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 2016

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He *(Chairman)*
Mr. Zhang Min *(Chief Executive Officer)*
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

Rooms 2801 & 2802A
28/F., Windsor House
311 Gloucester Road
Causeway Bay
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

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 2016.

RESULTS

In 2016, the Group's revenue from continuing operations was approximately HK$154,401,000 for the year ended 31 December 2016, which significantly dropped by 48% over HK$298,688,000 as compared to the corresponding period of 2015. The consolidated loss attributable to owners of the Company was approximately HK$36,495,000 for the year ended 31 December 2016, which significantly decreased by 47% over HK$69,434,000 as compared to the corresponding period of 2015.

DIVIDENDS

During the year, a special dividend of HK18.55 cents per share was paid on 19 February 2016 upon the completion of the disposal of its entire investments in Wuhan, the People's Republic of China (the "PRC"). The Board did not recommend the payment of a final dividend for the year ended 31 December 2016.

BUSINESS REVIEW

As mentioned above, the Group successfully disposed its entire investments in Wuhan, the PRC and hence the Group has discharged the legal and administrative costs and disclosure obligation from the businesses in Wuhan, the PRC thereafter. However, the Group still has unresolved legal disputes with the minority shareholder of its 60%-owned subsidiary, Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"). Notwithstanding all up-to-date court rulings or arbitrations against the minority shareholder were in favour of the Group, this minority shareholder has still failed to follow and the sole supplier of Hunan Taiji, which is a related company of this minority shareholder, even completely suspended the supply of raw materials to Hunan Taiji since August 2016. Currently, the Group continues to negotiate with this minority shareholder and other related counterparties to solve the disputes and target to resume the production of Hunan Taiji as soon as possible but no agreement has been reached up to the date of this annual report.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW (continued)

During the year, the sale of coal in Peru has also suspended since July 2016 due to introduction of a new selective consumption tax in the local market of Peru. However, the Group keeps going on the exploration and development activities of its coal mine concessions and explores the opportunities to enter into new markets other than in Peru. The Group expects to resume its production and sale by exporting its coal products to other countries in South America in the second half of 2017. Other than the coal mining business, the Group is also trying to broaden income base by strengthening its existing businesses in Peru including the sale of parts of mining equipment and provision of aircraft sub-leasing services.

FUTURE OUTLOOK

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 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 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year under review, the Group's revenue from continuing operations was approximately HK$154,401,000 (2015: HK$298,688,000), significantly decreased by 48% as compared to the last year under review. It was mainly contributed from the Group's trading of mineral concentrates segment. The revenue from discontinued operations of the Group was approximately HK$2,338,000 (2015: HK$18,103,000).

The consolidated loss from the continuing operations attributable to owners of the Company was approximately HK$34,160,000 (2015: HK$66,820,000), representing a significant decrease of 49% over the same period last year under review 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$5,416,000, realised gain on disposal of available-for-sale investment of approximately HK$3,568,000 accounted for the year under review while it recognised impairment loss as well as fair value loss from its available-for-sale investment and exchange loss totalled of approximately HK$26,896,000 from the continuing operations in the consolidated statement of profit or loss for the year ended 31 December 2015.

OPERATIONS REVIEW AND PROSPECTS

CONSTRUCTION MATERIAL BUSINESS

During the year 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$25,983,000 (2015: HK$58,294,000), representing a significant decrease of 55% and loss of approximately HK$38,815,000 (2015: HK$17,863,000), representing significant increase of 117% compared to last year under review mainly due to it maintained at low production level after its sole supplier served a written notice to suspend the supply of the granulated steel slag for production ("Steel Slag Supply") in March 2016 ("Supply Suspension"). Since August 2016, Hunan Taiji suspended its production when Steel Slag Supply has been totally paused. As at 31 December 2016, the Group reassessed the recoverable amount of the supplier contract and recognised an impairment loss of approximately HK$11,686,000 (2015: HK$10,978,000) in the consolidated statement of profit or loss for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND PROSPECTS (continued)

CONSTRUCTION MATERIAL BUSINESS (continued)

In relation to the two arbitral applications being filed by the Group for claiming compensations from Hunan Taiji's minority shareholder on the decrease of the profits due to the shortage of Steel Slag Supply (the "First Taiji Arbitration Application" and the "Second Taiji Arbitration Application" respectively, defined in note 42(a) to the financial statements") with the China International Economics and Trade Arbitration Commission ("Arbitration Commission"), the minority shareholder of Hunan Taiji subsequently filed two objection applications with 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") but being rebutted by the Loudi Intermediate Court in September 2016 and December 2016 respectively. As a result, the ruling on the First Taiji Arbitration Application made by the Arbitration Commission in January 2015 remains in effect and hence the minority shareholder of Hunan Taiji is liable to pay compensation to the Group and procure the Steel Slag Supply to Hunan Taiji stipulated in the joint venture agreement. Details of the aforesaid proceedings are set out in note 42(a) to the financial statements".

Notwithstanding all the up-to-date court rulings or arbitrations are in favour of the Group, 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

The income from property leasing in Beijing, the PRC was approximately HK$3,145,000 (2015: HK$3,383,000), representing an decrease of 7% over last year under review. The investment properties also recorded fair value gains of approximately HK$807,000 (2015: HK$2,895,000) in respect of the revaluation of investment properties and resulted in a profit of approximately HK$1,663,000 (2015: HK$3,435,000), representing a significant decrease of 52% over the same period last year. The Group expects the investment properties in Beijing currently held on hand will keep generating a stable rental income stream and capture potential appreciation.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND PROSPECTS (continued)

PROPERTY INVESTMENT AND DEVELOPMENT (continued)

Property development in Peru

During the year under review, an indirect wholly-owned subsidiary of the Company in Peru handed over the title documents of its completed residential project in Lima City of Peru to buyers which resulted in the sales proceeds of approximately HK$24,426,000 (2015: Nil) and profit after tax of approximately HK$5,416,000 (2015: loss after tax of approximately HK$14,926,000) were recognised. Currently, the Group retains one residential unit for staff quarter and still owns other four units ready for sale, all of which have been recorded at costs. Meanwhile, the property market in Peru is sluggish for awhile and, therefore, the Group temporarily leased out the remaining four residential units for rental income. This indirect wholly-owned subsidiary of the Company is going to sell the remaining units when the property market is improving. Other than the above, it has no planning to develop new property project in the meantime.

SECURITIES INVESTMENTS

The Group's shareholdings in Latin Resources Limited ("LRS", a company listed on Australian Securities Exchange Limited) continued to decrease by passive dilution as well as by disposal of approximately 54,389,000 fully paid ordinary shares of LRS for proceeds of approximately HK$5,107,000 during the year under review. As the share price of LRS went up, the Group recognised an unrealised fair value gain of approximately HK$3,439,000 (2015: Nil) in the consolidated statement of comprehensive income and a realised gain on disposal of available-for-sale investment of approximately HK$3,568,000 (2015: Nil) was recognised in the consolidated statement of profit or loss for the year under review while loss arising from redemption of convertible note and conversion into available-for-sale investment, impairment loss of available-for-sale investment and gain on reclassification of investment in an associate to available-for-sale investment totaled approximately of HK$8,290,000 was recognised in the consolidated statement of profit or loss for the last year under review. As at 31 December 2016, the Group held approximately 6% of the issued share capital of LRS.

In addition, this segment recognised fair value gains of approximately HK$455,000 (2015: loss of approximately HK$4,109,000) arising from the securities investments held for trading due to upward in market price during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW AND PROSPECTS (continued)

TRADING OF MINERAL CONCENTRATES BUSINESS

The trading of mineral concentrates business segment principally operates by sourcing mineral concentrates mainly 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 year under review. The Group recorded the revenue of approximately HK$93,354,000 (2015: HK$233,563,000) and net profit of approximately HK$5,694,000 (2015: HK$6,546,000), representing significant decreases of 60% and 13% respectively compared to the same period last year.

The Group anticipates the revenue and profit from this business segment will improve when the global prices for mineral concentrates go up in the future.

COAL MINING BUSINESS

During the year under review, this segment recorded a turnover of approximately HK$5,055,000 (2015: HK$7,557,000) and a net loss of approximately HK$8,273,000 (2015: HK$11,446,000), representing decrease of 33% and 28% respectively as compared to the same period last year. The reason for the drop was mainly attributable to the coal mine, which started its production in 2015, temporarily suspended its production since July 2016 after the sudden introduction of a selective consumption tax ("ISC") on coal products for energy use in domestic market ranged from Peruvian Soles ("Soles") 51.72 per ton to Sole 55.19 per ton by the Peruvian government in May 2016. Currently, to avoid the implications of ISC, the Group is carrying a market study to export this coal product along with another coal product which will be ready to be exported to other countries in South America.

In July 2016, the Group successfully raised a bank loan of approximately HK$23,340,000 in Peru for developing another coal mine with different coal product type and expects to commence production in the fourth quarter of 2017. Its coal will be exported to other countries in South America and there will be no impact from the introduction of ISC.

Having considered the feasibility on the exploration projects in Peru, the Group determined to surrender the exploration permits of certain exploration projects in view of their unfavourable future prospect and aggregate carrying amounts of approximately HK$2,768,000 (2015: HK$2,653,000) were written off to the consolidated statements of profit or loss for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

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 consolidated statement of profit or loss in the current and prior years. After completion of the disposal, the Group recorded a loss from the discontinued operations of approximately HK$1,953,000 in 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 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 duly completed on 18 February 2016 at the final consideration of approximately HK$219,399,000. Details of this major transaction and connected transaction are set out in the Company's circular dated 8 January 2016.

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 2016, the Group had net assets of approximately HK$344,718,000 (2015: HK$592,079,000) with total assets of approximately HK$483,730,000 (2015: HK$798,749,000) and total liabilities of approximately HK$139,012,000 (2015: HK$206,670,000). The Group's current ratio, which equals to current assets divided by current liabilities, was 1.75 (2015: 1.42).

As at 31 December 2016, the Group had an outstanding bank borrowing of approximately HK$11,091,000 (2015: Nil) and an unsecured other loan of approximately HK$5,563,000 (2015: HK$6,241,000). The bank loan is secured, denominated in United States dollars ("USD"), interest-bearing at an annual rate of London Interbank Offered Rate plus 5.9% per annum and repayable for a term of four years after the date of disbursement. The unsecured other loan is denominated in Renminbi ("RMB") and interest-bearing at 9.5% per annum with no fixed term of repayment. The Group's bank balances and short term deposits which were mainly denominated in Hong Kong dollars, USD, RMB and Soles, amounted to approximately HK$33,960,000 as at 31 December 2016 (2015: HK$45,558,000). The Group's gearing ratio, as a ratio of total interest-bearing other borrowing and bank borrowing to total assets as at 31 December 2016, was 0.03 (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 31 December 2016, the Group had aggregate banking facilities of approximately HK$48,340,000 (2015: HK$13,348,000) of which approximately HK$37,168,000 (2015: HK$11,397,000) had not been utilised and remained available for drawdown.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had no significant 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.

CHARGE OF ASSETS

As at 31 December 2016, the Group had its property, plant and equipment, prepaid land lease payments and investment properties with carrying amounts of approximately HK$58,329,000, HK$1,290,000 and HK$30,799,000 respectively pledged as securities for banking facilities.

OUTSTANDING LITIGATIONS

Details of outstanding litigations are set out in note 42 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 2016, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the Group had about 165 employees (2015: 285 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 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 individual performance.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He, aged 53, 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 is the brother of Mr. Zhou Jianren.

Mr. Zhang Min, aged 58, has been the Chief Executive Officer and an executive director of the Company since August 2016. Mr. Zhang holds a Bachelor of Philosophy Degree from the Beijing Normal College and a Master of Laws Degree from the Renmin University of China.

Mr. Zhang is currently an independent non-executive director of China Eco-Farming Limited (stock code: 8166), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Zhang was also appointed as a non-executive director of China Fortune Financial Group Limited ("China Fortune") (stock code: 290) on 8 December 2010. He was re-designated and appointed as chairman of the board, executive director and a member of the remuneration committee of China Fortune from 12 April 2011 to 30 June 2014. In addition, Mr. Zhang was an independent non-executive director of Silver Base Group Holdings Limited (stock code: 886) from 28 January 2011 to 1 April 2014. The aforesaid companies are listed on the Main Board of the Stock Exchange.

