莊勝百貨集團有限公司
JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 758)

INTERIM REPORT 2017

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

The board of directors (the "Board") of Junefield Department Store Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with the comparative figures for corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Note	Six months ended 30 June **2017** **(Unaudited)** ***HK$'000***	 2016 (Unaudited) *HK$'000* (Restated)
CONTINUING OPERATIONS			
Revenue	*5*	**23,015**	101,523
Cost of sales and services		**(19,659)**	(89,769)
Gross profit		**3,356**	11,754
Other income and gains	*5*	**5,480**	4,686
Selling and distribution expenses		**–**	(782)
Administrative expenses		**(29,705)**	(17,084)
Other operating expenses		**(4,245)**	(6,072)
Fair value gains/(losses) on investment properties		**2,611**	(40)
Gain on disposal of available-for-sale investment		**4,263**	3,389
Operating loss from continuing operations	*6*	**(18,240)**	(4,149)
Finance costs	*7*	**(2,421)**	(280)
Loss before tax from continuing operations		**(20,661)**	(4,429)
Income tax expense	*8*	**(1,616)**	(2,059)
Loss for the period from continuing operations		**(22,277)**	(6,488)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	*9*	**–**	(1,953)
Loss for the period		**(22,277)**	(8,441)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(continued)

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the Company		**(15,833)**	(4,222)
Non-controlling interests		**(6,444)**	(4,219)
		(22,277)	(8,441)
Loss per share attributable to owners of the Company	*10*		
Basic and diluted *(HK cents per share)*			
– For loss for the period		**(1.51)**	(0.41)
– For loss from continuing operations		**(1.51)**	(0.18)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(22,277)**	(8,441)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale investment	**948**	6,469
Reclassification adjustment relating to gain on disposal of available-for-sale investment	**(4,387)**	–
Release of exchange fluctuation reserve upon disposal of discontinued operations	**–**	1
Exchange differences on translation of foreign operations	**7,054**	(3,919)
Other comprehensive income for the period, net of tax	**3,615**	2,551
Total comprehensive expense for the period	**(18,662)**	(5,890)
Attributable to:		
Owners of the Company	**(14,619)**	(152)
Non-controlling interests	**(4,043)**	(5,738)
	(18,662)	(5,890)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*12*	**158,959**	163,499
Investment properties	*13*	**66,700**	63,023
Prepaid land lease payments	*14*	**20,124**	19,676
Other intangible assets	*12*	**80,071**	78,766
Available-for-sale investment	*15*	**737**	5,939
Deferred tax assets		**435**	504
Total non-current assets		**327,026**	331,407
Current assets			
Stock of properties	*16*	**5,787**	5,539
Inventories		**12,090**	11,073
Loan receivable	*17*	**2,580**	2,800
Accounts receivable	*18*	**2,123**	9,890
Prepayments, deposits and other receivables		**62,932**	74,710
Amounts due from related companies		**12,684**	12,786
Financial instruments at fair value through profit or loss		**1,201**	1,479
Tax recoverable		**–**	86
Cash and bank balances		**43,487**	33,960
Total current assets		**142,884**	152,323
Current liabilities			
Accounts payable	*19*	**5,528**	15,666
Other payables and accruals		**43,017**	55,865
Interest-bearing bank and other borrowings	*20*	**33,891**	6,796
Amount due to the ultimate holding company		**58**	26
Amounts due to related companies		**3,768**	2,266
Tax payable		**6,692**	6,662
Total current liabilities		**92,954**	87,281
Net current assets		**49,930**	65,042
Total assets less current liabilities		**376,956**	396,449

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

At 30 June 2017

	Note	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Audited) *HK$'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	*20*	**8,108**	9,858
Deferred tax liabilities		**42,792**	41,873
Total non-current liabilities		**50,900**	51,731
Net assets		**326,056**	344,718
Equity			
Equity attributable to owners of the Company			
Share capital	*21*	**104,540**	104,540
Reserves		**159,679**	174,298
		264,219	278,838
Non-controlling interests		**61,837**	65,880
Total equity		**326,056**	344,718

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company										
	Share capital (Unaudited) *HK$'000* *(Note 21)*	**Share premium account** (Unaudited) *HK$'000*	**Capital reserve** (Unaudited) *HK$'000*	**Statutory surplus reserve** (Unaudited) *HK$'000*	**Share option reserve** (Unaudited) *HK$'000*	**Investments revaluation reserve** (Unaudited) *HK$'000*	**Exchange fluctuation reserve** (Unaudited) *HK$'000*	**Retained profits** (Unaudited) *HK$'000*	**Total** (Unaudited) *HK$'000*	**Non-controlling interests** (Unaudited) *HK$'000*	**Total equity** (Unaudited) *HK$'000*
At 1 January 2017	**104,540**	**78,399**	**-**	**18,380**	**1,673**	**3,439**	**(2,488)**	**74,895**	**278,838**	**65,880**	**344,718**
Profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,833)**	**(15,833)**	**(6,444)**	**(22,277)**
Other comprehensive income/ (expense)											
Change in fair value of available-for-sale investment	**-**	**-**	**-**	**-**	**-**	**948**	**-**	**-**	**948**	**-**	**948**
Reclassification adjustment relating to gain on disposal of available-for-sale investment	**-**	**-**	**-**	**-**	**-**	**(4,387)**	**-**	**-**	**(4,387)**	**-**	**(4,387)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**4,653**	**-**	**4,653**	**2,401**	**7,054**
Total comprehensive (expense)/ income for the period	**-**	**-**	**-**	**-**	**-**	**(3,439)**	**4,653**	**(15,833)**	**(14,619)**	**(4,043)**	**(18,662)**
At 30 June 2017	**104,540**	**78,399**	**-**	**18,380**	**1,673**	**-**	**2,165**	**59,062**	**264,219**	**61,837**	**326,056**
At 1 January 2016	102,440	73,048	19,170	18,380	4,318	–	5,860	286,142	509,358	82,721	592,079
Profit or loss	–	–	–	–	–	–	–	(4,222)	(4,222)	(4,219)	(8,441)
Other comprehensive income/ (expense)											
Change in fair value of available-for-sale investment	–	–	–	–	–	6,469	–	–	6,469	–	6,469
Release of exchange fluctuation reserve upon disposal of discontinued operations	–	–	–	–	–	–	1	–	1	–	1
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(2,400)	–	(2,400)	(1,519)	(3,919)
Total comprehensive income/ (expense) for the period	–	–	–	–	–	6,469	(2,399)	(4,222)	(152)	(5,738)	(5,890)
Issue of shares upon exercise of share options	2,100	5,354	–	–	(2,645)	–	–	–	4,809	–	4,809
Share issue expenses	–	(3)	–	–	–	–	–	–	(3)	–	(3)
2016 special dividend paid	–	–	–	–	–	–	–	(193,922)	(193,922)	–	(193,922)
Disposal of subsidiaries	–	–	(19,170)	–	–	–	–	19,170	–	2,763	2,763
At 30 June 2016	104,540	78,399	–	18,380	1,673	6,469	3,461	107,168	320,090	79,746	399,836

