



莊勝百貨集團有限公司

JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 758)

INTERIM REPORT

2016

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Zhou Chu Jian He (*Chairman*)
Mr. Zhang Min (*Chief Executive Officer*)
(*appointed on 10 August 2016*)
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 Men Wai Dajie
Xi Cheng District, Beijing
The People's Republic of China

Stock Code

758

Website

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

The board of directors (the "Board") of Junefield Department Store Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 as below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		Six months ended 30 June	
	<i>Note</i>	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	5	101,390	182,405
Cost of sales		(88,882)	(171,820)
		<hr/>	<hr/>
Gross profit		12,508	10,585
Other income and gains	5	4,754	1,842
Selling and distribution expenses		(782)	(897)
Administrative expenses		(17,906)	(26,190)
Other operating expenses		(6,072)	(6,392)
Fair value (losses)/gains on investment properties		(40)	3,324
Gain on disposal of available-for-sale investment		3,389	–
Fair value loss on convertible note – conversion option component		–	(4)
Loss on reclassification of investment in an associate to available-for-sale investment		–	(4,162)
		<hr/>	<hr/>
Operating loss from continuing operations	6	(4,149)	(21,894)
Finance costs	7	(280)	(293)
Share of loss of an associate		–	(496)
		<hr/>	<hr/>
Loss before tax from continuing operations		(4,429)	(22,683)
Income tax expense	8	(2,059)	(592)
		<hr/>	<hr/>
Loss for the period from continuing operations		(6,488)	(23,275)
DISCONTINUED OPERATIONS			
(Loss)/profit for the period from discontinued operations	9	(1,953)	122
		<hr/>	<hr/>
Loss for the period		(8,441)	(23,153)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*(continued)**For the six months ended 30 June 2016*

		Six months ended 30 June	
	<i>Note</i>	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
<hr/>			
Attributable to:			
Owners of the Company		(4,222)	(21,458)
Non-controlling interests		(4,219)	(1,695)
		<hr/>	<hr/>
		(8,441)	(23,153)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to owners of the Company			
Basic and diluted (<i>HK cents per share</i>)	<i>10</i>		
– For loss for the period		(0.41)	(2.10)
		<hr/> <hr/>	<hr/> <hr/>
– For loss from continuing operations		(0.18)	(2.06)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss for the period	(8,441)	(23,153)
Other comprehensive income/(expense) <i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale investment	6,469	462
Exchange differences on translation of foreign operations	(3,919)	(1,919)
Release of exchange fluctuation reserve upon disposal of discontinued operations	1	–
Share of other comprehensive income of an associate	–	74
Other comprehensive income/(expense) for the period, net of tax	2,551	(1,383)
Total comprehensive expense for the period	(5,890)	(24,536)
Attributable to:		
Owners of the Company	(152)	(22,690)
Non-controlling interests	(5,738)	(1,846)
	(5,890)	(24,536)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	171,903	172,746
Investment properties	13	63,280	63,856
Prepaid land lease payments		20,667	21,667
Other intangible assets	12	100,770	107,677
Investments in associates		–	225,832
Available-for-sale investments	14	9,037	4,039
Deferred tax assets		238	1,882
Loan receivable	15	–	2,829
		<hr/>	<hr/>
Total non-current assets		365,895	600,528
Current assets			
Properties under development for sale	16	6,698	22,772
Inventories		23,270	22,528
Loan receivable	15	2,829	–
Accounts receivable	17	14,756	14,507
Prepayments, deposits and other receivables		77,370	78,307
Amounts due from related companies		11,724	12,983
Financial instruments at fair value through profit or loss		1,736	1,220
Tax recoverable		339	346
Time deposits		8,000	8,150
Cash and bank balances		34,285	37,408
		<hr/>	<hr/>
Total current assets		181,007	198,221
Current liabilities			
Accounts payable	18	18,012	13,307
Other payables and accruals		67,760	109,450
Interest-bearing other borrowing	19	5,790	6,241
Amount due to the ultimate holding company		20	38
Amounts due to related companies		1,885	4,379
Amount due to a joint venturer		–	83
Amount due to an associate		–	117
Tax payable		6,982	6,107
		<hr/>	<hr/>
Total current liabilities		100,449	139,722
		<hr/>	<hr/>
Net current assets		80,558	58,499
		<hr/>	<hr/>
Total assets less current liabilities		446,453	659,027
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

At 30 June 2016

	Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		46,617	66,948
Total non-current liabilities		46,617	66,948
Net assets			
		399,836	592,079
Equity			
Equity attributable to owners of the Company			
Issued capital	20	104,540	102,440
Reserves		215,550	406,918
Non-controlling interests			
		79,746	82,721
Total equity			
		399,836	592,079

