HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)

ANNUAL REPORT **2013**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Jianguo *(Chairman)*
Mr. Li Baoqi *(Chief Executive Officer)*

Non-executive Director

Mr. Wu Jixian

Independent Non-executive Directors

Mr. Lam Hoy Lee, Laurie
Mr. Lau Ka Ho
Mr. To Wing Tim, Paddy

AUDIT COMMITTEE

Mr. Lam Hoy Lee, Laurie
Mr. Lau Ka Ho
Mr. To Wing Tim, Paddy

COMPANY SECRETARY

Mr. Chang Chi Wai, Stanley

COMPANY SOLICITORS

In Hong Kong

Chiu & Partners

In Bermuda

Appleby Spurling Hunter

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of East Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

Tricor Secretaries Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: 2980 1333
Fax: 2810 8185
E-mail: is-enquiries@hk.tricorglobal.com
Website: www.tricoris.com

In Bermuda

Butterfield Corporate Services Limited

PRINCIPAL OFFICE IN HONG KONG

Room 4205, 42nd Floor
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Tel: 2861 0704
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Website: www.huscoke.com

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Chairman's Statement

I would like to present the annual audit consolidated results of Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

RESULTS AND BUSINESS OVERVIEW

2013 is another challenging year to the Group. China's economy entered an era of slow growth in recent years with prolonged tightening policies on the property market, the steel demand remained low for the whole of 2013, which led to the low demand and price reduction of our major product, coke, an ingredient in steel making process.

Coke price rebounded near the year end of 2012 till February 2013, with the market expectation of better economic outlook after the 18th National Congress of the Communist Party of China. However, the economic stimulus expected to be introduced by the new government and the pace of speeding up the urbanization process did not meet the market expectations, which led to the decrease of the coke price since March 2013 and the coke price remained weak for the whole year, although there was slight recovery from June onwards.

Moreover, starting from March 2011, the Shanxi Provincial Government executed the consolidation of coal mine activities and some of the coal mines surrounding our production facilities have been closed for safety check and consolidation. Raw coal supplies in the region were seriously affected and we need to rely on coal mines in other regions with much higher transportation costs. These increased the purchase costs of raw materials.

Due to the above stated difficulties, the Group's total revenue dropped from HK$1,146,763,000 in 2012 to HK$1,038,456,000 in 2013, representing a 9.4% decrease. However, resulted from the Group effort on controlling the selling price and cost of production, the Group recorded a gross profit of HK$515,000 as compared with gross loss of HK$35,199,000 in 2012.

On 22 May 2013, the Group, Kailuan (Hong Kong) International Co. Ltd. (an independent third party) and Mr. Wu Jixian ("Mr. Wu"), a substantial shareholder and non-executive Director of the Group, entered into an annual coke sale and purchase agreement ("Annual Coke S&P Agreement"). Under the Annual Coke S&P Agreement, the Group has agreed, among other terms, to supply 50,000 tonnes coke (subject to certain adjustment level) to Kailuan each month during the period from 24 May 2013 to 23 May 2014. Total quantity to be sold by the Group to Kailuan would be around 600,000 tonnes during the agreement period. Should the quantity supplied fall short of the agreed quantity on a quarterly basis, the Group shall pay default liquidated damages to Kailuan at HK$44/tonne based on the supply shortage (calculated as 150,000 tonnes per quarter less actual supply).

Due to the weak coal market, during the year ended 31 December 2013, there had not been any revenue recorded related to this Annual Coke S&P Agreement. Accordingly, the Group had paid default liquidated damages to Kailuan amounting to HK$15,926,000 (2012: Nil).

Since the Group intends to develop a long term trading relationship with Kailuan, on 27 March 2014, the Group has signed a letter of intent with Kailuan to extend the term of the Annual Coke S&P Agreement and the repayment date of the deposit received for a period of 6 months or 12 months upon its expiry on 23 May 2014.

On 24 May 2010, the Group has issued a HK$154 million 8 percent. Senior Unsubordinated and Secured Convertible Bonds to Passion Grant Investment Limited ("PGI CB"). Due to the occurrence of two events of defaults in 2011, the Group and PGI entered into amendment agreements and supplemental deeds in 2011 ("PGI Amendments"). Further details of related to the PGI Amendments are set out in the Company's circular dated 2 February 2012.

The PGI Amendments were conditional as at 31 December 2011 and subject to the fulfillment of certain conditions including the approval of shareholders at a special general meeting. The approval of shareholders was obtained, and fulfilment of other conditions was achieved, on 28 February 2012.

The modifications under the PGI Amendments constituted significant modifications and were accounted for as an extinguishment of original PGI CB and an issue of a new PGI CB.

On 31 December 2012, the Group had not complied with certain financial covenants stipulated in the PGI Amendments, in particular, "the net assets of the Company based on the audited consolidated financial statements for the most recent financial year or the audited consolidated management account of the most recent quarter, i.e. 31 December 2012, were less than HK$1.5 billion". Thus derivative financial instruments of HK$46,025,000 were recorded which represented the fair value of the options on the PGI CB as at 31 December 2012.

The Group came into an agreement with PGI to fully redeem the PGI CB on their maturity date of 24 May 2013 and having regard to the final amount paid for the settlement of such bonds, HK$15,867,000 (2012: Nil) gain arising from redemption of convertible bonds was recorded. Moreover, the derivative financial liability related to the bond was fully written-off, which resulted in the gain on the fair value change in derivative financial instrument amounting to HK$46,025,000 (2012: fair value loss of HK$44,300,000) recorded for this year.

Due to the above factors, the Group recorded a consolidated loss of HK$89,467,000 (2012: HK$398,782,000) for the year ended 31 December 2013. Loss attributable to owners of the parent was HK$81,765,000 (2012: HK$390,303,000).

The loss includes (i) impairment loss on property, plant and equipment amounting to HK$20,733,000 (2012: Nil); (ii) gain on redemption of convertible bonds amounting to HK$15,867,000 (2012: Nil); (iii) fair value gain on derivative financial instruments of HK$46,025,000 (2012: fair value loss of HK$44,300,000); and (iv) impairment loss on other intangible asset amounting to Nil (2012: HK$260,618,000). These items had not affected the Group's operating cash flows.

Moreover, the net current liabilities and current ratio of the Group improved from HK$379,735,000 and 0.64 as at 31 December 2012 to HK$306,824,000 and 0.74 as at 31 December 2013.

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one to two years. The environmental policies and excess capacity constraints will be the major factors affecting the coke industry players in the future.

Since smaller coke production facilities usually have less advance and environmental friendly technology and lower efficiency, so one of the works of the government is to close down small coke production plants. This also helps to solve the excess capacity problems. Thus, the coke producers will have to meet the size, energy consumption and environmental protection standards in order to stay in the industry.

Chairman's Statement

To tackle the challenges mentioned above, the management has been implementing various strategies to improve the Group's operating performance and also making investments to make the Group's production facilities comply with higher environmental standards.

Furthermore, one of the Group's strategies is developing the upstream business by acquiring coal mines. A targeted mine is currently in the progress of the regional mine consolidation process and had already obtained the business licence. The mine is expected to resume production this year. The Group planned to explore the possibilities for acquiring this mine again once it resumes production. Management considered that if the Group can acquire a nearby coal mine, it's coal supplies will be stable in both volume and price and also, we can enjoy the profit generated in coal mining, which is beneficial for the Group's long term development. In addition, the Group can enjoy the profits generated from mine exploration.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group is taking the following measures:

a) the Group had an available bank facility granted by a bank in the People's Republic of China ("PRC") of approximately HK$471,000,000 (equivalent to RMB370,000,000) as at 31 December 2013 for working capital purposes. Although the facility will expire in September 2014, the directors are of the opinion that the Group will be able to renew/refinance the bank facility upon its expiry;

b) the Company has entered into a letter of intent with Kailuan for the extension of a deposit received of HK$220,000,000 for a period of 6 months or 12 months upon its expiry on 23 May 2014; and

c) management has been endeavouring to improve the Group's operating results and cash flows.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to the shareholders of the Company for their continued support and sincerely thank the directors and staffs for their dedication and diligence. I also wish to take this opportunity to express my sincere gratitude to the Group's customers, suppliers, bankers and convertible bond holders for their ongoing support.

Gao Jianguo
Chairman
28 March 2014

Directors and Senior Management

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Gao Jianguo, aged 57, has been appointed as an executive Director and the Chairman since September 2011. Mr. Gao joined the Xiaoyi City Jinyan Electrical Coal Chemical Engineering Co., Ltd. (the non-controlling shareholder of the Group's 90% owned Subsidiary Company) in 2001 and joined the 山西金岩和嘉能源有限公司 GRG Huscoke (Shan Xi) Ltd, and indirect 90%-owned subsidiary of the Company since 2008, and he is now its deputy general manager. He has over 30 years in import-exporting trading business and over 10 years of experience in the coke industry. Mr. Gao was graduated from the 山西財經學院 (Shanxi Finance & Economics College) in 1977.

Mr. Li Baoqi, aged 59, has been appointed as an executive Director since June 2008 and as Chief Executive Officer of the Company since September 2011. Mr. Li has over 25 years of working experience in foreign economy and trade. He worked as the Assistant to General Manager of 中國冶金進出口吉林公司 (China Metallurgy Import and Export Jilin Company), the Manager and the Assistant General Manager of the Import and Export Division of 中國冶金進出口深圳公司 (China Metallurgy Import and Export Shenzhen Company, now known as 中鋼集團深圳公司 (China Steel Group Shenzhen Company)).