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	**(12,090)**	(492)
Bank interest received	**35**	96
Overseas tax paid	**(1,310)**	(10)
Net cash flows used in operating activities	**(13,365)**	(406)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**54**	–
Proceeds from disposal of available-for-sale investment	**6,026**	4,860
Decrease/(increase) of restricted cash	**341**	(88)
Purchases of items of property, plant and equipment	**(279)**	(11,214)
Additions to other intangible assets	**(2,287)**	(511)
Release of unlisted financial instruments at fair value through profit or loss, net	**–**	25
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**–**	204,711
Proceeds from disposal of items of property, plant and equipment	**–**	35
Increase in short-term time deposits	**–**	(5,448)
Net cash flows from investing activities	**3,855**	192,370

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(1,404)**	–
Loan arrangement fee paid	**(1,500)**	–
New term loan	**25,000**	–
Repayment of loan receivable	**176**	–
Increase/(decrease) in amount due to the ultimate holding company	**32**	(18)
Dividends paid	**–**	(193,922)
Proceeds from issue of shares under share option scheme	**–**	4,809
Share issue expenses	**–**	(3)
Net cash flows from/(used in) financing activities	**22,304**	(189,134)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**12,794**	2,830
Cash and cash equivalents at beginning of the period	**33,373**	40,438
Effect of foreign exchange rate changes, net	**(2,926)**	(3,435)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**43,241**	39,833
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**43,487**	34,285
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	8,000
Less: Restricted cash	**(246)**	(2,452)
Cash and cash equivalents as stated in the statement of cash flows	**43,241**	39,833

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Junefield Department Store Group Limited (the "Company") is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the "Corporate Information" section on page 2 of this interim report.

During the six months ended 30 June 2017, the Company and its subsidiaries (collectively referred to as the "Group") engaged in the following principal activities:

- property investment and development;
- manufacture and sale of construction materials;
- securities investments;
- trading of mineral concentrates;
- coal mining;
- sale of parts of mining equipment; and
- provision of aircraft sub-leasing services.

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

2. BASIS OF PREPARATION

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

Comparative amounts

Certain comparative amounts have been reclassified to conform with current period's presentation as the Group has introduced an additional others segment regarding the sale of parts of mining equipment and provision of aircraft sub-leasing services in the year 2016. Accordingly, unaudited condensed consolidated statement of profit or loss and segment information of others for the six months ended 30 June 2016 for comparative purposes have been reclassified to reflect the newly reportable segment.

3. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

The accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of amendments effective as of 1 January 2017 below.

The Group has adopted the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") for the first time in these unaudited condensed consolidated financial statements:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRSs	Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*

The adoption of these amendments to HKFRSs has had no significant financial effect on the Group's unaudited condensed consolidated financial statements.

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

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and 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.

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

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

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

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

Segment results

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

For the six months ended 30 June 2017

	Property investment and development (Unaudited) *HK$'000*	Securities investments (Unaudited) *HK$'000*	Manufacture and sale of construction materials (Unaudited) *HK$'000*	Trading of mineral concentrates (Unaudited) *HK$'000*	Coal mining (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:							
Sales to/revenue from external customers*	2,654	-	-	18,611	-	2,028	23,293
Investment income	-	(278)	-	-	-	-	(278)
Total revenue and investment income from continuing operations	2,654	(278)	-	18,611	-	2,028	23,015
Segment results	5,188	(27)	(17,183)	839	(312)	(2,632)	(14,127)
Bank interest income and other unallocated income and gains							90
Corporate and other unallocated expenses							(8,466)
Unallocated finance costs							(2,421)
Gain on disposal of available-for-sale investment							4,263
Loss before tax from continuing operations							(20,661)

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

4. SEGMENT INFORMATION *(continued)*

Segment results (continued)

For the six months ended 30 June 2016

	Property investment and development (Unaudited) *HK$'000*	Securities investments (Unaudited) *HK$'000*	Manufacture and sale of construction materials (Unaudited) *HK$'000*	Trading of mineral concentrates (Unaudited) *HK$'000*	Coal mining (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000* (Restated)	Total (Unaudited) *HK$'000* (Restated)
Segment revenue:							
Sales to/revenue from external customers	24,180	–	23,034	48,405	5,058	133	100,810
Investment income	–	713	–	–	–	–	713
Total revenue and investment income from continuing operations	24,180	713	23,034	48,405	5,058	133	101,523
Segment results	11,904	781	(13,064)	3,596	(976)	(4,617)	(2,376)
Bank interest income and other unallocated income and gains							319
Corporate and other unallocated expenses							(5,481)
Unallocated finance costs							(280)
Gain on disposal of available-for-sale investment							3,389
Loss before tax from continuing operations							(4,429)

4. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

As at 30 June 2017

	Property investment and development (Unaudited) *HK$'000*	Securities investments (Unaudited) *HK$'000*	Manufacture and sale of construction materials (Unaudited) *HK$'000*	Trading of mineral concentrates (Unaudited) *HK$'000*	Coal mining (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Assets and liabilities:							
Segment assets	**89,430**	**4,518**	**165,824**	**37,619**	**44,813**	**4,333**	**346,537**
Corporate and other unallocated assets							**123,373**
Total assets							**469,910**
Segment liabilities	**38,959**	**12**	**27,107**	**12,328**	**1,773**	**3,269**	**83,448**
Corporate and other unallocated liabilities							**60,406**
Total liabilities							**143,854**

As at 31 December 2016

	Property investment and development (Audited) *HK$'000*	Securities investments (Audited) *HK$'000*	Manufacture and sale of construction materials (Audited) *HK$'000*	Trading of mineral concentrates (Audited) *HK$'000*	Coal mining (Audited) *HK$'000*	Others (Audited) *HK$'000*	Total (Audited) *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

4. SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000* (Restated)
The People's Republic of China (the "PRC")	**21,265**	73,541
Peru	**2,028**	27,269
Australia	**(105)**	699
Hong Kong	**(173)**	14
	23,015	101,523

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

(b) Non-current assets

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
PRC	**230,897**	234,678
Peru	**93,453**	88,305
Hong Kong	**1,366**	1,850
Australia	**737**	5,939
Ecuador	**564**	625
Colombia	**9**	10
	327,026	331,407

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

Information about major customers

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

	Six months ended 30 June	
	2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000*
Customer A (attributable to trading of mineral concentrates segment)	**18,611**	48,337

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:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Sale of mineral concentrates	**18,611**	48,405
Gross rental income	**2,654**	2,251
Sale of parts of mining equipment	**1,488**	–
Provision of aircraft sub-leasing service	**540**	133
Sale of construction materials	**–**	23,034
Sale of properties	**–**	21,929
Sale of coal	**–**	5,058
Fair value (losses)/gains, net:		
Equity investments at fair value through profit or loss – held for trading	**(278)**	713
	23,015	101,523
Other income and gains		
Bank interest income	**35**	121
Dividend income	**–**	27
Gain on disposal of items of property, plant and equipment	**–**	33
Interest income on other loans	**53**	172
Net foreign exchange gains	**5,162**	4,158
Others	**230**	175
	5,480	4,686

6. OPERATING LOSS FROM CONTINUING OPERATIONS

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

	Note	Six months ended 30 June 2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000* (Restated)
Employee benefits expense (including directors' remuneration)	*(i)*		
Salaries, wages and other benefits in kind		**10,174**	10,825
Contributions to retirement benefits schemes		**969**	1,227
		11,143	12,052
Amortisation of other intangible assets – supplier contract	*(ii)*	**4,245**	6,072
Amortisation of prepaid land lease payments		**240**	249
Amortisation of mining rights (included in cost of sales and services)		**–**	1,838
Cost of inventories recognised as an expense		**17,490**	88,882
Depreciation of property, plant and equipment	*(iii)*	**10,969**	10,861
Minimum lease payments under operating leases in respect of:			
– Land and buildings		**293**	646
– Aircraft (included in cost of sales and services)		**67**	17
Gross rental income from investment properties		**(2,654)**	(2,102)
Less:			
Direct operating expenses incurred for investment properties that generated rental income during the period		**–**	–
Direct operating expenses incurred for investment properties that did not generate rental income during the period		**–**	–
		(2,654)	(2,102)

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$1,626,000 (six months ended 30 June 2016: HK$311,000) and HK$32,000 (six months ended 30 June 2016: HK$325,000) respectively. Employee benefits expense of approximately HK$960,000 (six months ended 30 June 2016 (restated): HK$3,337,000), HK$10,183,000 (six months ended 30 June 2016 (restated): HK$8,130,000) and Nil (six months ended 30 June 2016: approximately HK$585,000) 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 condensed consolidated statement of profit or loss.

(iii) Amounts excluded expenses capitalised in exploration and evaluation assets of approximately HK$185,000 (six months ended 30 June 2016: HK$939,000). Depreciation of Nil (six months ended 30 June 2016: approximately HK$9,480,000) and approximately HK$10,969,000 (six months ended 30 June 2016: HK$1,381,000) were charged to cost of inventories and administrative expenses respectively.

7. FINANCE COSTS

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**1,671**	280
Loan arrangement fee	**750**	–
	2,421	280

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000*
Current – Hong Kong	**182**	543
Current – elsewhere		
Charge for the period	**360**	1,239
Under-provision in prior year	**866**	–
Deferred tax charge	**208**	277
Total tax charge for the period	**1,616**	2,059

9. DISCONTINUED OPERATIONS

On 10 December 2015, the Company entered into a conditional sale and purchase agreement with its immediate holding company, Prime Century Investments Limited, to dispose the entire equity interests in Huaxia Group Limited and its subsidiaries and an associate (collectively as the "Disposal Group"), together with the shareholder's loan owing by the Disposal Group to the Company 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 a subsidiary in Wuhan Huaxin Management Limited and 49% equity interests in Wuhan Plaza Management Co., Ltd. ("WPM"). Details of the Disposal are set out in the Company's circular dated 8 January 2016.