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Issued Capital (Unaudited) HK\$'000 (Note 20)	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Statutory surplus reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Investments revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		
At 1 January 2016	102,440	73,048	19,170	18,380	4,318	-	5,860	286,142	509,358	82,721	592,079
Profit or loss	-	-	-	-	-	-	-	(4,222)	(4,222)	(4,219)	(8,441)
Other comprehensive income/(expense)											
Change in fair value of available-for-sale investment	-	-	-	-	-	6,469	-	-	6,469	-	6,469
Release of exchange fluctuation reserve upon disposal of subsidiaries (Note 21)	-	-	-	-	-	-	1	-	1	-	1
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(2,400)	-	(2,400)	(1,519)	(3,919)
Total comprehensive income/(expense) for the period	-	-	-	-	-	6,469	(2,399)	(4,222)	(152)	(5,738)	(5,800)
Issue of shares upon exercise of share options	2,100	5,354	-	-	(2,645)	-	-	-	4,809	-	4,809
Share issue expenses	-	(3)	-	-	-	-	-	-	(3)	-	(3)
2016 special dividend paid	-	-	-	-	-	-	-	(193,922)	(193,922)	-	(193,922)
Disposal of subsidiaries	-	-	(19,170)	-	-	-	-	19,170	-	2,763	2,763
At 30 June 2016	104,540	78,399	-	18,380	1,673	6,469	3,461	107,168	320,090	79,746	399,836
At 1 January 2015	102,320	72,743	19,170	18,380	4,469	-	20,351	355,576	592,989	94,563	687,552
Profit or loss	-	-	-	-	-	-	-	(21,458)	(21,458)	(1,695)	(23,153)
Other comprehensive income/(expense)											
Change in fair value of available-for-sale investment	-	-	-	-	-	462	-	-	462	-	462
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(1,768)	-	(1,768)	(151)	(1,919)
Share of other comprehensive income of an associate	-	-	-	-	-	-	74	-	74	-	74
Total comprehensive income/(expense) for the period	-	-	-	-	-	462	(1,694)	(21,458)	(22,690)	(1,846)	(24,536)
At 30 June 2015	102,320	72,743	19,170	18,380	4,469	462	18,657	334,118	570,299	92,717	663,016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows (used in)/from operating activities	(406)	1,002
Net cash flows from investing activities	192,370	7,401
Net cash flows used in financing activities	(189,134)	(296)
Net increase in cash and cash equivalents	2,830	8,107
Effect of foreign exchange rate changes, net	(3,435)	3,404
Cash and cash equivalents at beginning of the period	40,438	46,355
Cash and cash equivalents at end of the period	39,833	57,866
Analysis of balances of cash and cash equivalents		
Cash and bank balances	34,285	49,513
Non-pledged time deposits with original maturity of less than three months when acquired	8,000	8,353
Less: Restricted cash	(2,452)	–
Cash and cash equivalents as stated in the statement of cash flows	39,833	57,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

During the six months ended 30 June 2016, the Company and its subsidiaries (collectively referred to as the "Group") engaged in the following principal activities:

- property investment and development;
- manufacture and sale of construction materials;
- securities investments;
- trading of mineral concentrates; and
- coal mining.

During the period, the Group ceased to engage in the provision of property management and agency services.

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

2. BASIS OF PREPARATION

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

The results of the property management and agency services segment have been presented as discontinued operations and accordingly, the comparative figures for the six months ended 30 June 2015 of the unaudited condensed consolidated statement of profit or loss had been reclassified in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). For comparative purposes, segment information of property management and agency services have also been reclassified to conform with current period presentation.

3. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

The accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of new or revised standards, interpretations and amendments as of 1 January 2016, as described below.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements to 2012-2014 Cycle	Amendments to a number of HKFRSs

Adoption of these revised HKFRSs and HKASs did not have any material effect on the financial position for the current or prior accounting period which have been prepared and presented.

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

4. SEGMENT INFORMATION

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

- (a) the property investment and development segment engages in leasing and sale of properties;
- (b) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder;
- (c) the securities investments segment engages in investing in listed securities;
- (d) the trading of mineral concentrates segment engages in the trading of mineral concentrates; and
- (e) 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 segments 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 loss before tax except that bank interest income and other unallocated income and gains, finance costs, gain on disposal of available-for-sale investment, fair value loss on convertible note – conversion option component, loss 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.

4. SEGMENT INFORMATION (continued)**Segment results** (continued)

For the six months ended 30 June 2015

	Property investment and development (Unaudited) HK\$'000	Securities investments (Unaudited) HK\$'000	Manufacture and sale of construction materials (Unaudited) HK\$'000	Trading of mineral concentrates (Unaudited) HK\$'000	Coal mining (Unaudited) HK\$'000	Total (Unaudited) HK\$'000 (Restated)
Segment revenue:						
Sales to/revenue from external customers*	1,670	–	24,445	157,325	2,271	185,711
Investment income	–	(3,306)	–	–	–	(3,306)
Total revenue and investment income from continuing operations	1,670	(3,306)	24,445	157,325	2,271	182,405
Segment results	(485)	(4,526)	(7,156)	8,083	(2,399)	(6,483)
Bank interest income and other unallocated income and gains						1,600
Corporate and other unallocated expenses						(12,845)
Unallocated finance costs						(293)
Fair value loss on convertible note – conversion option component						(4)
Loss on reclassification of investment in an associate to available-for-sale investment						(4,162)
Share of loss of an associate						(496)
Loss before tax from continuing operations						(22,683)

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

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 30 June 2016 (unaudited)

	Property investment and development 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	81,158	14,242	210,359	82,267	42,769	430,795
Corporate and other unallocated assets						116,107
Total assets						546,902
Segment liabilities	36,700	-	34,684	48,865	1,645	121,894
Corporate and other unallocated liabilities						25,172
Total liabilities						147,066

As at 31 December 2015 (audited)

Assets and liabilities:						(Restated)
Segment assets	91,797	8,205	235,100	75,274	42,671	453,047
Corporate and other unallocated assets*						117,494
Investments in associates*						225,832
Assets related to discontinued operations*						2,376
Total assets						798,749
Segment liabilities	57,918	-	40,338	37,773	2,325	138,354
Corporate and other unallocated liabilities*						47,796
Liabilities related to discontinued operations*						20,520
Total liabilities						206,670

* Save as disclosed above in the assets and liabilities related to discontinued operations (classified in property management and agency services segment previously) of approximately HK\$2,376,000 and HK\$20,520,000 respectively, amounts of approximately HK\$29,733,000, HK\$225,832,000 and HK\$21,676,000 included in corporate and other unallocated assets, investments in associates and corporate and other unallocated liabilities respectively are also related to discontinued operations.