He was also the chief marketing officer of the China Cinda Asset Management Co., Ltd from 28 April 2011 to 31 August 2013 and was the chief executive of China Construction Bank Corporation, Hong Kong Branch from September 2006 to March 2011, and director of CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited from August 2006 to March 2011. Both CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited are wholly-owned subsidiaries of China Construction Bank Corporation (stock code: 939) (together with its subsidiaries referred to as the "CCBC Group"), a joint stock company incorporated in the PRC with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange. He was the president of the Beijing Banking Association from 2003 to 2005 and the Beijing Investment Institution from 2001 to 2006. Mr. Zhang possesses over 20 years' experience in the banking industry through his work with the CCBC Group.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS (continued)

Mr. Zhou Jianren, aged 58, 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 director of certain subsidiaries of the Company.

Mr. Xiang Xianhong, aged 52, 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 director of an indirect wholly-owned subsidiary of the Company.

Mr. Lei Shuguang, aged 53, 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 wholly-owned subsidiary of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Jorge Edgar Jose Muñiz Ziches, aged 64, 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.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Man Sum, Albert, aged 61, 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 member of the Institute of Chartered Accountants in England & Wales, Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, 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 and was head of department in Southwest Securities International Securities Limited. Mr. Lam was the director and is the shareholder and Consultant of Jonten Hopkins & Aoba Group 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 66, 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 and Dingyi Group Investment Limited, all of which are companies listed on the Stock Exchange.

Mr. Cheung Ka Wai, aged 59, 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 organisations 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 2016.

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.

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 bank and other borrowings to total assets, was 0.03 (2015: 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.

The Group will review its environmental protection practices from time to time and will consider taking more effective and efficient measures and practices in the operations. The environmental policies and performance of the Group are discussed in more detail in the section headed "Environmental, Social and Governance Report" of this annual report.

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 as well as results announcements.

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. 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.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES

During the year, the Board identified the principal risks which are likely to affect the Group's business operations including volatility and uncertainty in market conditions, changing in industry standards, industry competition and financial risks in the ordinary course of business, such as liquidity risk, interest rate risk and currency risk. It is essential that the Group is able to respond in a timely manner to such changes which may adversely affect the Group's businesses and financial results.

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. Further reviews are set out in the section headed "Corporate Governance Report – Risk Management and Internal Control" on page 45 of the annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 54.

The Board did not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil). A special dividend of HK18.55 cents per share was paid on 19 February 2016 (2015: 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 14 to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out in note 15 to the financial statements.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 32 to the financial statements.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 74% of the total turnover for the year and sales to the largest customer included therein accounted for 61%. Purchases from the Group's five largest suppliers accounted for 52% of the total purchases for the year and purchases from the largest supplier included therein accounted for 15%.

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 2016.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 34 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves available for distribution amounted to approximately HK$239,874,000.

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.

REPORT OF THE DIRECTORS

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 160.

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.

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. 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

In accordance with the Company's bye-law 86(2), Mr. Zhang Min shall retire at the forthcoming annual general meeting ("AGM") and, being eligible, shall offer himself for re-election.

In accordance with the Company's bye-law 87, Mr. Zhou Chu Jian He, Mr. Zhou Jianren and Mr. Jorge Edgar Jose Muñiz Ziches will retire by rotation at the AGM and, being eligible, shall offer themselves for re-election.

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 independence guidelines as set out in Rule 3.13 of the Listing Rules and are independent.

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.

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 43 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 35 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:

	Date of grant	Exercisable period	Number of share options: Balance as at 1 January 2016	Granted during the year (Note 2)	Exercised during the year (Note 3)	Balance as at 31 December 2016	Exercise price per share HK$
Directors (Note 1)			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
			34,280,000	–	(21,000,000)	13,280,000	

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 2016.

3. 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 2016 was approximately HK$0.40 per share (2015: HK$0.44 per share).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Group during the year ended 31 December 2016 (collectively the "2016 Continuing Connected Transactions") subject to annual review requirements pursuant to the Listing Rules are set out below:

1. On 20 January 2016, Like Top Corporation Limited, an indirect wholly-owned subsidiary of the Company, entered into the sourcing agent agreement to appoint Ecuamining Mineral S.A. ("Ecuamining Mineral"), as its 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 2016.

   During the year ended 31 December 2016, the commission charged by Ecuamining Mineral amounted to approximately HK$1,252,000.

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 2016, the logistics services fee charged by Lianyuan Logistics amounted to approximately HK$3,601,000 (VAT inclusive) or HK$3,078,000 (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 2016, the purchases amounted to approximately HK$963,000 (VAT inclusive) or HK$823,000 (VAT exclusive).

The Company's auditors were engaged to report on the 2016 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 2016 Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules.

The independent non-executive directors of the Company have reviewed the 2016 Continuing Connected Transactions and confirmed that the 2016 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 2016 (but did not fall under Chapter 14A of the Listing Rules) are set out in note 43 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2016, 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)	66.75%

Notes:

1. 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.

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.

(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 2016	Granted during the year	Exercised during the year	Balance as at 31 December 2016	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. Lam Man Sum, Albert	6 July 2009	6 July 2009 – 5 July 2019	3,300,000	–	–	3,300,000	0.229
			13,280,000	–	–	13,280,000	

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

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

Save as disclosed above, as at 31 December 2016, 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 2016, 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	66.75%
JHL (Note)	Through a controlled corporation	697,837,417	66.75%
CMBC International Holdings Limited	Person having a security interest in shares	697,837,417	66.75%

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 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.

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 children under age of 18, 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 2016, 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.

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 37 to 46 of this annual report.

AUDITORS

The financial statements for the year ended 31 December 2016 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 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT AND ITS SCOPE

This environmental, social and governance report ("ESG Report") is prepared pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and it is also the first ESG Report prepared by the Group pursuant to the ESG Guide. The ESG Report is added with the general disclosure requirements in accordance with the requirements in "Comply or Explain" in the ESG Guide. The contents on key performance indicators are expected to be added to the ESG Report for the year ended 31 December 2017.

This ESG Report covers two major business sectors of the Group, namely the coal mining business sector in Peru and the manufacture and sale of construction material business sector in Hunan province in the People's Republic of China ("PRC").

The reporting period of the ESG Report is from 1 January 2016 to 31 December 2016 which is the same as that of the annual report.

Aspects which are considered material and in high priorities in the environmental and social areas are highlighted as below.

COMMUNICATION WITH SHAREHOLDERS

The Group attaches great importance to keep communications with our shareholders to keep a good and long-term relationship with them. The Group continued to call for a closer relationship and communication with our shareholders, and used various communication tools (such as annual general meeting, annual or interim report, announcements, circulars and etc.) to ensure that our shareholders are informed of the information of this company in a timely manner.

The Group has maintained a website available as a communication platform for shareholders. Pursuant to the Listing Rules, all the communication information of a company should be published on the websites of the Stock Exchange and the Company. The Group has put in place a policy to ensure that the corporate information is timely updated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

EMISSIONS

The Group strictly observes the local laws and regulations in the country where it operates. The Group's coal mining business sector in Peru strictly observes the local regulations on solid wastes, air emission and sewage discharge, and was inspected annually by an independent and recognised environment assessment agency to ensure that the relevant emission and discharge levels meet standards. The Group's construction material business sector in Hunan province strictly observes the relevant environmental protection laws and regulations of PRC. The sector obtained the discharge permit, and was supervised by the Environmental Protection Administration regularly for its exhaust emission and sewage discharge processes.

To reduce the greenhouse gas emission resulting from long distance transportation, the Group prefers to purchase from local suppliers, for example, the coal mining business sector in Peru prefers local wood suppliers, and most of its consumables were purchased from local suppliers. On the other hand, the construction material business sector in Hunan province in PRC prefers to use local suppliers to provide the major raw materials granulated steel slags and daily hardware fittings. In addition, the Group worked out definite administrative guidelines on business trips, and prefers teleconference or video conference if feasible, thus reducing possible greenhouse gas emission that may be caused during business trips. The two policies above were formulated with an aim to cut down carbon emission arising from transportation.

In terms of waste management, the Group commits to reduce wastes in an effort to minimise the impact of business on environment. The coal mining business sector in Peru used the waste oil, collected after coal mining and stored in buckets, as lubricant of mechanical parts, and reused the non-hazardous waste materials to fill in the abandoned vacant mining channels. Furthermore, it also donated the scrap tyres to build schools.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (continued)

EMISSIONS (continued)

In the manufacture and sale of construction material business sector in Hunan province, the coal cinders generated during slag powder production were recollected for sale, and the ferrous powder by-product generated during the production were also recollected for sale. Those were all actual measures to reduce wastes and make the best use of wastes. Meanwhile, the Group sorted out, recycled, reproduced and reused the waste papers and printer cartridges whenever feasible. With regard to hazardous wastes, the Group disposed of them in strict accordance with local laws and regulations.

The Group strictly observes the relevant laws and regulations on environmental protection, and has not been charged against any material violation of such laws and regulations during the reporting period.

USE OF RESOURCES

With the supporting facilities and management, the Group continued to explore the methods to reduce energy consumption and improve water utilisation efficiency, for example, the manufacture and sale of construction material business sector formulated the Corporate Production System and advocated water, electricity and gas conservation.

In respect of supporting facilities, the Group actively used energy-efficient electrical appliance and lamps, and advocated the installation of energy-saving lamps, so as to reduce energy consumption. While for management, the Group worked out policies, which stipulated that the electrical equipment not in use in offices should be timely switched off, and the air conditioners should be adjusted to an appropriate temperature to reduce power consumption, for example, the manufacture and sale of construction material business sector controlled the room temperature at 26℃ according to the applicable situation in PRC.

As with water resource efficiency, the Group's coal mining business sector in Peru and construction material business sector in Hunan province both required a large amount of water in production, so it was internally stipulated that the water-consuming facilities must be regularly inspected, maintained and repaired to avoid water waste due to water dropping and leakage. Furthermore, the Group also directed its employees with notifications to cherish and save water to avoid waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION (continued)

USE OF RESOURCES (continued)

The Group prefers electronic means to handle purchase payment, and introduced computer office system for document management, and read and sent files by electronic means to reduce file printing and replace paper recording, thus efficiently cutting down the paper consumption in the Group. In addition, all offices were equipped with waste paper collection bins to help employees develop a habit of reusing single-sided printing paper, and meanwhile employees were encouraged to print on both sides and use two-sided photocopying. Such measures can effectively improve the resource efficiency.

ENVIRONMENT AND NATURAL RESOURCES

The Group also took a series of environmental management measures in daily operation. The Group's manufacture and sale of construction material business sector in Hunan province may produce dusts during production, so the Group installed "bag filters" in dust generating sites in workshops to purify and filter air, thus effectively reducing emissions from pollutant sources. The workshops were equipped with a sedimentation tank and a secondary biochemical treatment tank for sewage treatment. The treated sewage was recycled and reused for road cleaning, irrigation and dust control. In addition, the water sprinkling measure at the entry and exit mining fields in Peru and the vehicle speed limiting measure were taken to reduce fugitive dust. All machines were regularly inspected and maintained to ensure they were can be normally operated and are in good conditions, so as to avoid accidents, pollution, leakage and so on.

In the Group's manufacture and sale of construction material business sector, the raw materials for production – granulated steel slags, as by-products of the steel-making process, were considered as wastes before being processed and manufactured into construction materials. However, such materials can be used as construction materials after being processed, quenched and grinded into slag powder in the Group. This process can effectively reproduce the wastes of the steel-making industry into valuable construction materials. The finished slag powder, as a substitute of cement that has greater economic benefits, can significantly reduce the energy consumption and emission in cement industry. Not only does the Group value its own performance in environmental protection, but also improves the environmental protection level for the related industries across the entire industrial chain, thus playing an important part in modern circular economy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL EMPLOYMENT

The Group offers each candidate with a fair recruitment and promotion opportunity in accordance with local laws and regulations as well as its internal policies. The Group only considers an employee's work performance, experience and personal ability. No employees would be rejected for employment or promotion because of gender, age, religious belief, race, disability and other factors. The Group made evaluation, review and assessment on a regular basis to review employees' salary and offer them with a fair promotion opportunity.

The Group determined standard labour hours and statutory holidays in accordance with local laws and regulations, and provided maternity and paternity leave for female and male employees surpassing the requirement by the laws and regulations, thus enabling employees to achieve a work-life balance. The Group also offered social and medical insurance for employees, and worked out policies on dismissal and retirement pursuant to the laws, in an effort to safeguard the rights and interests of employees in every aspect.

