528
Investment in a joint venture		182,428	182,428
Investment in an associate		15,647	22,619
Available-for-sale investments	13	–	–
Deferred tax assets		2,874	2,060
Convertible note – loan receivable component	14	16,502	14,900
Total non-current assets		714,013	799,158
Current assets			
Properties under development for sale		26,181	25,409
Inventories		39,352	40,874
Accounts receivable	15	15,316	17,877
Prepayments, deposits and other receivables		57,476	47,921
Amount due from a joint venture		1,077	162
Amounts due from related companies		11,585	12,504
Financial instruments at fair value through profit or loss		15,379	63,093
Convertible note – conversion option component		403	5,775
Time deposits		7,935	8,178
Cash and bank balances		46,617	77,316
Total current assets		221,321	299,109
Current liabilities			
Accounts payable	16	4,968	5,399
Other payables and accruals		99,485	98,705
Interest-bearing bank and other borrowings	17	66,918	87,317
Amount due to the ultimate holding company		121	93
Amounts due to related companies		4,815	5,000
Amount due to a joint venturer		19	20
Dividend payable to a non-controlling interest		17,400	–
Tax payable		4,258	1,928
Total current liabilities		197,984	198,462
Net current assets		23,337	100,647
Total assets less current liabilities		737,350	899,805

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

At 30 June 2014

	<i>Note</i>	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		69,924	69,716
Total non-current liabilities		69,924	69,716
Net assets			
		667,426	830,089
Equity			
Equity attributable to owners of the Company			
Issued capital	18	102,320	101,962
Reserves		473,950	572,639
		576,270	674,601
Non-controlling interests			
		91,156	155,488
Total equity			
		667,426	830,089

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company										
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Statutory surplus reserve (Unaudited)	Share option reserve (Unaudited)	Investments revaluation reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$'000 (note 18)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	101,962	71,837	19,170	18,380	5,105	-	28,710	429,437	674,601	155,488	830,089
Profit or loss	-	-	-	-	-	-	-	(80,545)	(80,545)	48	(80,497)
Other comprehensive expense											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(9,627)	-	(9,627)	(5,708)	(15,335)
Share of other comprehensive expense of an associate	-	-	-	-	-	-	(787)	-	(787)	-	(787)
Total comprehensive expense for the period	-	-	-	-	-	-	(10,414)	(80,545)	(90,959)	(5,660)	(96,619)
Issue of shares upon exercise of share options	358	913	-	-	(450)	-	-	-	821	-	821
Share issue expenses	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Final 2013 dividend paid	-	-	-	-	-	-	-	(8,186)	(8,186)	-	(8,186)
Dividend declared to a non-controlling interest	-	-	-	-	-	-	-	-	-	(58,672)	(58,672)
At 30 June 2014	102,320	72,743	19,170	18,380	4,655	-	18,296	340,706	576,270	91,156	667,426
At 1 January 2013	101,617	70,962	19,170	15,524	5,540	(37,251)	20,538	417,405	613,505	139,594	753,099
Profit or loss	-	-	-	-	-	-	-	28,116	28,116	1,576	29,692
Other comprehensive income											
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	290	-	-	290	-	290
Fair value losses on reclassification of available-for-sale investments to an associate	-	-	-	-	-	36,961	-	-	36,961	-	36,961
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,828)	-	(1,828)	2,206	378
Total comprehensive income for the period	-	-	-	-	-	37,251	(1,828)	28,116	63,539	3,782	67,321
Final 2012 dividend paid	-	-	-	-	-	-	-	(15,243)	(15,243)	-	(15,243)
At 30 June 2013	101,617	70,962	19,170	15,524	5,540	-	18,710	430,278	661,801	143,376	805,177

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash flows from operating activities	445	2,216
Net cash flows from/(used in)		
investing activities	7,767	(25,736)
Net cash flows used in financing activities	(29,375)	(72,474)
Net decrease in cash and cash equivalents	(21,163)	(95,994)
Effect of foreign exchange rate changes, net	(9,779)	(1,581)
Cash and cash equivalents at beginning of the period	85,494	275,246
Cash and cash equivalents at end of the period	54,552	177,671
Analysis of balances of cash and cash equivalents		
Cash and bank balances	46,617	85,859
Non-pledge time deposits with original maturity of less than three months when acquired	7,935	91,812
Cash and cash equivalents as stated in the statement of cash flows	54,552	177,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Junefield Department Store Group Limited (the "Company") is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the "Corporate Information" section of this report.

During the six months ended 30 June 2014, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property investment and development;
- provision of property management and agency services;
- manufacture and sale of construction materials;
- securities investments; and
- trading of mineral concentrates.

In the opinion of the directors, the immediate holding company of the Company is Prime Century Investments Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Junefield (Holdings) Limited, a company incorporated in Hong Kong.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, other relevant HKAS and Interpretations ("Ints") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013, except as described below:

In the current interim period, the Group has applied the following amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC) – Int 21	<i>Levies</i>

The directors consider that the application of the amendments or interpretations has had no material impact on the Group's financial performance and positions for the current and prior periods.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

Certain comparative amounts have been reclassified and restated to conform with current period's presentation as the Group changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change by introducing an additional reportable operating segment regarding trading of mineral concentrates and removing the others segment since the second half of 2013. Accordingly, segment information of trading of mineral concentrates segment for the six months ended 30 June 2013 for comparative purposes has been restated to reflect the newly reportable segment and the segment information of others segment for the six months ended 30 June 2013 for comparative purposes has not been presented.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property investment and development segment engages in leasing and sale of properties;
- (b) the property management and agency services segment provides property management and agency services;
- (c) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder;
- (d) the securities investments segment engages in investing in listed securities; and
- (e) the trading of mineral concentrates segment engages in the trading of mineral concentrates.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income, finance costs and dividend income as well as other unallocated head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, amounts due from related companies and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to the ultimate holding company, amounts due to related companies and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