4. SEGMENT INFORMATION (continued)**Geographical information**

(a) Revenue from external customers

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
The People's Republic of China (the "PRC")	73,541	183,440
Peru	27,136	2,271
Australia	699	–
Hong Kong	14	359
Canada	–	(3,665)
	101,390	182,405

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

(b) Non-current assets

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
PRC	268,239	515,965
Peru	85,559	74,079
Australia	9,037	6,868
Hong Kong	2,347	2,818
Ecuador	689	755
Colombia	24	43
	365,895	600,528

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:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Customer A (attributable to trading of mineral concentrates segment)	48,337	157,325

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue and other income and gains from continuing operations is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
Revenue		
Sale of mineral concentrates	48,405	157,325
Sale of construction materials	23,034	24,445
Sale of properties	21,929	–
Sale of coal	5,058	2,271
Fair value gains/(losses), net:		
Equity investments at fair value through profit or loss – held for trading	713	(3,306)
Gross rental income	2,251	1,670
	101,390	182,405
Other income and gains		
Bank interest income	121	31
Dividend income	27	–
Effective interest income on convertible note – loan receivable component	–	1,553
Gain on disposal of items of property, plant and equipment	33	–
Interest income on other loans	172	–
Net foreign exchange gains	4,158	–
Others	243	258
	4,754	1,842

6. OPERATING LOSS FROM CONTINUING OPERATIONS

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

		Six months ended 30 June	
	<i>Note</i>	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Restated)
Employee benefits expense (including directors' remuneration)	<i>(i)</i>	10,825	10,808
Salaries, wages and other benefits in kind			
Contributions to retirement benefits schemes		1,227	1,258
		12,052	12,066
Amortisation of other intangible assets – supplier contract	<i>(ii)</i>	6,072	6,392
Amortisation of prepaid land lease payments		249	273
Amortisation of mining rights (included in cost of sales)		1,838	–
Cost of inventories recognised as an expense		88,882	171,820
Depreciation of property, plant and equipment	<i>(iii)</i>	10,861	11,637
Net foreign exchange losses		–	8,376
Minimum lease payments under operating leases in respect of land and buildings		646	737
Gross rental income from investment properties		(2,102)	(1,670)
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the period		–	4
Direct operating expenses incurred for investment properties that did not generate rental income during the period		–	–
		(2,102)	(1,666)

6. OPERATING LOSS FROM CONTINUING OPERATIONS *(continued)*

Notes:

- (i) Amounts excluded expenses capitalised in exploration and evaluation assets and construction in progress of approximately HK\$311,000 (six months ended 30 June 2015: HK\$613,000) and HK\$325,000 (six months ended 30 June 2015: HK\$148,000) respectively. Employee benefits expense of approximately HK\$2,863,000 (six months ended 30 June 2015: HK\$2,932,000), HK\$8,604,000 (six months ended 30 June 2015: HK\$8,336,000) and HK\$585,000 (six months ended 30 June 2015: HK\$798,000) were charged to cost of inventories, administrative expenses and selling and distribution expenses respectively.
- (ii) Amounts are included in "Other operating expenses" in the condensed consolidated statement of profit or loss.
- (iii) Amounts excluded expenses capitalised in exploration and evaluation assets of approximately HK\$939,000 (six months ended 30 June 2015: HK\$1,188,000). Depreciation of approximately HK\$9,480,000 (six months ended 30 June 2015: HK\$9,847,000) and HK\$1,381,000 (six months ended 30 June 2015 (restated): HK\$1,790,000) were charged to cost of inventories and administrative expenses respectively.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on other borrowing wholly repayable within five years	280	293

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Current – Hong Kong		
Charge for the period	543	1,268
Under-provision in prior year	–	1
Current – elsewhere	1,239	–
Deferred tax charge/(credit)	277	(765)
Withholding tax charge – Australia	–	88
	2,059	592
Total tax charge for the period	2,059	592

9. DISCONTINUED OPERATIONS

On 10 December 2015, the Company entered into a conditional sale and purchase agreement with its immediate holding company, Prime Century Investments Limited, to dispose the entire equity interests in Huaxia Group Limited and its subsidiaries and an associate (collectively as the “Disposal Group”), together with the shareholder’s loan owing by the Disposal Group to the Company (“Shareholder’s Loan”) at an aggregate consideration of HK\$218,000,000, subject to adjustment (the “Disposal”). The principal assets of the Disposal Group were its 51% equity interests in Wuhan Huaxin Management Limited (“WHM”) and 49% equity interests in Wuhan Plaza Management Co., Ltd (“WPM”). Details of the Disposal are set out in the Company’s circular dated 8 January 2016.

9. DISCONTINUED OPERATIONS (continued)

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. The Disposal was duly completed on 18 February 2016 and the final consideration was approximately HK\$219,399,000. The loss on disposal of discontinued operations amounted to approximately HK\$2,577,000, after disposal expenses of approximately HK\$2,701,000. Following the completion of the Disposal Group, the Group ceased to hold any interest in the Disposal Group and Huaxia Group Limited and its subsidiaries ceased to be subsidiaries of the Company and discontinued the operation in provision of property management and agency services business.

Particulars of the Disposal Group are as follows:

Name of company	Legal form of business	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	Corporation	British Virgin Islands	United States dollars ("USD") 50,000	100	Investment holding
Indirectly held					
Huaxia Investment Worldwide Limited	Corporation	Hong Kong	HK\$100	100	Investment holding
Huaxia Development Worldwide Limited	Corporation	Hong Kong	HK\$100	100	Investment holding
Hudson Development (H.K.) Limited	Corporation	Hong Kong	HK\$10 ordinary shares and HK\$1,000,000 non-voting deferred shares	100	Investment holding
Huaxia Finance Company Limited	Corporation	Hong Kong	HK\$30,000,000	100	Dormant
Hudson International Hong Kong Limited	Corporation	Hong Kong	HK\$2	100	Investment holding
International Management Company Limited ("IMC")	Corporation	Hong Kong	HK\$1,500,000	100	Investment holding
WHM	Contractual joint venture	PRC	Renminbi ("RMB") 3,000,000	51	Provision of property management and agency services
WPM	Equity joint venture	PRC	USD21,000,000	49	In the process of a mandatory dissolution
Wuhan Huaxin Real Estate Co., Ltd. ("WHRED")	Contractual joint venture	PRC	USD8,000,000	51	Dormant

9. DISCONTINUED OPERATIONS (continued)

The combined results of discontinued operations for the periods are presented below. The comparative results and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

		Six months ended 30 June	
	<i>Note</i>	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		2,338	9,189
Cost of services		(796)	(2,762)
Gross profit		1,542	6,427
Other income and gains		1	19
Administrative expenses		(646)	(5,977)
Other operating expenses		–	(1)
Profit before tax for the period from discontinued operations		897	468
Income tax expense relating to the ordinary activities of discontinued operations		(273)	(346)
Profit after tax for the period from discontinued operations		624	122
Loss on Disposal*	21	(2,577)	–
(Loss)/profit for the period from discontinued operations		(1,953)	122
Attributable to:			
Owners of the Company		(2,335)	(402)
Non-controlling interests		382	524
		(1,953)	122

* Loss on disposal included release of exchange fluctuation reserve of approximately HK\$1,000 reclassified from equity to profit or loss upon disposal.

