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

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- Revenue from continuing operations amounted to approximately HK$154,401,000, representing a significant decrease of 48%
- Net loss attributable to owners of the Company amounted to approximately HK$36,495,000, representing a significant decrease of 47%
- Basic loss per share was HK3.50 cents, representing a significant decrease of 48%
- No final dividend was proposed

The board of directors (the "Board") of Junefield Department Store Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the year 2015 as follows:

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016

	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		**807**	2,895
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 disposal of available-for-sale investment		**3,568**	–
Gain on reclassification of investment in an associate to available-for-sale investment		**–**	559
Impairment loss on other intangible assets		**(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)	*8*	**2,195**	(201)
Loss for the year from continuing operations		**(49,686)**	(73,965)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*9*	**(1,953)**	(1,897)
Loss for the year		**(51,639)**	(75,862)
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	*10*		
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

	2016	2015
	HK$'000	*HK$'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

	Note	**2016**	2015
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**163,499**	172,746
Investment properties		**63,023**	63,856
Prepaid land lease payments		**19,676**	21,667
Other intangible assets		**78,766**	107,677
Investment in an associate		**–**	225,832
Available-for-sale investments		**5,939**	4,039
Deferred tax assets		**504**	1,882
Loan receivable		**–**	2,829
Total non-current assets		**331,407**	600,528
Current assets			
Stock of properties		**5,539**	22,772
Inventories		**11,073**	22,528
Loan receivable		**2,800**	–
Accounts receivable	*12*	**9,890**	14,507
Prepayments, deposits and other receivables		**74,710**	78,307
Amounts due from related companies		**12,786**	12,983
Financial instruments at fair value through profit or loss		**1,479**	1,220
Tax recoverable		**86**	346
Time deposits		**–**	8,150
Cash and bank balances		**33,960**	37,408
Total current assets		**152,323**	198,221
Current liabilities			
Accounts payable	*13*	**15,666**	13,307
Other payables and accruals		**55,865**	109,450
Interest-bearing bank and other borrowings		**6,796**	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
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

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Interest-bearing bank and other borrowings	**9,858**	–
Deferred tax liabilities	**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	**104,540**	102,440
Reserves	**174,298**	406,918
	278,838	509,358
Non-controlling interests	**65,880**	82,721
Total equity	**344,718**	592,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 of Hong Kong Limited.

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

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.

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.

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

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.

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.

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.

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)

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.

4. **SEGMENT INFORMATION** *(Continued)*

Segment assets and liabilities and other segment information

An analysis of the Group's segment assets and liabilities 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.

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.

4. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
The People's Republic of China (the "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	2015
	HK$'000	*HK$'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	2015
	HK$'000	*HK$'000*
Customer A (attributable to trading of mineral concentrates segment)	**93,354**	233,563

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	2015
	HK$'000	*HK$'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

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)

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

8. 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

9. DISCONTINUED OPERATIONS

On 10 December 2015, the Company entered into a conditional sale and purchase agreement with its immediate holding company, Prime Century Investments Limited, to dispose the entire equity interests in Huaxia Group Limited and its subsidiaries and an associate (collectively as the "Disposal Group"), together with the shareholder's loan owing by the Disposal Group to the Company ("Shareholder's Loan") at an aggregate consideration of HK$218,000,000, subject to adjustment (the "Disposal"). The principal assets of the Disposal Group were its 51% equity interests in Wuhan Huaxin Management Limited ("WHM") and 49% equity interests in 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	British Virgin Islands	United States dollars ("USD") 50,000	100	Investment holding
Indirectly held					
Huaxia Investment Worldwide Limited	Corporation	Hong Kong	HK$100	100	Investment holding
Huaxia Development Worldwide Limited	Corporation	Hong Kong	HK$100	100	Investment holding
Hudson Development (H.K.) Limited	Corporation	Hong Kong	HK$10 ordinary shares and HK$1,000,000 non -voting deferred shares	100	Investment holding
Huaxia Finance Company Limited	Corporation	Hong Kong	HK$30,000,000	100	Dormant
Hudson International Hong Kong Limited	Corporation	Hong Kong	HK$2	100	Investment holding
International Management Company Limited	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.	Contractual joint venture	PRC	USD8,000,000	51	Dormant

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.

9. DISCONTINUED OPERATIONS *(Continued)*

	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*	14	**(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)

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

* 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 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)

Number of shares	**2016**	2015
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation *(note 10)*	**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.

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 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)

Number of shares	**2016**	2015
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.

11. DIVIDENDS

	2016	2015
	HK$'000	*HK$'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).

12. ACCOUNTS RECEIVABLE

	2016	2015
	HK$'000	*HK$'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 Peruvian Soles ("Soles").

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

	2016	2015
	HK$'000	*HK$'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

13. 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	2015
	HK$'000	*HK$'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.

14. DISPOSAL OF SUBSIDIARIES

As detailed in note 9, the Group disposed the Disposal Group to a connected person during the year.

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

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**

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the independent auditors' report from the external auditors of the Company:

Qualified opinion

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.

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* 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 Hong Kong Financial Reporting Standard 12 "Disclosure of Interests in Other Entities" issued by the HKICPA.

* *Being note 9 in this announcement*

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 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.

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 the section headed "Outstanding Litigations") 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 the section headed "Outstanding Litigations".

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.

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.

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 in 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.

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.

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.

MATERIAL DISPOSAL

On 10 December 2015, the Company entered into an agreement with its immediate holding company, Prime Century Investment 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.

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.

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

(1) Junefield (Building Material) Limited ("Junefield Building Material") filed two applications for arbitration proceedings at the Arbitration Commission against the minority shareholder of Hunan Taiji, 漣源鋼鐵集團有限公司 (Lianyuan Steel Group Limited, "Lianyuan Steel") in October 2013 and December 2015 respectively for compensations on, inter alia, failing to procure the requested amount of 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 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 announcement, 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 optimistic about the ruling of the Second Taiji Arbitration Application would be in favour of Junefield Building Material.

(2) On 31 December 2013, Wuhan Department Store Group Co., Ltd. (the "PRC Partner", the joint venturer of the Group's former associate Wuhan Plaza Management Co., Ltd. ("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 announcement, 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 the section headed "Major Disposal" above, 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.

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.

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 consolidated financial statements of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE CODE

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

– Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The chairman of the board 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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2016, except that:

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

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

During the year 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.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil). Information regarding the date and venue of annual general meeting will be announced in due course.

DISCLOSURE OF INFORMATION ON WEBSITES

This announcement will be published on the websites of the Stock Exchange and the Company (http://junefield.etnet.com.hk). The annual report for the year ended 31 December 2016 will be dispatched to shareholders of the Company and published on the same websites in due course.

By Order of the Board
Zhou Chu Jian He
Chairman

Hong Kong, 30 March 2017

As at the date of this announcement, the executive directors are Mr. Zhou Chu Jian He (Chairman), Mr. Zhang Min (Chief Executive Officer), Mr. Zhou Jianren, Mr. Xiang Xianhong and Mr. Lei Shuguang; the non-executive director is Mr. Jorge Edgar Jose Muñiz Ziches; and the independent non-executive directors are Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai.

* *For identification purpose only*