The Company's independent shareholders passed an ordinary resolution to approve the Disposal and the transactions contemplated thereunder by way of poll at the special general meeting held on 29 January 2016. The Disposal was duly completed on 18 February 2016 and the final consideration was approximately HK$219,399,000. The loss on disposal of discontinued operations amounted to approximately HK$2,577,000, after disposal expenses of approximately HK$2,701,000. Following the completion of the Disposal Group, the Group ceased to hold any interest in the Disposal Group and Huaxia Group Limited and its subsidiaries ceased to be subsidiaries of the Company and discontinued the operation in provision of property management and agency services business.

9. DISCONTINUED OPERATIONS *(continued)*

The combined results of discontinued operations for the prior period are presented below:

	Six months ended 30 June 2016 (Unaudited) *HK$'000*
Revenue	2,338
Cost of services	(796)
Gross profit	1,542
Other income and gains	1
Administrative expenses	(646)
Profit before tax for the period from discontinued operations	897
Income tax expense relating to the ordinary activities of discontinued operations	(273)
Profit after tax for the period from discontinued operations	624
Loss on disposal*	(2,577)
Loss for the period from discontinued operations	(1,953)
Attributable to:	
Owners of the Company	(2,335)
Non-controlling interests	382
	(1,953)

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

9. DISCONTINUED OPERATIONS *(continued)*

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

	Six months ended 30 June 2016 (Unaudited) *HK$'000*
Operating activities	845
Investing activities	(5,448)
Net cash outflows	(4,603)

Loss per share for discontinued operations are stated below:

	Six months ended 30 June 2016 (Unaudited)
Basic and diluted from discontinued operations *(HK cents per share)*	(0.23)

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

	Six months ended 30 June 2016 (Unaudited) *HK$'000*
Loss	
Loss attributable to owners of the Company from discontinued operations	(2,335)

	Six months ended 30 June 2016 (Unaudited)
Number of shares	
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation *(note 10)*	1,041,932,934

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

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 1,045,399,967 (six months ended 30 June 2016: 1,041,932,934) in issue during the period.

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation		
From continuing operations	**(15,833)**	(1,887)
From discontinued operations	**–**	(2,335)
	(15,833)	(4,222)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**1,045,399,967**	1,041,932,934

The computation of diluted loss per share for the six months ended 30 June 2017 and 2016 did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

11. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Special dividend paid – Nil (six months ended 30 June 2016: HK18.55 cents per share)	**–**	193,922

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2017, the Group acquired property, plant and equipment amounting to approximately HK$279,000 (six months ended 30 June 2016: HK$11,214,000). During the six months ended 30 June 2016, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK$2,000 for cash proceeds of approximately HK$35,000, resulting in a gain on disposal of approximately HK$33,000.

At 30 June 2017, the Group had property, plant and equipment with carrying amount of approximately HK$60,592,000 (31 December 2016: HK$58,329,000) pledged to secure bank and other loan facilities to the Group, details of which are included in note 20 to the condensed consolidated financial statements.

In addition, the Group had additions to other intangible assets amounting to approximately HK$2,472,000 (six months ended 30 June 2016: HK$1,450,000) during the six months ended 30 June 2017. No other intangible asset was disposed of for the six months ended 30 June 2017 and 2016.

13. INVESTMENT PROPERTIES

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Carrying amount, beginning of the period/year	**63,023**	63,856
Net gain from fair value adjustment	**2,611**	807
Exchange realignment	**1,066**	(1,640)
Carrying amount, end of the period/year	**66,700**	63,023

The carrying amount of investment properties shown above comprises:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Held under medium-term lease in the PRC	**66,700**	63,023

The Group's investment properties were revalued on 30 June 2017 with reference to a valuation performed by RHL Appraisal Limited, an independent professional qualified valuer, on an open market value basis by direct comparison method with the major input as the price per unit on floor area. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 22(a) to the condensed consolidated financial statements.

At 30 June 2017, the Group's investment properties with carrying amount of approximately HK$32,605,000 (31 December 2016: HK$30,799,000) were pledged to secure other loan facilities granted to the Group, details of which are included in note 20 to the condensed consolidated financial statements.

14. PREPAID LAND LEASE PAYMENTS

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Carrying amount, beginning of the period/year	**19,676**	21,667
Recognised during the period/year	**(240)**	(496)
Disposal of subsidiaries	**–**	(382)
Exchange realignment	**688**	(1,113)
Carrying amount, end of the period/year	**20,124**	19,676

At 30 June 2017, the Group had prepaid land lease payments with carrying amount of approximately HK$1,269,000 (31 December 2016: HK$1,290,000) pledged to secure other loan facilities granted to the Group, details of which are included in note 20 to the condensed consolidated financial statements.

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

15. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Listed equity investment, at fair value		
– Elsewhere	**737**	5,939

The listed equity investment represented equity interest in Latin Resources Limited ("LRS", a company listed on Australian Securities Exchange Limited). As at 30 June 2017, the Group held approximately 30,699,000 (31 December 2016: 88,396,000) fully paid ordinary shares of LRS, representing approximately 1.7% (31 December 2016: 6%) of its issued share capital. During the six months ended 30 June 2017, there was investments revaluation reserve of approximately HK$4,387,000 (six months ended 30 June 2016: Nil) reclassified from the condensed consolidated statement of comprehensive income to the condensed consolidated statement of profit or loss and a realised gain on disposal of available-for-sale investment of approximately HK$4,263,000 (six months ended 30 June 2016: HK$3,389,000) was recognised in the condensed consolidated statement of profit or loss upon disposal of shares in LRS during the period.