Non-executive Directors

Mr. Wu Jixian, aged 50, has been appointed as an executive Director and Chief Executive Officer since June 2008 and has redesignated to non-executive director in September 2011. Mr. Wu has over 20 years of working experience in, variously, trading, marketing and China's coal industry. He worked as the Manager of Electric Appliance Export Division and Manager of Metallurgy & Mine Division of 中國機械設備進出口深圳公司 (China National Machinery & Equipment Import & Export Shenzhen Co. Ltd). He had also worked for certain oversea corporations, including the Sales Manager of JH Coal & Chemical International Inc., Canada, President of Marcell Industrial Inc., Canada and General Manager of Great Launch Inc., Canada.

Independent Non-executive Directors

Mr. Lau Ka Ho, aged 39, has been appointed as an independent non-executive Director of the Company since 21 April 2011 and is a member of the Nomination Committee and the Remuneration Committee and the Chairman of Audit Committee of the Company. Mr. Lau is currently the Chief Financial Officer and Company Secretary of Ajisen (China) Holdings Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited. Mr. Lau has over 10 years' experience in audit, finance and business advisory, during which he worked for the Deloitte Touche Tohmatsu and various listed companies in Hong Kong. Mr. Lau graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy. He is certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

Directors and Senior Management

Mr. Lam Hoy Lee, Laurie, aged 55, has been appointed as an independent non-executive Director since September 2008 and is a member of the Audit Committee and the Remuneration Committee and the Chairman of Nomination Committee of the Company. He has over 20 years of experience in legal field. Mr. Lam is a solicitor of Hong Kong, Singapore and a solicitor and counsel of Australia.

Mr. To Wing Tim, Paddy, aged 62, has been appointed as an independent non-executive Director of the Company since October 2009 and is a member of the Audit Committee and the Nomination Committee and the Chairman of Remuneration Committee of the Company. Mr. To obtained his diploma in accountancy from the University of Hong Kong in 1991 and has over 30 years of experience in auditing, accounting and finance industry and has been practicing as a Certified Public Accountant in Hong Kong since 1980. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, associate members of both the Taxation Institute of Hong Kong and Association of Certified General Accountants in Canada.

Senior management

Ms. Man See Yee, aged 40, has been appointed as the Chief Financial Officer since July 2012. Ms. Man has more than 15 years' working experience in the auditing, accounting and financial industry. She worked in two international accounting firms of senior positions responsible for leading auditing and transaction advisory engagements for multinational corporations, Chinese state-owned/private conglomerates, private equity funds and investment banks clients on their audits, listing applications, mergers and acquisitions, divestments, debt and equity capital raising deals. Prior to joining the Company, she was an associate director of Ernst & Young Transactions Limited. She is knowledgeable in both international as well as PRC business practices and has extensive experiences in a range of industries from natural resources, utilities, financial sectors, manufacturing, real estate, among others. Ms. Man holds a Bachelor degree in Professional Accountancy from The Chinese University of Hong Kong. She is a practising member of the Hong Kong Institute of Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants, a Hong Kong Chartered Tax Adviser and a Chartered Financial Analyst.

Mr. Chang Chi Wai, Stanley, aged 33, has been appointed as the Company Secretary since July 2012. Mr. Chang is a member of The Hong Kong Institute of Certified Public Accountants. He graduated from Simon Fraser University in Canada with a Bachelor's degree of Economics in 2002. He has 10 years' extensive experience in the economic management and accounting field. Mr. Chang joined the Company in April 2009 and is currently the Chief Accountant of the Company. He is familiar with the Company's secretarial practice and has a good understanding of the Company's operation and extensive experience in handling the relevant affairs.

Management Discussion and Analysis

BUSINESS REVIEW

2013 is another challenging year to the Group, with the total revenue dropped from HK$1,146,763,000 in 2012 to HK$1,038,456,000 in 2013, representing a 9.4% decrease. However, resulted from the Group effort on controlling the selling price and cost of production, the Group recorded a gross profit of HK$515,000 as compared with gross loss of HK$35,199,000 in 2012. Loss attributable to owners of the parent was HK$81,765,000 (2012: HK$390,303,000).

China's economy entered an era of slow growth in recent years. With prolonged tightening policies on the property market, the steel demand remained low for the whole of 2013, which led to the low demand and price reduction of our major product, coke, an ingredient in steel making process.

Coke price rebounded near the year end of 2012 till February 2013, with the market expectation of better economic outlook after the 18th National Congress of the Communist Party of China. However, the economic stimulus expected to be introduced by the new government and the pace of speeding up the urbanization process did not meet the market expectations, which led to the decrease of the coke price since March 2013 and the coke price remained weak for the whole year, although there was slight recovery from June onwards.

The low gross profit margin of the Group was also resulted from the PRC Governmental consolidation of coal mines in the Shanxi Province. Starting from March 2011, the Shanxi Provincial Government executed the consolidation of coal mine activities and some of the coal mines surrounding our production facilities have been closed for safety check and consolidation. Raw coal supplies in the region were seriously affected and the Group needed to rely on coal mines in other regions with much higher transportation costs. The Group also needs to purchase refined coal for coke production. These increased the purchase costs of raw materials.

Coke trading segment

As part of the PRC Governmental measures to meet the December 2012 deadline set by the World Trade Organization to remove export restrictions on industrial materials, starting from early January 2013, coke exports are no longer restricted by quota (which was the previous regulatory regime) but are regulated by a regime of export licenses. In addition, coke export tax charged at the rate of 40% in the past has also been abolished.

Following the abolition of the 40% coke export tax and the change of coke export regulation from export quota system to a regime of export license, the momentum of the coke export business of the Group picked up slowly and the Group still did not record any coke export revenue in the year of 2013.

After the economic crisis and the increase in the PRC export tax from 25% to 40% in late 2008, demand for the PRC's export coke was sharply reduced and the Group has turned to focus on the domestic market instead. However, due to the unfavorable market condition, the coke trading business has been frozen in 2012 and the revenue contributed by this segment was only HK$14,699,000 in 2012. In 2013, domestic sales picked up again and the Group recorded HK$44,265,000 domestic coke sales, representing 201.1% increase as compared to that for 2012.

Coal-related ancillary segment

The coal-related ancillary segment related to the washing of raw coal into refined coal for sales and for further processing, and the sale of electricity and heat which are generated as the by-products during washing of raw coal.

Due to the PRC Governmental consolidation of coal mines in the Shanxi Province since March 2011, many coal mines near our coal washing plants were closed for safety checks, this reduced the supplies of coals near our plant. Thus the Group needs to rely on coal mines in other regions with much higher transportation costs. Moreover, due to the consolidation of mines, smaller mines are out of business and bigger mines usually has their own coal washing plants, so the Group needed to purchase more refined coal rather than raw coal for coke production. This reduced the activities of our coal-related ancillary segment and led to reduction of revenue contributed by this segment from HK$497,027,000 in 2011 to HK$285,349,000 in 2012 and the revenue from this segment further decreased to HK$184,438,000 in the current year, representing a 35.4% decrease as compared to that in 2012.

Coke production segment

Due to the weak coke price in 2013, the coke production segment recorded reduced revenue from HK$846,715,000 in 2012 to HK$809,753,000 in 2013, representing around 4.4% decrease.

Resulted from the continuous weak coke price, the Group had reviewed and assessed the carrying value of the Group's coke production facilities and made impairment loss amounting to HK$20,733,000 (2012: Nil) in 2013. The impairment loss is a non-cash item, which does not have any impact on the Group's operating cash flows.

The amounts of selling and distribution costs have been increased from HK$41,517,000 in 2012 to HK$58,480,000 in 2013. The increase was due to the increase in sales volume.

The amount of finance costs decreased from HK$63,285,000 in 2012 to HK$25,741,000 in 2013. To finance the acquisition of coking plant, the Group has issued two tranches of convertible bonds with face value of HK$154,000,000 and HK$38,500,000, on 24 May 2010 and two tranches of promissory notes to the Non-controlling Shareholder with principal amount of RMB191,740,000 (equivalent to HK$219,000,000 as at 10 June 2010) each on 10 June 2010. All of the convertible bonds issued in 2010 had been redeemed and all promissory notes had been repaid in 2013, which resulted in the decrease in finance costs.

ANNUAL COKE SALES AND PURCHASE AGREEMENT

On 22 May 2013, the Company, Kailuan (Hong Kong) International Co. Ltd. ("Kailuan") and Mr. Wu Jixian ("Mr. Wu"), a substantial shareholder and non-executive Director of the Company, entered into an annual coke sale and purchase agreement ("Annual Coke S&P Agreement"). Under the Annual Coke S&P Agreement, the Group has agreed, among other terms, to supply 50,000 tonnes coke (subject to certain adjustment level) to Kailuan each month during the period from 24 May 2013 to 23 May 2014. Total quantity to be sold by the Group to Kailuan would be around 600,000 tonnes during the agreement period. Should the quantity supplied falls short of the agreed supply of at least 50,000 tonnes +/-10% per month, the Group shall pay default liquidated damages to Kailuan at HK$44/tonne based on the supply shortage (calculated as 150,000 tonnes less actual supply).

Under the Annual Coke S&P Agreement, Kailuan has agreed to pay HK$220,000,000 to the Group as deposit, the deposit is interest free and is repayable on or before 23 May 2014. The Company used part of the HK$220 million prepayment for the full and final settlement of the HK$154 million 8 per cent. Senior Unsubordinated and Secured Convertible Bonds issued by the Company to Passion Giant Investment Limited which matures on 23 May 2013, for repayment of other borrowings of around HK$9 million, and retained the remaining part as working capital of the Company.