4. SEGMENT INFORMATION (continued)

Segment results

An analysis of the Group's segment results by reportable segment is as follows:

For the six months ended 30 June 2014

	Property investment and development (Unaudited) HK\$'000	Property management and agency services (Unaudited) HK\$'000	Securities investments (Unaudited) HK\$'000	Manufacture and sale of construction materials (Unaudited) HK\$'000	Trading of mineral concentrates (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:						
Sales to/revenue from external customers*	1,203	9,341	-	33,688	119,578	163,810
Investment income	-	-	3,377	-	-	3,377
	<u>1,203</u>	<u>9,341</u>	<u>3,377</u>	<u>33,688</u>	<u>119,578</u>	<u>167,187</u>
Segment results	<u>(62,561)</u>	<u>1,094</u>	<u>4,263</u>	<u>(1,020)</u>	<u>9,274</u>	<u>(48,950)</u>
Bank interest income and other unallocated income						2,108
Corporate and other unallocated expenses						(13,373)
Unallocated finance costs						(2,096)
Fair value loss on convertible note – conversion option component						(5,373)
Share of loss of an associate						(6,295)
Loss before tax						(73,979)
Income tax expense						(6,518)
Loss for the period						<u>(80,497)</u>

* Since the amount of intersegment sales is insignificant, no reconciliation has been made.

4. SEGMENT INFORMATION (continued)

Segment results (continued)

For the six months ended 30 June 2013

	Property investment and development (Unaudited) HK\$'000	Property management and agency services (Unaudited) HK\$'000	Securities investments (Unaudited) HK\$'000	Manufacture and sale of construction materials (Unaudited) HK\$'000	Trading of mineral concentrates (Unaudited) HK\$'000 (restated)	Total (Unaudited) HK\$'000
Segment revenue:						
Sales to/revenue from external customers*	1,227	9,229	-	46,322	2,474	59,252
Investment income	-	-	(14,642)	-	-	(14,642)
	<u>1,227</u>	<u>9,229</u>	<u>(14,642)</u>	<u>46,322</u>	<u>2,474</u>	<u>44,610</u>
Segment results	<u>1,325</u>	<u>1,323</u>	<u>(51,250)</u>	<u>3,155</u>	<u>275</u>	<u>(45,172)</u>
Bank interest income and other unallocated income						2,208
Corporate and other unallocated expenses						(11,913)
Unallocated finance costs						(3,277)
Share of profit of a joint venture						99,459
Share of loss of an associate						(7,346)
Profit before tax						33,959
Income tax expense						(4,267)
Profit for the period						<u>29,692</u>

* Since the amount of intersegment sales is insignificant, no reconciliation has been made.

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
The People's Republic of China (the "PRC")	163,810	59,251
Canada	3,444	(14,365)
Hong Kong	(67)	(276)
	167,187	44,610

The revenue information above is based on the location of the customers.

(b) Non-current assets

	30 June	31 December
	2014 (Unaudited) HK\$'000	2013 (Audited) HK\$'000
PRC	541,887	565,744
Ecuador	68,836	131,724
Peru	66,770	60,193
Australia	32,148	37,519
Hong Kong	4,192	3,766
Columbia	180	212
	714,013	799,158

The non-current assets information above is based on the location of assets.

4. SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from customers of corresponding periods contributing over 10% of total revenue of the Group is as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Customer A [△]	119,578	N/A*
Customer B [#]	N/A*	6,808
Customer C [#]	N/A*	5,593
Customer D [#]	N/A*	5,418
Customer E [#]	N/A*	4,534
	119,578	22,353

* The corresponding revenue did not contribute over 10% of total revenue of the Group.

[△] Revenue attributable to trading of mineral concentrates segment.

[#] Revenue attributable to manufacture and sale of construction materials segment.

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue		
Sale of mineral concentrates	119,578	2,474
Sale of construction materials	33,688	46,322
Property management and agency fees	9,341	9,229
Fair value gains/(losses), net:		
Equity investments at fair value through profit or loss – held for trading	3,377	(14,642)
Gross rental income	1,203	1,227
	167,187	44,610
Other income		
Bank interest income	316	397
Interest income on other loans	36	1,199
Effective interest income on convertible note – loan receivable component	1,755	–
Others	734	1,009
	2,841	2,605

6. OPERATING LOSS

The Group's operating loss is arrived at after charging/(crediting):

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Note			
	Employee benefits expense (including directors' remuneration)		
	Salaries, wages and other benefits	15,033	13,167
	Pension scheme contributions	1,958	1,587
		16,991	14,754
	Cost of inventories sold	134,568	33,834
	Amortisation of other intangible assets	6,466	6,436
	Amortisation of prepaid land lease payments	295	279
	Depreciation of property, plant and equipment	11,920	11,877
	Foreign exchange differences, net	(2,782)	(215)
	Minimum lease payments under operating leases in respect of land and buildings	428	428
	Gross rental income from investment properties	(1,203)	(1,227)
	Less:		
	Direct operating expenses incurred for investment properties that generated rental income during the period	12	–
	Direct operating expenses incurred for investment properties that did not generate rental income during the period	–	–
		(1,191)	(1,227)

6. OPERATING LOSS *(continued)*

Notes:

- (i) Salaries, wages and other benefits of approximately HK\$3,057,000 (six months ended 30 June 2013: HK\$2,919,000), HK\$11,529,000 (six months ended 30 June 2013: HK\$9,825,000) and HK\$447,000 (six months ended 30 June 2013: HK\$423,000) were charged to cost of production, administrative expenses and selling and distribution expenses respectively for the six months ended 30 June 2014.
- (ii) Amortisation of other intangible assets for the six months ended 30 June 2014 and 2013 are included in "Other operating expenses" in the condensed consolidated statement of profit or loss.
- (iii) Depreciation of approximately HK\$10,026,000 (six months ended 30 June 2013: HK\$10,047,000) and HK\$1,894,000 (six months ended 30 June 2013: HK\$1,830,000) were charged to cost of production and administrative expenses respectively for the six months ended 30 June 2014.