16. STOCK OF PROPERTIES

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Completed properties for sale in Peru	**5,787**	5,539

17. LOAN RECEIVABLE

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Current		
Loan receivable from LRS		
– unsecured, repayable within one year	**2,580**	2,800

The above unsecured loan to LRS is denominated in Australian dollars. The loan has matured in February 2017 and both parties agreed to extend to 31 October 2017.

18. ACCOUNTS RECEIVABLE

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Accounts receivable	**2,123**	9,890

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 Renminbi ("RMB"), United Stated dollars ("USD") and Peruvian Soles ("Soles").

18. 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:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 1 month	**302**	825
1 to 3 months	**265**	2,306
Over 3 months	**1,556**	6,759
	2,123	9,890

19. ACCOUNTS PAYABLE

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 1 month	**181**	328
1 to 3 months	**1,083**	4,759
Over 3 months	**4,264**	10,579
	5,528	15,666

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

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Note	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Audited) *HK$'000*
Current			
Bank loan – secured	*(i)*	**3,118**	1,233
Other loan – secured	*(ii)*	**25,000**	–
Other loan – unsecured	*(iii)*	**5,773**	5,563
		33,891	6,796
Non-current			
Bank loan – secured	*(i)*	**8,108**	9,858
		8,108	9,858
Total		**41,999**	16,654

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Analysed into:		
Bank and other borrowings repayable:		
– Within one year or on demand	**33,891**	6,796
– In the second year	**3,742**	3,697
– In the third to fifth years, inclusive	**4,366**	6,161
	41,999	16,654

20. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(i) As at 30 June 2017, the Group had a bank loan of approximately USD1,436,000 or equivalent to approximately HK$11,226,000 (31 December 2016: USD1,436,000 or 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 will be expired in August 2020.

The bank loan is secured by certain of the Group's property, plant and equipment situated in Peru with aggregate carrying value of approximately HK$60,247,000 (31 December 2016: HK$57,978,000) as at 30 June 2017.

(ii) The Group entered into an agreement with a money lender in Hong Kong for one year term loan with principal of HK$25,000,000 in December 2016 for facilitating the general working capital needs of the Group. The Group subsequently withdrew in full on 4 January 2017. The secured other loan is denominated in HK$, interest-bearing at 12% per annum and will be repayable in January 2018.

The loan is secured by certain of the Group's investment properties, prepaid land lease payments and property, plant and equipment with aggregate carrying value of approximately HK$34,219,000 (31 December 2016: HK$32,440,000) as at 30 June 2017 and corporate guarantee given by the Company.

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

21. SHARE CAPITAL

	Number of shares		Share capital	
	2017	2016	**2017**	2016
			HK$'000	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and 30 June	**25,000,000,000**	25,000,000,000	**2,500,000**	2,500,000
Issued and fully paid:				
At 1 January (audited)	**1,045,399,967**	1,024,399,967	**104,540**	102,440
Share options exercised	**–**	21,000,000	**–**	2,100
At 30 June (unaudited)	**1,045,399,967**	1,045,399,967	**104,540**	104,540

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

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties and stock of properties under operating lease arrangements, which leases negotiated for terms ranging from one to three years (31 December 2016: one to three years).

At 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within one year	**3,201**	2,911
In the second to fifth years, inclusive	**–**	1,261
	3,201	4,172

(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 (31 December 2016: one to three years).

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within one year	**92**	279
In the second to fifth years, inclusive	**–**	–
	92	279

23. OUTSTANDING LITIGATIONS

(a) Junefield (Building Material) Limited ("Junefield Building Material") filed two arbitral applications with the China International Economics and Trade Arbitration Commission ("Arbitration Commission") for claiming against the minority shareholder of Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"), 漣源鋼鐵集團有限公司 (Lianyuan Steel Group Limited,"Lianyuan Steel"), on the decrease of the profits due to the shortage of supply of granulated steel slag for production ("Steel Slag Supply") for the periods from 1 January 2011 to 31 August 2013 (the "First Taiji Arbitration Application") and from 1 September 2013 to 30 September 2015 (the "Second Taiji Arbitration Application") in October 2013 and December 2015 respectively for compensations on, inter alia, failing to procure the requested amount of Steel Slag Supply under Hunan Taiji's joint venture agreement.

In January 2015, the Arbitration Commission ruled on the First Taiji Arbitration Application that the minority shareholder of Hunan Taiji should pay Junefield Building Material a compensation of approximately RMB13,850,000 and it should continue to honour its obligations by procuring the Steel Slag Supply in accordance with the joint venture agreement of Hunan Taiji until 2021. Junefield Building Material ultimately received the compensation from Lianyuan Steel on 2 August 2017.

In May 2017, Junefield Building Material further filed an application to extend the claiming period ended from 30 September 2015 to 31 August 2016 with a revised claim amount of approximately RMB71,485,000 in respect of the Second Taiji Arbitration Application and it was successfully accepted by the Arbitration Commission. Up to the date of this report, the ruling has not been given yet.

Based on the legal opinion of the Group's PRC legal advisors, the directors of the Company are of the opinion that the ruling on the Second Taiji Arbitration Application is cautiously optimistic.

(b) In 2014, the Company's former indirect wholly-owned subsidiary, International Management Company Limited ("IMC"), considered that the joint venturer of WPM had jeopardised the legitimate interests of IMC itself and WPM and, therefore, claimed damages against the joint venturer of WPM in the total sum of approximately RMB975,325,000 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").