As at 31 December 2013, the deposit was non-interest-bearing, repayable on or before 23 May 2014 and was secured by the following:

(i) a pledge of 1,157,000,000 shares of the Company, as to 657,000,000 shares owned by Mr. Wu Jixian, a non-executive director and a substantial shareholder of the Company and 500,000,000 shares of the Company held by certain shareholders of the Company;

(ii) a pledge by Mr. Wu Jixian of the convertible bonds issued in 2008 with an aggregate outstanding principal amount of HK$582,000,000 and a carrying amount of HK$829,350,000 (which, if the convertible rights attached thereto are exercised in full, will be convertible into 1,455,000,000 shares of the Company); and

(iii) a second mortgage over the Group's land and buildings situated in Hong Kong, with a carrying value at 31 December 2013 of HK$104,828,000.

Further details of the deposit received are set out in the Company's announcements dated 23 May 2013 and 29 May 2013.

In connection with the coke supply arrangements, the Group is subject to a penalty if it fails to deliver the agreed quantity of coke at Kailuan's specification on a quarterly basis. Due to the weak coal market, there had not been any revenue recorded related to the Annual Coke S&P Agreement during the year, the compensation charged by Kailuan amounted to HK$15,926,000.

On 27 March 2014, the Company entered into a letter of intent with Kailuan to extend the term of the coke purchase agreement and the repayment date of the deposit received for a period of 6 months or 12 months upon its expiry on 23 May 2014. Details of the letter of intent are set out in the Company's announcement dated 27 March 2014.

AMENDMENTS TO THE TERMS AND CONDITIONS OF THE TRANCHE 2 2008 CONVERTIBLE BONDS ORIGINALLY MATURES ON 31 OCTOBER 2013

The Company issued two tranches of zero coupon convertible bonds, each with a principal amount of HK$1,100,000,000, to Mr. Wu on 16 May 2008 (the "Tranche 1 Bonds") and on 31 October 2008 (the "Tranche 2 Bonds") (collectively, the "2008 Convertible Bonds"), with maturity dates on the fifth anniversary of the respective dates of issue, as the partial settlement for the acquisitions of the Pride Eagle Group and the Joy Wisdom Group, respectively.

The 2008 Convertible Bonds should accrue no interest and are freely transferable, provided that where they are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the bondholder), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

Mr. Wu may, at any time during the respective bond issue periods, convert in whole or in part the 2008 Convertible Bonds into ordinary shares of the Company at the conversion price of HK$0.4 per share subject to adjustments. Any portion of the bonds which remains outstanding on the respective maturity dates shall be mandatorily converted into new shares of the Company under the same terms mentioned above ("Automatic Conversion"). The total number of ordinary shares of HK$0.1 each to be converted from the 2008 Convertible Bonds at a conversion price of HK$0.4 per share is 5,500,000,000.

Pursuant to the Annual Coke S&P Agreement mentioned above, Mr. Wu has pledged in favour of Kailuan the outstanding Tranche 2 Bonds in order to secure (among other obligations) the deposit in the sum of HK$220,000,000 received from Kailuan by the Group ("Bond Pledge"). The Bond Pledge is expected to be released by Kailuan after the Group's repayment of the Kailuan's deposit and the Group's performance of other obligations under the Annual Coke S&P Agreement.

As mentioned above, the Automatic Conversion of the Tranche 2 Bonds will occur upon 31 October 2013. When it so takes place, it will constitute a breach by Mr. Wu of the provisions under the Bond Pledge, in particular, Mr. Wu has undertaken (among others) he will not dispose of or otherwise deal with any of the Tranche 2 Bonds except as directed by or with the consent of Kailuan in writing. In the light of the above, Mr. Wu requested the Company to extend the maturity date for the Tranche 2 Bonds to 31 October 2018. On 31 July 2013, the Company executed a Supplemental deed poll ("Supplemental Deed"), pursuant to which the maturity date of the Tranche 2 Bonds would be extended to 31 October 2018 ("Maturity Date Extension"). Further details of the Supplemental Deed are set out in the Group's announcement dated 31 July 2013.

All the transactions contemplated there under were approved by an ordinary resolution passed by the shareholders at the special general meeting held on 15 October 2013.

REDEMPTION OF THE PGI CONVERTIBLE BONDS

On 24 May 2010, the Company issued HK$192,500,000, 8% convertible bonds (the "2010 Convertible Bonds") to two independent third parties, Passion Giant Investment Limited ("PGI") in the amount of HK$154,000,000 (the "PGI CB") and CSOP Asset Management Limited ("CSOP") in the amount of HK$38,500,000 (the "CSOP CB"). The 2010 Convertible Bonds maturity date was 23 May 2013. Interest is paid semi-annually in arrears in May and November of each year.

The bondholders could, at any time before the maturity date, convert in whole or in part the 2010 Convertible Bonds into ordinary shares of the Company at the conversion price of HK$0.55 per share, subject to adjustments. Upon full conversion of the 2010 Convertible Bonds, it would result in the issue of 350,000,000 new shares of the Company.

Unless previously redeemed or converted or purchased and cancelled as provided in the respective subscription agreements, the 2010 Convertible Bonds would be redeemed on the maturity date at the principal amount plus accrued and unpaid interest, together with an additional amount as premium such that interest plus the said additional amount will be equivalent to a rate of return of 18% per annum throughout the bond issue period.

The bondholders are granted a partial redemption option in which the holders are entitled to request the Company to redeem one-third of the 2010 Convertible Bonds at a redemption price of 92% of the face value of the bonds during the bond issue period. A default redemption option is also granted in which the bondholders are entitled to request the Company to redeem the 2010 Convertible Bonds in full at a redemption price at 25% over the face value of the bonds in the events of default. These options constitute derivative financial liabilities of which the fair values were immaterial at the issue date.

At the issue date of 24 May 2010, the 2010 Convertible Bonds were secured by the following:

- charge over all shares of Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, wholly-owned subsidiaries of the Group; and

- a pledge by Mr. Wu Jixian of the Tranche 2 Bonds with a principal amount of HK$577,500,000 and a carrying amount of HK$822,938,000.

The CSOP CB was early redeemed on 25 May 2011.

2012 PGI Amendments

In connection with an event of default that occurred in September 2011, the Company and PGI entered into an amendment agreement and supplemental deed (the "Second PGI Amendment Agreement and the Second PGI Supplemental Deed") on 30 December 2011, pursuant to which, PGI gave confirmation that it would refrain from exercising the early redemption right and sanctioned the modifications of certain terms of the PGI CB, including but not limited to:

- the conversion price was adjusted to HK$0.22 per share;
- the removal of the event of default that if, at any time, the average 30 consecutive trading days' closing price per share is less than 70% of the conversion price;
- the reset of the conversion price, where the average closing price per share for the period of 30 consecutive trading days ending on (and inclusive of) 31 December 2012 (the "Relevant Average Price") is less than the then prevailing conversion price (i.e. HK$0.22 per share or such other amount as may be adjusted in accordance with the other conditions set out therein), with effect from 31 December 2012, the conversion price shall be adjusted to such amount as equal to the Relevant Average Price, subject to a floor of nominal value of the Company's share. For avoidance of doubt, where the Relevant Average Price is equal to or more than the then prevailing conversion price, the above adjustment shall not be made; and
- an additional pledge of the convertible bonds issued in 2008 having an aggregate outstanding principal amount of HK$120,000,000 and a carrying amount of HK$171,000,000 from Mr. Wu Jixian, a nonexecutive director and a substantial shareholder of the Company.

The redemption premium, the default redemption premium and the maturity date remained the same.

Further details of the Second PGI Amendment Agreement and the Second PGI Supplemental Deed are set out in the Company's circular dated 2 February 2012. The approval of shareholders was obtained, and fulfilment of other conditions of the Second PGI Supplemental Deed was achieved, on 28 February 2012.

The modification under the Second PGI Amendment Agreement and the Second PGI Supplemental Deed constituted a significant modification and was accounted for as an extinguishment of the original PGI CB and an issue of a new PGI CB. The Company reassessed at 28 February 2012 the fair values of the new PGI CB in light of the modification of terms set out above.

The fair value of the liability component of the PGI CB at 31 December 2012 was HK$207,096,000. The fair value was calculated by discounting the future cash flows at the prevailing market interest rate at that date. A gain of HK$23,226,000 arising from modification of convertible bonds was recognised in profit or loss for the year ended 31 December 2012.

As at 31 December 2012, the Relevant Average Price was HK$0.076, and was less than the nominal value of the Company's share of HK$0.1 per share. The conversion price of the new PGI CB was reset to HK$0.1 with effect from close of business on 31 December 2012 pursuant to the Second PGI Amendment Agreement and the Second PGI Supplemental Deed.

On 31 December 2012, the Group had not complied with certain financial covenants stipulated in the terms of the 2012 PGI CB, in particular, the net assets of the Company based on the audited consolidated financial statements for the most recent financial year or the audited consolidated management account of the most recent quarter, i.e., 31 December 2012, were less than HK$1.5 billion. This constituted an event of default under the PGI CB. No request for early repayment of the principal amount and interest accrual of the PGI CB was received by the Company.

Upon maturity on 23 May 2013, the PGI CB with a carrying value of the liability component of HK$217,712,000 was redeemed at HK$201,845,000. A gain of HK$15,867,000 was credited to the profit or loss for the year ended 31 December 2013. Upon redemption of the PGI CB on 23 May 2013, the following pledges were released.