9. DISCONTINUED OPERATIONS *(continued)*

The net cash flows incurred by the Disposal Group are as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Operating activities	845	2,631
Investing activities	(5,448)	(1)
Net cash (outflows)/inflows	(4,603)	2,630

Loss per share for the discontinued operations are stated below:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Basic and diluted from the discontinued operations <i>(HK cents per share)</i>	(0.23)	(0.04)

The calculations of basic and diluted loss per share from the discontinued operations are based on:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Loss <i>(HK\$'000)</i>		
Loss attributable to owners of the Company from discontinued operations	(2,335)	(402)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation <i>(note 10)</i>	1,041,932,934	1,023,199,967

The computation of diluted loss per share for the six months ended 30 June 2016 and 2015 did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

10. 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 period attributable to owners of the Company, and the weighted average number of ordinary shares of 1,041,932,934 (six months ended 30 June 2015: 1,023,199,967) in issue during the period.

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
		(Restated)
Loss (HK\$'000)		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation		
From continuing operations	(1,887)	(21,056)
From discontinued operations	(2,335)	(402)
	(4,222)	(21,458)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	1,041,932,934	1,023,199,967

The computation of diluted loss per share for the six months ended 30 June 2016 and 2015 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.

11. DIVIDENDS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Special dividend paid – HK18.55 cents per share (six months ended 30 June 2015: Nil)	193,922	–

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2016, the Group acquired property, plant and equipment amounting to approximately HK\$11,214,000 (six months ended 30 June 2015: HK\$987,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$2,000 (six months ended 30 June 2015: HK\$22,000) for cash proceeds of approximately HK\$35,000 (six months ended 30 June 2015: HK\$21,000), resulting in a gain on disposal of approximately HK\$33,000 (six months ended 30 June 2015: loss on disposal of approximately HK\$1,000).

During the six months ended 30 June 2016, the Group had additions of other intangible assets amounting to approximately HK\$1,450,000 (six months ended 30 June 2015: HK\$5,168,000). No other intangible asset was disposed of for the six months ended 30 June 2016 and 2015.

13. INVESTMENT PROPERTIES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Carrying amount, beginning of the period/year	63,856	62,593
Net (loss)/gain from fair value adjustment	(40)	2,895
Exchange realignment	(536)	(1,632)
Carrying amount, end of the period/year	<u>63,280</u>	<u>63,856</u>

The carrying amount of investment properties shown above comprises:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Held under medium-term lease in the PRC	<u>63,280</u>	<u>63,856</u>

The Group's investment properties were revalued on 30 June 2016 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 22(a) to the condensed consolidated financial statements.

14. AVAILABLE-FOR-SALE INVESTMENTS

	<i>Note</i>	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Unlisted equity investment, at cost	<i>(i)</i>	–	31,642
Impairment		–	(31,642)
		–	–
Listed equity investments, at fair value:			
– Elsewhere	<i>(ii)</i>	9,037	4,039
		9,037	4,039

Notes:

- (i) It represented the investment in unlisted equity securities of WHRED which is classified as an available-for-sale financial asset, has no fixed maturity date or coupon rate. The Group disposed this available-for-sale investment on 18 February 2016. Details of the disposal are set out in the note 21 to the condensed consolidated financial statements.
- (ii) The listed equity investment represented equity interest in Latin Resources Limited (“LRS”, a company listed on Australian Securities Exchange Limited). As at 30 June 2016, the Group held approximately 90,754,000 fully paid ordinary shares of LRS, representing approximately 7.47% of its issued share capital. During the six months ended 30 June 2016, unrealised fair value gains of approximately HK\$6,469,000 in respect of the shares of LRS were recognised in other comprehensive income and realised gains of approximately HK\$3,389,000 were recognised in the profit or loss upon disposal of shares during the period.

15. LOAN RECEIVABLE

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current		
Other loan – unsecured, repayable within one year	2,829	–
Non-current		
Other loan – unsecured	–	2,829
	2,829	2,829

The balance represents an unsecured loan to LRS with a principal of Australian dollars 500,000 for 18 months with maturity in February 2017 and bears interest at a rate of 12% per annum.

16. PROPERTIES UNDER DEVELOPMENT FOR SALE

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
In Peru	6,698	22,772

17. ACCOUNTS RECEIVABLE

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Accounts receivable	14,756	14,563
Impairment	–	(56)
	14,756	14,507

Accounts receivable are usually due immediately from the date of billing. Payment in advance is normally required except the credit period is generally 1 month for customers from coal mining business of the Group. 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 Peruvian Soles.