The Group strictly observes the relevant laws and regulations on employment, and has not been charged against any major violation of such laws and regulations during the reporting period.

LABOUR PRACTICES

HEALTH AND SAFETY

The Group attaches great importance to the occupational safety and protection in employees, and is committed to create a good and safe working and living environment for them. The Group worked out an occupational safety management system in accordance with local laws and regulations, and actively cared about employees' physical conditions through regular medical checks conducted to check whether any employee suffers from occupational disease.

In order to improve the safety level in operation sites, the Group worked out a sound safety responsibility system, including, an occupational safety officer resided in mine fields and factories to supervise the daily safety management and provide safety training for employees regularly. In addition, the Group also held Occupational Health and Safety Day to strengthen employees' safety awareness and remind them of the importance of safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LABOUR PRACTICES (continued)

HEALTH AND SAFETY (continued)

The coal mining business in Peru required underground work, so the mining fields were specially built with safety structure, for example, a slope higher than the ground level was built at the entrance of underground tunnel to drain out rainwater, so as to prevent a large amount of rainwater from pouring into and submerging the tunnel during the rainy seasons, thereby avoiding safety accidents. Due to the particularity of mining safety, the Group offered the safety management courses to the management of the coal mining business sector in Peru, to ensure that the operations of the mining fields meet local legal requirements on mining safety. The Group also strengthened training on earthquake, fire disaster and rescue so as to ensure rapid emergency rescue services to cope with accidents.

Furthermore, by encouraging employees to actively put forward suggestions to improve and enhance the safety, the Group engaged its employees in building a safe working environment, and taking safety measures more thoroughly in operation.

The Group provided its employees with personal protective equipment that meet local standards. All employees were required to wear personal protective equipment before entering into the work area and they were strictly forbidden to work against regulations. Various medical first-aid kits and other emergency equipment were also provided in workplace to further guarantee the safety of employees.

The Group is committed to improve the safety standards in workplace and create a positive safety culture through the involvement and sincere communication of all employees.

The Group strictly observes the relevant laws and regulations on occupational safety, and has not been charged against any violation of such laws and regulations during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LABOUR PRACTICES (continued)

DEVELOPMENT AND TRAINING

The Group clearly understands to achieve sustainable success and development must involve excellent talents. The Group reviewed the growth and development needs of employees regularly, especially in work performance, experience and personal ability, thus providing a fair promotion opportunity for employees and helping them to make plans for their career.

The Group's construction material business sector provided its new employees with induction training to ensure they can fit in their new positions. To help employees adapt to the fast-paced social development, the Group provided them with the knowledge needed currently and in the future to allow them to keep pace with the times. Therefore, we encouraged our employees to attend training and provided continuous training for them.

With respect of both coal mining and the manufacture and sale of construction material businesses, we attached importance to the training on occupational safety management for employees, including safety management awareness of the management, safety conduct of employees as well as the crisis handling in case of earthquake, fire disaster and rescue. The Group also encouraged employees to attend classes for training on specialized knowledge related to financial accounting, to ensure the Group's business administration can achieve an ideal level. Besides, in consideration of the corporate social responsibility that has been increasingly concerned globally, the Group's coal mining business sector in Peru provided employees with special training about community relationship and corporate social responsibility.

LABOUR STANDARDS

The Group takes child labour prevention very seriously. Before hiring any candidates, the Group always and thoroughly checked various documents related to the candidates' age and verified by using effective procedure, so as to ensure that the candidates reach the legal working age.

The Group prohibits the use of any forms of forced labour to ensure that all employees work voluntarily. It also prohibits any use of forced or indentured labour, physical punishment, imprisonment and threats by violence. The Group recruited employees on a principle of fairness and free will, and never recruited employees by any means of coercion or fraud.

The Group has not hired any child labour or forced labour during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

The Group encourages suppliers to continuously improve their performance and expects all suppliers to observe the applicable laws and regulations. The Group also expects suppliers to take good employment measures and to provide a good working environment for their employees by holding a fair and reasonable attitude. The Group's suppliers should also manage environment and utilise resources in an effective way.

The Group established a sound supplier assessment mechanism, that is, when exploring new suppliers, the Group investigated, assessed, determined and established a list of qualified suppliers, and periodically reviewed the qualified suppliers in terms of product quality, delivery time, price and service quality. If any suppliers are unqualified, then they will be delisted, so as to ensure that the selected suppliers meet the Group's requirements.

PRODUCT RESPONSIBILITY

The Group provides quality products for its clients and treated them with a sincere and respectful attitude. The Group worked out the relevant policies to effectively monitor product quality. With the strict quality control procedure, the Group can ensure the product quality meets standards. The quality control personnel must collect, prepare, reserve and review samples according to the established operation requirements. The Group also formulated policies to ensure fair and accurate publicity information. In addition, the Group promises to deliver products on time and provide after-sales and return warranty to clients.

The Group strictly observes the relevant laws and regulations on product liability, and has not been charged against any violation of laws and regulations on product responsibility during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES (continued)

ANTI-CORRUPTION

According to the Group's Employee Management Measures, no one is allowed to seek or receive bribes by taking advantage of their positions, or seek personal gains through improper means, or engage in blackmail, fraud or money-laundering. Once such behaviours are found, the employee will be fired and never be re-hired. If the case is serious, such employee will be transferred to local law-enforcement and judicial authority.

The Group also encourages employees to report any illegal acts or acts contrary to moral ethics, and also encourages them to report to management, department heads or other appropriate personnel immediately once they suspect or find any violation of laws and regulations or code of ethics, and provide appropriate information to help the management deal with the follow-up issues properly. The Group will then handle the reported cases confidentially and protect the safety of the good-will reporter.

The Group strictly observes the relevant laws and regulations on anti-corruption and bribery prevention, and has not been charged against any violation of such laws and regulations during the reporting period.

COMMUNITY INVESTMENTS

The Group pays much attention to community benefits and investment, and works to bring sustainable benefits to the community development. The Group's community investment and donation activities are supplementary to its business operation. By using such relationship, we can win and maintain the trust of our business partners in us. The Group also invested in education, for example, the Group's coal mining business sector in Peru donated scrap tyres to local communities for school building.

OUTLOOK

Looking forward, the Group will continue to implement more initiatives beneficial for environment, society and governance during operation, including the response to the relevant governmental policies and the participation in development of community.

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 6 June 2016 (“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 were performed by Mr. Zhou Chu Jian He, the Chairman of the Board, until the appointment of Mr. Zhang Min, the new Chief Executive Officer, on 10 August 2016.

DIRECTORS’ SECURITIES TRANSACTIONS

Save as disclosed in this annual report, 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 2016 after specific enquiry.

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.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently comprises nine 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. Zhang Min *(Chief Executive Officer)*
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 2016, 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**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AGM**	**Special General Meeting**
Executive Directors						
Mr. Zhou Chu Jian He	2/4	–	0/1	–	0/1	0/1
Mr. Zhang Min (appointed on 10 August 2016)	2/2	–	–	–	–	–
Mr. Zhou Jianren	4/4	–	–	–	1/1	1/1
Mr. Xiang Xianhong	4/4	–	–	–	0/1	1/1
Mr. Lei Shuguang	4/4	–	–	–	1/1	0/1
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	2/2	1/1	1/1	1/1	1/1
Mr. Cao Kuangyu	2/4	1/2	1/1	1/1	0/1	0/1
Mr. Cheung Ka Wai	4/4	2/2	1/1	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 2016 to the Company. Apart from Mr. Zhang Min is currently an independent non-executive director of China Eco-Farming Limited (Stock Code: 8166), a company listed on the Growth Enterprise Market of the Stock Exchange, none of the Executive Directors hold any directorship in any other public companies during 2016. 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 update on regulation of listed issuers, publication of environmental, social and governance report and capital market update to all Directors during 2016. The training participation by individual Director during 2016 is summarised as below:

	Reading legal and regulatory updates	Attending seminars/ briefings
Executive Directors		
Mr. Zhou Chu Jian He	✓	–
Mr. Zhang Min	✓	–
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 2016 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 47 to 53 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 had performed by different individuals since the appointment of Mr. Zhang Min, the new Chief Executive Officer, on 10 August 2016. Before then, the roles of Chairman and Chief Executive Officer were 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. 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 2016, 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 2016 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 Director (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 2016, the Nomination Committee held one meeting, with 75% 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 2016 with 83.3% 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 2016 and audited annual results for the year ended 31 December 2016 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 consolidated financial statements for the year ended 31 December 2016 have been audited by HLB Hodgson Impey Cheng Limited. During the year, the fee in respect of audit service provided by HLB Hodgson Impey Cheng Limited was approximately HK$830,000 (2015: HK$800,000). The fee paid to HLB Hodgson Impey Cheng Limited for non-audit services relating to assisting in reviewing the disclosure of interim financial report was HK$200,000 (2015: HK$190,000).

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it 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.

On-going process for identifying, evaluating and managing the significant risks of the Group has been established. Business units are responsible for identifying, assessing and monitoring risks associated with their respective units. The results of evaluation will be reported to management through regular internal meetings associated with the list of risks identified and management's assessment on the impact to the Group. The Board discussed the risk identified and evaluates the effectiveness of the risk management and internal control system.

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 2016, the Group engage external consultants to perform annual review on the effectiveness of the risk management and internal control system of 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.

With respect to the monitoring and disclosure of inside information, the Company has formulated its guidelines, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

COMPANY SECRETARY

During the year ended 31 December 2016, the company secretary attended relevant professional training for not less than 15 hours.

CORPORATE GOVERNANCE REPORT

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 Rooms 2801 & 2802A, 28/F., Windsor House, 311 Gloucester Road, Causeway Bay, 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.

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 2016.

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

HLB 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)

QUALIFIED OPINION

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 54 to 158, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Included in the consolidated statement of financial position as at 31 December 2015 was 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. The Group was in dispute with the joint venturer about the term of the joint arrangement.

As set out in note 11 to the financial statements, during the year the Group disposed of Huaxia Group Limited and its subsidiaries, which includes its interest in WPM (collectively referred to as the "Disposal Group"), and recognised a loss on disposal of approximately HK$2,577,000 (the "Disposal Loss"). At the date of disposal, WPM was carried at an amount of approximately HK$225,832,000. 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 current year.

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 year ended 31 December 2015 and for the period from 1 January 2016 to the date of disposal 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 amount of the Group's investment in WPM in the consolidated statement of financial position as at 31 December 2015; (ii) the Group's share of the results and other comprehensive income or expense of WPM, as included in the Discontinued Operations line item in the Group's consolidated statements of profit or loss and consolidated statements of comprehensive income for the years ended 31 December 2015 and 2016; and (iii) the carrying amount of WPM as at the date of its disposal and, consequently, the Disposal Loss, as disclosed in note 11 to the financial statements and making up part of the Discontinued Operations line item, 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 financial position as at 31 December 2015 and 2016, and the Group's financial performance 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 HKFRS 12 "Disclosure of Interests in Other Entities" issued by the HKICPA.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Group's investment in WPM as at its disposal date, the Disposal Loss and the Group's share of WPM's results for the period. Accordingly, we are unable to conclude whether or not the Other Information is materially misstated with respect to this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matter
Impairment assessment on other intangible assets Refer to note 17 to the financial statements.	
The carrying amounts of the Group's other intangible assets as at 31 December 2016 were approximately HK$78,766,000.	Our procedures in relation to management's impairment assessment on other intangible assets included:
The carrying amounts of other intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining whether there is any indication of impairment of the carrying amounts of the other intangible assets requires significant judgement.	• Discussing indicators of possible impairment with the management and challenge the validity and completeness of indicators identified, where such indicators were identified, assessing the impairment testing performed by management;

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matter
Impairment assessment on other intangible assets (continued)	
For the purpose of assessing impairment, the other intangible assets were allocated to cash-generating units ("CGUs"), and the recoverable amounts of the CGUs were determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessments, significant judgement was used to appropriately identify CGUs and to determine the key assumptions, including operating margins, growth rates and discount rates, underlying the value-in-use calculations.	• Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business; • Assessing the value-in-use calculations methodologies adopted by the management; • Assessing the reasonableness of key assumptions (including operating margins, growth rates and discount rates) based on our knowledge of the business and industry; and • Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.
Valuation of investment properties Refer to note 15 to the financial statements.	
Management has estimated the fair value of the Group's investment properties to be approximately HK$63,023,000 as at 31 December 2016 with a fair value gain on investment properties for the year ended 31 December 2016 recorded in the consolidated statement of profit or loss of approximately HK$807,000. Independent external valuation was obtained in respect of the investment properties. The valuation is dependent on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. Reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the end of the reporting period.	Our procedures in relation to management's valuation of investment properties included: • Evaluation of the independent professional qualified valuer's competence, capabilities and objectivity; • Engaging a valuation expert in assisting to assess the methodology used and the appropriateness of the key assumptions; and • Checking on the accuracy and relevance of the input data used.