- charge over all shares of Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, wholly-owned subsidiaries of the Group; and

- a pledge by Mr. Wu Jixian of the Tranche 2 Bonds having an aggregate outstanding principal amount of HK$582,000,000 and a carrying amount of HK$829,350,000 as at 31 December 2012.

CHARGES OVER ASSETS

As at 31 December 2013, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$104,828,000 (2012: HK$107,195,000) to secure a mortgage loan of the Group. The amount of the secured bank borrowings outstanding at 31 December 2013 was HK$71,904,000 (2012: HK$76,239,000). The Group had no pledged deposit as at 31 December 2013 (2012: Nil).

The Group also entered into a second mortgage with Kailuan relating to the same land and buildings. Should the Group dispose of those land and buildings after obtaining written consent from Kailuan, the net proceed received after repayment of the mortgage loan for the property will be used for settlement of the amount due to Kailuan first.

Moreover, the pledge of the shares of three of the subsidiaries, Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, to secure the PGI CB as at 31 December 2012 had been released subsequent to the redemption of the PGI CB on 24 May 2013.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

The Group's principal financial instruments comprise deposit received from Kailuan, and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables, amounts due from/to the Non-controlling Shareholder, cash and bank balances, trade and bills payables, and other payables, and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade and bills payables, other payables, accruals and deposit received, interest bearing bank and other borrowings, an amount due to the Non-controlling Shareholder, net of cash and cash equivalents. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratios as at 31 December 2013 was 52% (2012: 36%).

As at 31 December 2013, the equity attributable to owners of the Company amounted to HK$1,129,250,000 (2012: HK$1,175,363,000). Taking into account of shares issued upon full conversion of 2008 Convertible Bonds, the equity attributable to owners of the Company per share was HK$0.19 per share (2012: HK$0.20 per share). Decrease in equity attributable to owners of the Company was mainly attributable to the loss incurred during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$306,824,000 (2012: HK$379,735,000) and 0.74 (2012: 0.64), respectively as at 31 December 2013, which include interest-bearing bank and other borrowings of HK$113,062,000 (2012: HK$128,833,000), convertible bonds of Nil (2012: HK$205,789,000) and promissory note of Nil (2012: HK$231,171,000). The improvement in the net current liability position is due to the redemption of the convertible bonds and the repayment of the promissory note during the year.

Management Discussion and Analysis

Due to adoption of HK Interpretation 5, the Group's mortgage loan of HK$67,409,000 (2012: HK$71,863,000) which is repayable beyond twelve months from the end of the reporting period in accordance with its original repayment schedule was classified as current liability because the loan terms contained a repayment on demand clause.

As at 31 December 2013, the Group's cash and bank balances amounted to HK$10,287,000 (2012: HK$9,986,000). As at 31 December 2013, the Group has bank and other borrowings amounting to HK$119,388,000 (2012: HK$128,833,000).

Moreover, during the first half of 2012, in order to secure the PRC banking facilities for issuing bills, the Group obtained cash advances from the Non-Controlling Shareholder and pledged the deposit with the PRC banks. The Group then issued bills payable for purchases as well as repayment of the cash advances from the Non-controlling Shareholder. The bills payable and the cash advances related to this arrangement had been fully settled in 2012. As of 31 December 2013 and 2012, the Group has no bills payable.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group is taking the following measures:

a) the Group had an available bank facility granted by a bank in the People's Republic of China ("PRC") of approximately HK$471,000,000 (equivalent to RMB370,000,000) as at 31 December 2013 for working capital purposes. Although the facility will expire in September 2014, the directors are of the opinion that the Group will be able to renew/refinance the bank facility upon its expiry;

b) the Company has entered into a letter of intent with Kailuan for the extension of a deposit received of HK$220,000,000 from Kailuan for a period of 6 months or 12 months upon its expiry on 23 May 2014; and

c) management has been endeavouring to improve the Group's operating results.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

OPERATING LEASE AND CAPITAL COMMITMENTS

As at 31 December 2013, the Group had operating lease commitments of HK$9,359,000 (2012: HK$9,256,000).

As at 31 December 2013, the Group had authorised, but not contracted for capital commitment of HK$23,181,000 (2012: HK$23,855,000) and contracted, but not provided for capital commitments of HK$18,055,000 (2012: HK$18,007,000) in respect of plant and equipment acquisitions.

INTEREST RATE RISK

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to short term pledged bank deposits. The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on deposits with banks and floating interest rate bank borrowings. To minimize the fair value interest rate risk, the Group keeps its borrowings with a mix of fixed and floating rates of interest. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

FOREIGN CURRENCY RISK

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group is exposed to foreign currency risk arising from the monetary assets and liabilities that are denominated in currencies other than functional currencies of the respective group entities.

The Group does not have any hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in the future as may be necessary.

EMPLOYEES AND REMUNERATION

As at 31 December 2013, the Group had approximately 1,850 employees (2012: approximately 1,800 employees). Less than 10 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$86,683,000 for the year ended 31 December 2013 and approximately HK$73,441,000 was recorded in the corresponding period of last year.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivated individual performance. Up to the date of this report, there are 26,600,000 share options outstanding under the share option scheme.

Management Discussion and Analysis

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one to two years. The environmental policies and excess capacity constraints will be the major factors affecting the development coke industry players in the future.

Excess capacity had been a serious problem for many industries in China, including the steel industry and coke industry. Since coke is an ingredient in steel making process, the problems faced by coke producers are much bigger. According to the goal set by Hebei Province, annual capacity of steel will be reduced by 60 million tonnes of steel by 2017. The steel capacity cuts would have a great impact on the coke producers. Moreover, according to the data published on the 2013 coking industry information conference cum 2014 market operation seminar held by the China Coking Industry Association on 22 February 2014, China's coke production quantity grew by 8.1% in 2013. Limiting the coke production capacity and digesting the excess capacity are the major problems needed to be solved by the Chinese government.

Moreover, upon entering 2014, China has assumed the chairmanship of Asia-Pacific Economic Cooperation ("APEC") and will host throughout the year a series of APEC meetings and supporting events including the Economic Leaders' Meeting, Ministerial Meetings, Senior Officials' Meetings, and meetings among committees, sub-committees, and working groups across the APEC fora. It is expected the Chinese government will be putting more focus on environmental policies.

Since smaller coke production facilities are usually of less advance and environmentally friendly technology and lower efficiency, one of the works of the government is to close down small coke production plants. This also helps to solve the excess capacity problems. Thus, the coke producers will have to meet the size, energy consumption and environmental protection standards in order to stay in the industry.

To tackle the challenges mentioned above, the management has been implementing various strategies to improve the Group's operating performance and also making investments to make the Group's production facilities comply with higher environmental standards.

Furthermore, the sharp increase in the purchase costs of raw materials due to the safety check of the coal mine under the PRC Governmental consolidation of coal mines exercise in 2011 taught Huscoke a lesson and reconfirms the Group's strategy in developing the upstream business. In August 2010, the Group has signed a non-legal binding memorandum of understandings ("First MOU") with the Non-controlling Shareholder of our Joint Venture in the PRC ("Non-Controlling Shareholder"), for the proposed acquisition of coal mines. At the date of this announcement, most of the due diligence works including the financial, technical or valuation, on a targeted coal mine has been completed. The mine is currently in the progress of consolidation and had already obtained the business license. It is expected to resume production this year. The First MOU had been extended to 30 June 2012 and was expired subsequently. The Group planned to explore the possibilities for acquiring this mine again with Non-Controlling Shareholder once the mine commences production again. Management considered that if the Group can acquire a nearby coal mine, the coal supplies will be stable in both volume and price and also, we can enjoy the profit generated in coal mining, which is beneficial for the Group's long term development.

In September 2010, the Group has signed another non-legal binding memorandum of understandings ("Second MOU") with the Non-Controlling Shareholder. This Second MOU mainly related to the proposed cooperation with the Non-Controlling Shareholder for the construction of a new coking plant with annual capacity of 2 million tonnes. Up to the date of this Announcement, the Group has invested around RMB2,000,000 in this project and there is no additional commitment for the Group at this stage. The construction works of the new plant has started in 2011 and expect to be finished in this year. It was wholly financed by the Non-Controlling Shareholder. The Group will assess the financial abilities and the prospects of the industry after the coking plant commence production and consider if the Group will join the project or not.

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time.

(1) CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good corporate governance. The Board considers effective corporate governance essential to protect shareholders' interests and enhance stakeholders' value. During the year 2013, the Board has continued to spend considerable efforts to identify and formalize the appropriate corporate governance practices to ensure transparency, accountability and effective internal control.

The Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") for the year ended 31 December 2013.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors and the non-executive Director should attend the general meetings of the Company. However, due to other business commitment, executive Director Li Bao Qi, non-executive Director Wu Jixian, independent non-executive Directors Mr. Lam Hoy Lee, Laurie and Mr. Lau Ka Ho did not attend the special general meeting held on 28 March 2013. Also, the independent non-executive Director Mr. Lau Ka Ho did not attend the special general meeting held on 15 October 2013. Despite the fact that the Directors were not able to attend those general meetings, all directors were fully aware of the matters discussed and the corresponding resolutions through discussions among themselves and with the executive Directors.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all directors of the Company confirmed that they had complied with the required standard as set out in the Code during the year ended 31 December 2013.