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	3,905	3,668
1 to 3 months	6,057	4,924
Over 3 months	4,794	5,971
	14,756	14,563
Impairment	–	(56)
	14,756	14,507

18. 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:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	1,939	4,022
1 to 3 months	2,727	5,193
Over 3 months	13,346	4,092
	18,012	13,307

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

19. INTEREST-BEARING OTHER BORROWING

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current		
Other loan – unsecured, repayable on demand	5,790	6,241

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

20. ISSUED CAPITAL

	Number of shares		Share capital	
	2016	2015	2016 HK\$'000	2015 HK\$'000
Ordinary shares of HK\$0.10 each				
<i>Authorised:</i>				
At 1 January and 30 June	25,000,000,000	25,000,000,000	2,500,000	2,500,000
<i>Issued and fully paid:</i>				
At 1 January (audited)	1,024,399,967	1,023,199,967	102,440	102,320
Share options exercised	21,000,000	–	2,100	–
At 30 June (unaudited)	1,045,399,967	1,023,199,967	104,540	102,320

During the six months ended 30 June 2016, the subscription rights attaching to 21,000,000 share options were exercised at the subscription price of HK\$0.229 per share, resulting in the issue of 21,000,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$4,809,000. An amount of approximately HK\$2,645,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

21. DISPOSAL OF SUBSIDIARIES

As detailed in note 9 to the condensed consolidated financial statements, the Group disposed of its subsidiaries to a connected person during the period.

	At date of disposal (Unaudited) HK\$'000
<hr/>	
Assets and liabilities:	
Property, plant and equipment	1,519
Prepaid land lease payments	382
Investment in an associate	225,832
Accounts receivable	483
Prepayments, deposits and other receivables	10,321
Amount due from a related company	1,231
Time deposits	8,204
Cash and bank balances	11,987
Other payables and accruals	(20,548)
Amounts due to related companies	(3,060)
Amount due to a joint venturer	(84)
Amount due to an associate	(117)
Amount due to the Group	(25,583)
Tax payable	(1,205)
Deferred tax liabilities	(18,434)
	<hr/>
	190,928
Shareholder's Loan from the Disposal Group	25,583
Non-controlling interest	2,763
Exchange fluctuation reserve	1
Disposal related expenses	2,701
Loss on Disposal	(2,577)
	<hr/>
	219,399
	<hr/> <hr/>
Satisfied by cash	219,399
	<hr/> <hr/>

21. DISPOSAL OF SUBSIDIARIES *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Six months ended 30 June 2016 (Unaudited) HK\$'000
Cash consideration	219,399
Disposal related expenses	(2,701)
Cash and bank balances disposed of	(11,987)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	204,711

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties and properties under development for sale under operating lease arrangements, which leases negotiated for terms ranging from one to three years (31 December 2015: two to three years).

At 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	3,237	1,800
In the second to fifth years, inclusive	2,047	592
	5,284	2,392

22. OPERATING LEASE ARRANGEMENTS *(continued)***(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 (31 December 2015: one to three years).

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	737	1,241
In the second to fifth years, inclusive	19	130
	756	1,371

23. OUTSTANDING LITIGATIONS

(a) Junefield (Building Material) Limited ("Junefield Building Material") filed the First Taiji Arbitration Application and the Second Taiji Arbitration Application (both as defined on page 41 of this interim report) for arbitration proceedings at the China International Economics and Trade Arbitration Commission ("Arbitration Commission") against the minority shareholder of Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"), 涟源鋼鐵集團有限公司 (Lianyuan Steel Group Limited, "Lianyuan Steel") in October 2013 and December 2015 respectively for compensations on, inter alia, failing to procure the requested amount of granulated steel slag supply for production ("Supply Shortfall") under Hunan Taiji's joint venture agreement.

In January 2015, Junefield Building Material received the First Taiji Arbitration 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 (equivalent to approximately HK\$17,286,000) (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 interim report, the outcome of the retrial has not been given yet.

23. OUTSTANDING LITIGATIONS *(continued)*

(a) (continued)

The Second Taiji Arbitration Application claiming for, inter alia, damages arisen from the Supply Shortfall amounting to approximately RMB58,000,000 (approximately HK\$68,437,000) was accepted to proceed in January 2016. 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 Taiji Arbitration 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 Taiji Arbitration Application. Up to the date of this interim report, the ruling has not been given yet.

Based on the legal opinion of the Group's PRC legal advisors, the directors of the Company are of the opinion that the ruling of the litigation is uncertain.

(b) On 31 December 2013, Wuhan Department Store Group Co., Ltd. (the "PRC Partner"), being the joint venturer of WPM (in mandatory dissolution), unilaterally terminated the 20-year lease agreement which was signed in 1995 and would expire on 28 September 2016, and took possession of the property and arranged its related company to takeover WPM's employees and consignment operators and continued operation in the property since 1 January 2014. IMC considered that such acts have jeopardised the legitimate interests of WPM and IMC and, therefore, claimed damages 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 PRC Partner in the total sum of approximately RMB975,325,000.

As detailed in the section headed "Material Disposals" on page 45 of this interim report, IMC and WPM (in mandatory dissolution), have no longer been subsidiary and associate of the Company since 18 February 2016. However, pursuant to the sale and purchase agreement of the Disposal, the purchaser has undertaken to the Company that in the event that the judgement in respect of the above litigation 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. Up to the date of this interim report, there is no further update from the Higher Court.

24. CAPITAL COMMITMENTS

As at 30 June 2016, the Group had no significant capital commitments (31 December 2015: HK\$1,444,000 in relation to the purchase of property, plant and equipment).

25. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

(a) Significant transactions with related parties

	Note	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Continuing operations			
Commission charged by a related company	(i)	595	2,573
Logistics services fee charged by a related company	(ii)	2,021	1,891
Purchases of raw materials from a related company	(iii)	644	890
Rental expenses paid to the ultimate holding company	(iv)	449	449
Discontinued operations			
Property management fee charged to the PRC partner	(v)	463	1,806

Notes:

- (i) Like Top Corporation Limited, an indirect wholly-owned subsidiary of the Company ("Like Top"), entered into the sourcing agent agreement with Ecuamining Mineral S.A. ("Ecuamining Mineral"), pursuant to which Like Top agreed to appoint and Ecuamining Mineral agreed to act as sourcing agent of Like Top to procure the supply of the mineral concentrates or its related products in Ecuador for a term of two years ending on 19 January 2018. Ecuamining Mineral is a company incorporated in Ecuador and is ultimately wholly-owned by Mr. Zhou Chu Jian He, the chairman and an executive director of the Company.

25. RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant transactions with related parties *(continued)*

Notes: *(continued)*

- (ii) The logistics services fee in relation to the transportation of granulated steel slag, which was determined on an annual basis between Hunan Taiji and Lianyuan Logistics Co., Ltd (湖南漣鋼物流有限公司, "Lianyuan Logistics") with reference to the prevailing market price of similar transportation services. Lianyuan Steel has beneficial interests in Lianyuan Logistics.
- (iii) Pursuant to the joint venture agreement of Hunan Taiji dated 30 June 2006, Lianyuan Steel has procured 華菱漣源鋼鐵有限公司 (Hualing Steel Company Limited, "Hualing Steel") to enter into agreement 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. As at the date of this interim report, Hunan Taiji and Hualing Steel are still in negotiations for a new supply agreement.
- (iv) Rental expenses paid to the ultimate holding company, and the monthly rentals were mutually agreed between the contracting parties.
- (v) The property management services fees were charged to the PRC Partner.

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

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term employee benefits	720	968
Post-employment benefits	9	9
Total compensation paid to key management personnel	729	977

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

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

Assets measured at fair value

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2016 (unaudited):				
Available-for-sale investment				
– Listed equity investments	9,037	–	–	9,037
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	1,078	–	–	1,078
– Listed equity investments (Elsewhere)	658	–	–	658
	10,773	–	–	10,773

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2015 (audited):				
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
	<u>5,259</u>	<u>–</u>	<u>–</u>	<u>5,259</u>

During the six months ended 30 June 2016 and the year ended 31 December 2015, there were no transfers of fair value measurements on Level 1 and no transfers into or out of Level 2 and 3.

27. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2016, the Group entered into an agreement with a local bank in Peru for a term loan of approximately HK\$23,340,000 for financing its mining projects in Peru. The loan is denominated in USD, bears interest at an annual rate of London Interbank Offered Rate plus 5.9% per annum for a term of four years. The bank loan is secured by certain of the Group's property, plant and equipment in Peru.

28. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2016, the Group's revenue from continuing operations was approximately HK\$101,390,000 (six months ended 30 June 2015: HK\$182,405,000), decreased by 44% over the same period last year. It was mainly contributed from its trading of mineral concentrates segment. The revenue from discontinued operations of the Group was approximately HK\$2,338,000 (six months ended 30 June 2015: HK\$9,189,000). The consolidated loss from the continuing operations attributable to owners of the Company was approximately HK\$1,887,000 (six months ended 30 June 2015: HK\$21,056,000), representing a significant decrease of 91% over the same period last year from continuing operations. The decrease in the loss from the continuing operations attributable to owners of the Company was mainly attributable to the business of property development in Peru recorded profit after tax of approximately HK\$7,278,000, realised gain on disposal of available-for-sale investment of approximately HK\$3,389,000 and the exchange gain of approximately HK\$4,158,000 accounted for the period under review.

Operations Review and Prospects

Construction material business

During the period under review, the Group's indirect 60%-owned subsidiary engaged in manufacture and sale of slag powder business in the People's Republic of China (the "PRC"), Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"), recorded a turnover of approximately HK\$23,034,000 (six months ended 30 June 2015: HK\$24,445,000), representing a slight decrease of 6% while made a net loss of approximately HK\$11,503,000 (six months ended 30 June 2015: HK\$5,547,000), representing a significant increase of 107% compared to the same period last year which was mainly due to the increase in production costs on continuing shortage in supply of the granulated steel slag for production ("Steel Slag Supply") by its sole supplier.

In March 2016, the sole supplier of raw materials to Hunan Taiji served a written notice to suspend the Steel Slag Supply with effect from 1 March 2016 (the "Supply Suspension"). Amid the mediation carried out by the local authorities, Hunan Taiji is able to maintain its daily production but only at a low level under the continuing limited Steel Slag Supply.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Prospects *(continued)*

Construction material business *(continued)*

Before the Supply Suspension, there were two arbitral applications being filed by the Group for claiming compensations on the decrease of the profits due to the shortage of Steel Slag Supply for the periods from 1 January 2011 to 31 August 2013 and from 1 September 2013 to 30 September 2015 (the “First Taiji Arbitration Application” and the “Second Taiji Arbitration Application” respectively) with the China International Economics and Trade Arbitration Commission (“Arbitration Commission”). In September 2015, the initial ruling of the First Taiji Arbitration Application ruled that the minority shareholder should be liable to pay compensation to the Group. Subsequently, it had been set aside and is currently pending to retrial. In respect of the Second Taiji Arbitration Application, it was suspended to proceed by the Arbitration Commission until the final ruling to be granted by a court in Hubei Province, the PRC on the application submitted by the minority shareholder of Hunan Taiji to consider the validity of the arbitration agreement stipulated under the joint venture agreement. Details of the aforesaid proceedings are set out in note 23 to the condensed consolidated financial statements.

Currently, the Group’s primary focus remains looking for a mutual agreement giving benefits to the Group, Hunan Taiji and its minority shareholder in the long run. Meanwhile, the Group is unable to estimate the time to reach a final agreement.

Property investment and development

Investment properties in Beijing

During the period under review, the rental income from property leasing in Beijing, the PRC was approximately HK\$2,102,000 (six months ended 30 June 2015: HK\$1,670,000). It also recorded fair value loss of approximately HK\$40,000 (six months ended 30 June 2015: gain of approximately HK\$3,324,000) in respect of the revaluation of investment properties which resulted in a profit of approximately HK\$1,655,000 (six months ended 30 June 2015: HK\$2,558,000), representing a decrease of 35% compared to the same period last year. The Group expects the investment properties currently held on hand will keep generating a stable rental income stream and capture potential appreciation.

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

As the title documents of fifteen units out of sixteen sold residential units in Peru were handed over to buyers during the period under review which resulted in the sales proceeds of approximately HK\$21,929,000 and profit after tax of approximately HK\$7,278,000 were recognised. Currently, the Group retains one residential unit for staff quarter and still owns four residential units for sale, all of which have been recorded at costs. Meanwhile, the property market in Peru is sluggish and, therefore, the Group temporarily leased out the remaining four residential units for rental income. The Group plans to sell the remaining units when the property market is improving.

