莊勝百貨集團有限公司

JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 758)

Annual Report 2015

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Brief Biographical Details of Directors	12
Report of the Directors	15
Corporate Governance Report	28
Independent Auditors' Report	38
Consolidated Statement of Profit or Loss	41
Consolidated Statement of Comprehensive Income	42
Consolidated Statement of Financial Position	43
Consolidated Statement of Changes in Equity	45
Consolidated Statement of Cash Flows	46
Notes to the Financial Statements	48
Particulars of Investment Properties	147
Particulars of Properties Under Development For Sale	147
Five Year Financial Summary	148

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He *(Chairman)*
Mr. Zhou Jianren
Mr. Xiang Xianhong
Mr. Lei Shuguang

NON-EXECUTIVE DIRECTOR

Mr. Jorge Edgar Jose Muñiz 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. 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Junefield Department Store Group Limited (the "Company"), I am pleased to announce the annual results of the Company together with its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

RESULTS

In 2015, the Group's revenue was approximately HK$316,791,000 for the year ended 31 December 2015, which slightly dropped by 11% over HK$354,757,000 as compared to the corresponding period of 2014. The consolidated loss attributable to owners of the Company was approximately HK$69,434,000 for the year ended 31 December 2015, which significantly decreased by 34% over HK$104,923,000 as compared to the corresponding period of 2014.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015.

BUSINESS REVIEW

During the year, the Group's businesses in the People's Republic of China ("PRC") were still disrupted by legal disputes. After taking into careful considerations, the Group disposed its entire investments in Wuhan, the PRC through Huaxia Group Limited together with its subsidiaries and associate ("Huaxia Target Group"). The share of interest in the associate, Wuhan Plaza Management Co., Ltd. ("WPM"), constituted a significant part of the net assets of Huaxia Target Group and was also a major profit contributor to the Group in the past. Following with termination of business operation of WPM since 1 January 2014, the profit attributable to the Group was substantially affected while Huaxia Target Group is also subject to various litigation proceedings. The disposal allowed the Group to exit from Huaxia Target Group's ongoing litigation issues and discharge the need for incurring increased legal and administrative costs and disclosure obligation. On the other hand, upon the disposal's completion on 18 February 2016, it provided immediate cash return to the Company's shareholders by distributing a special dividend.

In respect of the Group's 60%-owned subsidiary, Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"), engaged in the manufacture and sale of slag powder business in Hunan Province, the PRC, its minority shareholder failed to procure the supply of raw materials for production from the sole supplier even the China International Economics and Trade Arbitration Commission ruled that it should continue to honour its contractual obligations stipulated under the joint venture agreement and liable to pay the Group a compensation in January 2015. The Group subsequently pursued for further arbitration actions against the minority shareholder to protect its interests, however the minority shareholder has still failed to follow. Unfortunately, the sole supplier served

CHAIRMAN'S STATEMENT

BUSINESS REVIEW (continued)

a notice to Hunan Taiji to suspend the supply of raw materials from 1 March 2016. The Group expects the production will sustain with its current stock of raw materials on hand till the end of March 2016. Currently, the Group continues to negotiate with the minority shareholder and local authorities for a feasible solution of the supply suspension but no agreement has been reached up to the date of this annual report.

In 2015, part of the Group's concession mines in Peru commenced production and sales of approximately HK$7,557,000 from the sale of coal was recognised during the year. The sales proceeds from the residential property development project in Peru is expected to be recognised in 2016.

FUTURE OUTLOOK

Following with the completion of the disposal of Huaxia Target Group in February 2016, the Group is no longer engaged in the property management and agency business in Wuhan and owned the share of interest in WPM which constituted a significant part of the Group's consolidated statement of financial position in the past. The Board considers that the disposal presents a good opportunity for the Group to deliver to shareholders of the Company immediate cash return, in the form of the distribution of the special dividend of HK$0.1855 per share of the Company and at the same time, the Group has discharged from its legal proceedings of Huaxia Target Group and the need for incurring additional administrative costs and disclosure obligation regarding such litigations. Hence, the Group will be able to reallocate its resources to focus and develop other business segments with better potential and prospects.

Currently, the Group is following up closely with the development of the suspension of the supply of raw materials for operation and pending arbitrations in respect of Hunan Taiji and pursuing further negotiations with the counterparties involved and expects to achieve a feasible solution that will be in the interest of the Group and its shareholders as a whole within a short period of time.

In addition, the Group will also consider raising funds by suitable means when investment opportunities arise.

APPRECIATION

I would like to take this opportunity to express my gratitude to all our shareholders, fellow directors, customers, suppliers, business associates and staff for their continuing support.

Zhou Chu Jian He
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year under review, the Group recorded a revenue of approximately HK$316,791,000 which slightly dropped by 11% over HK$354,757,000 as compared to the last year under review. It was mainly contributed from the Group's trading of mineral concentrates segment and sale of construction materials segment.

The consolidated loss attributable to owners of the Company was approximately HK$69,434,000 for the year under review which significantly decreased by 34% over HK$104,923,000 as compared to the last year under review mainly attributable to the one-off write down of the investment properties in Ecuador of approximately HK$62,822,000 in respect of the land expropriation in 2014. The loss attributable to owners of the Company for the year under review mainly attributable to (i) impairment loss on other intangible assets; (ii) loss arising from redemption of convertible note and conversion into available-for-sale investment; (iii) the impairment loss of available-for-sale investment and (iv) foreign currency exchange losses.

OPERATIONS REVIEW AND PROSPECTS

CONSTRUCTION MATERIAL BUSINESS

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$58,294,000 (2014: HK$86,452,000) and loss of approximately HK$17,863,000 (2014: profit of approximately HK$4,972,000) respectively during the year under review, representing significant decreases of 33% and 459% respectively compared to last year under review. This is mainly due to the continuing shortage in supply of the granulated steel slag for production ("Steel Slag Supply") by its sole supplier and impairment loss on the supplier's contract of approximately HK$10,978,000 (2014: Nil) recognised in the consolidated statement of profit or loss for the year under review.

In January 2015, the China International Economics and Trade Arbitration Commission ("Arbitration Commission") ruled that the minority shareholder of Hunan Taiji shall continue to honour its obligations by procuring the stipulated quantity of the Steel Slag Supply in accordance with the joint venture agreement and shall liable to pay the Group a compensation of approximately RMB13,850,000 (equivalent to approximately HK$16,342,000) for the shortfall in the Steel Slag Supply for the period from 1 January 2011 to 31 August 2013. Notwithstanding to the above, the minority shareholder failed to procure the Steel Slag Supply from its sole supplier and pay the compensation. The minority shareholder of Hunan Taiji also latterly applied to the court for a set aside for the said ruling but was subsequently withdrawn for retrial by the court. To safeguard the interests of the Group, the Group further applied to the Arbitration Commission for requesting the compensation arisen from the shortfall in the Steel Slag Supply of the period from 1 September 2013 to 30 September 2015 (the "Second Application").

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND PROSPECTS (continued)

CONSTRUCTION MATERIAL BUSINESS (continued)

Subsequently, the sole supplier served a notice to Hunan Taiji on 26 February 2016 to suspend the Steel Slag Supply from 1 March 2016. On 17 March 2016, the Arbitration Commission served a notice to the Group to suspend the Second Application. Details of the aforesaid arbitrations and the suspension of Second Application are set out in notes 39(d), 44(c) and 44(d) to the financial statements.

Currently, the Group is negotiating with the minority shareholder, the sole supplier and local authorities to resume the Steel Slag Supply and seeking legal advices from its PRC legal advisors.

PROPERTY MANAGEMENT AND AGENCY SERVICES BUSINESS AND RETAIL BUSINESS IN WUHAN

The business operations of the Group in Wuhan, the PRC was held by Huaxia Group Limited. Such operations were principally engaged in the provision of property management and agency services through Wuhan Huaxin Management Ltd ("WHM", a former indirect 51%-owned subsidiary of the Company) and a retail business operated through a former 49%-owned associate, Wuhan Plaza Management Co., Ltd. ("WPM").

During the year under review, the performance of the Group's property management and agency services business was stable. It recorded a turnover and net profit of approximately HK$18,103,000 (2014: HK$18,983,000) and HK$1,463,000 (2014: HK$1,926,000) respectively.

Since the joint venture agreement expired on 29 December 2013 and mandatory dissolution is currently undergoing according to a civil ruling issued by the Intermediate People's Court of Wuhan City, Hubei Province the PRC（中國湖北省武漢市中級人民法院）in January 2015, WPM terminated its operation.

Meanwhile, the claims for damages made by the Group at the Higher People's Court of Hubei Province, the PRC（中國湖北省高級人民法院）(the "Higher Court") against the joint venturer, Wuhan Department Store Group Co., Ltd (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 leased property since 1 January 2014 is still undergoing.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND PROSPECTS (continued)

PROPERTY MANAGEMENT AND AGENCY SERVICES BUSINESS AND RETAIL BUSINESS IN WUHAN (continued)

On 10 December 2015, the Company entered into an agreement to dispose the entire issued share capital of its wholly-owned subsidiary, Huaxia Group Limited and hence the Group is currently no longer to have operations in Wuhan, the PRC. Both the carrying value and financial results of Huaxia Group Limited included WHM and WPM will be removed from the consolidated financial statements of the Group for the financial year ending 31 December 2016 upon completion of the disposal on 18 February 2016 (the "Disposal") except for the purchaser has undertaken to the Company that in the event that the judgement in respect of the above pending litigation is awarded by the Higher Count in favour of International Management Company Limited (the Company's former indirect wholly-owned subsidiary) within 18 months since 18 February 2016, the purchaser shall reimburse the amount awarded by the Higher Court after deducting related expenses. Details of the Disposal and pending litigations of Huaxia Group Limited are set out in the section headed "Major Disposal" and note 39 to the financial statements.

PROPERTY INVESTMENT AND DEVELOPMENT

Investment properties in Beijing

During the year under review, the rental income from property leasing in Beijing, the PRC was approximately HK$3,383,000 (2014: HK$2,738,000), representing an increase of 24% over last year under review. It also recorded fair value gains of approximately HK$2,895,000 (2014: HK$6,610,000) in respect of the revaluation of investment properties and resulted in a profit of approximately HK$3,435,000 (2014: HK$5,805,000), representing a significant decrease of 41% over 2014. The Group expects the investment properties in Beijing currently held on hand will keep generating a stable rental income stream and capture potential appreciation.

Property development in Peru

Lima Junefield Plaza S.A.C., an indirect wholly-owned subsidiary of the Company in Peru, has completed its residential project in Lima City of Peru in 2015 and the local authority in Peru has already granted the title documents of the residential project in January 2016. As a result, the sales proceeds would be recognised as sales in year 2016. Currently, there were 15 units sold with sales proceeds of approximately HK$23,967,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND PROSPECTS (continued)

SECURITIES INVESTMENTS

The Group has invested in listed securities in Hong Kong and overseas for trading and long term purposes. Under current volatile worldwide stock market, the Group's securities investments held for trading recorded fair value losses of approximately HK$4,109,000 (2014: gains of approximately HK$423,000) during the year under review.

The Group's investment in Latin Resources Limited ("LRS", a company listed on Australian Securities Exchange Limited) is intended for a long term purposes and it held 142,784,997 fully paid ordinary shares of LRS, representing approximately 16% of its issued share capital at 31 December 2015. During the year under review, the Group reclassified the investment in LRS from an associate to available-for-sale investment following the resignation of Mr. Liu Zhongsheng (former executive director and chief executive officer of the Company) as non-executive director of LRS in May 2015. This resulted in only four months' share of loss of LRS of approximately HK$967,000 was recognised in the consolidated statement of profit and loss for the year under review. In July 2015, the convertible note issued by LRS (the "LRS Convertible Note") to the Group originally with a principal of Australian dollars ("AUD") 2.5 million at a coupon rate of 12% per annum matured. The Group reached a final agreement with LRS to settle the convertible note by: (i) cash repayment of AUD400,000, (ii) entering into a new loan agreement of AUD500,000 for 18 months at an interest rate of 12% per annum; and (iii) conversion of the remaining balance of AUD1.6 million plus accrued interests up to 27 August 2015 to ordinary shares of LRS at AUD0.02 per share.

In respect of the investment in LRS, the Group recognised (i) loss arising from redemption of convertible note and conversion into available-for-sale investment of approximately HK$6,893,000; (ii) a fair value loss of approximately HK$4,000 over the conversion option component of the LRS Convertible Note; (iii) impairment loss of approximately HK$1,956,000 of LRS as available-for-sale investment due to decline in market value as at 31 December 2015; (iv) fair value gain of approximately HK$156,000 on 27,500,000 share options granted by LRS; and (v) gain on reclassification of investment in an associate to available-for-sale investment of approximately HK$559,000, in the consolidated statement of profit or loss for the year under review.

TRADING OF MINERAL CONCENTRATES BUSINESS

The trading of mineral concentrates business segment principally operates by sourcing mineral concentrates mainly from Ecuador and exporting them to the PRC customers. During the year under review, this segment recorded a turnover of approximately HK$233,563,000 (2014: HK$246,161,000) and a net profit of approximately HK$6,546,000 (2014: HK$14,283,000), representing decreases of 5% and 54% respectively. Apart from the demand for mineral concentrates is slowing down as the economy in the PRC market has been decelerating, the global quoted prices for mineral concentrates have also been dropping since 2015. The Group expects the revenue and profit from this business segment will be inevitably affected in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND PROSPECTS (continued)

COAL MINING BUSINESS

During the year under review, the Group commenced the production in one of its coal mines in Peru. This segment recorded a turnover of approximately HK$7,557,000 and a net loss of approximately HK$11,446,000. Having carried out feasible study on all exploration projects in Peru, the Group determined to surrender certain exploration permits of its exploration projects in view of their infavourable future prospect and an aggregate carrying amount of exploration and evaluation assets of approximately HK$2,653,000 were written off to the consolidated statement of profit or loss for the year under review.

MATERIAL DISPOSAL

On 10 December 2015, the Company entered into an agreement with its immediate holding company, Prime Century Investments Limited, to dispose the entire issued share capital of its wholly-owned subsidiary, Huaxia Group Limited, together with the shareholder's loan at an aggregate consideration of HK$218,000,000, subject to adjustment. The Disposal constituted a major transaction and connected transaction under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It was approved by independent shareholders of the Company at a special general meeting held on 29 January 2016. Details of this major transaction and connected transaction are set out in the Company's circular dated 7 January 2016. The Disposal was duly completed on 18 February 2016 and the final consideration was approximately HK$219,399,000.

Saved as disclosed above, the Group had no other material acquisition and disposal of subsidiaries, associated companies and joint venture during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had net assets of approximately HK$592,079,000 (2014: HK$687,552,000) with total assets of approximately HK$798,749,000 (2014: HK$922,807,000) and total liabilities of approximately HK$206,670,000 (2014: HK$235,255,000). The Group's current ratio, which equals to current assets divided by current liabilities, was 1.42 (2014: 1.49).

As at 31 December 2015, the Group had an unsecured other loan of approximately HK$6,241,000 (2014: HK$6,234,000) which is denominated in Renminbi ("RMB") and interest-bearing at 9.5% per annum and repayable on demand. The Group's cash and bank balances and short term deposits which were mainly denominated in Hong Kong dollars, United States dollars ("USD"), RMB and Peruvian Soles ("Soles"), amounted to approximately HK$45,558,000 as at 31 December 2015 (2014: HK$54,721,000). The Group's gearing ratio, as a ratio of total interest-bearing borrowing to total assets as at 31 December 2015, was 0.01 (2014: 0.01).

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

BANKING FACILITIES

As at 31 December 2015, the Group had aggregate banking facilities of approximately HK$13,348,000, of which approximately HK$11,397,000 had not been utilised.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitments contracted but not provided for in relation to the purchase of property, plant and equipment amounting to approximately HK$1,444,000 (31 December 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

As at 31 December 2015, the Group had its properties under development for sale pledged as security for banking facilities. Details of charge of assets are shown in note 20 to the financial statements.

OUTSTANDING LITIGATIONS

Details of outstanding litigations are set out in note 39 to the financial statements.

EXCHANGE RATE EXPOSURE

During the year under review, the business activities of the Group were mainly denominated in Hong Kong dollars, RMB, USD and Soles. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. For the year ended 31 December 2015, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the Group had about 285 employees (2014: 276 employees) 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 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 individual performance.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He, aged 52, has been the Chairman and an executive director of the Company since October 2003 and also the chairman of nomination committee of the Company. Mr. Zhou acted as the Managing Director of the Company from 2003 to 2005. He is also currently the president of Junefield (Holdings) Limited ("JHL", the ultimate holding company of the Group) and is responsible for the overall business of JHL. Mr. Zhou serves as a member of the Beijing Committee of the People's Political Consultative Conference（中國人民政治協商會議北京委員會）in the People's Republic of China (the "PRC"). Mr. Zhou has extensive experience in managing property development companies and in operating department stores in the PRC. Mr. Zhou also acts as a director of certain investments of the Company. Mr. Zhou is the brother of Mr. Zhou Jianren.

Mr. Zhou Jianren, aged 57, has been an executive director of the Company since July 2014. Mr. Zhou is the elder brother of Mr. Zhou Chu Jian He, the Chairman and an executive director of the Company. He is also currently the director and vice president of JHL and is responsible for the business of JHL. Mr. Zhou has more than 30 years of experience in international trading. Mr. Zhou also acts as a director of certain subsidiaries of the Company.