7. FINANCE COSTS

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank loan and other loans wholly repayable within five years	2,096	3,277

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current – Hong Kong	1,537	128
Current – elsewhere		
Charge for the period	1,329	2,907
Withholding tax charge on interest income from an associate in Australia	106	–
Deferred tax charge	291	8,305
Withholding tax charge/(credit) on dividends distributed by entities in the PRC	3,255	(7,073)
Total tax charge for the period	6,518	4,267

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 1,022,219,361 (six months ended 30 June 2013: 1,016,167,967) in issue during the period.

The calculation of diluted (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(continued)

The calculations of basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	(80,545)	28,116
	Number of shares	
	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	1,022,219,361	1,016,167,967
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	22,627,166
	1,022,219,361	1,038,795,133

The computation of diluted loss per share for the six months ended 30 June 2014 did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

10. DIVIDENDS

During the six months ended 30 June 2014, the final dividend in respect of the financial year ended 31 December 2013 of HK0.8 cent per share, totalling approximately HK\$8,186,000 was paid to shareholders of the Company.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: HK1 cent per share declared).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment amounting to approximately HK\$4,790,000 (six months ended 30 June 2013: HK\$9,165,000).

12. INVESTMENT PROPERTIES

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Carrying amount, beginning of the period/year	187,321	47,765
Acquisition of subsidiaries	–	121,008
Write down of investment properties in Ecuador (<i>Note</i>)	(62,822)	–
Net gain from fair value adjustment	3,660	17,246
Exchange realignment	(779)	1,302
	<hr/>	<hr/>
Carrying amount, end of the period/year	<u>127,380</u>	<u>187,321</u>

Note:

Details of which are set out in note 24 to the condensed consolidated financial statements and under the heading "Property investment and development – Investment properties in Ecuador" of the "Management Discussion and Analysis" section in this report.

The carrying amount of investment properties shown above comprises:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Held under medium-term lease in the PRC	59,498	56,617
Freehold land in Ecuador	67,882	130,704
	<hr/>	<hr/>
	<u>127,380</u>	<u>187,321</u>

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Unlisted equity investment, at cost (<i>Note</i>)	31,642	31,642
Impairment	(31,642)	(31,642)
	–	–
	–	–

Note:

The above investment in equity securities, which is classified as an available-for-sale financial asset, has no fixed maturity date or coupon rate. The PRC business licence of Wuhan Huaxin Real Estate Co., Ltd. ("WHRED") has expired on 4 September 2007. The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

14. CONVERTIBLE NOTE – LOAN RECEIVABLE COMPONENT

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Carrying amount, beginning of the period/year	14,900	–
Initial recognition	–	15,740
Less: Interest received	(1,057)	(352)
Add: Effective interest income	1,755	574
Exchange realignment	904	(1,062)
	16,502	14,900

15. ACCOUNTS RECEIVABLE

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Accounts receivable	15,453	18,018
Impairment	(137)	(141)
	15,316	17,877

Accounts receivable are usually due immediately from the date of billing. Payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and overdue balances which are reviewed regularly by senior management to minimise credit risk. Accounts receivable are non-interest-bearing and mainly denominated in Renminbi ("RMB") and United States dollars ("USD").

The credit period is generally 1 month, extending up to 2 months for major customers.

An aged analysis of the Group's accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 1 month	5,267	6,162
1 to 3 months	8,121	8,782
Over 3 months	2,065	3,074
	15,453	18,018
Impairment	(137)	(141)
	15,316	17,877

16. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 1 month	2,508	3,290
1 to 3 months	765	2,109
Over 3 months	1,695	–
	4,968	5,399

Accounts payable are non-interest-bearing and are mainly denominated in RMB and USD.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Note</i>	30 June 2014 (Unaudited) HK\$'000	<i>Maturity</i>	31 December 2013 (Audited) HK\$'000
Current				
Bank loan – unsecured	<i>(i)</i>	2014 – 2015 or on demand 60,684	2014 – 2015 or on demand	80,912
Other loan – unsecured	<i>(ii)</i>	On demand 6,234	On demand	6,405
Amounts repayable within one year or on demand		66,918		87,317

Notes:

- (i) The loan is denominated in USD, bears interest at a rate of 3% above the bank's cost of funds per annum and is repayable by 6 semi-annual installments for a term of 3 years or on demand. During the six months ended 30 June 2014, the Group has made repayment of approximately HK\$20,228,000 to the bank.
- (ii) The unsecured other loan is denominated in RMB, bears interest at a rate of 9.5% per annum and has no fixed terms of repayment

18. ISSUED CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 December 2013 (audited) and 30 June 2014 (unaudited)	25,000,000	2,500,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each At 31 December 2013 (audited) and 1 January 2014	1,019,618	101,962
Share options exercised (<i>Note</i>)	3,582	358
At 30 June 2014 (unaudited)	1,023,200	102,320

Note:

During the six months ended 30 June 2014, the subscription rights attaching to 3,582,000 share options were exercised at the subscription price of HK\$0.229 per share, resulting in the issue of 3,582,000 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$821,000. An amount of approximately HK\$450,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties under operating lease arrangements, which leases negotiated for terms ranging from one to three years (31 December 2013: one to three years).