Securities investments

During the period under review, the Group's shareholdings in Latin Resources Limited ("LRS", a company listed on Australian Securities Exchange Limited) continued to decrease by passive dilution and it disposed approximately 52,031,000 fully paid ordinary shares of LRS for proceeds of approximately HK\$4,860,000. It resulted in the Group held approximately 90,754,000 fully paid ordinary shares of LRS, representing approximately 7.47% of its issued share capital as at 30 June 2016. As the share price of LRS went up, the Group recognised an unrealised fair value gain of approximately HK\$6,469,000 in the condensed consolidated statement of comprehensive income and a realised gain on disposal of available-for-sale investment of approximately HK\$3,389,000 was recognised in the condensed consolidated statement of profit or loss for the period under review.

In addition, this segment recognised fair value gains of approximately HK\$713,000 (six months ended 30 June 2015: loss of approximately HK\$3,306,000) arising from the securities investments held for trading due to upward in market price during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Prospects *(continued)*

Trading of mineral concentrates business

The trading of mineral concentrates business segment principally operates by sourcing mineral concentrates from Ecuador and Peru and exporting them to the PRC customers. The Group's trading of mineral concentrates business continued to make profit, but nevertheless both the sales volume and gross profit margin continued declining due to the weak demand in the PRC market and fluctuation in global quoted prices for minerals during the period under review. The Group recorded the revenue and net profit of approximately HK\$48,405,000 (six months ended 30 June 2015: HK\$157,325,000) and HK\$3,054,000 (six months ended 30 June 2015: HK\$6,736,000), representing significant decreases of 69% and 55% respectively compared to the same period last year.

Coal mining business

During the period under review, the Group's coal mining business segment recorded a turnover of approximately HK\$5,058,000 (six months ended 30 June 2015: HK\$2,271,000) and a net loss of approximately HK\$976,000 (six months ended 30 June 2015: HK\$1,680,000), representing increase of 123% and decrease of 42% respectively compared to the same period last year. Given the Group's existing exploration projects in Peru are small scale, the Group's current strategy is to employ minimum capital for commencing mining production of potential exploration projects so as to generate cash flows for financing the development of other projects. Notwithstanding it may be considered not so economical efficient, but it enables the Group to minimise the employment of capital expenditure and operating costs associated with the coal mining operations and to reallocate resources to develop the Group's other businesses as well. In July 2016, the Group successfully raised a bank loan of approximately HK\$23,340,000 in Peru for developing two potential exploration projects and expects to commence production in 2017. Besides the domestic market in Peru, the Group also intends to export the coal to other countries in South America.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Operations Review and Prospects** *(continued)****Discontinued operations – 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, a former subsidiary of the Group. 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”). On 10 December 2015, the Company entered into a conditional sale and purchase agreement with a connected person to dispose the entire equity interests in its wholly-owned subsidiary, Huaxia Group Limited together with its subsidiaries and associate (the “Disposal Group”). The Board considered that the disposal presented a good opportunity for the Group to deliver to shareholders of the Company an immediate return by distribution of the special dividend and at the same time, the Group has discharged from its legal proceedings of the Disposal Group and the need for incurring additional administrative costs and disclosure obligation regarding such litigations. The disposal was approved by independent shareholders of the Company at a special general meeting held on 29 January 2016 and completed on 18 February 2016. The final consideration was approximately HK\$219,399,000.

Accordingly, the results of the provision of property management and agency services were accounted for as discontinued operation in the condensed consolidated statement of profit or loss in the current and prior interim periods. After completion of the disposal, the Group recorded a loss from the discontinued operations of approximately HK\$1,953,000 in the condensed consolidated statement of profit or loss for the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Prospects *(continued)*

Prospects

Following with the completion of the disposal of the businesses in Wuhan, the PRC in February 2016, the result from the discontinued operations was ceased to be consolidated into the consolidated financial statements of the Group. However, the impacts on the result from such discontinued operations attributable to the Group were insignificant. The Group only retained a small portion of the consideration of the disposal for general working and intends to focus on strengthening its existing businesses as well as to broaden income base under the current unfavourable circumstances of global market. Currently, the Group is following up closely with the development of disputes with Hunan Taiji's minority shareholders and proactively pursuing negotiations with the counterparties involved for achieving a feasible solution that benefits all counterparties involved as soon as possible.

In addition, the Group will further strengthen its financial position and also consider raising funds by suitable means when investment opportunities arise.

Material Disposals

On 10 December 2015, the Company entered into an agreement with its immediate holding company, Prime Century Investments Limited, to dispose the entire equity interests in the Disposal Group, together with the shareholder's loan (the "Disposal"). 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"). The Disposal was approved by independent shareholders of the Company at a special general meeting held on 29 January 2016 and was completed on 18 February 2016 at the final consideration of approximately HK\$219,399,000. Details of this major and connected transaction are set out in the Company's circular dated 8 January 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

As at 30 June 2016, the Group had net assets of approximately HK\$399,836,000 (31 December 2015: HK\$592,079,000) with total assets of approximately HK\$546,902,000 (31 December 2015: HK\$798,749,000) and total liabilities of approximately HK\$147,066,000 (31 December 2015: HK\$206,670,000). The Group's current ratio, which equals to current assets divided by current liabilities, was 1.80 (31 December 2015: 1.42).