Mr. Xiang Xianhong, aged 51, has been an executive director of the Company since November 2011. Mr. Xiang had been the general manager of Beijing Junefield Sogo Department Store and currently acts as its president since January 2016. Mr. Xiang has extensive experience in education, corporate management, real estates, retail and department store sectors. Mr. Xiang holds a Master Degree in Engineering Science from the Hua Zhong University of Science and Technology, the PRC and obtained a certificate of senior technical qualification from the Ministry of Railways, the PRC. Mr. Xiang also acts as a director and a member of dissolution committee of the indirect 49%-owned former associate and certain subsidiaries of the Company.

Mr. Lei Shuguang, aged 52, has been an executive director of the Company since November 2011 and is currently the general manager of Beijing Junefield Real Estate Development Co., Ltd. (indirectly-owned as to 55% by Mr. Zhou Chu Jian He, the Chairman and the controlling shareholder of the Company). Mr. Lei has extensive experience in financial management, auditing, energy engineering and real estates industries. Mr. Lei holds a Master Degree in Business Administration from the China Europe International Business School, the PRC, and has completed the national audit examination of the National Audit Office of the PRC. Mr. Lei also acts as a director of an indirect subsidiary of the Company.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Jorge Edgar Jose Muñiz Ziches, aged 63, has been a non-executive director of the Company since December 2011. He obtained his Bachelor Degree in Laws from the Pontificial Catholic University of Peru in 1976. He is currently a Peruvian practising solicitor and is a founding partner and major partner of Estudio Muñiz, Ramirez, Perez-Taiman & Olaya Abogados, a solicitor firm in Peru. He has extensive experience in the Peruvian legal industry and is specialised in commercial law, banking and intellectual property. Mr. Muñiz Ziches had a few key appointments with the Ministry of Justice in Peru in relation to the law reform and legislation and was a member of the Peruvian Congress. He is currently the Peruvian legal consultant of JHL and, before his appointment, had provided independent legal services to an indirect wholly-owned subsidiary of the Company in Peru.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Man Sum, Albert, aged 60, has been an independent non-executive director of the Company since September 2004 and is the chairman of the audit committee; and a member of each of the remuneration committee and nomination committee of the Company. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants as well as a member of the Hong Kong Securities Institute, Society of Chinese Accountants & Auditors, Australia • New Zealand Institute of Chartered Accountants, Taxation Institute of Hong Kong and Certified Tax Adviser. Mr. Lam is currently an independent non-executive director of Dragonite International Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and head of department in Southwest Securities International Securities Limited since 1 January 2016. Mr. Lam was the shareholder and director of Hopkins CPA Limited and was the proprietor of Albert Lam & Co. CPA. Mr. Lam holds a Bachelor Degree in Arts (Economics) from the University of Manchester, the United Kingdom.

Mr. Cao Kuangyu, aged 65, has been an independent non-executive director of the Company since January 2013 and is a member of each of the audit committee, remuneration committee and nomination committee. Mr. Cao holds a Bachelor Degree in Economics from Hunan University and a Master Degree in Financial Management from the University of London. He has over 30 years of experience in the banking industry. Mr. Cao worked in the Bank of China, Hunan branch from 1981 to 1996 and his last position was the deputy general manager of the branch. In 1996, Mr. Cao was transferred to the Singapore branch of Bank of China as deputy general manager until 1999. Mr. Cao also worked in Citic Bank, Shenzhen branch from 1999 to 2003 and his last position was the president of the branch. Mr. Cao came to Hong Kong in 2003 when he worked as managing director, head of global investment banking division of BOCI Asia Limited until 2007.

Mr. Cao is currently an independent non-executive director of Dongwu Cement International Limited, Huili Resources (Group) Limited, New Silkroad Culturaltainment Limited (Formerly known as "JLF Investment Company Limited") and Dingyi Group Investment Limited, all of which are companies listed on the Stock Exchange.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Cheung Ka Wai, aged 58, has been an independent non-executive director of the Company since March 2013 and is the chairman of the remuneration committee and a member of each of the audit committee and nomination committee. Mr. Cheung holds a Bachelor Degree in Economics and a Bachelor Degree in Law from the University of Hong Kong. He also holds two Masters Degrees respectively in Public Administration and in Laws from the University of Hong Kong. Mr. Cheung has worked in various government departments for 12 years, and has over 20 years in the practice of company law and civil litigation matters. Currently Mr. Cheung is the senior partner of Messrs. Kelvin Cheung & Co., Solicitors & Notaries. Mr. Cheung and his law firm have been the legal advisors of a number of companies listed on the Stock Exchange, asset fund management firms and non-profit making organizations and charities in Hong Kong.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") present their report together with the audited financial statements of the Company together with its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 1 to the financial statements. Details of the Group's associates as at and for the year ended 31 December 2015 are set out in note 17 to the financial statements.

An analysis of the Group's turnover and results by operating segments are set out in note 4 to the financial statements.

On 10 December 2015, the Company entered into an agreement to dispose of the entire share capital of Huaxia Group Limited, a direct wholly-owned subsidiary of the Company, together with its subsidiaries and associate ("Huaxia Target Group"). The Huaxia Target Group was principally engaged in the property management and agency business in Wuhan, the People's Republic of China ("PRC"). The disposal was duly completed on 18 February 2016.

KEY FINANCIAL AND BUSINESS PERFORMANCE INDICATORS

The key financial and business performance indicators comprise profitability growth and gearing ratio. Details of profitability analysis are set out in the section headed "Management Discussion and Analysis" of this annual report. The Group's gearing ratio, as a ratio of total interest-bearing borrowing to total assets, was 0.01 (2014: 0.01). The Group will remain cautious in its liquidity management and maintain a balance between business development and risk management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a good standard of corporate social governance essential for creating a framework for motivating employees, and contributes to the community to meet our corporate and business of the objectives of the Group. The Group also implemented energy saving practices in offices where applicable.

REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the revised Hong Kong Financial Reporting Standards. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group intends to reward and recognise performing employees by providing a competitive remuneration package and to promote career development and provide opportunities within the Group for career advancement. The Group encourages employees participation of external seminars and lectures to keep abreast of changes and updates on areas of industrial, legal, compliance, financial accounting and tax knowledge. The Group also encourages continuous professional development training for the directors to develop and refresh their knowledge and skills which includes seminars, updates on regulatory requirements and development and corporate governance practices.

The Group places high priority on maintaining good and long-term relationships with our customers and suppliers to ensure efficient delivery of products and services and smooth procurement process respectively.

The Group recognises the importance to protect the interests of shareholders and the importance of having communication with them from time to time through annual general meetings, corporate communications, interim and annual reports and results announcements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of its responsibility of risk management to various operational departments.

REPORT OF THE DIRECTORS

FUTURE BUSINESS DEVELOPMENT

Following with the completion of the disposal of Huaxia Target Group in February 2016, the Group is no longer engaged in the property management and agency services business in Wuhan whilst the Group has also discharged from its legal proceedings of Huaxia Target Group and the need for incurring additional administrative costs and disclosure obligation regarding such litigations. In the coming future, the Group will be able to reallocate its resources to focus and develop other business segments with better potential and prospects.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group as at 31 December 2015 are set out in the consolidated financial statements on pages 41 to 146.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 82% of the total turnover for the year and sales to the largest customer included therein accounted for 74%. Purchases from the Group's five largest suppliers accounted for 34% of the total purchases for the year and purchases from the largest supplier included therein accounted for 9%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five customers and suppliers during the year ended 31 December 2015.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 33 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution amounted to approximately HK$269,019,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme described below, the Group has not entered into any equity-linked agreements during the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 148.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He *(Chairman)*
Mr. Zhou Jianren
Mr. Xiang Xianhong
Mr. Lei Shuguang
Mr. Liu Zhongsheng *(Chief Executive Officer)* (resigned on 15 March 2015)

NON-EXECUTIVE DIRECTOR

Mr. Jorge Edgar Jose Muñiz Ziches

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Man Sum, Albert
Mr. Cao Kuangyu
Mr. Cheung Ka Wai

In accordance with the Company's bye-law 87, Mr. Xiang Xianhong, Mr. Lei Shuguang and Mr. Cheung Ka Wai will retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors of the Company are set out on pages 12 to 14 of this annual report.

REPORT OF THE DIRECTORS

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

In January 2016, Mr. Xiang Xianhong, an executive director of the Company, was appointed as president of Beijing Junefield Sogo Department Store and Mr. Lam Man Sum, Albert, an independent non-executive director of the Company, was appointed head of department in Southwest Securities International Securities Limited.

DIRECTORS' SERVICE CONTRACTS

Each Director entered into a service agreement with the Company for a term of two years, which may be terminated by either party giving not less than one month's notice in writing.

None of the directors of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensations). Details of directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Material Disposal" and "Continuing Connected Transactions" on pages 9 and 22 respectively of the annual report and note 40 to the financial statements, no director of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies and subsidiaries was a party during the year under review.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the Company.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

A share option scheme was adopted pursuant to the written resolutions passed by the shareholders of the Company on 29 June 2009 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives to eligible participants who contribute to the success of the Group's operations. Further details of the Share Option Scheme are set out in note 34 to the financial statements.

During the year under review, details of the movements of the outstanding share options granted under the Share Option Scheme are as follows:

			Number of share options					
	Date of grant	**Exercisable period**	**Balance as at 1 January 2015**	**Granted during the year** (Note 2)	**Exercised during the year**	**Reclassified during the year** (Note 3)	**Balance as at 31 December 2015**	**Exercise price per share** HK$
Directors (Note 1)			18,280,000	–	–	(5,000,000)	13,280,000	0.229
Other participants in aggregate	6 July 2009	6 July 2009 – 5 July 2019	17,200,000	–	(1,200,000)	5,000,000	21,000,000	0.229
			35,480,000	–	(1,200,000)	–	34,280,000	

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" on page 24 of this annual report.

2. No share options have been granted during the year ended 31 December 2015.

3. 5,000,000 share options have been reclassified under the category "Other participants" following Mr. Liu Zhongsheng's resignation on 15 March 2015.

4. The weighted average closing price of the securities immediately before the dates on which the share options were exercised during the year ended 31 December 2015 was approximately HK$0.44 per share (2014: HK$0.32 per share).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Group during the year ended 31 December 2015 (collectively the "2015 Continuing Connected Transactions") subject to annual review requirements pursuant to the Listing Rules are set out below:

1. 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. Zhou Chu Jian He, the Chairman, an executive director and a controlling shareholder of the Company. Therefore, Ecuamining Mineral is a connected person of the Company under the Listing Rules and the transaction under the aforesaid agreement constituted a continuing connected transaction of the Group, details of which are set out in the Company's announcement dated 20 January 2014.

   During the year ended 31 December 2015, the commission charged by Ecuamining Mineral amounted to approximately HK$3,964,000.

2. Lianyuan Logistics Co., Ltd. ("Lianyuan Logistics") agreed to provide logistics services to Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji") on a continuous basis for the transportation of granulated steel slag at RMB7.98 per ton (Value Added Tax ("VAT") inclusive) (subject to adjustments upon change of government policy on fuel price and other related costs in the PRC). During the year under review, the terms for the services of transportation of granulated steel slag (the "Logistics Transaction") were the same under the former logistics service agreement entered into on 25 November 2012. Lianyuan Logistics is a connected person of the Company under the Listing Rules and therefore the Logistics Transaction constituted a continuing connected transaction of the Group, details of which as well as the wavier application are set out in the Company's announcements dated 27 May 2014 and 7 August 2014.

   During the year ended 31 December 2015, the logistics services fee charged by Lianyuan Logistics amounted to approximately HK$4,537,000 (VAT inclusive) or HK$4,088,000 (VAT exclusive).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (continued)

3. Hunan Taiji purchased granulated steel slag from Hualing Steel Co., Ltd. ("Hualing Steel") for its production. During the year under review, the terms for the supply of granulated steel slag were same under the supply agreement made between Hunan Taiji and Hualing Steel on 26 December 2008. Hualing Steel is a connected person of the Company under the Listing Rules and therefore the transaction of supply of the granulated steel slag constituted a continuing connected transaction of the Group, details of which as well as the wavier application are set out in the Company's announcement dated 7 August 2014.

   During the year ended 31 December 2015, the purchases amounted to approximately HK$2,375,000 (VAT inclusive) or HK$2,030,000 (VAT exclusive).

The Company's auditors were engaged to report on the 2015 Continuing Connected Transactions entered into by the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditors have issued their unqualified letter containing their findings and conclusions in respect of the 2015 Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules.

The independent non-executive directors of the Company have reviewed the 2015 Continuing Connected Transactions and confirmed that the 2015 Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Significant related party transactions entered by the Group with parties regarded as "Related Parties" under applicable accounting principles for the year ended 31 December 2015 (but did not fall under Chapter 14A of the Listing Rules) are set out in note 40 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2015, 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 ("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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("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	(Note)	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.

(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:

			Number of share options					
Name	Date of grant	Exercisable period	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Reclassified during the year (Note 2)	Balance as at 31 December 2015	Exercise price per share HK$
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 (resigned on 15 March 2015)	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
			18,280,000	–	–	(5,000,000)	13,280,000	

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(continued)

(b) LONG POSITION IN UNDERLYING SHARES – SHARE OPTIONS (continued)

Notes:

1. The cash consideration paid by each of the directors for the grant of share option is HK$1.

2. 5,000,000 share options have been reclassified under the category "Other participants" on page 21 of this annual report following Mr. Liu Zhongsheng's resignation on 15 March 2015.

Save as disclosed above, as at 31 December 2015, so far as is known to the directors and 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, so far as is known to the directors and 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 were as follows:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
PCI (Note)	Directly beneficially owned	697,837,417	68.67%
JHL (Note)	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 31 December 2015, 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.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, during the year ended 31 December 2015, the following director of the Company was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Zhou Chu Jian He, the Chairman and the substantial shareholder of the Company, currently engages in businesses including property management and agency services, properties investment, retail business, mineral exploitation and related investment through a number of private companies (collectively the "Private Group").

In the event that there are transactions between the Private Group and the Group, Mr. Zhou Chu Jian He, as and when required under the Company's bye-laws, will abstain from voting on any board resolution in respect of any contract, arrangement, or proposal in which he or any of his close associates has a material interest.

As the Board is independent from the board of directors of the Private Group and maintains no less than three independent non-executive directors, the Group is capable of carrying on its businesses independently of, and at an arm's length from, the businesses of the Private Group.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 44 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, at least 25% of the total issued share capital of the Company was held by the public as required under the Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out on pages 28 to 37 of this annual report.

AUDITORS

The financial statements for the year ended 31 December 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. There has been no other change in the auditors of the Company in any of the preceding three years.

ON BEHALF OF THE BOARD

Zhou Chu Jian He
Chairman

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good standard of corporate governance practices. The Company has adopted all the code provisions (the "Code Provisions") as stated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the year under review and up to the date of this annual report, the Company has complied with all the Code Provisions as set out in Appendix 14 to the Listing Rules except for the following deviation:

– 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 of the Company did not attend the annual general meeting of the Company held on 8 June 2015 ("AGM") due to other business engagement. The Executive Directors, the chairman of the Audit Committee and the chairman of the Remuneration Committee were present at the AGM to answer the shareholders' questions.

– Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. After the resignation of Mr. Liu Zhongsheng as Chief Executive Officer of the Company with effect from 15 March 2015, the roles of chairman and chief executive officer are currently performed by Mr. Zhou Chu Jian He, the Chairman of the Board. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss operation issues of the Group.

– Under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. Following the expiry of the services contract of Mr. Liu Zhongsheng (a former executive director of the Company) on 10 March 2015, the Company did not have a new services contract for him due to the fact that he was considering his resignation as director effective on 15 March 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the Directors' securities transactions. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2015 after specific enquiry.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently comprises eight Directors and is of the opinion that it has a balance of skill and experience based on the following composition:

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He *(Chairman)*
Mr. Zhou Jianren
Mr. Xiang Xianhong
Mr. Lei Shuguang

NON-EXECUTIVE DIRECTOR

Mr. Jorge Edgar Jose Muñiz Ziches

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Man Sum, Albert
Mr. Cao Kuangyu
Mr. Cheung Ka Wai

At least one of the Independent Non-Executive Directors possess appropriate professional qualification and/or experience in accounting and/or related financial management expertise. Throughout the year ended 31 December 2015, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules. Each Non-Executive Director or Independent Non-Executive Director has entered into a service contract with the Company for a period of two years until terminated in accordance with the terms and conditions specified therein.