At 30 June 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	2,477	1,116
In the second to fifth years, inclusive	1,899	1,333
	4,376	2,449

(b) As lessee

The Group leases its office property under operating lease arrangements. Lease for property is negotiated for a term of two years (31 December 2013: two years).

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	428	857

20. CAPITAL COMMITMENTS

As at 30 June 2014 and 31 December 2013, the Group had no significant capital commitments.

21. OUTSTANDING LITIGATIONS

- (a) In May 2011, International Management Company Limited (“IMC”, an indirect wholly-owned subsidiary of the Company) received the civil case judgement dated 5 May 2011 issued by the Intermediate People’s Court of Wuhan City, Hubei Province, the PRC (中華人民共和國湖北省武漢市中級人民法院) (the “PRC Intermediate Court”), pursuant to which the PRC Intermediate Court accepted the plaintiff’s application to withdraw its claim against IMC and a former subsidiary of the Group for an outstanding investment fund of RMB20 million together with the interests of RMB21.63 million due to seeking for new evidence by the plaintiff. In September 2012, IMC exchanged further evidence as requested by the court. Up to the date of this report, there is no further update from the PRC Intermediate Court.

Based on the legal opinion of the Group’s PRC legal advisors, the directors of the Company are of the opinion that the action can be successfully defended and therefore no provision has been made in the financial statements.

- (b) In 2011, Wuhan Huaxin Management Ltd. (“WHM”, an indirect 51%-owned subsidiary of the Company) received a civil case judgement issued by the People’s Court of Jianhan District, Wuhan City, Hubei Province, the PRC (中華人民共和國湖北省武漢市江漢區人民法院) (the “PRC Court”), pursuant to which the PRC Court mandatorily enforced WHM to repay certain claimants against WHRED amounted to RMB11,660,173 (approximately HK\$14,020,000) and executed to debit the sums directly from WHM’s bank account. WHM has already filed a written objection with the PRC Court to challenge against both the judgment and the mandatory execution for the reason that WHM was not a directly related company to WHRED.

Based on the legal opinion from the Group’s PRC legal advisors, the directors of the Company are of the opinion that WHM should not be liable for any repayment liabilities incurred by WHRED since both WHM and WHRED are separate entities under the PRC law and should not have any joint and several liabilities. Therefore, WHM should have the right to claim against the PRC Court for refund of the full amount. The compensation was paid and charged to the consolidated statement of profit or loss for the year ended 31 December 2011. Up to the date of this report, there is no further update from the PRC Court.

21. OUTSTANDING LITIGATIONS *(continued)*

- (c) On 16 October 2013, Junefield (Building Material) Limited (an indirect wholly-owned subsidiary of the Company) filed an application for arbitration proceedings at the China International Economics and Trade Arbitration Commission (the "PRC Arbitration Commission") against the minority shareholder of Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji") for, inter alia, failing to procure the supply of the requested quantity of granulated steel slag pursuant to the joint venture agreement and claims for damages arising from alleged breach of the joint venture agreement. On 24 October 2013, the PRC Arbitration Commission commenced processing of the application. Up to the date of this report, there is no further update from the PRC Arbitration Commission after professional reports being submitted in June 2014.

Based on the legal opinion of the Group's PRC legal advisors, the directors of the Company are of the opinion that the outcomes of the rulings and the claims for damages arising from alleged breach of joint venture agreement are uncertain and therefore no provision or compensation for the damages claimed have been recognised in the financial statements.

- (d) On 4 November 2013, IMC submitted an application for arbitration at the PRC Arbitration Commission, inter alia, requesting for rulings against the joint venturer, Wuhan Department Store Group Co., Ltd (the "PRC Partner") to extend the term of the joint venture agreement of the Group's 49%-owned joint venture, Wuhan Plaza Management Co., Ltd. ("WPM") to such a date no earlier than 28 September 2016 and to procure and assist WPM in making any ancillary applications and obtaining such approvals. On 7 November 2013, the PRC Arbitration Commission accepted to proceed.

On 30 December 2013, IMC received a notice of dissolution from the PRC Partner requesting for discussion of the formation of a dissolution committee of WPM. IMC is of the view that the term of the joint venture agreement of WPM should be determined after the rulings being given by the PRC Arbitration Commission and therefore, it is currently not appropriate to discuss the matter of dissolution.

On 31 December 2013, the PRC Partner unilaterally terminated the 20-year lease agreement which was signed in 1995 and would expire on 28 September 2016, and took possession of the property and arranged its related company to takeover WPM's employees and consignment operators and continued operation in the property since 1 January 2014. IMC considered that the acts of the PRC Partner have jeopardised the legitimate interests of WPM and IMC before the PRC Arbitration Commission has a final ruling. On 27 December 2013, IMC submitted an application for relief to the Higher People's Court of Hubei Province, the PRC (中華人民共和國湖北省高級人民法院) (the "Higher Court") which has been accepted to proceed. Up to the date of this report, there is no further update from the PRC Arbitration Commission and the Higher Court.

Based on the legal opinion of the Group's PRC legal advisors, the directors of the Company are of the opinion that the rulings of the arbitration and litigations are uncertain and might have a consequential effect on the amounts recorded in the Group's consolidated financial statements for the year ended 31 December 2013 and for the six months ended 30 June 2014.

22. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

(a) Significant transactions with related parties

		Six months ended 30 June	
	<i>Note</i>	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Commission charged by a related company	<i>(i)</i>	1,816	–
Logistics services fee charged by a related company	<i>(ii)</i>	2,346	2,617
Property management fee received from a joint venture	<i>(iii)</i>	1,827	1,825
Purchases of raw materials from a related company	<i>(iv)</i>	1,081	1,127
Rental expenses paid to the ultimate holding company	<i>(v)</i>	428	428
Rental income received from a related company	<i>(vi)</i>	–	544
		—————	—————

Notes:

- (i) On 20 January 2014, Like Top Corporation Limited, an indirect wholly-owned subsidiary of the Company, entered into the exclusive sourcing agent agreement to appoint Ecuamining Mineral S.A. ("Ecuamining Mineral"), as its exclusive sourcing agent of mineral concentrates or its related products in Ecuador for a term of two years. Ecuamining Mineral is a company incorporated in Ecuador and is ultimately owned as to 100% by Mr. Zhon Chu Jian He, the chairman, an executive director and a controlling shareholder of the Company.
- (ii) 滙源鋼鐵集團有限公司 (Lianyuan Steel Group Limited), being the holding company of the minority shareholder of Hunan Taiji, has beneficial interests in 湖南漣源物流有限公司 (Lianyuan Logistics Company Limited) ("Lianyuan Logistics"). As at the date of this report, Hunan Taiji and Lianyuan Logistics are still in negotiations for a new logistics services agreement in relation to the transportation of granulated steel slag for the year ending 31 December 2014. Prior to entering into of any new logistics services agreement, the terms under the logistics services agreement dated 25 November 2012 have been adopted and the logistics services fee was charged at RMB7.98 per ton (Value Added Tax (VAT) inclusive) and subject to adjustments upon change of government policy on fuel price and other related costs in the PRC.

22. RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties (continued)

Notes: (continued)

- (iii) The Group provided property management services to WPM. However, the term of the joint venture agreement of WPM expired on 29 December 2013. The Group has initiated legal actions against the PRC Partner, inter alia, requesting for rulings on the extension of the term of the joint venture to such a date no earlier than 28 September 2016. On 31 December 2013, the PRC Partner unilaterally terminated the 20-year lease agreement and took possession of the property and arranged its related company to takeover WPM's employees and consignment operators and continued operation in the property since 1 January 2014. The property management services fees were charged to the related company of the PRC Partner during the six months ended 30 June 2014. Details of the legal actions are set out in the note 21(d) to the condensed consolidated financial statements.
- (iv) Pursuant to the joint venture agreement dated 30 June 2006, the minority shareholder of Hunan Taiji procured 華菱澧源鋼鐵有限公司 (Hualing Steel Company Limited) ("Hualing Steel") to enter into the materials supply agreement with Hunan Taiji to supply granulated steel slag to Hunan Taiji at a unit price of RMB4 per ton (VAT inclusive). The unit material price was determined at the time of entering into the joint venture agreement to establish Hunan Taiji. As at the date of this report, Hunan Taiji and Hualing Steel are still in negotiations for a new supply agreement.
- (v) Rental expenses paid to the ultimate holding company and the monthly rentals were mutually agreed between the contracting parties.
- (vi) Rental income was received from a related company and the monthly rentals were mutually agreed between the contracting parties.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short-term employee benefits	1,161	1,379
Post-employment benefits	9	9
	1,170	1,388

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments for which fair value is measured or disclosed in the condensed consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 30 June 2014:				
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	683	–	–	683
– Listed equity investments (Elsewhere)	14,696	–	–	14,696
Convertible note – conversion option component (<i>Note</i>)	–	403	–	403
	15,379	403	–	15,782

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value (continued)

Note:

The fair value of the convertible note issued by the Group's associate was valued by an independent valuer as at 30 June 2014. The convertible note comprises a loan receivable component and conversion option component recognised at fair value through profit or loss. The fair value of the conversion option component was valued by using Binomial Option Pricing Model. The loan receivable component is carried at amortised cost. The major inputs used in the Binomial Option Pricing Model are stock price, risk-free rate, expected volatility and expected dividend yield. The stock price is the share price of the associate as of the valuation date. The risk-free rate was based on Australia Sovereign Bonds yields as at the valuation date. The expected volatility was based on historical volatilities of comparable companies' share prices as at the valuation date. The expected dividend yield was based on historical dividend trend and expected future dividend policy.

	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000
As at 31 December 2013:				
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	3,043	–	–	3,043
– Listed equity investments (Elsewhere)	11,252	–	–	11,252
– Unlisted investments (Elsewhere)	–	–	48,798	48,798
Convertible note – conversion option component	–	5,775	–	5,775
	14,295	5,775	48,798	68,868

During the six months ended 30 June 2014 and the year ended 31 December 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)***Fair value hierarchy** *(continued)***Assets for which fair values are disclosed**

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values:

	At 30 June 2014	
	Carrying amount (Unaudited) HK\$'000	Fair value (Unaudited) HK\$'000
Financial assets		
Convertible note – loan receivable component	16,502	18,921

The fair value of the loan receivable component above was included in the Level 3 category in the fair value hierarchy as at 30 June 2014 and has been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

24. EVENTS AFTER THE REPORTING PERIOD

On 14 July 2014 (of Ecuador time), the court in Ecuador formally issued the ruling that it rebutted the Group's request for land revaluation and reaffirmed the compensation offered by the Ecuadorian government authority of approximately USD8,725,240 to Profit Land Property Development PROLANDPRO S.A. (an indirect wholly-owned subsidiary of the Company) in view of the land expropriation. Profit Land Property Development PROLANDPRO S.A. started the process to obtain the compensation accordingly on 6 August 2014 (of Ecuador time). Details of which are set out in the Company's announcement dated 18 August 2014 and under the heading "Property investment and development – Investment properties in Ecuador" of the "Management Discussion and Analysis" section in this report. In this regard, the Group wrote down the investment properties in Ecuador of approximately USD8,074,760 (equivalent to approximately HK\$62,822,000) for the six months ended 30 June 2014 in respect of the land expropriation.

25. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2014, the Group recorded a revenue of approximately HK\$167,187,000 (six months ended 30 June 2013: HK\$44,610,000), surged significantly by 275% over the same period last year. It was mainly contributed from the trading of mineral concentrates segment. The consolidated loss attributable to owners of the Company was approximately HK\$80,545,000 for the six months ended 30 June 2014 while the consolidated profit attributable to the owners of the Company was approximately HK\$28,116,000 for the same period last year. The consolidated loss attributable to owners of the Company was mainly attributable to absence of share of results recognised from the Group's 49%-owned joint venture pending to the result of arbitration in an attempt to resolve the dispute on the term of the joint venture agreement and write down of the investment properties in Ecuador of approximately HK\$62,822,000 in respect of the land expropriation.

Operations Review and Prospects

Construction material business

During the period under review, the Group's indirect 60%-owned subsidiary engaged in manufacture and sale of slag powder business in the People's Republic of China (the "PRC"), Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"), recorded a turnover of approximately HK\$33,688,000 (six months ended 30 June 2013: HK\$46,322,000) and recorded a net loss of approximately HK\$808,000 (six months ended 30 June 2013: net profit of approximately HK\$2,743,000), representing a significant decrease of 27% and 129% respectively compared to the same period last year due to the reduction of granulated steel slag supply by its sole supplier.

On 16 October 2013, the Group filed an application for arbitration proceedings at China International Economics and Trade Arbitration Commission (the "PRC Arbitration Commission") against the minority shareholder of Hunan Taiji for failing to procure the supply of the requested quantity of granulated steel slag from the sole supplier to Hunan Taiji under the terms stipulated in the joint venture agreement. The Group also claims for damages arising from alleged breach of the joint venture agreement.

The outcome of the arbitration is still pending as at the date of this report. However, the sole supplier has continued to supply the granulated steel slag to Hunan Taiji since 1 January 2014 subject to and upon the similar terms of the written supply agreement for 2009. Currently, Hunan Taiji continues to carry out stringent cost control to minimise the impact on its operation under the current unfavorable conditions.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Operations Review and Prospects** *(continued)****Retail business in Wuhan***

The Group's 49%-owned joint venture, Wuhan Plaza Management Co., Ltd. ("WPM"), is still under disputes including the arbitration for rulings against the joint venturer, Wuhan Department Store Group Co., Ltd (the "PRC Partner") to extend the term of the joint venture agreement of WPM to such a date no earlier than 28 September 2016 and to claim for damages against the PRC Partner on the legitimate interests of the Group and WPM being jeopardised since the PRC Partner (also as landlord) unilaterally terminated the 20-year lease agreement and arranged its related company to continue operation in the property since 1 January 2014. Details of the arbitration and litigation are set out in note 21(d) to the condensed consolidated financial statements. Hence, no share of result of WPM was recognised for the period under review.

The Group is of the view that the outcome of the rulings is uncertain and might have a consequential effect on the amounts as recorded in the Group's financial statements for the year ended 31 December 2013 and for the period under review.

Property investment and development

During the period under review, this sector recorded gross rental income of approximately HK\$1,203,000 (six months ended 30 June 2013: HK\$1,227,000) and a loss of approximately HK\$61,892,000 (six months ended 30 June 2013: profit of approximately HK\$1,037,000).

Investment properties in Beijing

During the period under review, rental income was derived from the property leasing in Beijing, the PRC and amounted to approximately HK\$1,203,000 (six months ended 30 June 2013: HK\$1,227,000). Fair value gains of approximately HK\$3,660,000 (six months ended 30 June 2013: HK\$1,158,000) in respect of the revaluation of investment properties in Beijing was recorded for the period under review. The Group expects the investment properties currently held on hand will keep generating a stable rental income stream and capture potential appreciation.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Prospects *(continued)*

Property investment and development *(continued)*

Investment properties in Ecuador

Profit Land Property Development PROLANDPRO S.A. ("Profit Land"), the Group's wholly-owned subsidiary, completed the acquisition of a parcel of land in Ecuador with approximately 20,186 square meters at a consideration of United States dollar ("USD") 12,500,000 in March 2013 initially for property development purpose. In September 2013, an Ecuadorian government authority initiated land expropriation procedures for the reasons of public utility and national interest under the Ecuadorian laws. However, the Group rejected its initial offer because the management of the Group considered the offer was far below the market value of the land. In late 2013, a request for the land revaluation was lodged by the Group to the court in Ecuador. The fair value of the land as at 31 December 2013 was USD16,800,000 (equivalent to approximately HK\$130,704,000) with reference to an independent professional qualified valuer in Hong Kong.

On 14 July 2014 (of Ecuador time), the court in Ecuador formally issued the ruling that it rebutted the Group's request for land revaluation and reaffirmed the initial compensation of approximately USD8,725,240 offered by the Ecuadorian government authority. Profit Land submitted a request for clarification on the ruling to the court in Ecuador but it was subsequently rejected on 29 July 2014 (of Ecuador time). Profit Land formally filed the appeal against the ruling in the court in Ecuador on 30 July 2014 (of Ecuador time) but withdrew on 6 August 2014 (of Ecuador time) on the basis of the legal opinions from solicitors in Ecuador that it was highly unlikely to succeed in the said appeal. Profit Land has already started the process to obtain the compensation accordingly. Nevertheless, the Group is looking for alternative remedies in order to minimise the potential loss in respect of the land expropriation.