As at 30 June 2016, the Group had an unsecured other loan of approximately HK\$5,790,000 (31 December 2015: HK\$6,241,000) is denominated in Renminbi ("RMB") and interest bearing at 9.5% per annum with no fixed term of repayment. The Group's bank balances and short term deposits which were mainly denominated in Hong Kong dollars, United States dollars ("USD"), RMB and Peruvian Soles ("Soles"), amounted to approximately HK\$42,285,000 as at 30 June 2016 (31 December 2015: HK\$45,558,000). The Group's gearing ratio, as a ratio of total interest-bearing borrowing to total assets as at 30 June 2016, was 0.01 (31 December 2015: 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 30 June 2016, the Group had no banking facilities (31 December 2015: HK\$13,348,000). During the period under review, the general banking facilities of approximately HK\$13,348,000 has been expired and releases of the Group's properties under development for sale and certain property, plant and equipment with net carrying amounts of approximately HK\$6,698,000 and HK\$1,334,000 respectively pledged as securities have not yet been completed.

Charge of Assets

Save as disclosed above, the Group did not have any charge of assets as at 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 30 June 2016, the Group had no significant capital commitments (31 December 2015: HK\$1,444,000 in relation to the purchase of property, plant and equipment).

Outstanding Litigations

Details of outstanding litigations are set out in note 23 to the condensed consolidated financial statements.

Exchange Rate Exposure

During the period under review, the business activities of the Group were mainly denominated in Hong Kong dollars, RMB, USD and Soles. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. For the six months ended 30 June 2016, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

Employee and Remuneration Policy

As at 30 June 2016, the Group had about 158 employees (six months ended 30 June 2015: 278) with the majority based in PRC and Peru. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice. The remuneration policy and package of the Group's employees are periodically reviewed by the Company's Remuneration Committee and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

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

As at 30 June 2016, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long position in shares

Name of director	Number of shares held	Percentage of the Company's issued share capital
Mr. Zhou Chu Jian He	697,837,417 (<i>Note 1</i>)	66.75

Notes:

1. These 697,837,417 shares are held by Prime Century Investments Limited ("PCI"), a wholly-owned subsidiary of Junefield (Holdings) Limited ("JHL"). Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.
2. In August 2016, Mr. Lam Man Sum Albert, an independent non-executive director of the Company, informed the Company in writing that due to overlooking, he had completed the disposal of a total of 1,700,000 shares of the Company during the period from 5 July 2011 to 26 June 2014 without notifying the Company in writing.

SUPPLEMENTARY INFORMATION *(continued)*

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

(b) Long position in underlying shares – share options

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

Name	Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2016	Exercise price per share HK\$
			Balance as at 1 January 2016	Granted during the period	Exercised during the period		
Mr. Zhou Chu Jian He	6 July 2009	6 July 2009 – 5 July 2019	9,980,000	–	–	9,980,000	0.229
Mr. Lam Man Sum, Albert	6 July 2009	6 July 2009 – 5 July 2019	3,300,000	–	–	3,300,000	0.229
			<u>13,280,000</u>	<u>–</u>	<u>–</u>	<u>13,280,000</u>	

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

Save as disclosed above, as at 30 June 2016, so far as is known to the directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

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

As at 30 June 2016, so far as is known to the directors and the chief executives of the Company, the interests or short positions of the persons (other than directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO are as follows:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
PCI <i>(Note)</i>	Directly beneficially owned	697,837,417	66.75
JHL <i>(Note)</i>	Through a controlled corporation	697,837,417	66.75
China Galaxy International Finance (Hong Kong) Co., Limited	Person having a security interest in shares	697,837,417	67.79
China Galaxy International Financial Holdings Ltd.	Through a controlled corporation	697,837,417	67.79
China Galaxy Securities Co. Ltd.	Through a controlled corporation	697,837,417	67.79
China Galaxy Financial Holdings Company Limited	Through a controlled corporation	697,837,417	67.79
Central Huijin Investment Ltd.	Through a controlled corporation	697,837,417	67.79

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

Save as disclosed above, as at 30 June 2016, 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.

SUPPLEMENTARY INFORMATION *(continued)*

Share Option Scheme

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

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

The principal terms of the Share Option Scheme have been set out in the 2015 annual report. During the period under review, details of the movements of the outstanding share options granted under the Share Option Scheme are as follows:

	Date of grant	Exercisable period	Number of share options			Exercise price per share	HK\$
			Balance as at 1 January 2016	Granted during the period <i>(Note 2)</i>	Exercised during the period		
Directors <i>(Note 1)</i>			13,280,000	–	–	13,280,000	0.229
Other participants in aggregate	6 July 2009	6 July 2009 – 5 July 2019	21,000,000	–	(21,000,000)	–	0.229
			<u>34,280,000</u>	<u>–</u>	<u>(21,000,000)</u>	<u>13,280,000</u>	

Notes:

1. Movements of the share options granted to the directors of the Company are shown under the section headed “Directors’ and Chief Executives’ Interests in Securities” of this interim report.
2. No share options have been granted during the six months ended 30 June 2016.

SUPPLEMENTARY INFORMATION *(continued)***Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Audit Committee

The Audit Committee, which comprises three independent non-executive directors of the Company, has discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Audit Committee has also reviewed and discussed with the management and auditors about the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

Remuneration Committee

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

Nomination Committee

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

SUPPLEMENTARY INFORMATION *(continued)*

Corporate Governance Code

In the opinion of the directors, the Company had complied with the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules during the period under review, save as:

- Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 6 June 2016 (the “AGM”) due to other business engagement. The Chairmen of the Audit Committee and 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 therefore 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. On 10 August 2016, Mr. Zhang Min was appointed as Chief Executive Officer of the Company.

SUPPLEMENTARY INFORMATION *(continued)***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. The Company has made specific enquiries to all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the Model Code during the six months ended 30 June 2016, except that:

Mr. Lam Man Sum Albert, an independent non-executive director of the Company, informed the Chairman of the Board in writing in August 2016 that due to overlooking, he had completed the disposal of a total of 1,700,000 shares of the Company during the period from 5 July 2011 to 26 June 2014 without notifying the Chairman of the Board in writing. The Company believes that the current procedures to remind all Directors and senior management of the Group to follow strictly with the Model Code prior to publication of the Group's interim and final results remain sufficient to prevent non-compliance with the Model Code.

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

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

By Order of the Board

Zhou Chu Jian He

Chairman

Hong Kong, 29 August 2016