The brief biographical details of each Director are set out on pages 12 to 14 of this annual report. Save as disclosed above, there are no other relationship (including financial, business, family or other material or relevant relationships) among members of the Board.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The regular Board meetings are scheduled to be held at least four times a year at approximately quarterly intervals and additional meetings are held as and when the Board thinks appropriate. Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of Directors. During the year, the Board held four regular Board meetings. Details of Directors' attendance at the Board meetings, committee meetings and the AGM are set out below:

	Meetings Attended/Held					
Directors	**Regular Board Meeting**	**Other Board Meeting**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AGM**
Executive Directors						
Mr. Zhou Chu Jian He	3/4	1/1	–	0/1	–	0/1
Mr. Zhou Jianren	4/4	1/1	–	–	–	1/1
Mr. Xiang Xianhong	4/4	1/1	–	–	–	1/1
Mr. Lei Shuguang	4/4	1/1	–	–	–	1/1
Mr. Liu Zhongsheng (resigned on 15 March 2015)	–	–	–	–	–	–
Non-Executive Director						
Mr. Jorge Edgar Jose Muñiz Ziches	3/4	0/1	–	–	–	0/1
Independent Non-Executive Directors						
Mr. Lam Man Sum, Albert	4/4	0/1	2/2	1/1	1/1	1/1
Mr. Cao Kuangyu	3/4	1/1	2/2	0/1	1/1	0/1
Mr. Cheung Ka Wai	4/4	0/1	2/2	1/1	1/1	1/1

Notice of at least 14 days is given to all Directors in advance for regular Board meetings. For other Board meetings, reasonable notice period is given. Meeting agendas and other relevant information are normally provided to the Directors at least 3 days in advance of the Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

The company secretary is responsible for keeping minutes of all Board and committee meetings which are recorded in sufficient detail about the matters considered. Both draft and final versions of the minutes are sent to all Directors for their comments and records. Directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that Board meeting procedures are followed. The company secretary will arrange induction package covering regulatory obligations for each newly appointed Director.

CORPORATE GOVERNANCE REPORT

DIRECTORS' COMMITMENTS

Each Director has reported his time commitment on the affairs of the Company and other major appointment for 2015 to the Company. Apart from Mr. Liu Zhongsheng was a former non-executive director of Latin Resources Limited (a listed company in Australia), none of the Executive Directors hold any directorship in any other public companies during 2015. In respect of those Directors who stand for re-election at the coming annual general meeting, all their directorships held in listed public companies in the past three years are set out in the circular thereof.

The Company encourages the participation of ongoing professional trainings by individual Director at the Company's expenses and has circulated training materials including legal and regulatory update and seminar handouts relating to amendments of the Listing Rules, inside information and directors' duties and responsibilities to all Directors during 2015. The training participation by individual Directors (except Mr. Liu Zhongsheng) during 2015 is summarised as below:

	Reading legal and regulatory updates	**Attending seminars/ briefings**
Executive Directors		
Mr. Zhou Chu Jian He	✓	–
Mr. Zhou Jianren	✓	–
Mr. Xiang Xianhong	✓	–
Mr. Lei Shuguang	✓	–
Non-Executive Director		
Mr. Jorge Edgar Jose Muñiz Ziches	✓	–
Independent Non-Executive Directors		
Mr. Lam Man Sum, Albert	✓	✓
Mr. Cao Kuangyu	✓	–
Mr. Cheung Ka Wai	✓	✓

CORPORATE GOVERNANCE REPORT

BOARD RESPONSIBILITY

On top of the regulatory and statutory responsibilities, the main duties of the Board include formulating strategy as well as monitoring and controlling operating and financial performance of the Group. The Board is also responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. All Directors (including Independent Non-Executive Directors) have been consulted on major and material matters of the Company and have been encouraged to make active contribution to the affairs of the Board. All Directors are aware of their collective and individual responsibilities to the shareholders of the Company and are committed to act in good faith and make decisions in the best interests of both the Group and the shareholders of the Company. The Board delegates day-to-day management of the businesses of the Group to the management of the relevant principal divisions. The Company's Audit Committee, Remuneration Committee and Nomination Committee have been set up to assist the Board to discharge its duties and to oversee particular aspects of the Group's affairs. All Committees have specific functions and authority to examine issues and report to the Board with recommendations. The final decisions are rested with the Board, unless otherwise provided in terms of reference of the relevant Committees.

The Board is responsible for performing the corporate governance functions as set out in the code provision D.3.1 of the CG Code and has adopted the latest corporate governance code manual (including continuous professional development of directors, the compliance of the Model Code, etc) since March 2016. In addition, the Company's employee whistleblowing guidelines has also been in place since March 2012. The records under the manual have been maintained by the company secretary. Liability insurance for the Company's directors and senior management was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

DIRECTORS' RESPONSIBILITY IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2015 that give a true and fair view of the financial position of the Group in accordance with statutory requirements and applicable accounting standards. The Board is responsible for presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and, therefore, the consolidated financial statements were prepared on a going concern basis. The statement of the auditors of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditors' Report on pages 38 to 40 of this annual report.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the roles of the Chairman of the Board and the Chief Executive Officer of the Company were performed by different individuals up till the resignation of Mr. Liu Zhongsheng, the Company's former Chief Executive Officer, on 15 March 2015. Since then, the roles of Chairman and Chief Executive Officer has been currently performed by Mr. Zhou Chu Jian He, the Chairman of the Board. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss operation issues of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent Non-Executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. Their presence and participation also enable the Board to maintain good standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company. Each of the Independent Non-Executive Directors has been appointed for a term of two years and subject to retirement by rotation at annual general meeting and, being eligible, offer themselves for re-election. Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors met the independent guideline as set out in Rule 3.13 of the Listing Rules and are independent. The Independent Non-Executive Directors are explicitly identified in all of the Company's corporate communications.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in 2005. The Remuneration Committee comprises three Independent Non-Executive Directors, namely, Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai. Mr. Cheung Ka Wai is the chairman of the Remuneration Committee. The principal responsibility of the Remuneration Committee includes making recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board. The remuneration of Directors are based on the skill and contribution in the Company's affairs and are determined by reference to duties and responsibilities of the Executive Directors after considering the Group's performance and the prevailing market situations including salaries paid by comparable companies. No Director is involved in determining his own remuneration. The terms of reference of the Remuneration Committee are available at the Company's website. During 2015, the Remuneration Committee held one meeting with 100% attendance of its members and performed its duties in accordance with its terms of reference and reviewed the remuneration packages of the Directors and remuneration policies. The remuneration paid to each Director for 2015 are shown in note 8 to the financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company's Nomination Committee was set up in 2012 to review and make recommendations for new candidates to the Board. The Nomination Committee comprises an Executive Directors (Mr. Zhou Chu Jian He (Chairman of the Nomination Committee)) and three Independent Non-Executive Directors (Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai). The Nomination Committee will assess new candidates based on their skills, experience and who, in its opinion, are able to make positive contribution to the performance of the Board. The terms of reference of the Nomination Committee are available on the Company's website.

The Board has adopted a board diversity policy in 2013 which sets out the approach to achieve diversity on the Board. The Nomination Committee is also responsible to review the policy and any measurable objectives as may be adopted from time to time and to review the progress on achieving the objectives. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. The Company will also take into account of its own business model and specific needs from time to time in determining the optimum composition of the Board. Although the Board supports the principle of diversity, it currently does not intend to fix a diversity quota for Board members appointment or set a short term objective on gender diversity, for such policies may compromise on the calibre of Directors.

During 2015, the Nomination Committee held one meeting, with 50% attendance of its members, to review the Board's structure, size and composition to ensure that it has a balance of knowledge and experience appropriate to complement the Company's corporate strategy. In accordance with the bye-laws of the Company, at each annual general meeting one-third of the Directors for the time (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors shall have the power to appoint any person as a director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined by the members in that general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee was established in 1999 and currently comprises three Independent Non-Executive Directors, namely Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai, and is chaired by Mr. Lam Man Sum, Albert. The chairman of the Audit Committee possesses appropriate professional qualifications and/or experience in accounting and/or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Company has complied with Rule 3.21 of the Listing Rules. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held two meetings in 2015 with 100% attendance of its members. During the year, the Audit Committee provided accounting and financial advices and recommendations to the Board as well as reviewed the independence of external auditors and relevant auditing matters. Also, the Audit Committee reviewed the risk management and internal control system of the Group and transactions with connected persons and the caps for continuing connected transactions. The Group's unaudited interim results for the six months ended 30 June 2015 and audited annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

AUDITORS' REMUNERATION

The external auditors of the Company are HLB Hodgson Impey Cheng Limited and provided services to the Company in respect of the audit of Company's financial statements for the year ended 31 December 2015 which were prepared in accordance with Hong Kong Financial Reporting Standards and applicable disclosure requirements of the Hong Kong Companies Ordinance except for the qualified audit opinion as stated in the Independent Auditors' Report on pages 38 to 40 of this annual report. The fee in respect of audit service provided by the external auditors to the Company for the year ended 31 December 2015 was approximately HK$800,000 (2014: HK$790,000). The fee paid to the external auditors for non-audit services relating to interim financial report was HK$190,000 (2014: HK$190,000).

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective risk management and internal control system to safeguard the Group's assets against unauthorised use or disposition, and to protect the interest of shareholders of the Company. Furthermore, the risk management and internal control system is designed to manage rather than eliminate the risk of failure and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group is of the view that an effective risk management and internal control system is in place which encompasses sound control environment, appropriate segregation of duties, well-defined policies and monitoring procedures and is reviewed and enhanced by the management at regular intervals.

The Group is committed to maintaining and upholding good corporate governance practices, risk management and internal control system. In respect of the year ended 31 December 2015, the Group engaged external consultants to perform annual review on the effectiveness of the risk management and internal control system of the manufacture and sale of construction materials business in the PRC as well as the mineral concentrates trading business and make recommendations for improvement and strengthening of its risk management and internal control system. Based on the reports on the findings from the external consultants, the Board is satisfied that the Group has operated an effective risk management and internal control system.

COMPANY SECRETARY

During the year ended 31 December 2015, the company secretary attended relevant professional training for not less than 15 hours.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Pursuant to the Company's bye-laws, special general meetings may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the company secretary at the Company's head office and principal place of business at 13/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong ("Head Office"), specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (continued)

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT A GENERAL MEETING

A shareholder shall make a written requisition to the Board or the company secretary at the Company's head office and principal place of business at its Head Office, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary at the Company's head office and principal place of business at its Head Office. Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2015.

INVESTOR RELATIONS

The Directors are aware of the importance of maintaining good relations and communications with shareholders of the Company. The Company continues to promote investor relations and communication with its investors. The Company uses a range of communication tools, such as annual general meetings, annual and interim reports, various notices, announcements and circulars etc, to ensure its shareholders are kept informed of the Company's information.

The Company has maintained a website at http://junefield.etnet.com.hk, which serves as a platform for corporate communications with its shareholders and the general public. All corporate communications required under the Listing Rules are displayed (for documents published in the previous 5 years) on the Company's website, which has established procedures to ensure timely update in compliance with the Listing Rules.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

TO THE SHAREHOLDERS OF
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Junefield Department Store Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 146, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

Included in the consolidated statement of financial position is an investment in an associate, Wuhan Plaza Management Co., Ltd. ("WPM"). WPM is an equity joint venture company established in the People's Republic of China. As further explained in notes 17(b) and 39(c) to the financial statements, the Group is in dispute with the joint venturer about the term of the joint arrangement.

WPM is carried at an amount of approximately HK$225,832,000 on the consolidated statement of financial position as at 31 December 2015, and the Group's share of WPM's profit or loss of nil is included in the Group's consolidated statement of profit or loss for the year then ended.

INDEPENDENT AUDITORS' REPORT

BASIS FOR QUALIFIED OPINION (continued)

We were unable to obtain sufficient appropriate audit evidence about the management financial statements and financial information of WPM for the years ended 31 December 2014 and 2015 because we did not have sufficient access to the financial information, books and records and the management of WPM. In view of the above and in the absence of any alternative procedures to be carried out in respect of the financial information of WPM, we were unable to satisfy ourselves as to whether (i) the carrying amounts of the Group's investment in WPM in the consolidated statements of financial position as at 31 December 2014 and 2015; and (ii) the Group's share of the results and other comprehensive income or expense of WPM, as included in the Group's consolidated statements of profit or loss and consolidated statements of comprehensive income for the years ended 31 December 2014 and 2015, were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Any adjustments that might have been found to be necessary in respect of the abovementioned financial information could have a consequential effect on the Group's net assets as at 31 December 2014 and 2015, and the Group's results for the years then ended and related disclosures in these consolidated financial statements. In addition, the required summarised financial information of WPM is not disclosed in accordance with Hong Kong Financial Reporting Standard 12 "Disclosure of Interests in Other Entities" issued by the Hong Kong Institute of Certified Public Accountants.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447
Hong Kong, 30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	**2015** **HK$'000**	2014 HK$'000
Revenue	5	**316,791**	354,757
Cost of sales and services		**(283,557)**	(289,982)
Gross profit		**33,234**	64,775
Other income and gains	5	**3,765**	5,160
Selling and distribution expenses		**(1,716)**	(1,321)
Administrative expenses		**(77,109)**	(64,952)
Other operating expenses		**(15,350)**	(12,931)
Fair value gains on investment properties	14	**2,895**	6,610
Fair value loss on convertible note – conversion option component	27	**(4)**	(5,771)
Loss arising from redemption of convertible note and conversion into available-for-sale investment	27	**(6,893)**	–
Impairment loss of available-for-sale investment		**(1,956)**	–
Gain on reclassification of investment in an associate to available-for-sale investment	17	**559**	–
Impairment loss on other intangible assets	16	**(10,978)**	–
Impairment loss on investment in an associate		**–**	(11,151)
Loss on disposal of investment properties in Ecuador		**–**	(62,822)
Operating loss	6	**(73,553)**	(82,403)
Finance costs	7	**(584)**	(3,250)
Share of loss of an associate		**(967)**	(6,513)
Loss before tax		**(75,104)**	(92,166)
Income tax expense	10	**(758)**	(9,825)
Loss for the year		**(75,862)**	(101,991)
Attributable to:			
Owners of the Company		**(69,434)**	(104,923)
Non-controlling interests		**(6,428)**	2,932
		(75,862)	(101,991)
Loss per share attributable to owners of the Company	12		
Basic and diluted *(HK cents per share)*		**(6.78)**	(10.26)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2015 **HK$'000**	2014 HK$'000
Loss for the year	**(75,862)**	(101,991)
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale investment	**(1,956)**	–
Reclassification upon impairment of available-for-sale investment	**1,956**	–
Release of other comprehensive income of an associate upon reclassification to available-for-sale investment	**(4,252)**	–
Exchange differences on translation of foreign operations	**(15,709)**	(15,367)
Share of other comprehensive income of an associate	**76**	1,802
Other comprehensive expense for the year, net of tax	**(19,885)**	(13,565)
Total comprehensive expense for the year	**(95,747)**	(115,556)
Attributable to:		
Owners of the Company	**(83,905)**	(113,302)
Non-controlling interests	**(11,842)**	(2,254)
	(95,747)	(115,556)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	13	**172,746**	202,999
Investment properties	14	**63,856**	62,593
Prepaid land lease payments	15	**21,667**	23,432
Other intangible assets	16	**107,677**	138,997
Investments in associates	17	**225,832**	232,699
Available-for-sale investments	18	**4,039**	–
Deferred tax assets	32	**1,882**	5,035
Loan receivable	19	**2,829**	–
Total non-current assets		**600,528**	665,755
Current assets			
Properties under development for sale	20	**22,772**	26,305
Inventories	21	**22,528**	50,358
Accounts receivable	22	**14,507**	16,565
Prepayments, deposits and other receivables	23	**78,307**	69,689
Amounts due from related companies	24	**12,983**	16,731
Financial instruments at fair value through profit or loss	26	**1,220**	7,705
Convertible note – conversion option component	27	**–**	4
Convertible note – loan receivable component	27	**–**	14,974
Tax recoverable		**346**	–
Time deposits	28	**8,150**	14,643
Cash and bank balances	28	**37,408**	40,078
Total current assets		**198,221**	257,052
Current liabilities			
Accounts payable	29	**13,307**	10,538
Other payables and accruals	30	**109,450**	124,982
Interest-bearing other borrowing	31	**6,241**	6,234
Amount due to the ultimate holding company	25	**38**	54
Amounts due to related companies	25	**4,379**	5,004
Amount due to a joint venturer	25	**83**	88
Amount due to an associate	25	**117**	119
Dividend payable to a non-controlling interest		**–**	10,000
Tax payable		**6,107**	5,626
Total current liabilities		**139,722**	162,645
Net current assets		**58,499**	94,407
Total assets less current liabilities		**659,027**	760,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred tax liabilities	32	**66,948**	72,610
Total non-current liabilities		**66,948**	72,610
Net assets		**592,079**	687,552
Equity			
Equity attributable to owners of the Company			
Issued capital	33	**102,440**	102,320
Reserves	35	**406,918**	490,669
		509,358	592,989
Non-controlling interests		**82,721**	94,563
Total equity		**592,079**	687,552