In this regard, the Group wrote down its investment properties in Ecuador of approximately USD8,074,760 (equivalent to approximately HK\$62,822,000) for the six months ended 30 June 2014 due to the land expropriation.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Operations Review and Prospects** *(continued)***Property investment and development** *(continued)**Property development in Peru*

During the period under review, Lima Junefield Plaza S.A.C., an indirect wholly-owned subsidiary of the Company in Peru, commenced presale of its residential project in Lima City of Peru. This project will provide 21 residential apartments with a gross saleable floor area of approximately 3,500 square meters and 5 units being sold during the period under review. The Group expects the construction of the whole project will be completed by the end of 2014 and sales will commence in the first half of 2015.

Property management and agency services business

During the period under review, the Group's property management and agency services business recorded a turnover of approximately HK\$9,341,000 (six months ended 30 June 2013: HK\$9,229,000). It achieved a net profit of approximately HK\$758,000 (six months ended 30 June 2013: HK\$976,000).

Securities investments

The Group has invested in listed securities in Hong Kong and overseas for trading and long term purposes. The securities investments held for trading recorded gain on change in fair value amounted to approximately HK\$3,377,000 (six months ended 30 June 2013: loss of approximately HK\$14,642,000) during the period under review.

During the period under review, the Group further subscribed 394,737 fully paid ordinary shares of Latin Resources Limited ("Latin Resources", a company listed on Australian Securities Exchange Limited) by placement. The Group currently holds 47,139,797 fully paid ordinary shares of Latin Resources, representing approximately 18.86% of its issued share capital as at 30 June 2014, for long term investment purpose. The Group equity accounted for the share of loss of approximately HK\$6,295,000 of Latin Resources in the condensed consolidated financial statements for the six months ended 30 June 2014. In addition, due to the volatile market conditions in the first half of 2014, the Group recognised a fair value loss of approximately HK\$5,373,000 over the conversion option component of the convertible note issued by Latin Resources during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Prospects *(continued)*

Trading of mineral concentrates business

In 2013, the Group commenced its trading of mineral concentrates business by exporting the mineral concentrates sourced from Ecuador to the customers in the PRC. During the period under review, the Group recorded a turnover of approximately HK\$119,578,000 (six months ended 30 June 2013: HK\$2,474,000) and a net profit of approximately HK\$7,738,000 (six months ended 30 June 2013: HK\$230,000) from this sector. In light of the growing demand for mineral concentrates in the PRC market and having well-established relationships with suppliers in Ecuador through its sourcing agent to secure stable supplies, the Group expects a stable growth of revenue and profit from this sector in the second half of 2014.

Prospects

Challenges and uncertainties continued in the first half of 2014. The Group's result and cash flow were inevitably affected by the existing unsettled legal disputes. In fact, the pending outcomes of the arbitrations on the extension of the term of the joint venture agreement of WPM and request rulings for resumption of supplying requested quantity of raw materials for Hunan Taiji's operation resulted in nil share of result of WPM was recorded and a loss was made by Hunan Taiji for the period under review respectively. Both businesses were former major profit contributors to the Group in the past. Outcomes of arbitrations are very important to the Group's financial and operational aspects. However, the Group is unable to estimate both time and possible outcome of final rulings at this stage. Meanwhile, the Group will follow up closely with the development of the aforesaid arbitrations and continue to pursue further negotiations with the counterparties involved with a view to achieving a settlement that is in the interest of the Group and its shareholders as a whole.

On the other hand, the Group will strengthen its other existing businesses including the trading of mineral concentrates and the residential project in Peru. In addition, the Group also expects that the preliminary production on part of its concession mines in Peru to be commenced in the fourth quarter of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Prospects *(continued)*

Prospects *(continued)*

Nevertheless, the Group will be cautious about looking for other investment opportunities. In addition, to further strengthen the financial position, the Group will also consider raising funds by suitable means when investment opportunities arise.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Venture

The Group had no material acquisition and disposal of subsidiaries, associated companies and joint venture during the period under review.

Liquidity and Financial Resources

As at 30 June 2014, the Group had net assets of approximately HK\$667,426,000 (31 December 2013: HK\$830,089,000) with total assets of approximately HK\$935,334,000 (31 December 2013: HK\$1,098,267,000) and total liabilities of approximately HK\$267,908,000 (31 December 2013: HK\$268,178,000). The current ratio of the Group, which equals to current assets divided by current liabilities, was 1.12 as at 30 June 2014 (31 December 2013: 1.51).

As at 30 June 2014, the Group had an outstanding bank borrowing of approximately HK\$60,684,000 (31 December 2013: HK\$80,912,000). The bank loan is unsecured, denominated in USD, interest-bearing at a rate of 3% above the bank's cost of funds per annum and was repayable for a term of 3 years or on demand. An unsecured other loan of approximately HK\$6,234,000 (31 December 2013: HK\$6,405,000) is denominated in Renminbi ("RMB") and interest-bearing at 9.5% per annum with no fixed term of repayment. The Group's bank balances and short term deposits which were mainly denominated in Hong Kong dollars, USD, RMB and Peruvian Soles, amounted to approximately HK\$54,552,000 as at 30 June 2014 (31 December 2013: HK\$85,494,000). The Group's gearing ratio, as a ratio of total interest-bearing borrowing and bank borrowing to total assets, was 0.07 as at 30 June 2014 (31 December 2013: 0.08).

The directors believe that the Group currently has sufficient financial resources for its operations. However, the Group will remain cautious in its liquidity management from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Capital Commitments

As at 30 June 2014 and 31 December 2013, the Group had no significant capital commitments.

Charge of Assets

The Group did not have any pledge or charge on assets as at 30 June 2014 (31 December 2013: Nil).