(3) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance of the Own Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

(4) BOARD OF DIRECTORS

The Board's role is clearly defined as directing and supervising the affairs of the Group, establishing its strategic direction and setting objectives and business development plans to ensure appropriate business conduct and effective management of the highest quality. The management of the Company is responsible for the implementation of the strategies, objectives and plans determined by the Board. The Chairman of the Company is Mr. Gao Jianguo. The Chief Executive Officer is Mr. Li Baoqi. The role of the Chairman is clearly segregated from that of the Chief Executive Officer. The Chairman is responsible for managing and providing leadership to the Board. He ensures that the Group establishes sound corporate governance practices and procedures and encourages the Directors to make a full and active contribution to the affairs of the Board. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group.

The Board is led by the Chairman and comprises two executive Directors (one of whom is the Chairman), one non-executive Director, and three independent non-executive Directors. All Directors come from diverse business and professional background, providing valuable expertise and experience for promoting the best interests of the Group and its shareholders. The independent non-executive Directors represent at least, one-third of the Board. The Company has received confirmation from each independent non-executive Director about his independence under Rule 3.13 of the Listing Rules and continues to consider each of them to be independent.

To oversee particular aspects of the Group's affairs and to assist in the execution of its responsibilities, the Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. Independent non-executive Directors play an important role in these committees to ensure independent and objective views are expressed and to promote critical review and control.

All Board committees of the Company are established with defined written terms of reference.

All members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors.

The Directors' biographical information is set out in the section headed "Directors and Senior Management" in this annual report.

The Board meets regularly at least four times a year. For all such meetings, adequate and appropriate information, in the form of agenda, board papers and related materials, are prepared and provided to the Directors prior to the scheduled dates for the Board meeting in a timely manner.

The Company held seven full Board meetings in 2013. Individual attendance of each Director is set out below.

	Number of Meetings attended
Chairman	
Mr. Gao Jianguo	7/7
Executive Director	
Mr. Li Baoqi	6/7
Non-executive Director	
Mr. Wu Jixian	5/7
Independent Non-executive Directors	
Mr. Lam Hoy Lee, Laurie	5/7
Mr. To Wing Tim, Paddy	7/7
Mr. Lau Ka Ho	2/7

(5) RELATIONSHIP BETWEEN THE BOARD MEMBERS

None of the members of the Board has any relationship (including financial business, family or other material/relevant relations) among each other.

(6) NON-EXECUTIVE DIRECTORS

None of the existing non-executive Directors of the Company was appointed for a specific term.

(7) CONTINUING DEVELOPMENT OF DIRECTORS

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, all Directors should participate in the continuous professional training to improve and enrich their knowledge and skills. During the year ended 31 December 2013, all Directors have (i) participated in continuous professional development programmes such as external seminars organized by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board; or (ii) went through information on the Listing Rules and other latest information on regulatory requirements. The training records of each Director are kept and updated by Company Secretary of the Company.

(8) REMUNERATION COMMITTEE

The Remuneration Committee currently comprises all three independent non-executive directors and Mr. To Wing Tim, Paddy is the Chairman. The Committee assists the Board in achieving its objective of attracting, retaining and motivating people of the highest caliber and experience needed to develop and implement the Group's strategy taking into consideration its operations. The main duties of the Remuneration Committee are to:

(i) make recommendations to the Board on the remuneration packages of executive directors and senior management, the remuneration policy and structure for all directors and senior management (i.e. the model described in the code provision B.1.2(c)(ii) was adopted) and the remuneration of non-executive directors; and

(ii) establish transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration.

The Company held two committee meetings in 2013. Individual attendance of each Director is set out below:

	Number of Meetings attended
Chairman	
Mr. To Wing Tim, Paddy	2/2
Independent Non-executive Directors	
Mr. Lam Hoy Lee, Laurie	2/2
Mr. Lau Ka Ho	1/2

The work of the Remuneration Committee during 2013 included:

— reviewing the Group's incentive schemes; and

— reviewing the remuneration packages of Directors and senior staff of the Group and grant of share options of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration band	Number of individuals
Nil to HK$500,000	3

Information relating to the remuneration of each director for 2013 is set out in Note 8 to the financial statements.

(9) NOMINATION COMMITTEE

The Nomination Committee currently comprises all three independent non-executive directors and Mr. Lam Hoy Lee, Laurie is the Chairman. The main duties of the Nomination Committee are to:

(i) review the structure, size and composition of the Board (including the skills, qualifications, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(iii) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors of the Company and succession planning for Directors of the Company in particular the Chairman and the Chief Executive Officer of the Company;

(iv) assess the independence of independent non-executive Directors of the Company; and

(v) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board.

The Company held two committee meetings in 2013. Individual attendance of each Director is set out below.

	Number of Meetings attended
Chairman	
Mr. Lam Hoy Lee, Laurie	2/2
Independent Non-executive Directors	
Mr. To Wing Tim, Paddy	2/2
Mr. Lau Ka Ho	1/2

The work of the Nomination Committee during 2013 included:

— review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;

— recommendation of the re-appointment of those Directors standing for re-election at the 2013 annual general meeting of the Company; and

— assessment of the independence of all the independent non-executive Directors of the Company.

(10) AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2013 is set out in the section headed "Independent Auditors' Report" in this annual report.

For the year ended 31 December 2013, the Auditors of the Company received approximately HK$1.95 million for audit services (2012: HK$2.13 million).

(11) AUDIT COMMITTEE

The Audit Committee currently comprises all three independent non-executive directors and Mr. Lau Ka Ho is the Chairman. The Committee assists the Board in fulfilling its responsibility for reviewing the accounting principles and practices, auditing, internal control and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and comply with the Corporate Governance Code.

The Company held two committee meetings in 2013. Individual attendance of each Director is set out below:

	Number of Meetings attended
Chairman	
Mr. Lau Ka Ho	1/2
Independent Non-executive Directors	
Mr. Lam Hoy Lee, Laurie	2/2
Mr. To Wing Tim, Paddy	2/2

The work of the Audit Committee during 2013 included:

— reviewing the Directors' Report and full year accounts for the year ended 31 December 2013 and the annual results announcement;

— reviewing the interim accounts for the six months ended 30 June 2013 and the interim results announcement;

— reviewing the internal audit plan and internal control system for 2013;

— reviewing the adequacy and effectiveness of the Company's financial reporting system and risk management system.

(12) INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewed of all relevant financial, operational, compliance controls and risk management function within an established framework.

(13) DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" in this annual report.

(14) COMPANY SECRETARY

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. He advises the Board on the corporate governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules. During the year ended 31 December 2013. Mr. Chang Chi Wai, Stanley has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Chang are set out in the section headed "Directors and Senior Management" in this annual report.

(15) SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an special general meeting

1.1 The following procedures for shareholders of the Company to convene a special general meeting of the Company are prepared in accordance with the Bermuda Companies Act 1981:

(1) The Directors of the Company, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

(2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

(3) If the Directors do not within 21 clear days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

(4) A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

(5) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such Directors as were in default.

2. Procedures for directing enquiries to the Board

Shareholders may direct enquiries to the Board at any time. Such enquiries can be addressed to the Company Secretary by mail to the Company's principal office in Hong Kong at Room 4205, 42nd Floor, Far East Finance Center, 16 Harcourt Road, Admiralty, Hong Kong, or by email to admin@huscoke.com. Shareholders may also make enquiries with the Board at the general meetings of the Company.

3. **Procedures and contact details for putting forward proposals at shareholders' meetings**

There are no provisions allowing Shareholders to propose new resolutions at general meetings under the Bermuda Companies Act 1981 Law or the Bye-laws of the Company. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

(16) CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and articles of association of the Company during the year. The articles of association of the Company are available on the websites of the Company and The Stock Exchange of Hong Kong Limited.

(17) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, Shareholders can contact Tricor Secretaries Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their shares and dividends. The contact details of the Company and Tricor Secretaries Limited are set out in the section entitled "Corporate Information" in the annual report.

The Company's annual general meeting allows the Directors to meet and communicate with Shareholders. The Company ensures that Shareholders' views are communicated to the Board. The Chairman of the annual general meeting proposes separate resolutions for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditors also attended the annual general meeting to answer questions from Shareholders.

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of annual general meeting is distributed to all Shareholders at least 21 clear days prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The Chairman of the annual general meeting exercises his power under the bye-laws to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the Group's website in accordance with the Listing Rules.

To enhance transparency and effectively communicate with the investment community, the executive Directors and senior management of the Company actively maintains close communications with various institutional investors, financial analysts and financial media during the year. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong head office or sending enquiries to the Company's email at admin@huscoke.com. Investors and Shareholders are welcome to review the Company's recent announcements at the Company's web site at www.huscoke.com.

Report of the Directors

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 17 to the financial statements.

RESULTS AND DIVIDENDS

Details of the loss of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 42 to 141.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefore, are set out in note 30 to the financial statements.

DIRECTORS

The directors of the Company who were in office during the year and those as at the date of this report are as follows:

Executive directors:

Mr. Gao Jianguo *(Chairman)*
Mr. Li Baoqi

Non-executive director:

Mr. Wu Jixian

Independent non-executive directors:

Mr. Lam Hoy Lee, Laurie
Mr. Lau Ka Ho
Mr. To Wing Tim, Paddy

DIRECTORS' SERVICE CONTRACTS

In accordance with Bye-law 99 (as amended by Bye-law 182(vi)) and Bye-law 102 of the Company's Bye-laws, Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Mr. Gao Jianguo retire, and being eligible, offer themselves for re-election.