INDEPENDENT AUDITORS' REPORT

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue auditors' report that includes our opinion. Our report is made 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Lo Kin Kei.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413
Hong Kong, 30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 HK$'000	2015 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	5	**154,401**	298,688
Cost of sales and services		**(147,551)**	(279,100)
Gross profit		**6,850**	19,588
Other income and gains	5	**3,490**	3,450
Selling and distribution expenses		**(949)**	(1,716)
Administrative expenses		**(39,771)**	(61,847)
Other operating expenses		**(13,306)**	(15,311)
Fair value gains on investment properties	15	**807**	2,895
Fair value loss on convertible note – conversion option component	28	**–**	(4)
Loss arising from redemption of convertible note and conversion into available-for-sale investment	28	**–**	(6,893)
Impairment loss of available-for-sale investment	19	**–**	(1,956)
Gain on disposal of available-for-sale investment	19	**3,568**	–
Gain on reclassification of investment in an associate to available-for-sale investment	19	**–**	559
Impairment loss on other intangible assets	17	**(11,686)**	(10,978)
Operating loss from continuing operations	6	**(50,997)**	(72,213)
Finance costs	7	**(884)**	(584)
Share of loss of an associate		**–**	(967)
Loss before tax from continuing operations		**(51,881)**	(73,764)
Income tax credit/(expense)	10	**2,195**	(201)
Loss for the year from continuing operations		**(49,686)**	(73,965)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	11	**(1,953)**	(1,897)
Loss for the year		**(51,639)**	(75,862)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**2016** **HK$'000**	2015 HK$'000 (Restated)
Attributable to:			
Owners of the Company		**(36,495)**	(69,434)
Non-controlling interests		**(15,144)**	(6,428)
		(51,639)	(75,862)
Loss per share attributable to owners of the Company	12		
Basic and diluted *(HK cents per share)*			
– For loss for the year		**(3.50)**	(6.78)
– For loss from continuing operations		**(3.27)**	(6.53)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016 HK$'000	2015 HK$'000
Loss for the year	**(51,639)**	(75,862)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale investment	**7,007**	(1,956)
Reclassification adjustments relating to gain on disposal of available-for-sale investment	**(3,568)**	–
Reclassification upon impairment of available-for-sale investment	**–**	1,956
Release of exchange fluctuation reserve upon disposal of discontinued operations	**1**	–
Release of other comprehensive income of an associate upon reclassification to available-for-sale investment	**–**	(4,252)
Exchange differences on translation of foreign operations	**(12,809)**	(15,709)
Share of other comprehensive income of an associate	**–**	76
Other comprehensive expense for the year, net of tax	**(9,369)**	(19,885)
Total comprehensive expense for the year	**(61,008)**	(95,747)
Attributable to:		
Owners of the Company	**(41,404)**	(83,905)
Non-controlling interests	**(19,604)**	(11,842)
	(61,008)	(95,747)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**163,499**	172,746
Investment properties	15	**63,023**	63,856
Prepaid land lease payments	16	**19,676**	21,667
Other intangible assets	17	**78,766**	107,677
Investment in an associate	18	**–**	225,832
Available-for-sale investments	19	**5,939**	4,039
Deferred tax assets	33	**504**	1,882
Loan receivable	20	**–**	2,829
Total non-current assets		**331,407**	600,528
Current assets			
Stock of properties	21	**5,539**	22,772
Inventories	22	**11,073**	22,528
Loan receivable	20	**2,800**	–
Accounts receivable	23	**9,890**	14,507
Prepayments, deposits and other receivables	24	**74,710**	78,307
Amounts due from related companies	25	**12,786**	12,983
Financial instruments at fair value through profit or loss	27	**1,479**	1,220
Tax recoverable		**86**	346
Time deposits	29	**–**	8,150
Cash and bank balances	29	**33,960**	37,408
Total current assets		**152,323**	198,221
Current liabilities			
Accounts payable	30	**15,666**	13,307
Other payables and accruals	31	**55,865**	109,450
Interest-bearing bank and other borrowings	32	**6,796**	6,241
Amount due to the ultimate holding company	26	**26**	38
Amounts due to related companies	26	**2,266**	4,379
Amount due to a joint venturer	26	**–**	83
Amount due to an associate	26	**–**	117
Tax payable		**6,662**	6,107
Total current liabilities		**87,281**	139,722
Net current assets		**65,042**	58,499
Total assets less current liabilities		**396,449**	659,027

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Interest-bearing bank and other borrowings	32	**9,858**	–
Deferred tax liabilities	33	**41,873**	66,948
Total non-current liabilities		**51,731**	66,948
Net assets		**344,718**	592,079
Equity			
Equity attributable to owners of the Company			
Issued capital	34	**104,540**	102,440
Reserves	36	**174,298**	406,918
		278,838	509,358
Non-controlling interests		**65,880**	82,721
Total equity		**344,718**	592,079

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017 and are signed on its behalf by:

Zhou Chu Jian He
Director

Zhang Min
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Issued capital HK$'000 (Note 34)	Share premium account HK$'000	Capital reserve HK$'000 (Note 36)	Statutory surplus reserve HK$'000 (Note 36)	Share option reserve HK$'000	Investments revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36,495)**	**(36,495)**	**(15,144)**	**(51,639)**
Other comprehensive income/(expense)											
Change in fair value of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**7,007**	**–**	**–**	**7,007**	**–**	**7,007**
Reclassification adjustments relating to gain on disposal of available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**(3,568)**	**–**	**–**	**(3,568)**	**–**	**(3,568)**
Release of exchange fluctuation reserve upon disposal of discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(8,349)**	**–**	**(8,349)**	**(4,460)**	**(12,809)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**3,439**	**(8,348)**	**(36,495)**	**(41,404)**	**(19,604)**	**(61,008)**
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 (note 38)	**–**	**–**	**(19,170)**	**–**	**–**	**–**	**–**	**19,170**	**–**	**2,763**	**2,763**
At 31 December 2016	**104,540**	**78,399**	**–**	**18,380**	**1,673**	**3,439**	**(2,488)**	**74,895**	**278,838**	**65,880**	**344,718**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	Note	**2016 HK$'000**	2015 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(51,881)**	(73,764)
From discontinued operations		**(1,680)**	(1,340)
		(53,561)	(75,104)
Adjustments for:			
Finance costs	7	**884**	584
Share of loss of an associate		**–**	967
Interest income		**(462)**	(998)
Effective interest income on convertible note – loan receivable component		**–**	(1,797)
(Gain)/loss on disposal of items of property, plant and equipment		**(13)**	81
Gain on disposal of available-for-sale investment		**(3,568)**	–
Gain on reclassification of investment in an associate to available-for-sale investment		**–**	(559)
Loss on disposal of subsidiaries	11	**2,577**	–
Fair value gains on investment properties	15	**(807)**	(2,895)
Fair value gains on equity investments at fair value through profit or loss		**(146)**	(155)
Fair value loss on convertible note – conversion option component		**–**	4
Depreciation of property, plant and equipment		**22,859**	22,941
Amortisation of prepaid land lease payments	16	**496**	548
Amortisation of other intangible assets	17	**12,395**	15,037
Impairment loss of available-for-sale investment		**–**	1,956
Written off of other intangible assets – exploration and evaluation assets	17	**2,768**	2,653
Impairment loss on other intangible assets	17	**11,686**	10,978
Loss arising from redemption of convertible note and conversion into available-for-sale investment	28	**–**	6,893
		(4,892)	(18,866)
Decrease/(increase) in stock of properties		**16,606**	(119)
Decrease in inventories		**11,455**	27,830
(Increase)/decrease in equity investments at fair value through profit or loss		**(309)**	6,640
Decrease in accounts receivable		**4,134**	2,058
Increase in prepayments, deposits and other receivables		**(6,724)**	(9,249)
(Increase)/decrease in amounts due from related companies		**(1,034)**	3,748
Increase in accounts payable		**2,359**	2,769
Decrease in other payables and accruals		**(33,591)**	(16,116)
Increase/(decrease) in amounts due to related companies		**947**	(625)
Decrease in amount due to a joint venturer		**–**	(5)
Decrease in amount due to an associate		**–**	(2)
Cash used in operations		**(11,049)**	(1,937)
Bank interest received		**90**	386
Overseas tax refunded		**341**	2,018
Hong Kong profits tax paid		**–**	(1)
Overseas tax paid		**(273)**	(3,721)
Net cash flows used in operating activities		**(10,891)**	(3,255)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**348**	–
Purchases of items of property, plant and equipment		**(19,708)**	(9,566)
Proceeds from disposal of items of property, plant and equipment		**34**	85
Proceeds from disposal of available-for-sale investment		**5,107**	–
Proceeds from disposal of share options		**196**	–
Additions to other intangible assets		**(1,487)**	(4,953)
Receipt of principal for convertible note		**–**	2,267
Purchases of unlisted financial instruments at fair value through profit or loss		**(8,148)**	(103,220)
Release of unlisted financial instruments at fair value through profit or loss		**8,172**	103,704
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	38	**204,711**	–
Decrease/(increase) of restricted cash		**1,777**	(2,364)
(Increase)/decrease in short-term time deposits		**(5,394)**	5,610
Net cash flows from/(used in) investing activities		**185,608**	(8,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(330)**	–
Proceeds from issue of shares under share option scheme		**4,809**	275
Share issue expenses		**(3)**	(1)
New bank loan		**11,091**	–
Decrease in amount due to the ultimate holding company		**(12)**	(16)
Dividends paid		**(193,922)**	–
Dividend paid to a non-controlling interest		**–**	(10,000)
Net cash flows used in financing activities		**(178,367)**	(9,742)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,650)**	(21,434)
Cash and cash equivalents at beginning of year		**40,438**	46,355
Effect of foreign exchange rate changes, net		**(3,415)**	15,517
CASH AND CASH EQUIVALENTS AT END OF YEAR		**33,373**	40,438
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**33,960**	37,408
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	5,394
Less: Restricted cash		**(587)**	(2,364)
Cash and cash equivalents as stated in the statement of cash flows		**33,373**	40,438

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(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;
- manufacture and sale of construction materials;
- securities investments;
- trading of mineral concentrates;
- coal mining;
- sale of parts of mining equipment; and
- provision of aircraft sub-leasing services.

During the year, the Group ceased to engaged 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 ("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	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				
Topshine Reward Limited	BVI	United States dollars ("USD") 50,000	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 2016
(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
Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji")	(i)	The People's Republic of China (the "PRC")	USD11,000,000	60	Manufacture and sale of construction materials
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
Junefield Metal Development S.A.C.		Peru	Soles28,000	100	Sale of parts of mining equipment
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(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)					
Lima Airlines S.A.C. ("Lima Airlines")		Peru	Soles316,138	100	Provision of aircraft sub-leasing services
Lima Junefield Plaza S.A.C.		Peru	Soles7,848,316	100	Promotion and development of real estate projects
Minera RC S.A.C.		Peru	Soles7,286,874	100	Mining exploration
Mining Coal Corporation S.A.C.		Peru	Soles10,000	100	Mining exploration
Talent Note Limited		BVI	USD3	100	Investment holding
莊勝(北京)房地產經紀有限公司 (Junefield (Beijing) Property Agency Co., Ltd.)	(ii)	PRC	USD100,000	100	Property agency

Notes:

(i) The subsidiary is registered as a contractual joint venture under the PRC law.

(ii) 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 2016
(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. ("WPM"). 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"). They 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 2016. 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 2016
(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 above. 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

The results of the property management and agency services segment have been presented as discontinued operations and accordingly, the comparative figures for the year ended 31 December 2015 of the consolidated statement of profit or loss and segment information had been reclassified. In addition, certain comparative amounts have been reclassified to conform with current year's presentation as the Group has introduced an additional others segment regarding the commencement of operations in sale of parts of mining equipment and provision of aircraft sub-leasing services. Accordingly, segment information of others for the year ended 31 December 2015 for comparative purposes has been reclassified to reflect the newly reportable segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES

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.