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Zhou Chu Jian He
Director

Zhou Jianren
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to owners of the Company											
	Issued capital HK$'000 (Note 33)	**Share premium account** HK$'000	**Capital reserve** HK$'000 (Note 35)	**Statutory surplus reserve** HK$'000 (Note 35)	**Share option reserve** HK$'000	**Investments revaluation reserve** HK$'000	**Exchange fluctuation reserve** HK$'000	**Retained profits** HK$'000	**Proposed final dividend** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2014	101,962	71,837	19,170	18,380	5,105	–	28,710	460,314	8,186	713,664	155,488	869,152
Profit or loss	–	–	–	–	–	–	–	(104,923)	–	(104,923)	2,932	(101,991)
Other comprehensive (expense)/income												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(10,181)	–	–	(10,181)	(5,186)	(15,367)
Share of other comprehensive income of an associate	–	–	–	–	–	–	1,802	–	–	1,802	–	1,802
Total comprehensive expense for the year	–	–	–	–	–	–	(8,379)	(104,923)	–	(113,302)	(2,254)	(115,556)
Issue of shares upon exercise of share options	358	913	–	–	(451)	–	–	–	–	820	–	820
Share issue expenses	–	(7)	–	–	–	–	–	–	–	(7)	–	(7)
Transfer of share option reserve upon lapsed of share options	–	–	–	–	(185)	–	–	185	–	–	–	–
Dividend paid to a non-controlling interest	–	–	–	–	–	–	–	–	–	–	(58,671)	(58,671)
Final 2013 dividend paid	–	–	–	–	–	–	–	–	(8,186)	(8,186)	–	(8,186)
At 31 December 2014	102,320	72,743	19,170	18,380	4,469	–	20,331	355,576	–	592,989	94,563	687,552
At 1 January 2015	**102,320**	**72,743**	**19,170**	**18,380**	**4,469**	**–**	**20,331**	**355,576**	**–**	**592,989**	**94,563**	**687,552**
Profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(69,434)**	**–**	**(69,434)**	**(6,428)**	**(75,862)**
Other comprehensive (expense)/income												
Change in fair value of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**(1,956)**	**–**	**–**	**–**	**(1,956)**	**–**	**(1,956)**
Reclassification upon impairment of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**1,956**	**–**	**–**	**–**	**1,956**	**–**	**1,956**
Release of other comprehensive income of an associate upon reclassification to available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**–**	**(4,252)**	**–**	**–**	**(4,252)**	**–**	**(4,252)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(10,295)**	**–**	**–**	**(10,295)**	**(5,414)**	**(15,709)**
Share of other comprehensive income of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**76**	**–**	**–**	**76**	**–**	**76**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(14,471)**	**(69,434)**	**–**	**(83,905)**	**(11,842)**	**(95,747)**
Issue of shares upon exercise of share options	**120**	**306**	**–**	**–**	**(151)**	**–**	**–**	**–**	**–**	**275**	**–**	**275**
Share issue expenses	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December 2015	**102,440**	**73,048**	**19,170**	**18,380**	**4,318**	**–**	**5,860**	**286,142**	**–**	**509,358**	**82,721**	**592,079**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(75,104)**	(92,166)
Adjustments for:			
Finance costs	7	**584**	3,250
Share of loss of an associate		**967**	6,513
Interest income		**(998)**	(1,490)
Effective interest income on convertible note – loan receivable component		**(1,797)**	(3,444)
Loss on disposal of items of property, plant and equipment		**81**	–
Loss on disposal of investment properties in Ecuador		**–**	62,822
Gain on reclassification of investment in an associate to available-for-sale investment		**(559)**	–
Fair value gains on investment properties	14	**(2,895)**	(6,610)
Fair value gains on equity investments at fair value through profit or loss		**(155)**	(423)
Fair value loss on convertible note – conversion option component		**4**	5,771
Depreciation of property, plant and equipment		**22,941**	23,891
Amortisation of prepaid land lease payments	15	**548**	561
Amortisation of other intangible assets	16	**15,037**	12,931
Reversal of impairment of accounts receivable and other receivables		**–**	(101)
Impairment loss on investment in an associate		**–**	11,151
Impairment loss of available-for-sale investment		**1,956**	–
Written off of other intangible assets – exploration and evaluation assets	16	**2,653**	–
Impairment loss on other intangible assets	16	**10,978**	–
Loss arising from redemption of convertible note and conversion into available-for-sale investment	27	**6,893**	–
		(18,866)	22,656
Increase in properties under development for sale		**(119)**	(2,136)
Decrease/(increase) in inventories		**27,830**	(9,484)
Decrease in equity investments at fair value through profit or loss		**6,640**	7,013
Decrease in accounts receivable		**2,058**	1,394
Increase in prepayments, deposits and other receivables		**(9,249)**	(20,005)
Decrease in amount due from a joint venture		**–**	162
Decrease/(increase) in amounts due from related companies		**3,748**	(4,227)
Increase in accounts payable		**2,769**	5,139
(Decrease)/increase in other payables and accruals		**(16,116)**	25,678
(Decrease)/increase in amounts due to related companies		**(625)**	4
(Decrease)/increase in amount due to a joint venturer		**(5)**	68
(Decrease)/increase in amount due to an associate		**(2)**	119
Cash (used in)/generated from operations		**(1,937)**	26,381
Bank interest received		**386**	691
Overseas tax refunded		**2,018**	35
Hong Kong profits tax paid		**(1)**	(183)
Overseas tax paid		**(3,721)**	(9,395)
Net cash flows (used in)/from operating activities		**(3,255)**	17,529

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**–**	2,227
Purchases of items of property, plant and equipment		**(9,566)**	(13,683)
Proceed from disposal of items of property, plant and equipment		**85**	–
Proceed from disposal of investment properties		**–**	67,882
Additions to other intangible assets		**(4,953)**	(10,278)
Purchases of shareholding in an associate		**–**	(110)
Receipt of principal for convertible note		**2,267**	–
Purchases of unlisted financial instruments at fair value through profit or loss		**(103,220)**	(100,567)
Release of unlisted financial instruments at fair value through profit or loss		**103,704**	148,514
Placement of restricted cash		**(2,364)**	–
Decrease/(increase) in short-term time deposits		**5,610**	(8,366)
Net cash flows (used in)/from investing activities		**(8,437)**	85,619
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under share option scheme		**275**	820
Share issue expenses		**(1)**	(7)
Decrease in amount due to the ultimate holding company		**(16)**	(39)
Dividends paid		**–**	(8,186)
Dividend paid to a non-controlling interest		**(10,000)**	(50,378)
Repayment of interest-bearing bank borrowings		**–**	(80,912)
Interest paid		**–**	(2,651)
Net cash flows used in financing activities		**(9,742)**	(141,353)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(21,434)**	(38,205)
Cash and cash equivalents at beginning of year		**46,355**	85,494
Effect of foreign exchange rate changes, net		**15,517**	(934)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**40,438**	46,355
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**37,408**	40,078
Non-pledged time deposits with original maturity of less than three months when acquired		**5,394**	6,277
Less: Restricted cash		**(2,364)**	–
Cash and cash equivalents as stated in the statement of cash flows		**40,438**	46,355

NOTES TO THE FINANCIAL STATEMENTS

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

1. CORPORATE AND GROUP 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 on page 2 of this annual report.

During the year, 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;
- trading of mineral concentrates; and
- coal mining.

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

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Note	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held					
Huaxia Group Limited	(i)	BVI	United States dollars ("USD") 50,000	100	Investment holding
Topshine Reward Limited		BVI	USD50,000	100	Investment holding
Junefield Energy Holdings Limited		BVI	USD1	100	Investment holding
Indirectly held					
Best Yield Corporation Limited		Hong Kong	HK$1	100	Securities investments

NOTES TO THE FINANCIAL STATEMENTS

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

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Note	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)					
Compañia Minera Caminante S.A.C.		Peru	Peruvian Soles ("Soles") 10,000	100	Searching, prospection, exploration, development, transport and sale of coal and related mining activities
Ever Park Development Limited		Hong Kong	HK$2	100	Property investment
Golden Talent Development Limited		Hong Kong	HK$1	100	Property investment
Grade Honor Investments Limited		BVI	USD1	100	Investment holding
Huaxia Investment Worldwide Limited	(i)	Hong Kong	HK$100	100	Investment holding
Hudson International Hong Kong Limited	(i)	Hong Kong	HK$2	100	Investment holding
Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji")	(ii)	The People's Republic of China ("PRC")	USD11,000,000	60	Manufacture and sale of construction materials
International Management Company Limited ("IMC")	(i)	Hong Kong	HK$1,500,000	100	Investment holding
Junefield (Building Material) Limited ("Junefield Building Material")		Hong Kong	HK$2	100	Investment holding
Junefield High Value Metals Investments Limited ("JHVM")		Hong Kong	HK$10,000	100	Securities investments

NOTES TO THE FINANCIAL STATEMENTS

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

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Note	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)					
Junefield Metal Development S.A.C.		Peru	Soles28,000	100	Trading of mineral concentrates
Like Top Corporation Limited ("Like Top")		Hong Kong	HK$1	100	Trading of mineral concentrates
Link Wide Corporation Limited		Hong Kong	HK$1	100	Investment holding
Lima Junefield Plaza S.A.C.		Peru	Soles7,848,316	100	Promotion and development of real estate projects
Minera RC S.A.C.		Peru	Soles10,000	100	Mining exploration
Mining Coal Corporation S.A.C.		Peru	Soles10,000	100	Mining exploration
Talent Note Limited		BVI	USD3	100	Investment holding
Wuhan Huaxin Management Limited ("WHM")	(i), (ii)	PRC	Renminbi ("RMB") 3,000,000	51	Property management
莊勝(北京)房地產經紀有限公司 (Junefield (Beijing) Property Agency Co., Ltd.)	(iii)	PRC	USD100,000	100	Property agency

Notes:

(i) These companies have no longer been the subsidiaries of the Company since 18 February 2016. Further details are set out in note 44(b) to the financial statements.

(ii) The subsidiaries are registered as contractual joint ventures under the PRC law.

(iii) The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, except that the Group is unable to fulfill the requirements of HKFRS 12 "Disclosure of Interests in Other Entities" for its investment in Wuhan Plaza Management Co., Ltd. These financial statements also complied with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These financial statements have been prepared under the historical cost convention, except for investment properties, certain financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

NOTES TO THE FINANCIAL STATEMENTS

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

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation as the Group changed the operating and reporting structure as a result of the commencement of coal mining operations in Peru in a manner that causes the composition of its reportable segments to change by introducing an additional reportable segment regarding coal mining business. Accordingly, segment information of coal mining business for the year ended 31 December 2014 for comparative purposes has been reclassified to reflect the newly reportable segment.

NOTES TO THE FINANCIAL STATEMENTS

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements to HKFRSs 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of the above amendments has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 Effective for annual periods beginning on or after a date to be determined

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

NOTES TO THE FINANCIAL STATEMENTS

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

NOTES TO THE FINANCIAL STATEMENTS

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

FAIR VALUE MEASUREMENT

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

All assets and liabilities for which fair value is measured or disclosed in the 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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	20 to 30 years
Leasehold improvements	Over the shorter of the lease terms and 6 years
Plant and machinery	4 to 12 years
Office equipment	5 years
Motor vehicles	3 to 6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Mining rights

Mining rights are initially measured at cost. The carrying amount of exploration and evaluation assets is reclassified to mining rights when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment losses. The mining rights with finite useful lives are amortised on a unit of production basis over the estimated economic reserve of the mine.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (continued)

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrate, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification, and any impairment loss is recognised in profit or loss.

LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include available-for-sale investments, time deposits, cash and bank balances, accounts receivable, other receivables, amounts due from related companies, financial instruments at fair value through profit or loss and convertible note.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes fair value and negative net changes in fair value presented in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Financial assets at fair value through profit or loss (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Convertible note subscribed by the Group

Compound financial instruments subscribed by the Group comprise convertible note that can be converted to shares of the issuing party at the option of the Group.

The conversion option component is recognised at fair value as an investment at fair value through profit or loss. The loan receivable component of a compound financial instrument is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the option component. Any directly attributable transaction costs are allocated to the option component and loan receivables component in proportion to their initial carrying amounts.

In subsequent periods, the loan receivable component of the convertible note is carried at amortised cost using the effective interest method. The option component of the convertible note is re-measured at fair value at each reporting with any change of fair value being recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables, interest-bearing other borrowing, amounts due to the ultimate holding company, related companies, a joint venturer and an associate and dividend payable to a non-controlling interest.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

PROPERTIES UNDER DEVELOPMENT FOR SALE

Properties under development for sale are stated at cost, which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Properties under development for sale are valued at the lower of cost and net realisable value at the end of the reporting period and any excess of cost over net realisable value of an individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of property management and agency services, when such services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

SHARE-BASED PAYMENTS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

OTHER EMPLOYEE BENEFITS

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OTHER EMPLOYEE BENEFITS (continued)

Pension scheme (continued)

The employees of the Group's subsidiaries which operates in the PRC, Peru and Ecuador are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency (Hong Kong dollars) at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO THE FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the deprecation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of property, plant and equipment at 31 December 2015 was approximately HK$172,746,000 (2014: HK$202,999,000). Further details are included in note 13 to the financial statements.

IMPAIRMENT OF OTHER INTANGIBLE ASSETS – MINING RIGHTS AND EXPLORATION AND EVALUATION ASSETS

The carrying amounts of mining rights and exploration and evaluation assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Group considers all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amounts of mining rights and exploration and evaluation assets may exceed their recoverable amounts (i.e. impaired). The recoverable amount is the higher of its fair value less costs of disposal and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

IMPAIRMENT OF OTHER INTANGIBLE ASSETS – SUPPLIER CONTRACT

At the end of the reporting period, management reconsidered the recoverability of the other intangible asset – supplier contract in which the carrying amount at 31 December 2015 was approximately HK$81,900,000 (2014: HK$111,226,000), after deducting the accumulated amortisation and impairment of approximately HK$90,731,000 (2014: HK$71,655,000). Significant estimation is required in determining the future cash flows expected to arise from the supplier contract. Details of the shortage of supply, rulings and arbitrations are set out in note 39(d) to the financial statements. Adjustment will be made in future periods if future market activities indicate that adjustments for impairment are appropriate. Further details of the supplier contract are included in note 16 to the financial statements.

ASSOCIATES

The Group regularly reviews investments in associates for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health and future prospects of the companies. The investments are reviewed for impairment when there is an indication. If indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Such impairment loss is recognised in the consolidated statement of profit or loss. Further details of the associates are included in note 17 to the financial statements.

ESTIMATED IMPAIRMENT OF RECEIVABLES

The Group records impairment of receivables based on an assessment of the recoverability of loan receivable, accounts receivable and other receivables. Provisions are applied to loan receivable, accounts receivable and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of loan receivable, accounts receivable and other receivables and impairment charges in the period in which such estimate has been changed. Further details of loan receivable, accounts receivable and other receivables are included in notes 19, 22 and 23 to the financial statements, respectively.

NOTES TO THE FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties of the Group are stated at fair value in accordance with the accounting policy stated in note 2.4 to the financial statements. The fair value of investment properties at 31 December 2015 was approximately HK$63,856,000 (2014: HK$62,593,000). The fair value of investment properties, set out in note 14 to the financial statements are determined with reference to a valuation performed by an independent professional qualified valuer. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the end of the reporting period. These estimates are regularly compared to actual market data and actual transactions in the market.

INCOME TAXES

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

DEFERRED TAX ASSETS

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was approximately HK$1,882,000 (2014: HK$5,035,000). Further details are contained in note 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six 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;

(e) the trading of mineral concentrates segment engages in the trading of mineral concentrates; and

(f) the coal mining segment engages in the exploration and development of coal mine concessions and sale of coal.

Management monitors the results of the Group's operating segment separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income and other unallocated income and gains, finance costs, fair value loss on convertible note – conversion option component, loss arising from redemption of convertible note and conversion into available-for-sale investment, impairment loss of available-for-sale investment, gain on reclassification of investment in an associate to available-for-sale investment, and share of loss of an associate 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, time deposits, 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 other borrowing, 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 price.