Pursuant to the sale and purchase agreement of the disposal of Huaxia Group Limited (former subsidiary of the Company) entered in December 2015, the purchaser has undertaken to the Company that in the event that the judgement in respect of the above litigation is awarded by the Higher Court in favour of IMC within 18 months after 18 February 2016, the purchaser shall reimburse the amount awarded by the Higher Court after deducting related expenses. Up to the date of this report, there is no ruling awarded from the Higher Court and hence, no compensation will be reimbursed to the Company from 19 August 2017 onwards.

24. CAPITAL COMMITMENTS

As at 30 June 2017, the Group had no significant capital commitments (31 December 2016: Nil).

25. CHARGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by certain assets of the Group, are included in notes 12, 13 and 14 respectively, to the condensed consolidated financial statements.

26. RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

		Six months ended 30 June	
	Note	**2017 (Unaudited) *HK$'000***	2016 (Unaudited) *HK$'000*
Continuing operations			
Commission charged by a related company	*(i)*	**301**	595
Logistics services fee charged by a related company	*(ii)*	**–**	2,021
Management fees paid to the ultimate holding company	*(iii)*	**316**	–
Purchases of raw materials from a related company	*(iv)*	**–**	644
Rental expenses paid to the ultimate holding company	*(iii)*	**187**	449
Sub-leasing fee paid to a related company	*(v)*	**67**	17
Sub-leasing service fee income received from a related company	*(vi)*	**217**	–
Discontinued operations			
Property management fee charged to a former joint venturer	*(vii)*	**–**	463

26. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

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

(ii) The logistics services fee in relation to the transportation of granulated steel slag, which was determined on an annual basis between Hunan Taiji and Lianyuan Logistics Co., Ltd (湖南漣鋼物流有限公司, "Lianyuan Logistics") with reference to the prevailing market price of similar transportation services. Lianyuan Steel has beneficial interests in Lianyuan Logistics. Hunan Taiji has been in suspension of production since August 2016 and therefore no logistics services fee was paid during the six months ended 30 June 2017.

(iii) The Group paid rental expenses and management fees to the ultimate holding company for the periods from 1 January 2017 to 15 March 2017 and 16 March 2017 to 30 June 2017 respectively. The monthly rental expenses and management fees were mutually agreed between the contracting parties.

(iv) Pursuant to the joint venture agreement of Hunan Taiji dated 30 June 2006, Lianyuan Steel is liable to procure 華菱漣源鋼鐵有限公司 (Hualing Steel Company Limited, "Hualing Steel") to enter into 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. Hualing Steel served a written notice to Hunan Taiji to suspend the supply of the granulated steel slag in March 2016 which resulted in Hunan Taiji has been in suspension of production since August 2016. Therefore, there was no purchase during the six months ended 30 June 2017.

26. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

(v) Lima Airlines S.A.C. ("Lima Airlines"), an indirect wholly-owned subsidiary of the Company, entered into a sub-leasing of aircraft agreement with Total Genius Iron Mining S.A.C. ("Total Genius"). Total Genius is a company incorporated in Peru and is ultimately wholly-owned by Mr. Zhou.

(vi) Lima Airlines received sub-leasing service fee income of aircraft from Junefield Group S.A. during the six months ended 30 June 2017. Junefield Group S.A. is a company incorporated in Peru and is ultimately wholly-owned by Mr. Zhou.

(vii) The property management services fees were charged to the joint venturer of WPM. As the provision of property management and agency services segment discontinued since the disposal of subsidiaries on 18 February 2016 as mentioned in note 9, therefore there was no property management fee received during the six months ended 30 June 2017.

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

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**1,320**	720
Post-employment benefits	**9**	9
Total compensation paid to key management personnel	**1,329**	729

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

27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value hierarchy

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

Assets measured at fair value

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
As at 30 June 2017 (unaudited):				
Available-for-sale investment				
– Listed equity investments	737	–	–	737
Financial instruments at fair value through profit or loss				
– Listed equity investments (Hong Kong)	1,201	–	–	1,201
	1,938	–	–	1,938

27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

Assets measured at fair value *(continued)*

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
As at 31 December 2016 (audited):				
Available-for-sale investment				
– 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

During the six months ended 30 June 2017 and the year ended 31 December 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

28. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 30 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2017, the Group's revenue from continuing operations was approximately HK$23,015,000 (six months ended 30 June 2016 (restated): HK$101,523,000), significantly decreased by 77% over the same period last year. The consolidated loss from continuing operations attributable to owners of the Company was approximately HK$15,833,000 (six months ended 30 June 2016: HK$1,887,000), representing a sharp increase of 7.4 times over the same period last year from continuing operations. The significant decrease in turnover and sharp increase in the loss from continuing operations attributable to owners of the Company were mainly attributable to no turnover contribution from the manufacture and sale of construction materials segment, coal mining segment and property development business in Peru as well as the weak demand for the mineral concentrates from the major customer in the People's Republic of China (the "PRC") during the period under review.

Operations Review and Outlook

Construction material business

Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji"), the Group's indirect 60%-owned subsidiary engaged in manufacture and sale of slag powder business in the PRC, has been in suspension of production since August 2016 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. During the period under review, there was no turnover (six months ended 30 June 2016: approximately HK$23,034,000) while it made a net loss of approximately HK$16,110,000 (six months ended 30 June 2016: HK$11,503,000), representing significant increase of 40% compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Outlook *(continued)*

Construction material business *(continued)*

The Group filed two arbitral applications with the China International Economics and Trade Arbitration Commission ("Arbitration Commission") for claiming compensations from Hunan Taiji's minority shareholder on the decrease of the profits due to the shortage of Steel Slag Supply for the periods from 1 January 2011 to 31 August 2013 (the "First Taiji Arbitration Application") and from 1 September 2013 to 30 September 2015 (the "Second Taiji Arbitration Application") respectively. In 2015, the Arbitration Commission ruled on the First Taiji Arbitration Application that the minority shareholder of Hunan Taiji should pay the Group a compensation of approximately RMB13,850,000 and it should continue to honour its obligations by procuring the Steel Slag Supply in accordance with the joint venture agreement of Hunan Taiji until 2021 (the "First Taiji Arbitral Ruling"). However, the minority shareholder of Hunan Taiji failed to follow the First Taiji Arbitral Ruling. The Group subsequently took legal actions to enforce the execution of the First Taiji Arbitral Ruling and it ultimately received the compensation together with the reimbursement of other expenses from the minority shareholder of Hunan Taiji on 2 August 2017. The compensation proceeds will be recognised as other income in the financial statements of the second half of 2017.