The Group's investments in associates 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 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, 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 are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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 is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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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 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. 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

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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

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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

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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

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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 represents building and plant and machinery under construction, which are 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 2016
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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.

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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.

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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, loan receivable, accounts receivable, financial assets included in prepayments, deposits and other receivables, amounts due from related companies and financial instruments at fair value through profit or loss.

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 in 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.

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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 investments 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.

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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.

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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.

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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.

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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, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and amounts due to the ultimate holding company, related companies, a joint venturer and an associate.

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

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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.

STOCK OF PROPERTIES

Stock of properties including completed properties and properties under development, which are held-for-trading, is stated at the lower of cost and net realisable value.

The cost of completed properties for sale is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by the management of the Group based on prevailing market conditions, which represents the estimated selling price less estimated costs to be incurred in selling the property.

The cost of properties under development for sale includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised, material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by the management of the Group taking into account the expected price that can ultimately be achieved based on prevailing market conditions, the anticipated costs of completion and costs to be incurred in selling the property.

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STOCK OF PROPERTIES (continued)

The amount of any write-down of or provision for completed properties held for sale and properties under development held for sale is recognised as an expense in the period when the write-down or loss occurs. The amount of any reversal of any write-down or provision arising from an increase in net realisable value is recognised in profit or loss in the period in which the reversal occurs.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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.

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 and associate, 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 and associate, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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.

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 and aircraft sub-leasing 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 of which are given in note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 are recognised as a liability when they are approved by the shareholders in a general meeting.

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

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and associate 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

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.

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 2016 was approximately HK$163,499,000 (2015: HK$172,746,000). Further details are included in note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 17 to the financial statements.

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 2016 was approximately HK$55,474,000 (2015: HK$81,900,000), after deducting the accumulated amortisation and impairment of approximately HK$107,322,000 (2015: HK$90,731,000). 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 42(a) 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 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATED IMPAIRMENT OF RECEIVABLES

The Group records impairment of receivables based on an assessment of the recoverability of accounts receivable, other receivables and loan receivable. Provisions are applied to accounts receivable, other receivables and loan receivable 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 values of accounts receivable, other receivables and loan receivable 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 20, 23 and 24 to the financial statements, respectively.

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 2016 was approximately HK$63,023,000 (2015: HK$63,856,000). The fair value of investment properties, set out in note 15 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 2016 was approximately HK$504,000 (2015: HK$1,882,000). Further details are included in note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(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 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;

(e) the coal mining segment engages in the exploration and development of coal mine concessions and sale of coal; and

(f) the others segment engages in the sale of parts of mining equipment and provision of aircraft sub-leasing services.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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4. SEGMENT INFORMATION (continued)

SEGMENT RESULTS

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

Year ended 31 December 2016

	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$'000	Others HK$'000	Total HK$'000
Segment revenue:							
Sales to/revenue from external customers	27,571	–	25,983	93,354	5,055	1,983	153,946
Investment income	–	455	–	–	–	–	455
Total revenue and investment income from continuing operations	27,571	455	25,983	93,354	5,055	1,983	154,401
Segment results	9,766	490	(44,568)	6,904	(8,273)	(7,411)	(43,092)
Bank interest income and other unallocated income and gains							894
Corporate and other unallocated expenses							(12,367)
Unallocated finance costs							(884)
Gain on disposal of available-for-sale investment							3,568
Loss before tax from continuing operations							(51,881)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

4. SEGMENT INFORMATION (continued)

SEGMENT RESULTS (continued)

Year ended 31 December 2015

	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$'000	Others HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue:							
Sales to/revenue from external customers*	3,383	–	58,294	233,563	7,557	–	302,797
Investment income	–	(4,109)	–	–	–	–	(4,109)
Total revenue and investment income from continuing operations	3,383	(4,109)	58,294	233,563	7,557	–	298,688
Segment results	(7,479)	(7,984)	(24,990)	8,467	(11,446)	(4,982)	(48,414)
Bank interest income and other unallocated income and gains							2,507
Corporate and other unallocated expenses							(18,012)
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 from continuing operations							(73,764)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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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 2016

	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$'000	Others HK$'000	Total HK$'000
Assets and liabilities:							
Segment assets	74,761	10,335	172,931	60,147	39,195	8,337	365,706
Corporate and other unallocated assets							118,024
Total assets							483,730
Segment liabilities	37,514	12	27,421	35,870	1,252	2,499	104,568
Corporate and other unallocated liabilities							34,444
Total liabilities							139,012
Other segment information related to continuing operations:							
Depreciation and amortisation charged in profit or loss	715	–	29,908	134	3,751	4	34,512
Depreciation capitalised in assets	–	–	–	–	350	–	350
Corporate and other unallocated amounts							1,204
							36,066
Fair value gains on investment properties – net	(807)	–	–	–	–	–	(807)
Impairment loss on other intangible assets	–	–	11,686	–	–	–	11,686
Written off of other intangible assets	–	–	–	–	2,768	–	2,768
Capital expenditure*	20,515	–	433	–	1,854	5	22,807
Corporate and other unallocated amounts							77
							22,884

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

NOTES TO THE FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION (continued)

SEGMENT ASSETS AND LIABILITIES AND OTHER SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	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$'000	Others HK$'000 (Restated)	Total HK$'000 (Restated)
Assets and liabilities:							
Segment assets	91,797	8,205	235,100	75,274	42,671	987	454,034
Corporate and other unallocated assets							84,755
Assets related to discontinued operations							259,960
Total assets							798,749
Segment liabilities	57,918	–	40,338	37,773	2,325	948	139,302
Corporate and other unallocated liabilities							25,319
Liabilities related to discontinued operations							42,049
Total liabilities							206,670
Other segment information related to continuing operations:							
Depreciation and amortisation charged in profit or loss	1,248	–	33,042	134	2,659	3	37,086
Depreciation capitalised in assets	–	–	–	–	2,114	–	2,114
Corporate and other unallocated amounts							1,221
							40,421
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	–	180	–	7,772	–	16,442
Corporate and other unallocated amounts							169
							16,611

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

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4. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2016 **HK$'000**	2015 HK$'000 (Restated)
PRC	**122,482**	295,240
Peru	**31,464**	7,557
Hong Kong	**309**	(109)
Australia	**146**	156
Canada	**–**	(4,156)
	154,401	298,688

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

(b) Non-current assets

	2016 **HK$'000**	2015 HK$'000 (Restated)
PRC	**234,678**	288,218
Peru	**88,305**	74,079
Australia	**5,939**	6,868
Hong Kong	**1,850**	2,811
Ecuador	**625**	755
Colombia	**10**	43
	331,407	372,774

The non-current assets information of continuing operations 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:

	2016 **HK$'000**	2015 HK$'000
Customer A (attributable to trading of mineral concentrates segment)	**93,354**	233,563

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5. REVENUE AND OTHER INCOME AND GAINS

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

	2016 **HK$'000**	2015 HK$'000 (Restated)
Revenue		
Sale of mineral concentrates	**93,354**	233,563
Sale of construction materials	**25,983**	58,294
Sale of properties	**24,426**	–
Sale of coal	**5,055**	7,557
Gross rental income	**3,145**	3,383
Sale of parts of mining equipment	**1,003**	–
Provision of aircraft sub-leasing service	**980**	–
Fair value gains/(losses), net:		
Equity investments at fair value through profit or loss		
– held for trading	**455**	(4,109)
	154,401	298,688
Other income and gains		
Bank interest income	**114**	84
Effective interest income on convertible note		
– loan receivable component	**–**	1,797
Gain on disposal of items of property, plant and equipment	**13**	–
Interest income on other loans	**348**	247
Net foreign exchange gains	**2,315**	–
Others	**700**	1,322
	3,490	3,450

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6. OPERATING LOSS FROM CONTINUING OPERATIONS

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

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Employee benefits expense			
(excluding directors' remuneration)	(i)		
Salaries, wages and other benefits in kind		**19,413**	21,244
Contributions to retirement benefits schemes		**3,182**	2,554
		22,595	23,798
Auditors' remuneration		**830**	800
Amortisation of other intangible assets			
– supplier contract	(ii)	**10,538**	12,616
Amortisation of prepaid land lease payments		**491**	515
Amortisation of mining rights			
(included in cost of sales and services)		**1,857**	2,421
Cost of inventories recognised as an expense		**145,164**	279,100
Written off of other intangible assets			
– exploration and evaluation assets	(ii)	**2,768**	2,653
Depreciation of property, plant and equipment	(iii)	**22,830**	22,755
Loss on disposal of items of property,			
plant and equipment	(ii)	**–**	42
Net foreign exchange losses		**–**	18,047
Minimum lease payments under operating leases in			
respect of:			
– Land and buildings		**1,264**	1,454
– Aircraft (included in cost of sales and services)		**112**	–
Gross rental income from investment properties		**(3,145)**	(3,383)
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the year		**–**	–
Direct operating expenses incurred for investment properties that did not generate rental income during the year		**–**	–
		(3,145)	(3,383)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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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$910,000 (2015: HK$963,000) and HK$637,000 (2015: HK$470,000) respectively. Employee benefits expense of approximately HK$5,064,000 (2015: HK$6,362,000), HK$16,788,000 (2015 (restated): HK$15,947,000) and HK$743,000 (2015: HK$1,489,000) were charged to cost of sales and services, 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$350,000 (2015: HK$2,114,000). Depreciation of approximately HK$18,626,000 (2015: HK$19,551,000) and HK$4,204,000 (2015 (restated): HK$3,204,000) were charged to cost of inventories and administrative expenses respectively.

7. FINANCE COSTS

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

	2016	2015
	HK$'000	HK$'000
Interest on bank and other borrowings wholly repayable within five years	**884**	584

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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:

	2016 HK$'000	2015 HK$'000
Fees	**720**	720
Other emoluments:		
Salaries, allowances and benefits in kind	**1,262**	845
Pension scheme contributions	**18**	18
	1,280	863
	2,000	1,583

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

	2016 HK$'000	2015 HK$'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 (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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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
2016				
Executive directors:				
Mr. Zhou Chu Jian He	**–**	**180**	**9**	**189**
Mr. Zhang Min (appointed on 10 August 2016)	**–**	**542**	**–**	**542**
Mr. Zhou Jianren	**–**	**180**	**9**	**189**
Mr. Xiang Xianhong	**–**	**180**	**–**	**180**
Mr. Lei Shuguang	**–**	**180**	**–**	**180**
	–	**1,262**	**18**	**1,280**
Non-executive director:				
Mr. Jorge Edgar Jose Muñiz Ziches	**180**	**–**	**–**	**180**
	180	**1,262**	**18**	**1,460**
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

NOTES TO THE FINANCIAL STATEMENTS

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

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

During the year ended 31 December 2016, Mr. Zhang Min has been appointed as an executive director and chief executive of the Company with effect from 10 August 2016. His emoluments disclosed above include those for services rendered by him as the chief executive.

During the year ended 31 December 2015, 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. Since the resignation of Mr. Liu on 15 March 2015 and up to the appointment of Mr. Zhang Min, the appointment of chief executive of the Company remained outstanding.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2015: Nil). Details of the remuneration for the year of the five (2015: five) highest paid employees who are neither a director nor a chief executive of the Company are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits in kind	**4,360**	4,292
Pension scheme contributions	**319**	311
	4,679	4,603

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	
	2016	2015
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**3**	2
	5	5

NOTES TO THE FINANCIAL STATEMENTS

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10. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016	2015
	HK$'000	HK$'000
		(Restated)
Current – Hong Kong		
Charge for the year	**1,048**	1,707
Under-provision in prior year	**–**	1
Current – elsewhere		
Charge for the year	**568**	–
Over-provision in prior year	**–**	(1,087)
Deferred tax credit	**(3,858)**	(1,271)
Withholding tax charge		
– PRC	**–**	730
– Australia	**47**	115
– Ecuador	**–**	6
Total tax (credit)/charge for the year	**(2,195)**	201

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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10. INCOME TAX (CREDIT)/EXPENSE (continued)

The tax (credit)/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% (2015: 16.5%) as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Loss before tax from continuing operations	**(51,881)**	(73,764)
Tax at the statutory tax rate of 16.5% (2015: 16.5%)	**(8,560)**	(12,171)
Income not subject to tax	**(1,328)**	(2,717)
Expenses not deductible for tax	**5,766**	16,719
Over-provision in prior year	**–**	(1,087)
Tax losses not recognised	**9,045**	2,126
Tax losses utilised from prior years	**(1,024)**	–
Loss attributable to an associate	**–**	160
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(5,690)**	(3,649)
Effect of withholding tax at 10% on the interest income from the Group's available-for-sale investment	**47**	115
Effect of withholding tax at 5% on the distributable profit of the Group's subsidiary in the PRC	**(451)**	699
Effect of withholding tax on funds distributed from the Group's subsidiary in Ecuador	**–**	6
Tax (credit)/charge at the Group's effective rate	**(2,195)**	201

NOTES TO THE FINANCIAL STATEMENTS

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11. DISCONTINUED OPERATIONS

On 10 December 2015, the Company entered into a conditional sale and purchase agreement with its immediate holding company, PCI, 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 WPM. Details of the Disposal are set out in the Company's circular dated 8 January 2016.