NOTES TO THE FINANCIAL STATEMENTS

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

4. SEGMENT INFORMATION (continued)

SEGMENT RESULTS

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

Year ended 31 December 2015

	Property investment and development HK$'000	Property management and agency services HK$'000	Securities investments HK$'000	Manufacture and sale of construction materials HK$'000	Trading of mineral concentrates HK$'000	Coal mining HK$'000	Total HK$'000
Segment revenue:							
Sales to/revenue from external customers*	3,383	18,103	–	58,294	233,563	7,557	320,900
Investment income	–	–	(4,109)	–	–	–	(4,109)
	3,383	18,103	(4,109)	58,294	233,563	7,557	316,791
Segment results	(7,479)	1,719	(7,984)	(24,990)	8,467	(11,446)	(41,713)
Bank interest income and other unallocated income and gains							2,822
Corporate and other unallocated expenses							(26,368)
Unallocated finance costs							(584)
Fair value loss on convertible note – conversion option component							(4)
Loss arising from redemption of convertible note and conversion into available-for-sale investment							(6,893)
Impairment loss of available-for-sale investment							(1,956)
Gain on reclassification of investment in an associate to available-for-sale investment							559
Share of loss of an associate							(967)
Loss before tax							(75,104)
Income tax expense							(758)
Loss for the year							(75,862)

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

NOTES TO THE FINANCIAL STATEMENTS

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

4. SEGMENT INFORMATION (continued)

SEGMENT RESULTS (continued)

Year ended 31 December 2014

	Property investment and development HK$'000	Property management and agency services HK$'000	Securities investments HK$'000	Manufacture and sale of construction materials HK$'000	Trading of mineral concentrates HK$'000	Coal mining HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue:							
Sales to/revenue from external customers*	2,738	18,983	–	86,452	246,161	–	354,334
Investment income	–	–	423	–	–	–	423
	2,738	18,983	423	86,452	246,161	–	354,757
Segment results	(62,576)	2,128	(1,032)	5,752	16,897	(4,641)	(43,472)
Bank interest income and other unallocated income and gains							4,202
Corporate and other unallocated expenses							(26,211)
Unallocated finance costs							(3,250)
Fair value loss on convertible note – conversion option component							(5,771)
Impairment loss on investment in an associate							(11,151)
Share of loss of an associate							(6,513)
Loss before tax							(92,166)
Income tax expense							(9,825)
Loss for the year							(101,991)

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

NOTES TO THE FINANCIAL STATEMENTS

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

4. SEGMENT INFORMATION (continued)

SEGMENT ASSETS AND LIABILITIES AND OTHER SEGMENT INFORMATION

An analysis of the Group's segment assets and liabilities and other segment information by reportable segment is as follows:

Year ended 31 December 2015

	Property investment and development HK$'000	Property management and agency services HK$'000	Securities investments HK$'000	Manufacture and sale of construction materials HK$'000	Trading of mineral concentrates HK$'000	Coal mining HK$'000	Total HK$'000
Assets and liabilities:							
Segment assets	91,797	2,376	8,205	235,100	75,274	42,671	455,423
Corporate and other unallocated assets							117,494
Investments in associates							225,832
Total assets							798,749
Segment liabilities	57,918	20,520	–	40,338	37,773	2,325	158,874
Corporate and other unallocated liabilities							47,796
Total liabilities							206,670
Other segment information:							
Depreciation and amortisation charge in profit or loss	1,248	217	–	33,042	134	2,659	37,300
Depreciation capitalised in assets	–	–	–	–	–	2,114	2,114
Corporate and other unallocated amounts							1,226
							40,640
Fair value gains on investment properties	(2,895)	–	–	–	–	–	(2,895)
Impairment loss on other intangible assets	–	–	–	10,978	–	–	10,978
Written off of other intangible assets	–	–	–	–	–	2,653	2,653
Capital expenditure*	8,490	22	–	180	–	7,772	16,464
Corporate and other unallocated amounts							169
							16,633

* Capital expenditure consists of additions to property, plant and equipment, investment properties and other intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

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

4. SEGMENT INFORMATION (continued)

SEGMENT ASSETS AND LIABILITIES AND OTHER SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Property investment and development HK$'000	Property management and agency services HK$'000	Securities investments HK$'000	Manufacture and sale of construction materials HK$'000	Trading of mineral concentrates HK$'000	Coal mining HK$'000 (Restated)	Total HK$'000 (Restated)
Assets and liabilities:							
Segment assets	94,557	2,844	23,568	299,647	98,698	46,281	565,595
Corporate and other unallocated assets							124,513
Investments in associates							232,699
Total assets							922,807
Segment liabilities	56,347	18,979	13,241	63,255	52,559	1,292	205,673
Corporate and other unallocated liabilities							29,582
Total liabilities							235,255
Other segment information:							
Depreciation and amortisation charge in profit or loss	2,069	242	–	33,860	67	136	36,374
Depreciation capitalised in assets	–	–	–	–	–	2,264	2,264
Corporate and other unallocated amounts							1,009
							39,647
Loss on disposal of investment properties in Ecuador	62,822	–	–	–	–	–	62,822
Fair value gains on investment properties	(6,610)	–	–	–	–	–	(6,610)
Impairment losses reversed in the statement of profit or loss	–	(101)	–	–	–	–	(101)
Capital expenditure	5	29	–	–	805	16,298	17,137
Corporate and other unallocated amounts							9,088
							26,225

NOTES TO THE FINANCIAL STATEMENTS

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

4. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2015 HK$'000	2014 HK$'000
PRC	313,343	354,334
Peru	7,557	–
Australia	156	–
Hong Kong	(109)	424
Canada	(4,156)	(1)
	316,791	354,757

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

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
PRC	515,965	573,791
Peru	74,079	80,400
Australia	6,868	6,867
Hong Kong	2,818	3,697
Ecuador	755	888
Colombia	43	112
	600,528	665,755

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

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2015 HK$'000	2014 HK$'000
Customer A (attributable to trading of mineral concentrates segment)	233,563	244,927

NOTES TO THE FINANCIAL STATEMENTS

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

5. REVENUE AND OTHER INCOME AND GAINS

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of mineral concentrates	**233,563**	246,161
Sale of construction materials	**58,294**	86,452
Property management and agency fees	**18,103**	18,983
Sale of coal	**7,557**	–
Gross rental income	**3,383**	2,738
Fair value (losses)/gains, net:		
Equity investments at fair value through profit or loss		
– held for trading	**(4,109)**	423
	316,791	354,757
Other income and gains		
Bank interest income	**386**	691
Interest income on other loans	**247**	36
Effective interest income on convertible note		
– loan receivable component	**1,797**	3,444
Reversal of impairment of accounts receivable and		
other receivables	**–**	101
Others	**1,335**	888
	3,765	5,160

NOTES TO THE FINANCIAL STATEMENTS

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

6. OPERATING LOSS

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

	Note	**2015** **HK$'000**	2014 HK$'000
Employee benefits expense			
(excluding directors' remuneration)	(i)		
Salaries, wages and other benefits in kind		**30,938**	31,717
Contributions to retirement benefits schemes		**4,473**	4,750
		35,411	36,467
Auditors' remuneration		**800**	790
Amortisation of other intangible assets			
– supplier contract	(ii)	**12,616**	12,931
Amortisation of prepaid land lease payments		**548**	561
Amortisation of mining rights			
(included in cost of sales)		**2,421**	–
Cost of inventories recognised as an expense		**279,100**	285,151
Written off of other intangible assets			
– exploration and evaluation assets	(ii)	**2,653**	–
Depreciation of property, plant and equipment	(iii)	**22,941**	23,891
Loss on disposal of items of property,			
plant and equipment	(ii)	**81**	–
Foreign exchange differences, net		**18,037**	2,445
Minimum lease payments under operating leases in			
respect of land and buildings		**1,454**	1,151
Gross rental income from investment properties		**(3,383)**	(2,738)
Less:			
Direct operating expenses incurred for			
investment properties that generated			
rental income during the year		**–**	16
Direct operating expenses incurred for			
investment properties that did not			
generate rental income during the year		**–**	–
		(3,383)	(2,722)

NOTES TO THE FINANCIAL STATEMENTS

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

6. OPERATING LOSS (continued)

Notes:

(i) Amounts excluded expenses capitalised in exploration and evaluation assets and construction in progress of approximately HK$963,000 (2014: HK$1,517,000) and HK$470,000 (2014: Nil) respectively. Employee benefits expense of approximately HK$6,362,000 (2014: HK$6,523,000), HK$27,560,000 (2014: HK$28,822,000) and HK$1,489,000 (2014: HK$1,122,000) were charged to cost of inventories, administrative expenses and selling and distribution expenses respectively.

(ii) Amounts are included in "Other operating expenses" in the consolidated statement of profit or loss.

(iii) Amounts excluded expenses capitalised in exploration and evaluation assets of approximately HK$2,114,000 (2014: HK$2,264,000). Depreciation of approximately HK$19,551,000 (2014: HK$19,898,000) and HK$3,390,000 (2014: HK$3,993,000) were charged to cost of inventories and administrative expenses respectively.

7. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest on other borrowing wholly repayable within five years	**584**	3,250

NOTES TO THE FINANCIAL STATEMENTS

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**720**	745
Other emoluments:		
Salaries, allowances and benefits in kind	**845**	1,367
Pension scheme contributions	**18**	18
	863	1,385
	1,583	2,130

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2015 HK$'000	2014 HK$'000
Fees		
Mr. Lam Man Sum, Albert	**180**	180
Mr. Cao Kuangyu	**180**	180
Mr. Cheung Ka Wai	**180**	180
	540	540

Apart from the above, there were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) EXECUTIVE DIRECTORS, A NON-EXECUTIVE DIRECTOR AND THE CHIEF EXECUTIVE

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015				
Executive directors:				
Mr. Zhou Chu Jian He	**–**	**180**	**9**	**189**
Mr. Zhou Jianren	**–**	**180**	**9**	**189**
Mr. Liu Zhongsheng (resigned on 15 March 2015)	**–**	**125**	**–**	**125**
Mr. Xiang Xianhong	**–**	**180**	**–**	**180**
Mr. Lei Shuguang	**–**	**180**	**–**	**180**
	–	**845**	**18**	**863**
Non-executive director:				
Mr. Jorge Edgar Jose Muñiz Ziches	**180**	**–**	**–**	**180**
	180	**845**	**18**	**1,043**
2014				
Executive directors:				
Mr. Zhou Chu Jian He	–	180	9	189
Mr. Ng Man Chung, Siman (resigned on 30 June 2014)	–	90	5	95
Mr. Zhou Jianren (appointed on 7 July 2014)	–	87	4	91
Mr. Liu Zhongsheng	25	650	–	675
Mr. Xiang Xianhong	–	180	–	180
Mr. Lei Shuguang	–	180	–	180
	25	1,367	18	1,410
Non-executive director:				
Mr. Jorge Edgar Jose Muñiz Ziches	180	–	–	180
	205	1,367	18	1,590

NOTES TO THE FINANCIAL STATEMENTS

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) EXECUTIVE DIRECTORS, A NON-EXECUTIVE DIRECTOR AND THE CHIEF EXECUTIVE (continued)

During the years ended 31 December 2015 and 2014, Mr. Liu Zhongsheng ("Mr. Liu") was also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive. No emoluments were paid to the chief executive of the Company after the resignation of Mr. Liu on 15 March 2015, since then, the appointment of chief executive of the Company remains outstanding.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2014: Nil). Details of the remuneration for the year of the five (2014: five) highest paid employees who are neither a director nor a chief executive of the Company are as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and benefits in kind	**4,292**	5,010
Discretionary bonuses	**–**	155
Pension scheme contributions	**311**	160
	4,603	5,325

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
Nil – HK$1,000,000	**3**	1
HK$1,000,000 – HK$1,500,000	**2**	4
	5	5

NOTES TO THE FINANCIAL STATEMENTS

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

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2015 **HK$'000**	2014 HK$'000
Current – Hong Kong		
Charge for the year	**1,707**	2,850
Under-provision in prior year	**1**	–
Current – elsewhere		
Charge for the year	**538**	3,458
Over-provision in prior year	**(1,068)**	–
Deferred tax credit	**(1,271)**	(3,655)
Withholding tax charge:		
– PRC	**730**	3,824
– Australia	**115**	204
– Ecuador	**6**	3,144
Total tax charge for the year	**758**	9,825

In year 2013, Hunan Taiji was recognised as a new high-tech enterprise from year 2012 to 2014 which entitled a preferential rate of 15% pursuant to the relevant approval by the tax authority. From 1 January 2015 onwards, provision for PRC Enterprise Income Tax for Hunan Taiji is calculated as 25% of its estimated assessable profits.

NOTES TO THE FINANCIAL STATEMENTS

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

10. INCOME TAX EXPENSE (continued)

The tax charge on the Group's loss before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2014: 16.5%) as follows:

	2015 **HK$'000**	2014 HK$'000
Loss before tax	**(75,104)**	(92,166)
Tax at the Hong Kong profits tax rate of 16.5% (2014: 16.5%)	**(12,392)**	(15,207)
Income not subject to tax	**(2,718)**	(6,533)
Expenses not deductible for tax	**17,273**	19,007
(Over)/under-provision in prior year	**(1,067)**	812
Tax losses not recognised	**2,126**	466
Loss attributable to an associate	**160**	1,075
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,444)**	2,551
Effect of withholding tax at 10% on the interest income from the Group's associate	**115**	204
Effect of withholding tax at 5% on the distributable profit of the Group's subsidiary in the PRC	**699**	4,306
Effect of withholding tax on funds distributed from the Group's subsidiary in Ecuador	**6**	3,144
Tax charge at the Group's effective rate	**758**	9,825

NOTES TO THE FINANCIAL STATEMENTS

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

11. DIVIDENDS

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

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,023,384,077 (2014: 1,022,721,430) in issue during the year.

The calculations of basic and diluted loss per share are based on:

	2015	2014
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(69,434)**	(104,923)

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,023,384,077**	1,022,721,430

The computation of diluted loss per share for the years ended 31 December 2015 and 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.

NOTES TO THE FINANCIAL STATEMENTS

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land* HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery# HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015								
At 31 December 2014 and 1 January 2015								
Cost	3,790	125,516	11,767	175,987	5,418	12,317	–	334,795
Accumulated depreciation	–	(24,499)	(999)	(96,918)	(3,187)	(6,193)	–	(131,796)
Net carrying amount	3,790	101,017	10,768	79,069	2,231	6,124	–	202,999
At 1 January 2015, net of accumulated depreciation	3,790	101,017	10,768	79,069	2,231	6,124	–	202,999
Additions	–	180	–	–	803	–	8,583	9,566
Disposals	–	–	–	(64)	(80)	(22)	–	(166)
Depreciation provided for the year	–	(4,049)	(123)	(18,535)	(621)	(1,727)	–	(25,055)
Exchange realignment	(527)	(7,316)	(1,486)	(4,363)	(194)	(141)	(571)	(14,598)
At 31 December 2015, net of accumulated depreciation	3,263	89,832	9,159	56,107	2,139	4,234	8,012	172,746
At 31 December 2015								
Cost	3,263	116,621	10,185	165,004	5,338	11,652	8,012	320,075
Accumulated depreciation	–	(26,789)	(1,026)	(108,897)	(3,199)	(7,418)	–	(147,329)
Net carrying amount	3,263	89,832	9,159	56,107	2,139	4,234	8,012	172,746

NOTES TO THE FINANCIAL STATEMENTS

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land* HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery# HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014							
At 31 December 2013 and 1 January 2014							
Cost	3,972	129,179	4,040	177,797	3,656	11,758	330,402
Accumulated depreciation	–	(20,901)	(914)	(79,661)	(2,713)	(4,458)	(108,647)
Net carrying amount	3,972	108,278	3,126	98,136	943	7,300	221,755
At 1 January 2014, net of accumulated depreciation	3,972	108,278	3,126	98,136	943	7,300	221,755
Additions	–	14	8,171	2,804	1,895	799	13,683
Depreciation provided for the year	–	(4,195)	(118)	(19,427)	(567)	(1,848)	(26,155)
Exchange realignment	(182)	(3,080)	(411)	(2,444)	(40)	(127)	(6,284)
At 31 December 2014, net of accumulated depreciation	3,790	101,017	10,768	79,069	2,231	6,124	202,999
At 31 December 2014							
Cost	3,790	125,516	11,767	175,987	5,418	12,317	334,795
Accumulated depreciation	–	(24,499)	(999)	(96,918)	(3,187)	(6,193)	(131,796)
Net carrying amount	3,790	101,017	10,768	79,069	2,231	6,124	202,999

* Located outside Hong Kong.

\# The net carrying amount includes property, plant and equipment of approximately HK$5,550,000 relating to exploration and evaluation activities of the Group as at 31 December 2015 (2014: HK$8,806,000).

Note:

Amongst the depreciation provided for the year ended 31 December 2015 of approximately HK$25,055,000 (2014: HK$26,155,000), approximately HK$2,114,000 (2014: HK$2,264,000), HK$19,551,000 (2014: HK$19,898,000) and HK$3,390,000 (2014: HK$3,993,000) were capitalised in exploration and evaluation assets, charged to cost of inventories and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS

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

14. INVESTMENT PROPERTIES

	2015 **HK$'000**	2014 HK$'000
Carrying amount at 1 January	**62,593**	187,321
Disposal	**–**	(130,704)
Net gain from fair value adjustment	**2,895**	6,610
Exchange realignment	**(1,632)**	(634)
Carrying amount at 31 December	**63,856**	62,593

The carrying amount of investment properties shown above comprises:

	2015 **HK$'000**	2014 HK$'000
Held under medium-term lease in the PRC	**63,856**	62,593

The Group's investment properties were revalued on 31 December 2015 with reference to a valuation performed by RHL Appraisal Limited, an independent professional qualified valuer, on an open market value basis by direct comparison method with the major input as the price per unit on floor area. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 147 of this annual report.

FAIR VALUE HIERARCHY

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at 31 December 2015

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**63,856**	**–**	**63,856**

NOTES TO THE FINANCIAL STATEMENTS

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

14. INVESTMENT PROPERTIES (continued)

FAIR VALUE HIERARCHY (continued)

Fair value measurement as at 31 December 2014

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	62,593	–	62,593

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

At 31 December 2014 and 2015

	Fair value hierarchy	**Valuation techniques**
Commercial properties in Beijing, PRC	Level 2	Direct comparison method based on the principle substitution. Comparison is made on prices realised on actual sales and/or asking prices of comparable properties

As at 31 December 2014 and 2015, all of the Group's investment properties in the PRC are for commercial purpose either for capital appreciation or for earning rentals.

NOTES TO THE FINANCIAL STATEMENTS

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

14. INVESTMENT PROPERTIES (continued)

Profit Land Property Development PROLANDPRO S.A., an indirect wholly-owned subsidiary of the Company ("Profit Land") completed the acquisition of a parcel of land in Ecuador in March 2013 initially for property development purposes. 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. In July 2014, the court in Ecuador formally issued the ruling that it rebutted the request from Profit Land for land revaluation and reaffirmed the initial compensation of approximately USD8,725,000 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 in the year 2014. Profit Land formally filed the appeal against the court ruling in Ecuador in July 2014 but withdrew in August 2014 on the basis of the legal opinions from solicitors in Ecuador that it was highly unlikely to succeed in the said appeal. Profit Land subsequently received the compensation in October 2014. In this regard, the Group recorded a loss on disposal of its investment properties in Ecuador of approximately HK$62,822,000 for the year ended 31 December 2014 with respect of the land expropriation.