Outstanding Litigations

Details of outstanding litigations are shown in note 21 to the condensed consolidated financial statements.

Exchange Rate Exposure

During the period under review, the business activities of the Group were mainly denominated in Hong Kong dollars, RMB, USD and Peruvian Soles. The Board does not consider that the Group is significantly exposed to foreign currency exchange risk. For the six months ended 30 June 2014, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

Employee and Remuneration Policy

As at 30 June 2014, the Group had about 287 employees (six months ended 30 June 2013: 292) with the majority based in the PRC. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice. The remuneration policy and package of the Group's employees are periodically reviewed by the Company's Remuneration Committee and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

SUPPLEMENTARY INFORMATION**Directors' and Chief Executives' Interests in Securities**

As at 30 June 2014, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long position in shares

Name of director	Number of shares held	Percentage of the Company's issued share capital
Mr. Zhou Chu Jian He	697,837,417 (<i>Note</i>)	68.67
Mr. Lam Man Sum, Albert	1,700,000	0.17

Note: These 697,837,417 shares are held by Prime Century Investments Limited ("PCI"), a company wholly-owned by Junefield (Holdings) Limited ("JHL"). Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

SUPPLEMENTARY INFORMATION *(continued)*

Directors' and Chief Executives' Interests in Securities *(continued)*

(b) Long position in underlying shares – share options

The following directors of the Company have personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2014	Exercise price per share HK\$
			Balance as at 1 January 2014	Granted during the period	Exercised during the period		
Mr. Zhou Chu Jian He	6 July 2009	6 July 2009 – 5 July 2019	9,980,000	–	–	9,980,000	0.229
Mr. Liu Zhongsheng	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	–	5,000,000	0.229
Mr. Lam Man Sum, Albert	6 July 2009	6 July 2009 – 5 July 2019	3,300,000	–	–	3,300,000	0.229
			<u>18,280,000</u>	<u>–</u>	<u>–</u>	<u>18,280,000</u>	

Note: The cash consideration paid by each of the directors for the grant of share option is HK\$1.00.

Save as disclosed above, as at 30 June 2014, so far as is known to the directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

SUPPLEMENTARY INFORMATION *(continued)***Substantial Shareholders' Interests in Securities**

As at 30 June 2014, so far as is known to the directors and the chief executives of the Company, the interests or short positions of the persons (other than directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO are as follows:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
PCI <i>(Note)</i>	Directly beneficially owned	697,837,417	68.67
JHL <i>(Note)</i>	Through a controlled corporation	697,837,417	68.67

Note: These 697,837,417 shares are held by PCI, a company wholly-owned by JHL. Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

Save as disclosed above, as at 30 June 2014, the Company had not been notified of any person (other than the directors or chief executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

The Company adopted the current share option scheme (the "Share Option Scheme") at a special general meeting of the Company held on 29 June 2009 and terminated the former share option scheme at the same meeting.

The total number of shares available for issue (save for those granted but yet to be exercised) under the Share Option Scheme is 40,844,796 representing approximately 4% of the Company's issued share capital as at the date of this report.

SUPPLEMENTARY INFORMATION *(continued)*

Share Option Scheme *(continued)*

The principal terms of the Share Option Scheme have been set out in the 2013 annual report. During the period under review, details of the movements of the outstanding share options granted under the Share Option Scheme are as follows:

	Date of grant	Exercisable period	Number of share options				Balance as at 30 June 2014	Exercise price per share
			Balance as at 1 January 2014	Granted during the period <i>(Note 2)</i>	Exercised during the period	Lapsed during the period		
Directors <i>(Note 1)</i>			18,280,000	-	-	-	18,280,000	0.229
Other participants in aggregate	6 July 2009	6 July 2009 – 5 July 2019	25,700,000	-	(3,582,000)	(1,468,000)	20,650,000	0.229
			<u>43,980,000</u>	<u>-</u>	<u>(3,582,000)</u>	<u>(1,468,000)</u>	<u>38,930,000</u>	

HK\$

Notes:

1. Movements of the share options granted to the directors of the Company are shown under the section headed "Directors' and Chief Executives' Interests in Securities" of this report.
2. No share options have been granted during the six months ended 30 June 2014.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: HK1 cent per share declared).

Audit Committee

The Audit Committee was established on 10 November 1999, which comprises three independent non-executive directors, namely Mr. Lam Man Sum, Albert (chairman of the Audit Committee), Mr. Cao Kuangyu and Mr. Cheung Ka Wai. The Audit Committee has discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls (excluded the joint venture) and financial reporting matters. The Audit Committee has also reviewed and discussed with the management and auditors about the consolidated condensed financial statements of the Group for the six months ended 30 June 2014.

SUPPLEMENTARY INFORMATION *(continued)***Remuneration Committee**

The Remuneration Committee was established on 15 July 2005, which comprises three independent non-executive directors, namely Mr. Cheung Ka Wai (chairman of the Remuneration Committee), Mr. Lam Man Sum, Albert and Mr. Cao Kuangyu.

Nomination Committee

The Nomination Committee was established on 29 March 2013, which comprises two executive directors, namely Mr. Zhou Chu Jian He (chairman of the Nomination Committee) and Mr. Liu Zhongsheng, and three independent non-executive directors, namely Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai.

Corporate Governance Code

In the opinion of the directors, the Company had complied with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period under review, save as:

- Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 4 June 2014 (the "AGM") due to other business engagement. The Deputy Chairman of the Board and the Chairman of the Audit Committee were present at the AGM to answer the shareholders' questions.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the Model Code during the six months ended 30 June 2014.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

By Order of the Board
Zhou Chu Jian He
Chairman

Hong Kong, 28 August 2014