The directors being proposed for re-election at the forthcoming annual general meeting do not have an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of a compensation (other than statutory compensation). All other directors are not appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company.

DIRECTORS' OR CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save for the Annual Coke S&P Agreement entered into between the Group, Kailuan and Mr. Wu on 22 May 2013, there is no contract of significance to which the Company or any of its subsidiaries was a party and in which a director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2013 were as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Convertible bond reserve	**683,850**	683,850
Contributed surplus	**419,650**	419,650
Accumulated losses	**(687,361)**	(672,051)
	(416,139)	431,449

Under the Bermuda Companies Act 1981, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

SHARE OPTION SCHEMES

The Company adopted an executive share option scheme (the "Scheme") which became effective on 31 May 2002 for the primary purpose of providing incentives to directors and eligible employees, and was already expired on 30 May 2012. On 28 March 2013, a new share option scheme (the "New Scheme") was passed by way of an ordinary resolution in a special general meeting. The New Scheme lasts for a period of ten years and will expire on 27 March 2023. Under the Scheme and the New Scheme, the Board may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties.

Particulars of the Company's share option scheme are set out in note 31 to the financial statements.

The total number of shares in respect of which options may be granted under the Scheme and the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, and the nominal value of a share of the Company.

For the year ended 31 December 2013, no option was granted to directors and employees, details of which are set out in note 31 to the financial statements.

Category/Name of participant	Date of grant of share options	Number of share options: At 1 January 2013	Granted during the year	Lapsed during the year	At 31 December 2013	Exercise period of share options	Exercise price on share options HK$ per share
Directors							
Gao Jianguo	6 January 2012	3,000,000	—	—	3,000,000	6 January 2012 — 5 January 2017	0.16
Li Baoqi	27 February 2009	1,500,000	—	—	1,500,000	27 February 2009 — 26 February 2014	0.50
	11 January 2010	3,000,000	—	—	3,000,000	11 January 2010 — 10 January 2015	0.68
	27 January 2011	5,000,000	—	—	5,000,000	27 January 2011 — 26 January 2016	0.40
	6 January 2012	2,500,000	—	—	2,500,000	6 January 2012 — 5 January 2017	0.16
		12,000,000	—	—	12,000,000		
Wu Jixian	27 February 2009	1,800,000	—	—	1,800,000	27 February 2009 — 26 February 2014	0.50
	11 January 2010	3,600,000	—	—	3,600,000	11 January 2010 — 10 January 2015	0.68
	27 January 2011	6,000,000	—	—	6,000,000	27 January 2011 — 26 January 2016	0.40
		11,400,000	—	—	11,400,000		
Other employees							
	27 February 2009	200,000	—	—	200,000	27 February 2009 — 26 February 2014	0.50
	11 January 2010	800,000	—	—	800,000	11 January 2010 — 10 January 2015	0.68
	27 January 2011	1,200,000	—	—	1,200,000	27 January 2011 — 26 January 2016	0.40
	6 January 2012	1,500,000	—	—	1,500,000	6 January 2012 — 5 January 2017	0.16
		3,700,000	—	—	3,700,000		
		30,100,000	—	—	30,100,000		

DIRECTORS' INTERESTS

As at 31 December 2013, the interests of the Directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the Shares

Name of Director	*Notes*	Nature of Interest	Number of shares held	Percentage of the Company's existing issued share capital (%)
Gao Jianguo	*(a)*	Beneficial owner	28,062,000	0.62
Wu Jixian	*(b)*	Beneficial owner	657,000,000	14.53
To Wing Tim Paddy	*(c)*	Beneficial owner and Interest of spouse	1,160,000	0.03

Long positions in the underlying Shares

Name of Director	*Notes*	Nature of interest	Number of underlying shares held	Percentage of issued share capital (%)
Wu Jixian	*(b)*	Beneficial owner	1,466,400,000	32.42
Li Baoqi	*(d)*	Beneficial owner	12,000,000	0.27
Gao Jianguo	*(e)*	Beneficial owner	3,000,000	0.07

Short positions in the underlying Shares

Name of Director	*Notes*	Nature of interest	Number of underlying shares held	Percentage of issued share capital (%)
Wu Jixian	*(b)*	Beneficial owner	1,455,000,000	32.17

Notes:

(a) As at 31 December 2013, Mr. Gao Jianguo, an executive Director, beneficially owned 28,062,000 Shares.

(b) As at 31 December 2013, Mr. Wu Jixian, a non-executive Director, beneficially owned 657,000,000 Shares, he was also interested in convertible bonds in the aggregate principal amount of HK$582,000,000, which were convertible into 1,455,000,000 Shares. Mr. Wu has pledged all of his shares and convertible bonds to Kailuan in order to secure the deposit received of HK$220 million from Kailuan as mentioned in the Annual Coke S&P Agreement. Mr. Wu was also entitled to share options to subscribe for a maximum of 11,400,000 Shares upon exercise of the options in full.

(c) Among the 1,160,000 Shares held by Mr. To Wing Tim, Paddy, an independent non-executive Director, 300,000 Shares were held by Mr. To as beneficial owner and 860,000 Shares held by Ms. Leung Yuet Mei, the spouse of Mr. To. Accordingly, Mr. To was deemed to be interested in the said 1,160,000 Shares under Part XV of the SFO.

(d) As at 31 December 2013, Mr. Li Baoqi, an executive Director was entitled to share options to subscribe for a maximum of 12,000,000 Shares upon exercise of the options in full.

(e) As at 31 December 2013, Mr. Gao Jianguo, an executive Director was entitled to share options to subscribe for a maximum of 3,000,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 31 December 2013, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the registered referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the convertible bonds discussed above and the share option schemes of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the interests and short positions of each person, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Long positions in the underlying Shares

Name of Shareholder	Nature of interest	Number of underlying Shares held	Percentage of the Company's existing issued share capital (%)
Kailuan	Beneficial owner *(Note a)*	2,842,000,000	62.84%
Kailuan (Group) Limited	Interest in controlled corporation *(Note b)*	2,842,000,000	62.84%
Kailuan (Hong Kong) Co., Limited	Interest in controlled corporation *(Note b)*	2,842,000,000	62.84%
Rontac Investment Company Limited	Interest in controlled corporation *(Note b)*	2,842,000,000	62.84%
Rontac Resources Company Limited	Interest in controlled corporation *(Note b)*	2,842,000,000	62.84%

Notes:

(a) As at 31 December 2013, Mr. Wu had pledged his interest in 657,000,000 Shares and interests in convertible bonds in the aggregate principal amount of HK$582,000,000 which were convertible into 1,455,000,000 Shares to Kailuan. Certain individual minority Shareholders have pledged their interests in 500,000,000 Shares in aggregate to Kailuan.

(b) Kailuan is owned by Kailuan (Hong Kong) Co., Limited as to 51% and Rontac Resources Company Limited as to 40% which Kailuan (Hong Kong) Co., Limited is owned by Kailuan (Group) Limited as to 51% and Rontac Resources Company Limited is owned by Rontac Investment Company Limited as to 33.33%.

Save as disclosed above, as at 31 December 2013, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31 December 2013.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 77% of the Group's total turnover and the largest customer accounted for approximately 41% of the Group's total turnover.

The five largest suppliers of the Group accounted for approximately 52% of the Group's total purchases for the year and the largest supplier accounted for approximately 14% of the Group's total purchases.

Revenue of approximately HK$421,914,000 (2012: Nil) and HK$195,922,000 (2012: HK$110,340,000) were derived from sales in the coke production segment to two customers. Revenue of approximately HK$606,803,000 for the year ended 31 December 2012 was derived from sales in the coke production segment to a single customer. These customers were independent third parties of the Group.

Revenue of approximately HK$89,862,000 (2012: HK$238,120,000) was derived from sales in the coal-related ancillary segment and the coke production segment to a single customer, which is the non-controlling shareholder, holding a 9% interest in 山西金岩和嘉能源有限公司 (the "Non-controlling Shareholder"), and its subsidiary.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements of the Group is set out below:

RESULTS

	Year ended 31 December 2013 *HK$'000*	Year ended 31 December 2012 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*	2009 *HK$'000*
CONTINUING OPERATIONS					
TURNOVER	**1,038,456**	1,146,763	1,847,609	1,813,039	1,266,801
PROFIT/(LOSS) BEFORE TAX	**(89,645)**	(451,094)	(552,083)	282,260	148,744
Income tax	**178**	52,312	68,762	(87,663)	(41,506)
PROFIT/(LOSS) FOR THE YEAR	**(89,467)**	(398,782)	(483,321)	194,597	107,238
Attributable to:					
Owners of the parent	**(81,765)**	(390,303)	(488,020)	167,859	93,736
Non-controlling interests	**(7,702)**	(8,479)	4,699	26,738	13,502
	(89,467)	(398,782)	(483,321)	194,597	107,238

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2013	As at 31 December			
		2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**2,525,474**	2,405,819	3,086,992	3,979,267	2,741,239
TOTAL LIABILITIES	**(1,254,597)**	(1,085,089)	(1,383,257)	(1,817,439)	(872,998)
	1,270,877	1,320,730	1,703,735	2,161,828	1,868,241
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,129,250**	1,175,363	1,551,413	2,018,870	1,795,861
NON-CONTROLLING INTERESTS	**141,627**	145,367	152,322	142,958	72,380
	1,270,877	1,320,730	1,703,735	2,161,828	1,868,241

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 42 to the financial statements.