15. PREPAID LAND LEASE PAYMENTS

	2015 **HK$'000**	2014 HK$'000
Carrying amount at 1 January	**23,432**	24,547
Recognised during the year	**(548)**	(561)
Exchange realignment	**(1,217)**	(554)
Carrying amount at 31 December	**21,667**	23,432

The leasehold land is held under medium term leases and is situated in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

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

16. OTHER INTANGIBLE ASSETS

	Supplier contract HK$'000 (Note (i))	Exploration and evaluation assets HK$'000 (Note (ii))	Mining rights HK$'000 (Note (iii))	Total HK$'000
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation and impairment	**111,226**	**27,771**	**–**	**138,997**
Additions	**–**	**7,067**	**–**	**7,067**
Written off or disposal	**–**	**(2,653)**	**–**	**(2,653)**
Transfer	**–**	**(10,432)**	**10,432**	**–**
Impairment loss recognised	**(10,978)**	**–**	**–**	**(10,978)**
Amortisation provided during the year	**(12,616)**	**–**	**(2,421)**	**(15,037)**
Exchange realignment	**(5,732)**	**(3,454)**	**(533)**	**(9,719)**
At 31 December 2015	**81,900**	**18,299**	**7,478**	**107,677**
At 31 December 2015				
Cost	**172,631**	**18,299**	**9,739**	**200,669**
Accumulated amortisation and impairment	**(90,731)**	**–**	**(2,261)**	**(92,992)**
Net carrying amount	**81,900**	**18,299**	**7,478**	**107,677**
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation and impairment	127,127	16,401	–	143,528
Additions	–	12,542	–	12,542
Amortisation provided during the year	(12,931)	–	–	(12,931)
Exchange realignment	(2,970)	(1,172)	–	(4,142)
At 31 December 2014	111,226	27,771	–	138,997
At 31 December 2014				
Cost	182,881	27,771	–	210,652
Accumulated amortisation and impairment	(71,655)	–	–	(71,655)
Net carrying amount	111,226	27,771	–	138,997

NOTES TO THE FINANCIAL STATEMENTS

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

16. OTHER INTANGIBLE ASSETS (continued)

Notes:

(i) The amount of supplier contract represents the fair value of the materials supply agreement embedded in the joint venture agreement dated 30 June 2006 regarding the establishment of Hunan Taiji entered into between the joint venturers, namely Junefield Building Material and 漣源鋼鐵集團有限公司 (Lianyuan Steel Group Limited) ("Lianyuan Steel"), upon the acquisition of Junefield Building Material and its subsidiary, Hunan Taiji, by the Group on 22 May 2009. 華菱漣源鋼鐵有限公司 (Hualing Steel Company Limited) ("Hualing Steel"), a company established in the PRC, is a steel products manufacturer and is effectively owned as to more than 30% by the holding company of Lianyuan Steel. Pursuant to the joint venture agreement mentioned above, Lianyuan Steel is responsible to guarantee the supply of raw materials required by Hunan Taiji and to procure Hualing Steel to supply granulated steel slag to Hunan Taiji at prescribed unit price for a period of 15 years from the date of commencement of operation of Hunan Taiji.

The above intangible asset has definite useful live and is amortised on a straight-line basis over the estimated useful life of 14 years in accordance with the terms of joint venture agreement. The supplier contract has a remaining amortisation period of approximately 8 years.

As at 31 December 2015, the recoverable amount of the supplier contract was assessed by the directors. The recoverable amount of the supplier contract's cash-generating unit ("CGU") has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 28.98%. The cash flow beyond the five years period are extrapolated using zero growth rate. The key assumptions for the value in use calculation are those regarding the discount rate, growth in unit price and purchase volume during the forecast period. The management estimates discount rate that reflects current market assessments of the time value of money and the risk specific to the CGU.

Due to the shortage of supply from the supplier, the management of the Group has reassessed the projected cash flow relating to the value in use and conducted an impairment review on the supplier contract. During the year ended 31 December 2015, the Group recognised impairment loss of approximately HK$10,978,000 (2014: Nil) in relation to the supplier contract. The Group has filed applications for arbitration proceedings regarding on the shortage of supply of granulated steel slag for production against the minority shareholder of Hunan Taiji for, inter alia, failing to procure the requested amount of steel slag supply, further details of which are included in note 39(d) to the financial statements.

(ii) The exploration and evaluation assets mainly represent the cost of acquisition of the exploration licences related to various coal mines in Peru, which are under the exploration and evaluation stage as at 31 December 2015, with a carrying value of approximately HK$18,299,000 (2014: HK$27,771,000). These assets are not subject to amortisation until they are placed in use.

Having carried out feasible study on exploration projects in Peru, the management of the Company determined certain exploration projects cannot be explored continuously in view of their infavourable future prospects and an aggregate carrying amounts of exploration and evaluation assets of approximately HK$2,653,000 were written off during the year ended 31 December 2015.

Other than the above, the directors have assessed whether there is any indication that these exploration and evaluation assets may be impaired at the end of the reporting period. The directors have concluded that there is no impairment indication.

NOTES TO THE FINANCIAL STATEMENTS

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

16. OTHER INTANGIBLE ASSETS (continued)

Notes: (continued)

(iii) The mining rights represent the rights to conduct mining activities pertains to coal mines in Peru. The mining rights are amortised on a unit of production basis over the estimated economic reserve of the mine. Effective amortisation rate for the year approximate to 23%. The mining rights with license period of 5 years at date of issue would be expired in year 2019.

During the year ended 31 December 2015, the directors of the Company performed an impairment assessment of the mining rights. The mining rights has been allocated to the coal mining activities' CGU for impairment assessment. Based on the assessment, in the opinion of the directors of the Company, the estimated recoverable amount of the mining rights was higher than its carrying amount and therefore, no impairment loss was recognised on the mining rights for the year ended 31 December 2015.

17. INVESTMENTS IN ASSOCIATES

	2015 **HK$'000**	2014 HK$'000
Listed investments in Australia		
– Latin Resources Limited (Note (a))	**–**	6,867
Unlisted investments in PRC		
– Wuhan Plaza Management Co., Ltd (Note (b))	**225,832**	225,832
	225,832	232,699

Particulars of the Group's associates at 31 December 2015 and 2014 are as follows:

(a) LATIN RESOURCES LIMITED ("LRS")

	2015 **HK$'000**	2014 HK$'000
Cost of investment		
– Listed in Australia	**–**	59,719
Share of post-acquisition loss and other comprehensive income, net of dividend received	**–**	(8,743)
	–	50,976
Less: impairment loss recognised	**–**	(44,109)
	–	6,867
Market value of listed shares in Australia	**–**	6,867

NOTES TO THE FINANCIAL STATEMENTS

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

17. INVESTMENTS IN ASSOCIATES (continued)

(a) LATIN RESOURCES LIMITED ("LRS") (continued)

Particulars of LRS at 31 December 2014 were as follows:

Name	Particulars of issued shares held	Place of incorporation and operations	Percentage of ownership attributable to the Group	Principal activities
LRS*	47,139,797 ordinary shares	Australia	14.71	Exploration and evaluation of mining projects in Peru and Brazil

* LRS was not audited by HLB Hodgson Impey Cheng Limited or another member firm of the HLB global network.

LRS is a company listed on the Australian Securities Exchange Limited ("ASX Limited"). The Group's shareholding in LRS is held through a wholly-owned subsidiary of the Company.

During the year ended 31 December 2014, the Group further subscribed 394,737 fully paid ordinary shares of LRS at a total cash consideration of approximately HK$110,000 by placement. The Group then held 47,139,797 fully paid ordinary shares of LRS, representing 14.71% of its issued share capital as at 31 December 2014. Mr. Liu was acting as non-executive director of LRS during the year ended 31 December 2014. Although the Group held less than 20% of the ownership interest and voting control of LRS as at 31 December 2014, the Group had the ability to exercise significant influence through both its shareholding and its nominated director's participation on the board of directors in LRS. Following the resignation of Mr. Liu as non-executive director of LRS in May 2015, the Group was not in a position to exercise significant influence over LRS and therefore the investment in LRS was reclassified to available-for-sale investment accordingly, and a gain of HK$559,000 arisen from the reclassification of investment in an associate to available-for-sale investment was recognised in the consolidated statement of profit or loss upon the reclassification. In addition, this resulted in four months of share of loss of LRS of approximately HK$967,000 and was included in the consolidated statement of profit or loss during the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

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

17. INVESTMENTS IN ASSOCIATES (continued)

(a) LATIN RESOURCES LIMITED ("LRS") (continued)

LRS, which was considered a former material associate of the Group, was a strategic partner of the Group engaged in the exploration and evaluation of mining projects in Peru and Brazil and was accounted for using the equity method for the four months ended 30 April 2015.

The following table illustrates the summarised financial information of LRS adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	At 31 December 2014 HK$'000
Current assets	5,204
Non-current assets	178,624
Current liabilities	(41,937)
Non-current liabilities	(69,357)
Net assets	72,534
Proportion of the Group's ownership	14.71%
Carrying amount of the investment	6,867

	Four months ended 30 April 2015 HK$'000	Year ended 31 December 2014 HK$'000
Revenue	**1,729**	939
Loss for the period/year	**(7,667)**	(36,915)
Other comprehensive income	**606**	7,348
Total comprehensive expense for the year	**(7,061)**	(29,567)
Dividend received	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

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

17. INVESTMENTS IN ASSOCIATES (continued)

(b) WUHAN PLAZA MANAGEMENT CO., LTD ("WPM")

	2015	2014
	HK$'000	HK$'000
Share of net assets	**225,832**	225,832

WPM was a former joint venture of the Group and reclassified as investment in associate since the joint controls of both parties stipulated under WPM's joint venture agreement has been no longer existed during the year ended 31 December 2014.

Particulars of WPM at 31 December 2015 are as follows:

Name	**Particulars of registered capital held**	**Place of registration and operations**	**Percentage of ownership interest and profit sharing attributable to the Group**
WPM	USD10,290,000	PRC	49

During the years ended 31 December 2014 and 2015, no share of result of WPM was recognised in the consolidated statement of profit or loss and is accounted for using the equity method. The PRC business licence of WPM expired on 29 December 2013 and it is in the process of a mandatory dissolution. Further details of the mandatory dissolution are set out in note 39(c) to the financial statements.

WPM has no longer been the associate of the Company since 18 February 2016. Details are set out in note 44(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

18. AVAILABLE-FOR-SALE INVESTMENTS

	Note	**2015** **HK$'000**	2014 HK$'000
Unlisted equity investment, at cost	(i)	**31,642**	31,642
Impairment		**(31,642)**	(31,642)
		–	–
Listed equity investment, at fair value			
– Elsewhere	(ii)	**4,039**	–
		4,039	–

Notes:

(i) The investment in unlisted 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.

(ii) As at 31 December 2015, the listed equity investment represented equity interest in LRS and the Group held approximately 16% of its equity interest. Following the resignation of Mr. Liu as non-executive director of LRS in May 2015, the Group was not in a position to exercise significant influence over LRS and therefore it reclassified the investment in LRS from investment in an associate to available-for-sale investment during the year ended 31 December 2015. There was a significant decline in the market value of the listed equity investment during the year. The directors of the Company considered that such a decline indicated that the listed equity investments have been impaired and an impairment loss of approximately HK$1,956,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

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

19. LOAN RECEIVABLE

	2015	2014
	HK$'000	HK$'000
Loan receivable	**2,829**	–

The balance represents an unsecured loan to LRS with a principal of Australian dollars ("AUD") 500,000 for 18 months with maturity in February 2017 and bears interest at a rate of 12% per annum, which is classified as non-current assets as at 31 December 2015.

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2015	2014
	HK$'000	HK$'000
In Peru	**22,772**	26,305

At 31 December 2015, the Group's properties under development for sale with a net carrying amount of approximately HK$22,772,000 were pledged to secure general banking facilities granted to a subsidiary in Peru.

Further particulars of the Group's properties under development for sale are included on page 147 of this annual report.

NOTES TO THE FINANCIAL STATEMENTS

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

21. INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Raw materials and consumables	**2,916**	2,422
Finished goods	**19,612**	47,936
	22,528	50,358

22. ACCOUNTS RECEIVABLE

	2015 **HK$'000**	2014 HK$'000
Accounts receivable	**14,563**	16,624
Impairment	**(56)**	(59)
	14,507	16,565

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 RMB, USD and Soles.

The credit period is generally 1 month, extending up to 2 months for certain customers from property management and agency services and coal mining business of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

22. ACCOUNTS RECEIVABLE (continued)

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

	2015 HK$'000	2014 HK$'000
Within 1 month	3,668	5,959
1 to 3 months	4,924	6,333
Over 3 months	5,971	4,332
	14,563	16,624
Impairment	(56)	(59)
	14,507	16,565

The movements in provision for impairment of accounts receivable are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	59	141
Impairment losses reversed	–	(79)
Exchange realignment	(3)	(3)
	56	59

The above provision for impairment of accounts receivable represents provision for individually impaired accounts receivable of approximately HK$56,000 (2014: HK$59,000). The individually impaired accounts receivable mainly relate to customers that were in financial difficulties. It was assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO THE FINANCIAL STATEMENTS

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

22. ACCOUNTS RECEIVABLE (continued)

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	–	–
Less than 1 month past due	3,715	6,038
1 to 3 months past due	4,912	6,292
Over 3 months past due	5,880	4,235
	14,507	16,565

Receivables that were past due but not impaired relate to certain independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	5,040	4,659
Deposits	58,281	52,475
Other receivables	15,869	13,444
Loan receivable	3,540	3,750
	82,730	74,328
Impairment	(4,423)	(4,639)
	78,307	69,689

NOTES TO THE FINANCIAL STATEMENTS

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**889**	914
Impairment losses reversed	**–**	(22)
Exchange realignment	**(6)**	(3)
At 31 December	**883**	889

The movements in provision for impairment of loan receivable are as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**3,750**	3,784
Exchange realignment	**(210)**	(34)
At 31 December	**3,540**	3,750

An impairment loss was made on the above loan receivable based on a review of outstanding amount on regular basis when collection of the amount is in doubt. Bad debts are written off when identified. The Group does not hold any collateral or other credit enhancements over this balance. The loan receivable as at 31 December 2015 and 2014 was denominated in RMB, bore interest at 1% per month, was secured by personal guarantee and was repayable in December 2013. The above loan receivable as at 31 December 2015 and 2014 were fully impaired as the loan was past due in December 2013 and the collection of the amount was in doubt.

NOTES TO THE FINANCIAL STATEMENTS

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

24. AMOUNTS DUE FROM RELATED COMPANIES

Name of company	Note	Highest balance outstanding during the year HK$'000	2015 HK$'000	2014 HK$'000
Junefield Group S.A.	(i)	4,228	**2**	4,228
Ecuamining Mineral S.A.	(i)	892	**2**	112
Hualing Steel	(ii)	15,670	**11,880**	11,610
湖南漣鋼建設有限公司	(ii)	506	**302**	506
Wuhan Department Store Group Co., Ltd.	(iii)	830	**797**	275
			12,983	16,731

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

Notes:

(i) Mr. Zhou Chu Jian He, the chairman and an executive director of the Company, ("Mr. Zhou") has beneficial interests in Junefield Group S.A. and Ecuamining Mineral S.A. ("Ecuamining Mineral").

(ii) Lianyuan Steel, being the holding company of the non-controlling interest of Hunan Taiji, has beneficial interests in Hualing Steel and 湖南漣鋼建設有限公司.

(iii) Wuhan Department Store Group Co., Ltd. (the "PRC Partner") owned 51% equity interest in WPM.

25. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY/ RELATED COMPANIES/A JOINT VENTURER/AN ASSOCIATE

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

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

26. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**1,065**	1,174
Elsewhere	**155**	6,531
	1,220	7,705

The above listed equity investments at 31 December 2015 and 2014 were classified as held for trading and recognised as financial instruments at fair value through profit or loss.

27. CONVERTIBLE NOTE

In October 2013, an indirect wholly-owned subsidiary of the Company, JHVM subscribed for the convertible note issued by LRS under the converting loan agreement on 21 August 2013 (the "Converting Loan Agreement") with a principal of AUD2,500,000 ("Convertible Note") at a coupon rate of 12% per annum. The Convertible Note had a maturity date on 31 July 2015 at its principal amount or could be converted into shares of LRS at the Group's option at the conversion price of AUD0.07 per share. The Convertible Note was issued to JHVM on 30 October 2013 subject to the terms and conditions as set out in the Converting Loan Agreement.

Since June 2015, LRS negotiated with the Group for the postponement and restructuring of the repayment of the Convertible Note upon its maturity on 31 July 2015. On 27 August 2015, LRS settled the Convertible Note by cash repayment of AUD400,000, entering into of a new loan agreement with a principal of AUD500,000 for 18 months at an interest rate of 12% per annum, further details of the loan receivable from LRS are included in note 19 to the financial statements.