In May 2017, the Group further submitted application to extend the claiming period ended from 30 September 2015 to 31 August 2016 in respect of the Second Taiji Arbitration Application which has been successfully accepted by the Arbitration Commission. To avoid possible significant compensation payments and prolonged legal proceedings, if the Second Taiji Arbitration Application's claim could be successfully upheld, the Group expects that Lianyuan Steel would be more likely to enter into negotiation for supply resumption; and Junefield Building Material and Hunan Taiji would be in a better position in negotiation. In addition, the Group will try to explore the possibility to have other sources of supply from cities nearby.

The Group currently keeps pursuing on the enforcement of the procurement obligations of the minority shareholder of Hunan Taiji under the First Taiji Arbitral Ruling.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Outlook *(continued)*

Property investment and development

Investment properties in Beijing

During the period under review, the rental income from property leasing in Beijing, the PRC was approximately HK$2,654,000 (six months ended 30 June 2016: HK$2,102,000). These investment properties in Beijing also recorded fair value gains of approximately HK$2,611,000 (six months ended 30 June 2016: losses of approximately HK$40,000) which resulted in a profit of approximately HK$1,053,000 (six months ended 30 June 2016: HK$1,655,000), representing a decrease of 36% compared to the same period last year. The decrease in profit attributable from the investment properties in Beijing was due to interest expenses and other finance costs on the secured other borrowing in the sum of HK$1,750,000 (six months ended 30 June 2016: Nil) recognised during the period under review. The Group expects these investment properties in Beijing currently held on hand will keep generating a stable rental income stream and capture potential appreciation.

Property development in Peru

During the period under review, the property development in Peru recorded nil turnover (six months ended 30 June 2016: approximately HK$21,929,000) and net loss of approximately HK$17,000 (six months ended 30 June 2016: net profit of approximately HK$7,278,000). The loss was due to the absence of sale of residential units by the Group's indirect wholly-owned subsidiary in Peru, Lima Junefield Plaza S.A.C. ("Lima Junefield Plaza") during the period under review. Meanwhile, Lima Junefield Plaza still retains four units pending for sale and temporarily leased out for rental income. Lima Junefield Plaza is going to sell the remaining units when the property market is improving.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Outlook *(continued)*

Securities investments

During the period under review, the Group further disposed approximately 57,697,000 (six months ended 30 June 2016: 52,031,000) fully paid ordinary shares of Latin Resources Limited ("LRS", a company listed on Australian Securities Exchange Limited) for proceeds of approximately HK$6,026,000 (six months ended 30 June 2016: HK$4,860,000) and reclassified the investment revaluation reserve of approximately HK$4,387,000 (six months ended 30 June 2016: Nil) from the condensed consolidated statement of comprehensive income to the condensed consolidated statement of profit or loss and a realised gain on disposal of available-for-sale investment of approximately HK$4,263,000 (six months ended 30 June 2016: HK$3,389,000) was recognised in the condensed consolidated statement of profit or loss for the period under review. The Group held less than 5% of the issued share capital of LRS as at 30 June 2017.

In addition, this segment also recognised fair value losses of approximately HK$278,000 (six months ended 30 June 2016: gains of approximately HK$713,000) arising from the securities investments held for trading during the period under review.

Trading of mineral concentrates business

The trading of mineral concentrates business segment principally operates by sourcing mineral concentrates from Ecuador and Peru and exporting them to the PRC customers. The Group's trading of mineral concentrates business continued to make profit, but nevertheless both the sales volume and gross profit margin declined due to the weak demand for mineral concentrates from its major customer in the PRC during the period under review. The Group recorded the revenue and net profit of approximately HK$18,611,000 (six months ended 30 June 2016: HK$48,405,000) and HK$677,000 (six months ended 30 June 2016: HK$3,054,000), representing significant decreases of 62% and 78% respectively compared to the same period last year.

As the Group started to invest in South America for many years, it has a well-established sourcing network in Ecuador and Peru. Therefore, the Group is able to assist its major customer to explore the sources of mineral concentrates in South America and expects its major customer would continue to place order for purchase of mineral concentrates in future.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations Review and Outlook *(continued)*

Coal mining business

As the introduction of a selective consumption tax on coal products for energy use in domestic market ranged from Peruvian Soles ("Soles") 51.72 per ton to Soles 55.19 per ton by the Peruvian government in May 2016, the Group's coal production for domestic market has been suspended since July 2016. During the period under review, this segment recorded nil turnover (six months ended 30 June 2016: approximately HK$5,058,000) and a net loss of approximately HK$716,000 (six months ended 30 June 2016: HK$976,000), representing decreases of 100% and 27% respectively as compared to the same period last year. The new coal mine is now in late development stage as certain basic infrastructure has already been completed. Additional operational facilitates are planned to be completed around December 2017 and, at that time, the new mine will start production for export market at a monthly capacity of around 12,000 tons. The Group expects that the result of this segment will be improved thereafter and plans to prepare operation resumption of the mines currently suspended by December 2017.