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 related 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 operations in provision of property management and agency services business.

Particulars of the Disposal Group at date of disposal were 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	BVI	USD50,000	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 mandatory dissolution
Wuhan Huaxin Real Estate Co., Ltd. ("WHRED")	Contractual joint venture	PRC	USD8,000,000	51	Dormant

NOTES TO THE FINANCIAL STATEMENTS

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11. DISCONTINUED OPERATIONS (continued)

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

	Note	2016 HK$'000	2015 HK$'000
Revenue		**2,338**	18,103
Cost of services		**(796)**	(4,457)
Gross profit		**1,542**	13,646
Other income and gains		**1**	315
Administrative expenses		**(646)**	(15,262)
Other operating expenses		**–**	(39)
Profit/(loss) before tax for the period/year from discontinued operations		**897**	(1,340)
Income tax expense relating to the ordinary activities of discontinued operations		**(273)**	(557)
Profit/(loss) after tax for the period/year from discontinued operations		**624**	(1,897)
Loss on Disposal*	38	**(2,577)**	–
Loss for the period/year from discontinued operations		**(1,953)**	(1,897)
Attributable to:			
Owners of the Company		**(2,335)**	(2,614)
Non-controlling interests		**382**	717
		(1,953)	(1,897)

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

NOTES TO THE FINANCIAL STATEMENTS

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11. DISCONTINUED OPERATIONS (continued)

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

	2016	2015
	HK$'000	HK$'000
Operating activities	**849**	3,182
Investing activities	**(5,394)**	5,610
Net cash (outflow)/inflow	**(4,545)**	8,792

	2016	2015
Basic and diluted from the discontinued operations (HK cents per share)	**(0.23)**	(0.25)

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

	2016	2015
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company from discontinued operations	**(2,335)**	(2,614)

	2016	2015
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (note 12)	**1,043,675,923**	1,023,384,077

The computation of diluted loss per share from the discontinued operations for the years ended 31 December 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.

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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 1,043,675,923 (2015: 1,023,384,077) in issue during the year.

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

	2016	2015
	HK$'000	HK$'000
		(Restated)
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation		
From continuing operations	**(34,160)**	(66,820)
From discontinued operations	**(2,335)**	(2,614)
	(36,495)	(69,434)

	2016	2015
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,043,675,923**	1,023,384,077

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

NOTES TO THE FINANCIAL STATEMENTS

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13. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Special dividend paid – HK18.55 cents per share (2015: Nil)	193,922	–

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: Nil).

14. 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 2016								
At 31 December 2015 and 1 January 2016								
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
At 1 January 2016, net of accumulated depreciation	3,263	89,832	9,159	56,107	2,139	4,234	8,012	172,746
Additions	–	1,339	–	17	82	433	19,176	21,047
Disposals	–	–	–	–	(2)	–	(19)	(21)
Disposal of subsidiaries (note 38)	–	(1,220)	(11)	–	(67)	(221)	–	(1,519)
Depreciation provided for the year	–	(3,769)	(98)	(17,406)	(546)	(1,390)	–	(23,209)
Transfer	–	–	–	76	–	–	(76)	–
Exchange realignment	37	(3,588)	104	(2,127)	14	(20)	35	(5,545)
At 31 December 2016, net of accumulated depreciation	3,300	82,594	9,154	36,667	1,620	3,036	27,128	163,499
At 31 December 2016								
Cost	3,300	110,695	9,741	156,456	4,424	10,784	27,128	322,528
Accumulated depreciation	–	(28,101)	(587)	(119,789)	(2,804)	(7,748)	–	(159,029)
Net carrying amount	3,300	82,594	9,154	36,667	1,620	3,036	27,128	163,499

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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14. 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	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

* Located outside Hong Kong.

\# The net carrying amount includes property, plant and equipment of approximately HK$3,827,000 relating to exploration and evaluation activities of the Group as at 31 December 2016 (2015: HK$5,550,000).

Notes:

(i) Amongst the depreciation provided for the year ended 31 December 2016 of approximately HK$23,209,000 (2015: HK$25,055,000), approximately HK$350,000 (2015: HK$2,114,000), HK$18,626,000 (2015: HK$19,551,000) and HK$4,233,000 (2015: HK$3,390,000) were capitalised in exploration and evaluation assets, charged to cost of inventories and administrative expenses respectively.

(ii) At 31 December 2016, the Group had property, plant and equipment with carrying amount of approximately HK$58,329,000 pledged to secure banking facilities granted to the Group, details of which are included in note 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES

	2016 **HK$'000**	2015 HK$'000
Carrying amount at 1 January	**63,856**	62,593
Net gain from fair value adjustment	**807**	2,895
Exchange realignment	**(1,640)**	(1,632)
Carrying amount at 31 December	**63,023**	63,856

The carrying amount of investment properties shown above comprises:

	2016 **HK$'000**	2015 HK$'000
Held under medium-term lease in the PRC	**63,023**	63,856

The Group's investment properties were revalued on 31 December 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 40(a) to the financial statements.

At 31 December 2016, the Group's investment properties with carrying amount of approximately HK$30,799,000 were pledged to secure banking facilities granted to the Group, details of which are included in note 32 to the financial statements.

Further particulars of the Group's investment properties are included on page 159 of this annual report.

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15. INVESTMENT PROPERTIES (continued)

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 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	**–**	**63,023**	**–**	**63,023**

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

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 (2015: Nil).

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15. INVESTMENT PROPERTIES (continued)

At 31 December 2016 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 2016 and 2015, all of the Group's investment properties in the PRC are for commercial purpose either for capital appreciation or for earning rentals.

16. PREPAID LAND LEASE PAYMENTS

	2016 **HK$'000**	2015 HK$'000
Carrying amount at 1 January	**21,667**	23,432
Recognised during the year	**(496)**	(548)
Disposal of subsidiaries (note 38)	**(382)**	–
Exchange realignment	**(1,113)**	(1,217)
Carrying amount at 31 December	**19,676**	21,667

At 31 December 2016, the Group had prepaid land lease payments with carrying amount of approximately HK$1,290,000 pledged to secure banking facilities granted to the Group, details of which are included in note 32 to the financial statements.

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

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17. 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 2016				
Cost at 1 January 2016, net of accumulated amortisation and impairment	**81,900**	**18,299**	**7,478**	**107,677**
Additions	**–**	**1,707**	**130**	**1,837**
Written off or disposal	**–**	**(2,768)**	**–**	**(2,768)**
Impairment loss recognised	**(11,686)**	**–**	**–**	**(11,686)**
Amortisation provided during the year	**(10,538)**	**–**	**(1,857)**	**(12,395)**
Exchange realignment	**(4,202)**	**212**	**91**	**(3,899)**
At 31 December 2016	**55,474**	**17,450**	**5,842**	**78,766**
At 31 December 2016				
Cost	**162,796**	**17,450**	**9,980**	**190,226**
Accumulated amortisation and impairment	**(107,322)**	**–**	**(4,138)**	**(111,460)**
Net carrying amount	**55,474**	**17,450**	**5,842**	**78,766**
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

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17. OTHER INTANGIBLE ASSETS (continued)

Notes:

(i) The supplier contract represents 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, an indirectly held subsidiary of the Company, 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 intangible asset is amortised on a straight-line basis over its estimated useful life of approximately 14 years in accordance with the terms of joint venture agreement. The supplier contract has a remaining amortisation period of approximately 7 years.

Due to the shortage of supply from the supplier, the management of the Group reassessed projected cash flows relating to the value in use and conduct an impairment review on the supplier contract. 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 29.59% (2015: 28.98%). Cash flows beyond the five-year 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 discount rate reflects current market assessments of the time value of money and the risks specific to the CGU.

During the year ended 31 December 2016, the Group recognised impairment loss of approximately HK$11,686,000 (2015: HK$10,978,000) in relation to the supplier contract. The Group has filed applications for arbitration proceedings regarding on the shortage of supply 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 42(a) to the financial statements.

(ii) The exploration and evaluation assets mainly represent the cost of acquisition of the exploration licences related to various coal and mineral mines in Peru, which are under the exploration and evaluation stage as at 31 December 2016, with a carrying value of approximately HK$17,450,000 (2015: HK$18,299,000). These assets are not subject to amortisation until they are placed in use.

During the year ended 31 December 2016, having carried out feasible study on exploration projects in Peru, the directors of the Company determined certain exploration projects cannot be explored continuously in view of their infavourable future prospects and exploration and evaluation assets with an aggregate carrying amount of approximately HK$2,768,000 (2015: HK$2,653,000) were written off during the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

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17. 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 19% (2015: 23%). In the opinion of the directors of the Company, after obtaining opinion from its legal counsel, there are no legal impediments for the Group to renew its permits.

During the year ended 31 December 2016, the directors of the Company performed an impairment assessment of the mining rights. The mining rights have 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 2016 (2015: Nil).

18. INVESTMENT IN AN ASSOCIATE

	2016	2015
	HK$'000	HK$'000
Unlisted investment in the PRC – WPM	**–**	225,832

Particulars of WPM at 31 December 2015 were 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 year ended 31 December 2015 and the period from 1 January 2016 to the date of the Disposal, 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. The Group disposed the associate on 18 February 2016. Details of the disposal are set out in notes 11 and 38 to the financial statements.

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19. AVAILABLE-FOR-SALE INVESTMENTS

	Note	2016 HK$'000	2015 HK$'000
Unlisted equity investment, at cost	(i)	**–**	31,642
Impairment		**–**	(31,642)
		–	–
Listed equity investment, at fair value			
– Elsewhere	(ii)	**5,939**	4,039
		5,939	4,039

Notes:

(i) 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 PRC business licence of 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. The Group disposed this available-for-sale investment on 18 February 2016. Details of the disposal are set out in notes 11 and 38 to the financial statements.

(ii) As at 31 December 2016, the Group held approximately 88,396,000 fully paid ordinary shares of Latin Resources Limited ("LRS"), a company listed on the Australian Securities Exchange Limited ("ASX Limited"), representing approximately 6% of its issued share capital. During the year ended 31 December 2016, unrealised fair value gains of approximately HK$3,439,000 in respect of the shares held in LRS were recognised in the consolidated statement of comprehensive income and realised gains of approximately HK$3,568,000 were recognised in the consolidated statement of profit or loss upon disposal of shares in LRS during the year.

As at 31 December 2015, the Group held approximately 16% of LRS's issued share capital. 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 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. In addition, this resulted share of loss of LRS of approximately HK$967,000 accounted for using the equity method for the four months ended 30 April 2015 and was included in the consolidated statement of profit or loss during the year ended 31 December 2015. There was a significant decline in the market value of the listed equity investment during the year ended 31 December 2015. 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

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20. LOAN RECEIVABLE

	2016 HK$'000	2015 HK$'000
Current		
Loan receivable from LRS — unsecured, repayable within one year	**2,800**	–
Non-current		
Loan receivable from LRS — unsecured	**–**	2,829
	2,800	2,829

The above balances represent 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.

21. STOCK OF PROPERTIES

	2016 HK$'000	2015 HK$'000
Properties under development for sale	**–**	22,772
Completed properties for sale	**5,539**	–
	5,539	22,772

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 completed properties for sale are included on page 159 of this annual report.

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22. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials and consumables	**2,352**	2,916
Finished goods	**8,721**	19,612
	11,073	22,528

23. ACCOUNTS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Accounts receivable	**9,890**	14,563
Impairment	**–**	(56)
	9,890	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 extending up to 2 months for certain 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 Soles.