The remaining balance of AUD1,600,000 plus accrued interest of approximately AUD313,000 was converted for 95,645,200 fully paid ordinary shares of LRS at AUD0.02 per share. A loss arising from redemption of the Convertible Note and conversion into available-for-sale investment of approximately HK$6,893,000 has been charged to the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

27. CONVERTIBLE NOTE (continued)

The movements in loan receivable component and conversion option component of convertible note during the year are as follows:

Loan receivable component

	HK$'000
At 1 January 2014	14,900
Less: Interest received	(2,041)
Add: Effective interest income	3,444
Exchange realignment	(1,329)
At 31 December 2014 and 1 January 2015	**14,974**
Less: Repayment of principal	**(2,267)**
Add: Effective interest income and interest accrued	**2,558**
Transferred to loan receivable	**(2,834)**
Redemption and conversion into available-for-sale investment	**(10,605)**
Exchange realignment	**(1,826)**
At 31 December 2015	**–**

The convertible note – loan receivable component has an effective interest rate of 22.29% per annum.

Conversion option component

	HK$'000
At 1 January 2014	5,775
Changes in fair value charged to profit or loss	(5,771)
At 31 December 2014 and 1 January 2015	**4**
Changes in fair value charged to profit or loss	**(4)**
At 31 December 2015	**–**

NOTES TO THE FINANCIAL STATEMENTS

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

28. TIME DEPOSITS AND CASH AND BANK BALANCES

	2015 **HK$'000**	2014 HK$'000
Time deposits	**8,150**	14,643
Cash and bank balances	**37,408**	40,078
	45,558	54,721

At the end of the reporting period, the time deposits and cash and bank balances of the Group denominated in RMB amounted to approximately HK$29,494,000 (2014: HK$36,153,000) and placed with banks in the PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Included in the cash and bank balances at the end of the reporting period, there was a balance of approximately Soles 1,040,000 (equivalent to approximately HK$2,364,000) placed in bank which is restricted for use until the title documents of certain of the Group's properties under development for sale are passed to the purchasers and registration procedures being fully completed and filed with local authority.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

29. ACCOUNTS PAYABLE

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

	2015 **HK$'000**	2014 HK$'000
Within 1 month	**4,022**	6,222
1 to 3 months	**5,193**	3,770
Over 3 months	**4,092**	546
	13,307	10,538

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

NOTES TO THE FINANCIAL STATEMENTS

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

30. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	HK$'000
Accruals	**19,906**	19,036
Business tax payable	**1,782**	1,671
Deposits received	**50,378**	61,888
Other payables	**37,384**	42,387
	109,450	124,982

Other payables are non-interest-bearing.

31. INTEREST-BEARING OTHER BORROWING

	2015		2014	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Other loan — unsecured	**On demand**	**6,241**	On demand	6,234

The unsecured other loan is denominated in RMB, bears interest at a rate of 9.5% per annum and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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

32. DEFERRED TAX

The movements in the Group's deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits HK$'000
At 1 January 2014	2,060
Deferred tax credited to the statement of profit or loss	3,069
Exchange differences	(94)
At 31 December 2014 and 1 January 2015	**5,035**
Deferred tax charged to the statement of profit or loss	**(2,628)**
Exchange differences	**(525)**
At 31 December 2015	**1,882**

Deferred tax liabilities

	Intangible asset HK$'000	**Revaluation of properties HK$'000**	**Withholding tax HK$'000**	**Total HK$'000**
At 1 January 2014	30,467	22,225	21,365	74,057
Release upon payment of withholding tax	–	–	(3,824)	(3,824)
Deferred tax (credited)/charged to statement of profit or loss	(1,940)	3,803	1,375	3,238
Exchange differences	(721)	(140)	–	(861)
At 31 December 2014 and 1 January 2015	**27,806**	**25,888**	**18,916**	**72,610**
Deferred tax (credited)/charged to the statement of profit or loss	**(6,012)**	**2,144**	**(31)**	**(3,899)**
Exchange differences	**(1,319)**	**(444)**	**–**	**(1,763)**
At 31 December 2015	**20,475**	**27,588**	**18,885**	**66,948**

NOTES TO THE FINANCIAL STATEMENTS

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

32. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of approximately HK$1,628,000 (2014: HK$914,000) and that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in the PRC of approximately HK$2,469,000 (2014: HK$1,719,000) that will expire in one to five years for offsetting against future taxable profits. The Group has tax losses arising in Ecuador of approximately HK$712,000 that may be carried forward for five years, but may only be offset against 25% of the profits earned in each tax year. The Group also has tax losses arising in Peru of approximately HK$31,183,000 (2014: HK$2,841,000) which the Group has the option to carry forward all net operating losses for four years or carry the losses forward indefinitely, but only up to 50% of the taxpayer's taxable income of each subsequent year. Loss carryback is not permitted. Deferred tax assets have been recognised in respect of approximately HK$6,723,000 of such tax losses at 31 December 2015. Deferred tax assets have not been recognised in respect of the remaining tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries, joint venture and associate established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2015 and 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's certain subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute the remaining unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$6,114,000 at 31 December 2015 (2014: HK$5,714,000).

NOTES TO THE FINANCIAL STATEMENTS

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

33. ISSUED CAPITAL

	Number of shares		Share capital	
	2015	2014	**2015**	2014
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**25,000,000,000**	25,000,000,000	**2,500,000**	2,500,000
Issued and fully paid:				
At 1 January	**1,023,199,967**	1,019,617,967	**102,320**	101,962
Share options exercised	**1,200,000**	3,582,000	**120**	358
At 31 December	**1,024,399,967**	1,023,199,967	**102,440**	102,320

During the year ended 31 December 2015, the subscription rights attaching to 1,200,000 share options (2014: 3,582,000 shares options) were exercised at the subscription price of HK$0.229 per share (2014: HK$0.229 per share) (note 34), resulting in the issue of 1,200,000 shares (2014: 3,582,000 shares) of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$275,000 (2014: HK$820,000). An amount of approximately HK$151,000 (2014: HK$451,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

34. SHARE OPTION SCHEME

A share option scheme was adopted pursuant to the written resolutions passed by the shareholders of the Company on 29 June 2009 (the "Share Option Scheme'). The Share Option Scheme became effective on 29 June 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Eligible participants of the Share Option Scheme include (i) any full-time employees and directors (including executive directors, non-executive directors and independent non-executive directors) of the Group; (ii) any advisor or consultant to the Group, providers of goods and/or services to the Group, and any other person who, at the sole determination of the board of directors of the Company, has contributed to the Group; and (iii) the trustee of any trust whose beneficiaries or objects include any aforesaid employee or business associate.

The maximum number of share options permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on a date which is not later than ten years from the date of offer of the share options.

NOTES TO THE FINANCIAL STATEMENTS

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

34. SHARE OPTION SCHEME (continued)

The exercise price of share options is determinable by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the years ended 31 December 2014 and 2015:

	2015		2014	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**0.229**	**35,480**	0.229	40,530
Exercised during the year	**0.229**	**(1,200)**	0.229	(3,582)
Lapsed during the year	**N/A**	**–**	0.229	(1,468)
At 31 December	**0.229**	**34,280**	0.229	35,480

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was HK$0.282 per share (2014: HK$0.32 per share). No share option under the Share Option Scheme was granted during the years ended 31 December 2014 and 2015.

The exercise price and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Year	Date of grant	Number of options	Exercise price* per share HK$	Exercise period
2015	**6 July 2009**	**34,280,000**	**0.229**	**6 July 2009 to 5 July 2019**
2014	6 July 2009	35,480,000	0.229	6 July 2009 to 5 July 2019

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO THE FINANCIAL STATEMENTS

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

34. SHARE OPTION SCHEME (continued)

The 1,200,000 (2014: 3,582,000) share options exercised during the year ended 31 December 2015 resulted in the issue of 1,200,000 (2014: 3,582,000) ordinary shares of the Company and new share capital of approximately HK$120,000 (2014: HK$358,000) and share premium of approximately HK$306,000 (2014: HK$913,000).

At the end of the reporting period, the Company had 34,280,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,280,000 additional ordinary shares of the Company and additional share capital of HK$3,428,000 and share premium of approximately HK$8,740,000 (before share issue expenses).

All share options have been accounted for under HKFRS 2. The share options outstanding at the end of the reporting period had a weighted average remaining contractual life of 3.5 years (2014: 4.5 years).

At the date of approval of these financial statements, the Company had 13,280,000 share options outstanding under the Share Option Scheme, which represented approximately 1.27% of the Company's shares in issue as at that date.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 45 of this annual report.

The Group's capital reserve represents negative goodwill arisen on acquisitions prior to 1 January 2001.

According to the Articles of Association of the PRC subsidiary of the Company which require the appropriation of 10% of its profit after tax to the statutory surplus reserve until the balance of the reserve reaches 50% of its registered capital. The transfer of the reserve must be made before distributions of dividends to owners of the Group. Statutory surplus reserve can be used for making up losses and may be converted into capital in proportion to existing owners' equity percentage, provided that the balance after such issuance is not less than 25% of its registered capital.

NOTES TO THE FINANCIAL STATEMENTS

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

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests held by the non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Hunan Taiji	PRC	**40%**	40%	**(7,145)**	1,989	**85,866**	98,466
Individually immaterial subsidiary with non-controlling interest						**(3,145)**	(3,903)
						82,721	94,563

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Hunan Taiji

	At 31 December	
	2015 HK$'000	2014 HK$'000
Current assets	**35,673**	44,616
Non-current assets	**221,838**	280,133
Current liabilities	**(20,354)**	(48,762)
Non-current liabilities	**(20,475)**	(27,806)

NOTES TO THE FINANCIAL STATEMENTS

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

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Hunan Taiji (continued)

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Revenue	**58,293**	86,452
Other income and gains	**401**	1,018
Expense	**(76,557)**	(82,498)
(Loss)/profit for the year	**(17,863)**	4,972
Other comprehensive expense for the year	**(13,636)**	(13,079)
Total comprehensive expense for the year	**(31,499)**	(8,107)
Dividend paid to a non-controlling interest	**(10,000)**	(50,378)
Net cash inflow from operating activities	**22,578**	34,113
Net cash inflow from investing activities	**369**	48,710
Net cash outflow from financing activities	**(25,000)**	(126,852)
Net decrease in cash and cash equivalents	**(2,053)**	(44,029)

NOTES TO THE FINANCIAL STATEMENTS

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

37. OPERATING LEASES ARRANGEMENTS

(a) AS LESSOR

The Group leases certain of its investment properties under operating lease arrangements, which leases negotiated for terms ranging from two to three years (2014: two to three years).

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**1,800**	3,184
In the second to fifth years, inclusive	**592**	1,519
	2,392	4,703

(b) AS LESSEE

The Group leases its office property under operating lease arrangements. Lease for property is negotiated for terms ranging from one to three years (2014: two years).

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**1,241**	775
In the second to fifth years, inclusive	**130**	775
	1,371	1,550

38. CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitments contracted but not provided for in relation to the purchase of property, plant and equipment amounting to approximately HK$1,444,000 (2014: no significant capital commitments).

NOTES TO THE FINANCIAL STATEMENTS

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

39. OUTSTANDING LITIGATIONS

(a) Following the exchange of further evidence in September 2012, the Intermediate People's Court of Wuhan City, Hubei Province the PRC（中國湖北省武漢市中級人民法院）(the "Intermediate Court") issued in May 2015 a civil ruling in favour of IMC by dismissing the claim against IMC and a former subsidiary of the Group for an investment fund of RMB20 million together with the then outstanding interests of RMB24.74 million from the plaintiff. After the aforesaid ruling being granted, the plaintiff lodged an appeal in June 2015. The hearing of the appeal took place on 25 November 2015 at the Higher People's Court of Hubei Province, the PRC（中國湖北省高級人民法院）(the "Higher Court"). Up to the date of this annual report, the final judgement has not been issued yet. Based on the legal opinion from the Group's PRC legal advisors, the outcome of the final judgement is uncertain.

(b) In 2011, WHM received a civil case judgement issued by the People's Court of Jianhan District, Wuhan City, Hubei Province, the PRC（中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 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 judgement 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. Up to the date of this annual report, there is no further update from the PRC Court.

(c) On 31 December 2013, the PRC Partner, being the joint venturer of WPM unilaterally terminated the 20-year lease agreement which was signed in 1995 and would have expired 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 such acts have jeopardised the legitimate interests of WPM and IMC and, therefore, claimed damages at the Higher Court against the PRC Partner in the total sum of approximately RMB975 million. Up to the date of this annual report, there is no further update from the Higher Court. Based on the legal opinion from the Group's PRC legal advisors, the ruling of the litigation is uncertain.

On 24 March 2015, IMC received from the Group's PRC legal advisors a civil ruling（民事裁定書）issued on 16 January 2015 by the Intermediate Court on the application submitted by the PRC Partner in January 2014 requesting for mandatory dissolution of WPM provided that there was no voluntary dissolution proceeded under the joint venture agreement of WPM following its term expired on 29 December 2013, the Intermediate Court ruled that it agreed to proceed with the dissolution. As advised by the Group's PRC legal advisors, the said ruling is final and conclusive.

NOTES TO THE FINANCIAL STATEMENTS

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

39. OUTSTANDING LITIGATIONS (continued)

(d) Junefield Building Material filed applications for compensation for the shortfall in the steel slag supply for the period from 1 January 2011 to 31 August 2013 (the "First Application") and for the period from 1 September 2013 to 30 September 2015 (the "Second Application") for arbitration proceedings at the China International Economics and Trade Arbitration Commission ("Arbitration Commission") against Lianyuan Steel for compensation on, inter alia, failing to procure the requested amount of steel slag supply ("Supply Shortfall") under Hunan Taiji's joint venture agreement in October 2013 and December 2015 respectively.

In January 2015, Junefield Building Material received the First Application's arbitral award made by the Arbitration Commission in its favour ruling that Lianyuan Steel is liable to pay the compensation of approximately RMB13,850,000 (the "First Arbitral Ruling").

In September 2015, Junefield Building Material received a set aside ruling on the First Arbitral Ruling issued by the Intermediate People's Court of Loudi City, Hunan Province, the PRC（中國湖南省婁底市中級人民法院）("Loudi Intermediate Court") upon Lianyuan Steel's application ("Set Aside Application"). Following a request for retrial, the Loudi Intermediate Court quashed its initial set aside ruling in December 2015 and will arrange for retrial of the Set Aside Application. Up to the date of this announcement, the outcome of the retrial has not been given yet.

The Second Application claiming for, inter alia, damages of the Supply Shortfall amounting to approximately RMB58,000,000 was accepted to proceed in January 2016 and, up to the date of this annual report, its rulings has not been given yet. Please refer to note 44(d) to the financial statements for events after the reporting period regarding on the Second Application.

Upon disposal of Huaxia Group Limited, together with its subsidiaries and associate ("Huaxia Target Group"), details are set out in note 44(b) to the financial statements, IMC, WHM, WHRED and WPM (under the process of mandatory dissolution) have no longer been subsidiaries or associate of the Company since 18 February 2016. As a result, outcomes of litigations (a) to (c) aforementioned will have no financial impacts on the Group's consolidated financial statements since 18 February 2016 except for the purchaser pursuant to the sale and purchase agreement of the disposal has undertaken to the Company that in the event that the judgement in respect of the litigation (c) above is awarded by the Higher Court in favour of IMC within 18 months after 18 February 2016, the purchaser shall reimburse the amount awarded by the Higher Court after deducting related expenses.

NOTES TO THE FINANCIAL STATEMENTS

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

40. 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 year:

(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

	Note	**2015** **HK$'000**	2014 HK$'000
Commission charged by Ecuamining Mineral	(i)	**3,964**	3,720
Property management fee charged to PRC Partner	(ii)	**3,243**	3,323
Purchases from Hualing Steel	(iii)	**2,030**	2,078
Logistics services fee charged by Lianyuan Logistics Co., Ltd.	(iv)	**4,088**	4,712
Rental expenses paid to the ultimate holding company	(v)	**898**	857

Notes:

(i) On 20 January 2014, Like Top, an indirect wholly-owned subsidiary of the Company, entered into the exclusive sourcing agent agreement to appoint 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 wholly-owned by Mr. Zhou.

(ii) The Group provided property management services to WPM. However, the term of the joint venture agreement of WPM expired on 29 December 2013. 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 (note 39(c)). The property management services fees were charged to the PRC Partner during years ended 31 December 2014 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

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

40. RELATED PARTY TRANSACTIONS (continued)

(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Notes: (continued)

(iii) Pursuant to the joint venture agreement dated 30 June 2006, the minority shareholder of Hunan Taiji has procured 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 (Value Added Tax inclusive). The unit material price was determined at the time of entering into the joint venture agreement to establish Hunan Taiji.

(iv) Lianyuan Steel, being the minority shareholder of Hunan Taiji, has beneficial interests in Lianyuan Logistics Co., Ltd（湖南漣鋼物流有限公司, "Lianyuan Logistics"). The logistics services fee in relation to the transportation of granulated steel slag was determined on an annual basis between Hunan Taiji and Lianyuan Logistics with reference to the prevailing market price of similar transportation services.

(v) Rental expenses paid to the ultimate holding company, JHL, and the monthly rentals were mutually agreed between the contracting parties.