AUDITORS

Ernst & Young acted as auditors of the Company for the past three years. A resolution will be submitted to the annual general meeting to re-appoint Ernst & Young as auditors.

ON BEHALF OF THE BOARD

Gao Jianguo
Chairman

Hong Kong
28 March 2014

Independent Auditors' Report

EY 安永

To the shareholders of Huscoke Resources Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 141, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$89,467,000 during the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK$306,824,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.1 to the consolidated financial statements, these financial statements have been prepared on a going concern basis, the validity of which depends on the on going availability of the debt facilities and improvement in the Group's operation to generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**1,038,456**	1,146,763
Cost of sales			
— Amortisation of other intangible asset	15	**—**	(16,814)
— Others		**(1,037,941)**	(1,165,148)
Gross profit/(loss)		**515**	(35,199)
Other income	5	**54,294**	62,499
Selling and distribution costs		**(58,480)**	(41,517)
Administrative expenses		**(84,077)**	(79,975)
Finance costs	7	**(25,741)**	(63,285)
Other operating expenses		**(17,315)**	(11,925)
Gain on redemption of convertible bonds	28	**15,867**	—
Gain arising from modification of convertible bonds	28	**—**	23,226
Fair value change on derivative financial instruments	28	**46,025**	(44,300)
Impairment on other intangible asset	15	**—**	(260,618)
Impairment on items of property, plant and equipment	13	**(20,733)**	—
Loss before tax	6	**(89,645)**	(451,094)
Income tax credit	10	**178**	52,312
LOSS FOR THE YEAR		**(89,467)**	(398,782)
OTHER COMPREHENSIVE INCOME FOR THE YEAR:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operation		**39,614**	15,237
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(49,853)**	(383,545)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Loss for the year attributable to:			
Owners of the parent	11	**(81,765)**	(390,303)
Non-controlling interests		**(7,702)**	(8,479)
		(89,467)	(398,782)
Total comprehensive loss attributable to:			
Owners of the parent		**(46,113)**	(376,590)
Non-controlling interests		**(3,740)**	(6,955)
		(49,853)	(383,545)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	12		
Basic			
— For loss for the year		**(HK1.37 cents)**	(HK6.53 cents)
Diluted			
— For loss for the year		**(HK1.37 cents)**	(HK6.53 cents)

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,241,941**	1,335,534
Goodwill	14	**388,544**	388,544
Other intangible asset	15	**—**	—
Available-for-sale investments	18	**4,765**	4,688
Total non-current assets		**1,635,250**	1,728,766
CURRENT ASSETS			
Inventories	19	**255,126**	112,225
Trade and bills receivables	20	**93,467**	67,348
Prepayments, deposits and other receivables	21	**442,677**	405,197
Amount due from the Non-controlling Shareholder	22	**71,037**	74,351
Tax recoverable		**17,630**	7,946
Cash and bank balances	23	**10,287**	9,986
Total current assets		**890,224**	677,053
CURRENT LIABILITIES			
Trade payables	24	**514,363**	261,342
Other payables, accruals and deposits received	25	**569,623**	183,628
Promissory note	26	**—**	231,171
Interest-bearing bank and other borrowings	27	**113,062**	128,833
Convertible bonds	28	**—**	205,789
Derivative financial instruments	28	**—**	46,025
Total current liabilities		**1,197,048**	1,056,788
NET CURRENT LIABILITIES		**(306,824)**	(379,735)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,328,426**	1,349,031

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Amount due to the Non-controlling Shareholder	22	**42,301**	19,201
Interest-bearing bank and other borrowings	27	**6,326**	—
Deferred tax liabilities	29	**8,922**	9,100
Total non-current liabilities		**57,549**	28,301
Net assets		**1,270,877**	1,320,730
EQUITY			
Equity attributable to the owners of parent			
Issued share capital	30	**452,293**	452,293
Reserves		**676,957**	723,070
		1,129,250	1,175,363
Non-controlling interests		**141,627**	145,367
Total equity		**1,270,877**	1,320,730

Director *Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Available-for-sale investment revaluation reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
		Attributable to owners of the parent												
At 1 January 2012		452,293	144,997	419,650	18,236	(347)	5,892	77,140	85	829,350	(395,883)	1,551,413	152,322	1,703,735
Loss for the year		–	–	–	–	–	–	–	–	–	(390,303)	(390,303)	(8,479)	(398,782)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operation		–	–	–	–	–	–	13,713	–	–	–	13,713	1,524	15,237
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	13,713	–	–	(390,303)	(376,590)	(6,955)	(383,545)
Equity-settled share option arrangements	31	–	–	–	–	–	540	–	–	–	–	540	–	540
Lapsed share options	31	–	–	–	–	–	(2,281)	–	–	–	2,281	–	–	–
At 31 December 2012		452,293	144,997*	419,650*	18,236*	(347)*	4,151*	90,853*	85*	829,350*	(783,905)*	1,175,363	145,367	1,320,730

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent												
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(note i)*	Special reserve *HK$'000* *(note ii)*	Available-for-sale investment revaluation reserve *HK$'000*	Share option reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Convertible bond reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2013	452,293	144,997	419,650	18,236	(347)	4,151	90,853	85	829,350	(783,905)	1,175,363	145,367	1,320,730
Loss for the year	–	–	–	–	–	–	–	–	–	(81,765)	(81,765)	(7,702)	(89,467)
Other comprehensive income for the year:													
Exchange differences on translation of foreign operation	–	–	–	–	–	–	35,652	–	–	–	35,652	3,962	39,614
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	35,652	–	–	(81,765)	(46,113)	(3,740)	(49,853)
At 31 December 2013	452,293	144,997*	419,650*	18,236*	(347)*	4,151*	126,505*	85*	829,350*	(865,670)*	1,129,250	141,627	1,270,877

* These reserve accounts comprise the consolidated reserves of HK$676,957,000 as at 31 December 2013 (2012: HK$723,070,000) in the consolidated statement of financial position.

Notes:

(i) The contributed surplus represents the excess of the value of shares converted upon conversion of the 2008 Convertible Bonds (as defined in note 28 to the financial statements) over the nominal amount of the ordinary shares issued pursuant to Section 40(1) of the Bermuda Companies Act 1981.

(ii) The special reserve represents the difference between the nominal value of the shares of the subsidiaries at the date when the shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(89,645)**	(451,094)
Adjustments for:			
Equity-settled share option expense	6	**—**	540
Finance costs	7	**25,741**	63,285
Interest income	5	**(23)**	(7,221)
Depreciation	6	**120,480**	102,140
Amortisation of other intangible asset	15	**—**	16,814
Impairment on other intangible asset	15	**—**	260,618
Impairment of trade receivables	6	**4,121**	6,089
Impairment of prepayments	6	**1,106**	5,836
Reversal of impairment of prepayments	6	**(3,838)**	—
Gain on redemption of convertible bonds	28	**(15,867)**	—
Gain arising from modification of convertible bonds	28	**—**	(23,226)
Fair value change on derivative financial instruments	28	**(46,025)**	44,300
Impairment on items of property, plant and equipment	13	**20,733**	—
Write-off of items of property, plant and equipment	13	**—**	5,701
		16,783	23,782
Decrease/(increase) in inventories		**(139,389)**	69,326
Decrease/(increase) in trade and bills receivables		**(48,260)**	40,161
Decrease in prepayments, deposits and other receivables		**25,074**	105,578
Decrease in an amount due from the Non-controlling Shareholder		**5,641**	240,806
Increase/(decrease) in trade payables		**244,843**	(223,561)
Increase/(decrease) in other payables, accruals and deposits received		**162,570**	(30,136)
Increase in an amount due to the Non-controlling Shareholder		**23,100**	12,000
Cash generated from operations		**290,362**	237,956
Income taxes paid		**(9,192)**	(3,549)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**281,170**	234,407

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**281,170**	234,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(9,231)**	(81,460)
Increase in advance to a related company		**(3,816)**	(12,333)
Increase in advance to the Non-controlling Shareholder		**(267,105)**	(168,844)
Decrease in pledged deposits		**—**	123,335
Interest received		**23**	7,221
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(280,129)**	(132,081)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**79,316**	349,337
Repayment of bank and other borrowings		**(89,919)**	(415,083)
Redemption of convertible bonds		**(201,845)**	—
Increase in deposit received		**220,000**	—
Interest paid		**(8,340)**	(37,978)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(788)**	(103,724)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**253**	(1,398)
Cash and cash equivalents at the beginning of the year		**9,986**	11,380
Effect of foreign currency rate changes, net		**48**	4
Cash and cash equivalents at the end of the year		**10,287**	9,986
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**10,287**	9,986

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**1,182,639**	1,509,392
Total non-current assets		**1,182,639**	1,509,392
CURRENT ASSETS			
Bank balances	23	**263**	264
Total current assets		**263**	264
CURRENT LIABILITIES			
Other payables and accruals	25	**2,462**	3,092
Convertible bonds	28	**—**	205,789
Derivative financial instruments	28	**—**	46,025
Total current liabilities		**2,462**	254,906
NET CURRENT LIABILITIES		**(2,199)**	(254,642)
Net assets		**1,180,440**	1,254,750
EQUITY			
Issued share capital	30	**452,293**	452,293
Reserves	32(b)	**728,147**	802,457
Total equity		**1,180,440**	1,254,750

Director *Director*

1. CORPORATE INFORMATION

Huscoke Resources Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business is Room 4205, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following activities:

— coal-related ancillary business;

— coke production business; and

— coke trading business.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

2.1 BASIS OF PRESENTATION

The Group recorded a consolidated net loss of HK$89,467,000 (2012: HK$398,782,000) for the year ended 31 December 2013. This included (i) impairment on property, plant and equipment amounting to HK$20,733,000 (2012: Nil); (ii) gain on redemption of convertible bonds amounting to HK$15,867,000 (2012: Nil); and (iii) fair value gain on derivative financial instruments of HK$46,025,000 (2012: fair value loss of HK$44,300,000). These items had not affected the Group's operating cash flows.