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23. 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:

	2016 HK$'000	2015 HK$'000
Within 1 month	**825**	3,668
1 to 3 months	**2,306**	4,924
Over 3 months	**6,759**	5,971
	9,890	14,563
Impairment	**–**	(56)
	9,890	14,507

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

	2016 HK$'000	2015 HK$'000
At 1 January	**56**	59
Disposal of subsidiaries	**(57)**	–
Exchange realignment	**1**	(3)
	–	56

There was no provision for individually impaired accounts receivable as at 31 December 2016 (2015: approximately HK$56,000). The individually impaired accounts receivable as at 31 December 2015 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 did not hold any collateral or other credit enhancements over these balances.

NOTES TO THE FINANCIAL STATEMENTS

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23. ACCOUNTS RECEIVABLE (continued)

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

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**–**	–
Less than 1 month past due	**825**	3,715
1 to 3 months past due	**2,306**	4,912
Over 3 months past due	**6,759**	5,880
	9,890	14,507

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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Prepayments	**6,327**	5,040
Deposits	**47,511**	58,281
Other receivables	**21,033**	15,869
Loan receivable	**3,338**	3,540
	78,209	82,730
Impairment	**(3,499)**	(4,423)
	74,710	78,307

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	2016 HK$'000	2015 HK$'000
At 1 January	**883**	889
Disposal of subsidiaries	**(723)**	–
Exchange realignment	**1**	(6)
At 31 December	**161**	883

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

	2016 HK$'000	2015 HK$'000
At 1 January	**3,540**	3,750
Exchange realignment	**(202)**	(210)
At 31 December	**3,338**	3,540

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 above loan receivable as at 31 December 2016 and 2015 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 2016 and 2015 were fully impaired as the loan was past due in December 2013 and the collection of the amount was in doubt.

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25. AMOUNTS DUE FROM RELATED COMPANIES

Name of company	Note	Highest balance outstanding during the year HK$'000	2016 HK$'000	2015 HK$'000
Junefield Group S.A.	(i)	11	**11**	2
Ecuamining Mineral S.A.	(i)	2	**2**	2
Total Genius Iron Mining S.A.C.	(i)	182	**182**	–
Hualing Steel	(ii)	16,270	**12,591**	11,880
湖南漣鋼建設有限公司	(ii)	611	**–**	302
Wuhan Department Store Group Co., Ltd.	(iii)	1,206	**–**	797
			12,786	12,983

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., Ecuamining Mineral S.A. ("Ecuamining Mineral") and Total Genius Iron Mining S.A.C. ("Total Genius").

(ii) Lianyuan Steel, being 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.

26. 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.

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27. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**1,374**	1,065
Elsewhere	**105**	155
	1,479	1,220

The above listed equity investments at 31 December 2016 and 2015 were classified as held for trading and recognised as financial instruments at fair value through profit or loss.

28. 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 it 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, further details of the loan receivable from LRS are included in note 20 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 for the year ended 31 December 2015.

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28. CONVERTIBLE NOTE (continued)

The movements in loan receivable component and conversion option component of the convertible note during the year ended 31 December 2015 were as follows:

Loan receivable component

	HK$'000
At 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 had an effective interest rate of 22.29% per annum.

Conversion option component

	HK$'000
At 1 January 2015	4
Changes in fair value charged to profit or loss	(4)
At 31 December 2015	–

29. TIME DEPOSITS AND CASH AND BANK BALANCES

	2016 **HK$'000**	2015 HK$'000
Time deposits	**–**	8,150
Cash and bank balances	**33,960**	37,408
	33,960	45,558

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29. TIME DEPOSITS AND CASH AND BANK BALANCES (continued)

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$10,093,000 (2015: HK$29,494,000) 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.

As at 31 December 2016, included in the cash and bank balances, there was a balance of approximately Soles 256,000 (equivalent to approximately HK$587,000) (2015: Soles 1,040,000 (equivalent to approximately HK$2,364,000)) placed in bank in Peru which is restricted for use as guarantee fund over the advances on sale contracts to finance the customer by the bank on the sale of properties.

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.

30. 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:

	2016 **HK$'000**	2015 HK$'000
Within 1 month	**328**	4,022
1 to 3 months	**4,759**	5,193
Over 3 months	**10,579**	4,092
	15,666	13,307

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

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31. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Accruals	**15,389**	19,906
Business tax payable	**1,877**	1,782
Deposits received	**17,453**	50,378
Other payables	**21,146**	37,384
	55,865	109,450

Other payables are non-interest-bearing.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Note	2016 HK$'000	2015 HK$'000
Current			
Bank loan — secured	(i)	**1,233**	–
Other loan — unsecured	(ii)	**5,563**	6,241
		6,796	6,241
Non-current			
Bank loan — secured	(i)	**9,858**	–
		9,858	–
Total		**16,654**	6,241

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank and other borrowings repayable:		
– Within one year or on demand	**6,796**	6,241
– In the second year	**3,697**	–
– In the third to fifth years, inclusive	**6,161**	–
	16,654	6,241

NOTES TO THE FINANCIAL STATEMENTS

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32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(i) The Group obtained a bank loan of approximately USD1,436,000 (equivalent to approximately HK$11,091,000) from a local bank in Peru for financing its mining projects in Peru. The loan is denominated in USD, interest-bearing at annual rate of London Interbank Offered Rate plus 5.9% per annum and has a maturity period of 4 years after the date of disbursement. The bank loan will be expired in August 2020.

The bank loan is secured by certain of the Group's property, plant and equipment situated in Peru, which had aggregate carrying value of approximately HK$57,978,000 at the end of the reporting period.

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

(iii) During the year ended 31 December 2016, the Group entered into an agreement with a money lender in Hong Kong for a one year term loan with principal of HK$25,000,000 which was not utilised as at 31 December 2016. The loan is denominated in HK$, interest bearing at 12% per annum and secured by its certain investment properties, property, plant and equipment and prepaid land lease payments with aggregate carrying value of approximately HK$32,440,000 as at the end of the reporting date.

33. 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 2015	5,035
Deferred tax charged to the statement of profit or loss	(2,628)
Exchange differences	(525)
At 31 December 2015 and 1 January 2016	**1,882**
Deferred tax charged to the statement of profit or loss	**(1,404)**
Exchange differences	**26**
At 31 December 2016	**504**

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33. DEFERRED TAX (continued)

Deferred tax liabilities

	Intangible asset HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Total HK$'000
At 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 and 1 January 2016	**20,475**	**27,588**	**18,885**	**66,948**
Disposal of subsidiaries (note 38)	**–**	**–**	**(18,434)**	**(18,434)**
Deferred tax (credited)/charged to the statement of profit or loss	**(5,691)**	**880**	**(451)**	**(5,262)**
Exchange differences	**(916)**	**(463)**	**–**	**(1,379)**
At 31 December 2016	**13,868**	**28,005**	**–**	**41,873**

The Group has tax losses arising in Hong Kong of approximately HK$1,062,000 (2015: HK$1,628,000) 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$29,279,000 (2015: HK$2,469,000) 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$1,162,000 (2015: 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$41,003,000 (2015: HK$31,183,000) 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$1,797,000 (2015: HK$6,723,000) of such tax losses at 31 December 2016. 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.

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33. DEFERRED TAX (continued)

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 and associate established in the PRC in respect of earnings generated since 1 January 2008.

At 31 December 2015, 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. There was no unremitted earnings for the PRC subsidiaries as at 31 December 2016.

34. ISSUED CAPITAL

	Number of shares		Share capital	
	2016	2015	**2016 HK$'000**	2015 HK$'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	**1,024,399,967**	1,023,199,967	**102,440**	102,320
Share options exercised	**21,000,000**	1,200,000	**2,100**	120
At 31 December	**1,045,399,967**	1,024,399,967	**104,540**	102,440

During the year ended 31 December 2016, the subscription rights attaching to 21,000,000 share options (2015: 1,200,000 shares options) were exercised at the subscription price of HK$0.229 per share (2015: HK$0.229 per share) (note 35), resulting in the issue of 21,000,000 shares (2015: 1,200,000 shares) of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$4,809,000 (2015: 275,000). An amount of approximately HK$2,645,000 (2015: HK$151,000) 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 35 to the financial statements.

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35. 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.

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35. 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 2016 and 2015:

	2016		2015	
	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**	**34,280**	0.229	35,480
Exercised during the year	**0.229**	**(21,000)**	0.229	(1,200)
At 31 December	**0.229**	**13,280**	0.229	34,280

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2016 was HK$0.396 per share (2015: HK$0.282 per share). No share option under the Share Option Scheme was granted during the years ended 31 December 2016 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
2016	**6 July 2009**	**13,280,000**	**0.229**	**6 July 2009 to 5 July 2019**
2015	6 July 2009	34,280,000	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.

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35. SHARE OPTION SCHEME (continued)

The 21,000,000 (2015: 1,200,000) share options exercised during the year ended 31 December 2016 resulted in the issue of 21,000,000 (2015: 1,200,000) ordinary shares of the Company and new share capital of approximately HK$2,100,000 (2015: HK$120,000) and share premium of approximately HK$5,354,000 (2015: HK$306,000).

At the end of the reporting period, the Company had 13,280,000 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 13,280,000 additional ordinary shares of the Company and additional share capital of HK$1,328,000 and share premium of approximately HK$3,386,000 (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 2.5 years (2015: 3.5 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.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 59 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.

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37. 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 allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Hunan Taiji	PRC	**40%**	40%	**(15,526)**	(7,145)	**65,880**	85,866
Individually immaterial subsidiary with non-controlling interest						**–**	(3,145)
						65,880	82,721

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	
	2016 HK$'000	2015 HK$'000
Current assets	**25,495**	35,673
Non-current assets	**169,337**	221,838
Current liabilities	**(14,246)**	(20,354)
Non-current liabilities	**(13,868)**	(20,475)

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

Hunan Taiji (continued)

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Revenue	**25,983**	58,293
Other income and gains	**63**	401
Expense	**(64,861)**	(76,557)
Loss for the year	**(38,815)**	(17,863)
Other comprehensive expense for the year	**(11,149)**	(13,636)
Total comprehensive expense for the year	**(49,964)**	(31,499)
Dividend paid to a non-controlling interest	**–**	(10,000)
Net cash inflow from operating activities	**174**	22,578
Net cash (outflow)/inflow from investing activities	**(374)**	369
Net cash outflow from financing activities	**–**	(25,000)
Net decrease in cash and cash equivalents	**(200)**	(2,053)

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38. DISPOSAL OF SUBSIDIARIES

As detailed in note 11 to the financial statements, the Group disposed of the Disposal Group to a connected person during the year.

	Note	At date of disposal HK$'000
Assets and liabilities		
Property, plant and equipment	14	1,519
Prepaid land lease payments	16	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	33	(18,434)
		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	11	(2,577)
		219,399
Satisfied by cash		219,399

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38. DISPOSAL OF SUBSIDIARIES (continued)

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

	2016 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

39. CHARGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured and pledged by certain assets of the Group, are included in notes 14, 15, 16, 21 and 32 respectively, to the financial statements.

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40. 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 one to three years (2015: two to three years).

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**2,911**	1,800
In the second to fifth years, inclusive	**1,261**	592
	4,172	2,392

(b) AS LESSEE

The Group leases its office properties under operating lease arrangements. Lease for property is negotiated for terms ranging from one to three years (2015: one to three years).

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**279**	1,241
In the second to fifth years, inclusive	**–**	130
	279	1,371

41. CAPITAL COMMITMENTS

As at 31 December 2016, the Group had no significant 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.

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42. OUTSTANDING LITIGATIONS

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

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 and shall continue to honour its obligations by procuring the Steel Slag Supply in accordance with the joint venture agreement until the end of its term (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 would arrange for retrial of the Set Aside Application. On 26 September 2016, the Loudi Intermediate Court issued the retrial ruling on the Set Aside Application and such application was rebutted. Hence, the First Arbitral Ruling made by the Arbitration Commission in January 2015 remains in effect.

The Second Taiji Arbitration Application claiming for, inter alia, damages arisen from the Supply Shortfall amounting to approximately RMB58,000,000 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. However, on 2 December 2016, the Loudi Intermediate Court issued a civil ruling that Lianyuan Steel's argument was rebutted. Following to the ruling, the request to resume the proceedings of the Second Taiji Arbitration Application was accepted by the Arbitration Commission. Up to the date of this annual report, the ruling has not been given yet.