The related party transactions in respect of items (i), (iii) and (iv) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2015	2014
	HK$'000	HK$'000
Short term employee benefits	**1,565**	2,112
Post-employment benefits	**18**	18
Total compensation paid to key management personnel	**1,583**	2,130

The above related party transactions do not constitute connected transactions or continuing connected transactions in Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
2015				
Available-for-sale investment	–	–	4,039	4,039
Loan receivable	–	2,829	–	2,829
Accounts receivable	–	14,507	–	14,507
Financial assets included in prepayments, deposits and other receivables	–	15,085	–	15,085
Amounts due from related companies	–	12,983	–	12,983
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	1,065	–	–	1,065
– Listed equity investments (Elsewhere)	155	–	–	155
Time deposits	–	8,150	–	8,150
Cash and bank balances	–	37,408	–	37,408
	1,220	90,962	4,039	96,221

NOTES TO THE FINANCIAL STATEMENTS

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

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets (continued)

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
2014			
Accounts receivable	–	16,565	16,565
Financial assets included in prepayments, deposits and other receivables	–	12,555	12,555
Amounts due from related companies	–	16,731	16,731
Financial instruments at fair value through profit or loss			
– Listed equity investments (Hong Kong)	1,174	–	1,174
– Listed equity investments (Elsewhere)	6,531	–	6,531
Convertible note – conversion option component	4	–	4
Convertible note – loan receivable component	–	14,974	14,974
Time deposits	–	14,643	14,643
Cash and bank balances	–	40,078	40,078
	7,709	115,546	123,255

NOTES TO THE FINANCIAL STATEMENTS

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

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost 2015 HK$'000	Financial liabilities at amortised cost 2014 HK$'000
Accounts payable	**13,307**	10,538
Financial liabilities included in other payables and accruals	**59,072**	63,094
Interest-bearing other borrowing	**6,241**	6,234
Amount due to the ultimate holding company	**38**	54
Amounts due to related companies	**4,379**	5,004
Amount due to a joint venturer	**83**	88
Amount due to an associate	**117**	119
Dividend payable to a non-controlling interest	**–**	10,000
	83,237	95,131

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of time deposits, cash and cash equivalents, loan receivable, accounts receivable, financial assets included in prepayments, deposits and other receivables, amounts due from related companies, accounts payable, financial liabilities included in other payables and accruals, amount due to the ultimate holding company, amounts due to related companies, amount due to a joint venturer, amount due to an associate and dividend payable to a non-controlling interest approximate to their carrying amounts largely due to the short term maturities of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

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

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss and other comprehensive income for financial instruments at fair value through profit or loss and available-for-sale investment respectively, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 31 December 2014, the conversion option component of the Convertible Note (note 27) was measured using valuation techniques based on assumptions that are supported by observable market prices or rates. The fair value of the conversion option component was valued by using Binomial Option Pricing Model as at 31 December 2014, the major inputs used in the Binomial Option Pricing Model are stock price, risk-free rates, expected volatility and expected dividend yield with reference to share price of LRS, Australian Sovereign Bonds yields, historical volatilities of comparable companies' share prices, and historical dividend trend and expected future dividend policy, respectively. The directors of the Company believed that the estimated fair values resulting from the valuation technique, which were recorded in the consolidated statement of financial position, and the related changes in fair value, which were recorded in the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 31 December 2014, the loan receivable component of the Convertible Note of the Group with a carrying amount of approximately HK$14,974,000 had a fair value of approximately HK$16,811,000. The fair value of the loan receivable component of convertible note has been valued by discounted cash flow with the major input being the discount rate.

NOTES TO THE FINANCIAL STATEMENTS

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

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2015:				
Available-for-sale investment				
– Listed equity investments	**4,039**	**–**	**–**	**4,039**
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	**1,065**	**–**	**–**	**1,065**
– Listed equity investments (Elsewhere)	**155**	**-**	**–**	**155**
	5,259	**–**	**–**	**5,259**
As at 31 December 2014:				
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	1,174	–	–	1,174
– Listed equity investments (Elsewhere)	6,531	–	–	6,531
Convertible note – conversion option component	–	4	–	4
	7,705	4	–	7,709

NOTES TO THE FINANCIAL STATEMENTS

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

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Assets for which fair values are disclosed

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2014:				
Convertible note – loan receivable component	–	–	16,811	16,811

The fair value of the loan receivable component included in the Level 3 category above has been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) INTEREST RATE RISK

The Group currently does not hedge its exposure to interest rate risk. However, the management monitors the interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

The Group does not have material exposure to interest rate risk. A reasonably possible change in interest rate in the twelve months is assessed; which could have immaterial change in the Group's loss after tax and retained profits. Changes in interest rates have no material impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

The directors of the Company are of the opinion that the Group's sensitivity to the change in interest rate is low.

NOTES TO THE FINANCIAL STATEMENTS

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group's major operations and businesses are located in the PRC, Peru and Ecuador and substantially all transactions are conducted in RMB, Soles and USD respectively. All the assets and liabilities of these businesses are denominated in RMB, Soles and USD. At the end of the reporting period, certain asset of the Group is denominated in AUD.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Since HK$ is pegged to USD, relevant foreign currency risk is minimal, and substantially all of the revenue and cost of sales in Peru are denominated in Soles which is the functional currency of the operating units. Accordingly, their fluctuation are excluded from the sensitivity analysis. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and AUD exchange rates, with all other variables held constant, of the Group's loss after tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate %	**Decrease/ (increase) in loss after tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2015			
If HK$ weakens against RMB	**5**	**309**	**–**
If HK$ strengthens against RMB	**(5)**	**(309)**	**–**
If HK$ weakens against AUD	**5**	**147**	**202**
If HK$ strengthens against AUD	**(5)**	**(147)**	**(202)**

	Increase/ (decrease) in rate %	Decrease/ (increase) in loss after tax HK$'000	Increase/ (decrease) in equity* HK$'000
2014			
If HK$ weakens against RMB	5	–	–
If HK$ strengthens against RMB	(5)	–	–
If HK$ weakens against AUD	5	749	–
If HK$ strengthens against AUD	(5)	(749)	–

* Excluding retained profits

In management's opinion, the sensitivity analysis is unrepresentative of the inherent exchange risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE FINANCIAL STATEMENTS

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments and available-for-sale investment as at the end of the reporting period. The Group's listed investments are listed on the Stock Exchange and ASX Limited and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the Stock Exchange and the ASX Limited, at the close of business of the nearest trading day in the year to the end of reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2015	**High/low 2015**	31 December 2014	High/low 2014
Stock Exchange				
– Hang Seng Index	**21,914**	**28,443/ 20,557**	23,605	25,318/ 21,182
ASX Limited				
– S&P/ASX 200 Index	**5,296**	**5,983/ 4,910**	N/A	N/A
TSX Venture Exchange of Canada				
– S&P/TSX Venture Composite Index	**N/A**	**N/A**	696	1,046/ 642

NOTES TO THE FINANCIAL STATEMENTS

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) EQUITY PRICE RISK (continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amounts HK$'000	**Decrease/ (increase) in loss before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2015			
Investments listed in:			
Hong Kong – Held-for-trading	**1,065**	**107/(107)**	**–**
Elsewhere – Held-for-trading	**155**	**16/(16)**	**–**
– Available-for-sale	**4,039**	**–**	**404/(404)**

	Carrying amounts HK$'000	Decrease/ (increase) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2014			
Investments listed in:			
Hong Kong – Held-for-trading	1,174	117/(117)	–
Elsewhere – Held-for-trading	6,531	653/(653)	–

* Excluding retained profits

NOTES TO THE FINANCIAL STATEMENTS

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) CREDIT RISK

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, the Group reviews regularly the recoverable amount of each individual accounts receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, loan receivable, amounts due from related companies and loan receivable component of convertible note, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of the reporting period, the Group had certain concentrations of credit risk as 45% (2014: 12%) and 76% (2014: 52%) of the Group's accounts receivable were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from loan receivable and accounts receivable are disclosed in notes 19 and 22 respectively to the financial statements.

(e) LIQUIDITY RISK

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short, medium and longer term. Banking facilities have been put in place for contingency purposes. Certain individual operating entities within the Group are responsible for their own cash management.

NOTES TO THE FINANCIAL STATEMENTS

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) LIQUIDITY RISK (continued)

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or less than 3 months	
	2015	2014
	HK$'000	HK$'000
Accounts payable	**13,307**	10,538
Other payables and accruals	**59,072**	63,094
Interest-bearing other borrowing	**6,389**	6,382
Amount due to the ultimate holding company	**38**	54
Amounts due to related companies	**4,379**	5,004
Amount due to a joint venturer	**83**	88
Amount due to an associate	**117**	119
Dividend payable to a non-controlling interest	**–**	10,000
	83,385	95,279

NOTES TO THE FINANCIAL STATEMENTS

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to enhance the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using the debt-to-total equity ratio, which is net debt divided by total equity. Net debt is calculated as total borrowings (including amount due to the ultimate holding company, amounts due to related companies, amount due to a joint venturer, amount due to an associate and interest-bearing other borrowing) less cash and cash equivalents.

The debt-to-total equity ratios at 31 December 2015 and 2014 were as follows:

	2015	2014
	HK$'000	HK$'000
Total borrowings	**10,858**	11,499
Less: Cash and cash equivalents	**(40,438)**	(40,078)
Net debt	**(29,580)**	(28,579)
Total equity	**592,079**	687,552
Debt-to-total equity ratio	**N/A**	N/A

NOTES TO THE FINANCIAL STATEMENTS

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

44. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 January 2016, Like Top, an indirect wholly-owned subsidiary of the Company, has entered into a sourcing agent agreement (the "Sourcing Agent Agreement") with Ecuamining Mineral, pursuant to which Like Top has agreed to appoint and Ecuamining Mineral has agreed to act as sourcing agent of Like Top for a term of two years commencing from 20 January 2016 to procure the supply of mineral concentrates or its related products in Ecuador. Ecuamining Mineral is a company incorporated in Ecuador and is ultimately owned as to 100% by Mr. Zhou. As a result, Ecuamining Mineral is a connected person of the Company and the transactions contemplated under the Sourcing Agent Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Pursuant to the Sourcing Agent Agreement, Ecuamining Mineral would receive a commission of 2% of the purchase invoice price in respect of each order placed by Like Top through Ecuamining Mineral.

(b) The sales and purchase agreement dated 10 December 2015 was entered into between the Company as vendor and PCI as purchaser (the "SP Agreement"), the parties agreed to sell and purchase of the entire issued share capital and the shareholder's loan of Huaxia Target Group (the "Disposal"). The Company's independent shareholders passed an ordinary resolution to approve the Disposal and the transactions contemplated thereunder by way of poll at the special general meeting held on 29 January 2016.

Following all conditions precedent in the SP Agreement having been fulfilled, the Disposal was duly completed on 18 February 2016 (the "Completion") and a special dividend of HK$0.1855 per share, totaling approximately HK$193,922,000, was paid to shareholders of the Company on 19 February 2016. The final consideration was approximately HK$219,399,000 settled in cash and has been used as special dividend distribution and general working capital of the Group. Upon Completion, the Company ceases to have any equity interests in Huaxia Target Group and, therefore, their respective financial results will no longer be consolidated into the consolidated financial statements of the Group.

Pursuant to the post completion undertaking stipulated in the SP Agreement and in the event that any amount awarded by the court in relation to the litigation as set out in note 39(c) to the financial statements in favour of IMC within 18 months after the Completion, PCI has undertaken to the Company to reimburse and/or procure IMC to reimburse within 3 business days upon the repatriation of the net amount from the PRC Partner, after deducting (i) all reasonable expenses incurred; (ii) any related tax or withholding tax payable; and/or (iii) any reasonable cost and expenses incurred for the repatriation of the award from the PRC to Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

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

44. EVENTS AFTER THE REPORTING PERIOD (continued)

(c) Subsequent to the end of the reporting period, the Company was informed by Hunan Taiji that Hualing Steel (being a steel products manufacturer and is effectively owned as to more than 30% by the holding company of Lianyuan Steel) served it a written notice dated 26 February 2016 that the supply of steel slag to Hunan Taiji for its production would be suspended with effect from 1 March 2016 (the "Supply Suspension"). Hunan Taiji replied to Lianyuan Steel (being the minority shareholder of Hunan Taiji) and Hualing Steel on 29 February 2016 and urged Lianyuan Steel to fulfil its contractual obligations under the joint venture agreement dated 30 June 2006 to procure the continuous supply of steel slag from Hualing Steel. Hunan Taiji expects its production will sustain with its current stock of steel slag on hand until the end of March 2016. In view of the Supply Suspension, Hunan Taiji has continuously negotiated with Lianyuan Steel and local authorities for a feasible solution of the Supply Suspension. The Group is in the course of seeking legal advice on any possible actions to be taken.

(d) On 18 March 2016, Junefield Building Material received a notice from the Arbitration Commission dated 17 March 2016 that the arbitration proceedings of the Second Application were suspended due to the fact that the Loudi Intermediate Court has accepted to proceed with an application submitted by Lianyuan Steel to consider the validity of the arbitration agreement under the joint venture agreement in respect of the Second Application.

NOTES TO THE FINANCIAL STATEMENTS

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

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Non-current assets		
Property, plant and equipment	**1,000**	1,271
Investments in subsidiaries	**2,405**	2,016
Total non-current assets	**3,405**	3,287
Current assets		
Prepayments, deposits and other receivables	**735**	807
Amounts due from subsidiaries	**384,421**	383,504
Financial instruments at fair value through profit or loss	**1,065**	1,174
Cash and bank balances	**1,419**	1,598
Total current assets	**387,640**	387,083
Current liabilities		
Other payables and accruals	**12,914**	9,773
Interest-bearing other borrowing	**6,241**	6,234
Amount due to the ultimate holding company	**35**	54
Amount due to a related company	**396**	239
Total current liabilities	**19,586**	16,300
Net current assets	**368,054**	370,783
Total assets less current liabilities	**371,459**	374,070
Net assets	**371,459**	374,070
Equity		
Equity attributable to owners of the Company		
Issued capital	**102,440**	102,320
Reserves	**269,019**	271,750
Total equity	**371,459**	374,070

Zhou Chu Jian He
Director

Zhou Jianren
Director

NOTES TO THE FINANCIAL STATEMENTS

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

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2014	71,837	5,105	212,787	8,186	297,915
Total comprehensive expense for the year	–	–	(18,434)	–	(18,434)
Share options exercised	913	(451)	–	–	462
Share issue expenses	(7)	–	–	–	(7)
Share options lapsed	–	(185)	185	–	–
Final 2013 dividend paid	–	–	–	(8,186)	(8,186)
At 31 December 2014 and 1 January 2015	**72,743**	**4,469**	**194,538**	**–**	**271,750**
Total comprehensive expense for the year	**–**	**–**	**(2,885)**	**–**	**(2,885)**
Share options exercised	**306**	**(151)**	**–**	**–**	**155**
Share issue expenses	**(1)**	**–**	**–**	**–**	**(1)**
At 31 December 2015	**73,048**	**4,318**	**191,653**	**–**	**269,019**

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.

PARTICULARS OF INVESTMENT PROPERTIES

Details of the Group's investment properties as at 31 December 2015 are as follows:

Location	Approximate Gross floor area	Category of the lease	Use
Office units 708, 731, 732, 734, 735, 1132, 1510 and 1516 of Tower 1 Junefield Plaza, No. 6 Xuan Wu Men Wai Dajie, Xuan Wu District, Beijing, the PRC	745 sq.m.	Land use rights for a term expired on 21 February 2044	Commercial
Office units 725-729 on Level 7 and 917 on Level 9 of Tower 2, Junefield Plaza No. 10 Xuan Wu Men Wai Dajie, Xuan Wu District, Beijing, the PRC	744 sq.m.	Land use rights for a term expired on 21 March 2044	Commercial

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT FOR SALE

Details of the Group's properties under development for sale as at 31 December 2015 are as follows:

Name of property and location	Use	Stage of completion	Year of completion	Approximate site area	Approximate gross floor area	Group's interest
Calle Los Cisnes 361-365 Urb. Limatambo, San Isidro, Lima, Peru	Residential	Completed and pending on official title documents	2015	4,200 sq.m.	3,500 sq.m.	100%

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000
REVENUE	**316,791**	354,757	156,545	208,508	261,780
Operating (loss)/profit	**(73,553)**	(82,403)	(81,063)	59,170	64,725
Finance costs	**(584)**	(3,250)	(5,643)	(1,297)	(8,401)
Share of profit of a joint venture	**–**	–	189,358	146,464	137,829
Share of loss of an associate	**(967)**	(6,513)	(6,406)	–	–
(Loss)/profit before tax	**(75,104)**	(92,166)	96,246	204,337	194,153
Income tax expense	**(758)**	(9,825)	(5,318)	(19,472)	(30,826)
(Loss)/profit for the year	**(75,862)**	(101,991)	90,928	184,865	163,327
Attributable to:					
Owners of the Company	**(69,434)**	(104,923)	79,361	165,324	140,144
Non-controlling interests	**(6,428)**	2,932	11,567	19,541	23,183
	(75,862)	(101,991)	90,928	184,865	163,327

ASSETS AND LIABILITIES

	At 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000
Total assets	**798,749**	922,807	1,141,671	1,049,973	830,764
Total liabilities	**(206,670)**	(235,255)	(272,519)	(296,874)	(205,065)
	592,079	687,552	869,152	753,099	625,699
Equity attributable to:					
Owners the Company	**509,358**	592,989	713,664	613,505	506,888
Non-controlling interests	**82,721**	94,563	155,488	139,594	118,811
	592,079	687,552	869,152	753,099	625,699