Future Outlook

Uncertainties on global economy continued in the first half of 2017. The Group's result was disappointed mainly due to the prolonged disputes with business partners and unfavourable change of local governmental policies. Currently, the Group is closely following up with the development of disputes with Hunan Taiji's minority shareholder as well as proactively adapts itself for the changes in Peru market.

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

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the period under review.

Liquidity and Financial Resources

As at 30 June 2017, the Group had net assets of approximately HK$326,056,000 (31 December 2016: HK$344,718,000) with total assets of approximately HK$469,910,000 (31 December 2016: HK$483,730,000) and total liabilities of approximately HK$143,854,000 (31 December 2016: HK$139,012,000). The Group's current ratio, which equals to current assets divided by current liabilities, was 1.54 (31 December 2016: 1.75).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources *(continued)*

As at 30 June 2017, the Group had secured bank loan, secured other loan and unsecured other loan amounted to approximately HK$11,226,000 (31 December 2016: HK$11,091,000), HK$25,000,000 (31 December 2016: Nil) and HK$5,773,000 (31 December 2016: HK$5,563,000) respectively. The secured bank loan is denominated in United States dollars ("USD"), interest-bearing at an annual rate of London Interbank Offered Rate plus 5.9% per annum and will be expired in August 2020. The secured other loan is denominated in HK$, interest-bearing at 8% per annum and will be repayable in January 2018. The unsecured other loan is denominated in Renminbi ("RMB") and interest-bearing at 9.5% per annum and repayable on demand. The Group's gearing ratio, as a ratio of total interest-bearing bank and other borrowings to total assets as at 30 June 2017, was 0.09 (31 December 2016: 0.03).

The Group's cash and bank balances which were mainly denominated in Hong Kong dollars, USD, RMB and Soles, amounted to approximately HK$43,487,000 as at 30 June 2017 (31 December 2016: HK$33,960,000).

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 and Other Facilities

As at 30 June 2017, the Group had aggregate banking and other facilities of approximately HK$36,226,000 (31 December 2016: HK$48,340,000) and did not have unutilised banking and other facilities available for drawdown (31 December 2016: approximately HK$37,168,000).

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 *(continued)*

Capital Commitments

As at 30 June 2017, the Group had no significant capital commitments (31 December 2016: Nil).

Charge of Assets

As at 30 June 2017, certain of the Group's property, plant and equipment, prepaid land lease payments and investment properties with carrying amounts of approximately HK$60,592,000 (31 December 2016: HK$58,329,000), HK$1,269,000 (31 December 2016: HK$1,290,000) and HK$32,605,000 (31 December 2016: HK$30,799,000) respectively have been pledged to bank and other borrower to secure loan facilities.

Outstanding Litigations

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

Exchange Rate Exposure

During the period under review, the business activities of the Group were mainly denominated in Hong Kong dollars, RMB, USD and Soles. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. For the six months ended 30 June 2017, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

Employee and Remuneration Policy

As at 30 June 2017, the Group had about 171 employees (six months ended 30 June 2016: 158) with the majority based in PRC and Peru. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice. The remuneration policy and package of the Group's employees are periodically reviewed by the Company's Remuneration Committee and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

SUPPLEMENTARY INFORMATION

Directors' and Chief Executives' Interests in Securities

As at 30 June 2017, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long position – ordinary shares of HK$0.10 each of the Company

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%

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

SUPPLEMENTARY INFORMATION *(continued)*

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

(b) Long position in underlying shares – share options

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

Name	Date of grant	Exercisable period	Number of share options: Balance as at 1 January 2017	Granted during the period	Exercised during the period	Balance as at 30 June 2017	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$1.00.

Save as disclosed above, as at 30 June 2017, so far as is known to the directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

SUPPLEMENTARY INFORMATION *(continued)*

Substantial Shareholders' Interests in Securities

As at 30 June 2017, so far as is known to the directors and the chief executives of the Company, the interests or short positions of the persons (other than directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO are as follows:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
PCI (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 wholly-owned subsidiary of JHL. Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any person (other than the directors or chief executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SUPPLEMENTARY INFORMATION *(continued)*

Share Option Scheme

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

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

The principal terms of the Share Option Scheme have been set out in the 2016 annual report. During the six months ended 30 June 2017, details of the movements of the outstanding share options granted under the Share Option Scheme are as follows:

			Number of share options				
	Date of grant	Exercisable period	Balance as at 1 January 2017	Granted during the period (Note 2)	Exercised during the period	Balance as at 30 June 2017	Exercise price per share *HK$*
Directors (Note 1)	6 July 2009	6 July 2009 – 5 July 2019	13,280,000	–	–	13,280,000	0.229

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 48 of this interim report.

2. No share options have been granted during the six months ended 30 June 2017.

SUPPLEMENTARY INFORMATION *(continued)*

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Audit Committee

The Audit Committee, which comprises three independent non-executive directors of the Company, has discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters. The Audit Committee has also reviewed and discussed with the management and auditors about the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

Remuneration Committee

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

Nomination Committee

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

SUPPLEMENTARY INFORMATION *(continued)*

Corporate Governance Code

In the opinion of the directors, the Company had complied with the code provisions set out in the Corporate Governance Code ("CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange during the six months ended 30 June 2017, save as the deviation from code provision E.1.2 which is explained as follows:

– Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 5 June 2017 (the "AGM") due to other business engagement. The Chief Executive Officer, the chairman of the Audit Committee and the chairman of the Remuneration Committee were present at the AGM to answer the shareholders' questions.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2017.

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

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

By Order of the Board
Zhou Chu Jian He
Chairman

Hong Kong, 30 August 2017