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42. OUTSTANDING LITIGATIONS (continued)

(a) (continued)

Based on the legal opinion of the Group's PRC legal advisors, the directors of the Company are optimistic about the ruling of the Second Taiji Arbitration Application would be in favour of Junefield Building Material.

(b) On 31 December 2013, the PRC Partner, the joint venturer of WPM unilaterally terminated the 20-year lease agreement which was signed in 1995 and 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. The Group considered that such acts have jeopardised the legitimate interests of WPM and the immediate holding company of WPM 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. 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.

As detailed in notes 11 and 38 to the financial statements, WPM has no longer been the associate of the Company since 18 February 2016. Outcomes of litigation may have financial impacts on the Group's consolidated financial statements since 18 February 2016 due to the fact that pursuant to the sale and purchase agreement of the Disposal, the purchaser has undertaken to the Company in the event that the judgement in respect of the litigation is awarded by the Higher Court in favour of immediate holding company of WPM within 18 months after 18 February 2016, the purchaser shall reimburse the Group with the amount awarded by the Higher Court after deducting related expenses.

Save as disclosed above, there were two litigations including: (i) a plaintiff claimed against IMC and another former subsidiary of the Group for an investment fund of RMB20 million together with the outstanding interests of RMB24.74 million; and (ii) WHM filed a written objection with the local court for a refund of RMB11,660,173, details of which are set out in notes 39(a) and 39(b) respectively to the Group's consolidated financial statements for the year ended 31 December 2015. As detailed in notes 11 and 38 to the financial statements, IMC and WHM have no longer been the subsidiaries of the Company since 18 February 2016 and both litigations therefore have no financial impacts on the Group's financial statements since 18 February 2016.

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43. 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	**2016 HK$'000**	2015 HK$'000
CONTINUING OPERATIONS			
Commission charged by Ecuamining Mineral	(i)	**1,252**	3,964
Purchases from Hualing Steel	(ii)	**823**	2,030
Logistics services fee charged by Lianyuan Logistics Co., Ltd.	(iii)	**3,078**	4,088
Rental expenses paid to the ultimate holding company	(iv)	**898**	898
Sub-leasing fee paid to a related company	(v)	**112**	–
Market research fee charged by a related company	(vi)	**419**	–
DISCONTINUED OPERATIONS			
Property management fee charged to PRC Partner	(vii)	**463**	3,243

Notes:

(i) Like Top, an indirect wholly-owned subsidiary of the Company, entered into the sourcing agent agreement with 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 and logistics 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) Pursuant to the joint venture agreement of Hunan Taiji dated 30 June 2006, Lianyuan Steel has procured Hualing Steel to enter into the 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.

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43. RELATED PARTY TRANSACTIONS (continued)

(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Notes: (continued)

(iii) 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, which was determined on an annual basis between Hunan Taiji and Lianyuan Logistics with reference to the prevailing market price of similar transportation services.

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

(v) Lima Airlines is an indirect wholly-owned subsidiary of the Company and engages in the sub-leasing of aircraft business in Peru. Lima Airlines entered into a sub-leasing of aircraft agreement with Total Genius. Total Genius is a company incorporated in Peru and is ultimately wholly-owned by Mr. Zhou.

(vi) The Group engaged 湖南湘中礦業集團有限公司 (Hunan XiangZhong Mining (Group) Limited) to carry out a market research on the property market in the PRC during the year ended 31 December 2016. Hunan XiangZhong Mining (Group) Limited is a company incorporated in PRC and is ultimately wholly-owned by Mr. Zhou.

(vii) 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

	2016	2015
	HK$'000	HK$'000
Short term employee benefits	**1,982**	1,565
Post-employment benefits	**18**	18
Total compensation paid to key management personnel	**2,000**	1,583

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

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44. 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
2016				
Available-for-sale investments	–	–	5,939	5,939
Loan receivable	–	2,800	–	2,800
Accounts receivable	–	9,890	–	9,890
Financial assets included in prepayments, deposits and other receivables	–	20,872	–	20,872
Amounts due from related companies	–	12,786	–	12,786
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	1,374	–	–	1,374
– Listed equity investments (Elsewhere)	105	–	–	105
Cash and bank balances	–	33,960	–	33,960
	1,479	80,308	5,939	87,726

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44. 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	Available–for-sale financial assets HK$'000	Total HK$'000
2015				
Available-for-sale investments	–	–	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

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44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2016	2015
	HK$'000	HK$'000
Accounts payable	**15,666**	13,307
Financial liabilities included in other payables and accruals	**36,535**	59,072
Interest-bearing bank and other borrowings	**16,654**	6,241
Amount due to the ultimate holding company	**26**	38
Amounts due to related companies	**2,266**	4,379
Amount due to a joint venturer	**–**	83
Amount due to an associate	**–**	117
	71,147	83,237

45. 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 and amount due to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

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45. 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 2016:				
Available-for-sale investments				
– Listed equity investments	**5,939**	**–**	**–**	**5,939**
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	**1,374**	**–**	**–**	**1,374**
– Listed equity investments (Elsewhere)	**105**	**–**	**–**	**105**
	7,418	**–**	**–**	**7,418**
As at 31 December 2015:				
Available-for-sale investments				
– 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

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 (2015: Nil).

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46. 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

At 31 December 2016, the Group's cash flow interest rate risk relates primarily to bank borrowings with a floating interest rate, further details of these borrowings are set out in note 32 to the financial statements. 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.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for interest bearing bank borrowings at the end of the reporting period. A 100 basis points increase and decrease are used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate on interest bearing bank borrowings had been 100 basis points higher and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2016 would increase by approximately HK$36,000 as a result of the Group's exposure to interest rates on its variable-rate bank borrowings. If the interest rate on interest bearing bank borrowings had been 100 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the loss before tax.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year ended exposure does not reflect the exposure during the year.

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46. 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 and Peru and substantially all transactions are mainly conducted in RMB, Soles and USD. All the assets and liabilities of these businesses are denominated in RMB, Soles and USD. At the end of the reporting period, certain assets of the Group are 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 before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2016			
If HK$ weakens against RMB	**5**	**277**	**–**
If HK$ strengthens against RMB	**(5)**	**(277)**	**–**
If HK$ weakens against AUD	**5**	**171**	**297**
If HK$ strengthens against AUD	**(5)**	**(171)**	**(297)**

	Increase/ (decrease) in rate %	Decrease/ (increase) in loss before 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)

* 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 2016
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46. 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 investments 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 2016	High/low 2016	31 December 2015	High/low 2015
Stock Exchange				
– Hang Seng Index	**22,001**	**24,100/ 18,320**	21,914	28,443/ 20,557
ASX Limited				
– S&P/ASX 200 Index	**5,666**	**5,699/ 4,765**	5,296	5,983/ 4,910

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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46. 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**
2016			
Investments listed in:			
Hong Kong — Held-for-trading	**1,374**	**69/(69)**	**–**
Elsewhere — Held-for-trading	**105**	**5/(5)**	**–**
– Available-for-sale	**5,939**	**–**	**297/(297)**

	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)

* Excluding retained profits

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
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46. 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 and amounts due from related companies, 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 86% (2015: 45%) and 98% (2015: 76%) 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 20 and 23 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

(e) LIQUIDITY RISK (continued)

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 HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
2016				
Accounts payable	15,666	–	–	15,666
Financial liabilities included in other payables and accruals	36,535	–	–	36,535
Interest-bearing bank and other borrowings	5,904	1,855	10,867	18,626
Amount due to the ultimate holding company	26	–	–	26
Amounts due to related companies	2,266	–	–	2,266
	60,397	1,855	10,867	73,119

	On demand or less than 3 months HK$'000
2015	
Accounts payable	13,307
Financial liabilities included in other payables and accruals	59,072
Interest-bearing bank and other borrowings	6,389
Amount due to the ultimate holding company	38
Amounts due to related companies	4,379
Amount due to a joint venturer	83
Amount due to an associate	117
	83,385

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

46. 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 2016 and 2015.

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 bank and other borrowings) less cash and cash equivalents.

The debt-to-total equity ratios at 31 December 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Total borrowings	**18,946**	10,858
Less: Cash and cash equivalents	**(33,373)**	(40,438)
Net debt	**(14,427)**	(29,580)
Total equity	**344,718**	592,079
Debt-to-total equity ratio	**N/A**	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

47. 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:

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property, plant and equipment	**716**	1,000
Investments in subsidiaries	**2,405**	2,405
Total non-current assets	**3,121**	3,405
Current assets		
Prepayments, deposits and other receivables	**1,266**	735
Amounts due from subsidiaries	**351,145**	384,421
Financial instruments at fair value through profit or loss	**1,374**	1,065
Cash and bank balances	**4,705**	1,419
Total current assets	**358,490**	387,640
Current liabilities		
Other payables and accruals	**11,154**	12,914
Interest-bearing other borrowing	**5,563**	6,241
Amount due to the ultimate holding company	**24**	35
Amounts due to related companies	**456**	396
Total current liabilities	**17,197**	19,586
Net current assets	**341,293**	368,054
Total assets less current liabilities	**344,414**	371,459
Net assets	**344,414**	371,459
Equity		
Equity attributable to owners of the Company		
Issued capital	**104,540**	102,440
Reserves	**239,874**	269,019
Total equity	**344,414**	371,459

Zhou Chu Jian He
Director

Zhang Min
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

47. 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$'000	Total HK$'000
At 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 and 1 January 2016	**73,048**	**4,318**	**191,653**	**269,019**
Total comprehensive income for the year	**–**	**–**	**162,071**	**162,071**
Share options exercised	**5,354**	**(2,645)**	**–**	**2,709**
Share issue expenses	**(3)**	**–**	**–**	**(3)**
2016 special dividend paid	**–**	**–**	**(193,922)**	**(193,922)**
At 31 December 2016	**78,399**	**1,673**	**159,802**	**239,874**

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

PARTICULARS OF INVESTMENT PROPERTIES

Details of the Group's investment properties as at 31 December 2016 are as follows:

Location	Approximate gross floor area (square meter)	Category of the lease term	Use
Office units 708, 731, 732, 734, 735, 1132, 1510 and 1516 of Tower 1 Junefield Plaza No. 6 Xuan Wu Men Wai Dajie Xi Cheng District, Beijing the PRC	745	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 Xi Cheng District, Beijing the PRC	744	Land use rights for a term expired on 21 March 2044	Commercial

PARTICULARS OF COMPLETED PROPERTIES FOR SALE

Details of the Group's completed properties for sale as at 31 December 2016 are as follows:

Name of property and location	Use	Year of completion	Approximate saleable floor area (square meter)	Group's interest
Units 203, 502 702 and 703 Calle Los Cisnes 361-365 Urb. Limatambo, San Isidro, Lima, Peru	Residential	2015	762	100%

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2016 HK$'000	2015 HK$'000 (Restated)	2014 HK$'000 (Restated)	2013 HK$'000 (Restated)	2012 HK$'000 (Restated)
CONTINUING OPERATIONS					
REVENUE	**154,401**	298,688	335,774	138,070	190,942
(Loss)/profit before tax from continuing operations	**(51,881)**	(73,764)	(87,645)	(90,005)	58,920
Income tax credit/(expense)	**2,195**	(201)	(9,332)	6,505	(16,552)
(Loss)/profit for the year from continuing operations	**(49,686)**	(73,965)	(96,977)	(83,500)	42,368
(Loss)/profit for the year from discontinued operations	**(1,953)**	(1,897)	(5,014)	174,428	142,497
(Loss)/profit for the year	**(51,639)**	(75,862)	(101,991)	90,928	184,865
Attributable to:					
Owners of the Company	**(36,495)**	(69,434)	(104,923)	79,361	165,324
Non-controlling interests	**(15,144)**	(6,428)	2,932	11,567	19,541
	(51,639)	(75,862)	(101,991)	90,928	184,865

ASSETS AND LIABILITIES

	At 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000
Total assets	**483,730**	798,749	922,807	1,141,671	1,049,973
Total liabilities	**(139,012)**	(206,670)	(235,255)	(272,519)	(296,874)
	344,718	592,079	687,552	869,152	753,099
Equity attributable to:					
Owners of the Company	**278,838**	509,358	592,989	713,664	613,505
Non-controlling interests	**65,880**	82,721	94,563	155,488	139,594
	344,718	592,079	687,552	869,152	753,099