The Group also recorded net current liabilities of HK$306,824,000 as at 31 December 2013 (2012: HK$379,735,000). The net current liability position improved when compared with that as of 31 December 2012, which is due to the redemption of the convertible bonds and promissory note upon maturity by the Group during the year ended 31 December 2013.

2.1 BASIS OF PRESENTATION *(Continued)*

Management considers the going concern basis of preparation of the financial statements appropriate after taking into consideration the following:

(a) the Group had an available bank facility granted by a bank in the People's Republic of China ("PRC") of approximately HK$471,000,000 (equivalent to RMB370,000,000) as at 31 December 2013 for working capital purposes. Although the facility will expire in September 2014, the directors are of the opinion that the Group will be able to renew/refinance the bank facility upon its expiry;

(b) the Company has entered into a letter of intent with a creditor for the extension of a deposit received of HK$220,000,000 for a period of 6 months or 12 months upon its expiry on 23 May 2014; and

(c) management has been endeavouring to improve the Group's operating results and cash flows.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.2 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments which have been measured at fair value as further explained in note 2.5 to the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.3 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.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in note 17 to the financial statements.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of available-for-sale investments are included in note 38 to the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of profit or loss and other comprehensive income has been presented to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(e) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 16 to the financial statements.

(f) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

- HKAS 16 *Property, Plant and Equipment:* clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventories.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for the first annual HKFRS financial statements for a period beginning on or after 1 January 2016

The Group is in the process of making an assessment of the impact of those new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Leasehold land under finance leases	Over the lease terms
Buildings	Over the shorter of the term of the lease of the land and 50 years
Furnaces and infrastructure	25 years
Plant and machinery	8 years
Computer equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial asset are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate.

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

The Group's financial liabilities include trade payables, other payables, accruals and deposits received, an amount due to the Non-controlling Shareholder, interest-bearing bank and other borrowings, a promissory note, convertible bonds and derivative financial instruments.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

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

Loan and borrowings

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative components of the convertible bonds are measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative components is recognised as the liability components. This amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion of the transaction costs relating to the derivative components is recognised immediately in profit or loss.

Derecognition of financial liabilities

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

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

Inventories

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

Provisions

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

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

Leases

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

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

(a) the sale of refined and medium coal, coke and by-products, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) the sale of electricity and heat, when the electricity and heat are consumed by the customers; and

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Income tax

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Intangible assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Impairment of non-financial assets

In determining whether an asset is impaired or the events previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Estimation uncertainty

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

Impairment of property, plant and equipment, and goodwill

The Group determines whether property, plant and equipment, and goodwill are impaired requires an estimation of the value in use of the cash-generating units to which these assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose suitable discount rates in order to calculate the present value of those cash flows. Any change in the business environment may lead to the change of expected future cash flows. The carrying amounts of property, plant and equipment, and goodwill as at 31 December 2013 were HK$1,241,941,000 (2012: HK$1,335,534,000) and HK$388,544,000 (2012: HK$388,544,000), respectively. Further details are set out in notes 13 and 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Depreciation

The Group depreciates its property, plant and equipment over the estimated useful life, commencing from the date the property, plant and equipment are ready for their intended use. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment. The depreciation will be changed when the useful life is expected to be different from the estimate and would affect profit or loss for the period in which such change of estimate takes place.

Impairment of receivables, prepayments, and deposits

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable/prepayment/deposit is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of trade and bills receivables, trade receivables due from the Non-controlling Shareholder, prepayments, deposits and other receivables as at 31 December 2013 were HK$93,467,000 (2012: HK$67,348,000), HK$71,037,000 (2012: HK$74,351,000), and HK$442,677,000 (2012: HK$405,197,000), respectively.

Fair value of share options and derivative components of convertible bonds

Where the fair values of financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimation includes considerations of inputs such as adjustment factors to stock price, credit risk, dividend yield and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. No such balances were noted as at 31 December 2013. The fair values of the derivative components of the convertible bonds as at 31 December 2012 and the share options at the issue date were HK$46,025,000 and HK$540,000, respectively. Further details are included in notes 28 and 31 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the coke trading segment — purchases and sale of coke;

(b) the coal-related ancillary segment — washing of raw coal into refined coal for sale and for further processing, and the sale of electricity and heat which are generated as the by-products during the washing of raw coal; and

(c) the coke production segment — processing of refined coal into coke for sale, and the sale of coke by-products that are generated during coke production.

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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, sundry income, corporate administrative expenses, gain on redemption and on modification of convertible bonds, fair value change on derivative financial instruments, unallocated finance costs, income tax credit are excluded from such measurement.

Segment assets exclude cash and bank balances, unallocated available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude the amount due to the Non-controlling Shareholder, interest-bearing bank and other borrowings, promissory note, convertible bonds, derivative financial instruments, deferred tax liabilities for corporate use and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted at cost plus a certain percentage of mark-up.

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

Segment revenue and results

Year ended 31 December 2013

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue					
— external sales	44,265	184,438	809,753	—	1,038,456
— intersegment sales	—	282,055	—	(282,055)	—
Other income	23	53,688	—	—	53,711
Total	44,288	520,181	809,753	(282,055)	1,092,167
Segment results	(14,228)	33,310	(38,555)	(25,385)	(44,858)
Interest income and sundry income					583
Corporate administrative expenses					(84,078)
Gain on redemption of convertible bonds					15,867
Fair value change on derivative financial instruments					46,025
Unallocated finance costs					(23,184)
Loss before tax					(89,645)
Income tax credit					178
Loss for the year					(89,467)

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Year ended 31 December 2012

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue					
— external sales	14,699	285,349	846,715	—	1,146,763
— intersegment sales	—	441,966	—	(441,966)	—
Other income	—	55,278	—	—	55,278
Total	14,699	782,593	846,715	(441,966)	1,202,041
Segment results	(279,995)	67,038	(73,116)	(13,259)	(299,332)
Interest income					7,221
Corporate administrative expenses					(79,975)
Gain arising from modification of convertible bonds					23,226
Fair value change on derivative financial instruments					(44,300)
Unallocated finance costs					(57,934)
Loss before tax					(451,094)
Income tax credit					52,312
Loss for the year					(398,782)

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

31 December 2013

	Coke trading *HK$'000*	**Coal-related ancillary** *HK$'000*	**Coke production** *HK$'000*	**Total** *HK$'000*
SEGMENT ASSETS				
Segment assets	**—**	**1,318,565**	**623,577**	**1,942,142**
Corporate and unallocated assets				**583,332**
Consolidated assets				**2,525,474**
SEGMENT LIABILITIES				
Segment liabilities	**343,383**	**454,492**	**286,352**	**1,084,227**
Corporate and unallocated liabilities				**170,370**
Consolidated liabilities				**1,254,597**

31 December 2012

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Segment assets	124,591	1,467,430	607,489	2,199,510
Corporate and unallocated assets				206,309
Consolidated assets				2,405,819
SEGMENT LIABILITIES				
Segment liabilities	73,999	264,079	102,713	440,791
Corporate and unallocated liabilities				644,298
Consolidated liabilities				1,085,089

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

Other Segment Information

Year ended 31 December 2013

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Total HK$'000
Additions of property, plant and equipment	—	2,551	108	2,659
Unallocated				6,572
				9,231
Impairment on items of property, plant and equipment	—	—	20,733	20,733
Depreciation	—	68,487	41,748	110,235
Unallocated				10,245
				120,480
Unallocated interest expenses on bank and other borrowings	—	—	—	5,783
Unallocated income tax credit	—	—	—	(178)
Impairment of trade receivables	—	433	3,688	4,121
Impairment of prepayments	—	1,106	—	1,106
Reversal of impairment of prepayments	—	(3,838)	—	(3,838)

4. OPERATING SEGMENT INFORMATION *(Continued)*

Other Segment Information *(Continued)*

Year ended 31 December 2012

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	—	74,938	1,727	76,665
Unallocated				4,795
				81,460
Impairment of other intangible asset	260,618	—	—	260,618
Amortisation of other intangible asset	16,814	—	—	16,814
Depreciation	—	53,261	40,306	93,567
Unallocated				8,573
				102,140
Unallocated interest expenses on bank and other borrowings	—	—	—	15,794
Unallocated income tax credit	—	—	—	(52,312)
Impairment of trade receivables	—	3,145	2,944	6,089
Impairment of prepayments	—	5,836	—	5,836
Write-off of unallocated items of property, plant and equipment	—	—	—	5,701

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

Geographical information

(a) Revenue from external customers

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations during the years ended 31 December 2013 and 2012. Therefore, no analysis by geographical region is presented.

The revenue information is based on the locations of the customers.

(b) Non-current assets

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**105,638**	108,577
Mainland China	**1,524,847**	1,615,501
	1,630,485	1,724,078

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

Revenue of approximately HK$421,914,000 (2012: Nil) and HK$195,922,000 (2012: HK$110,340,000) were derived from sales in the coke production segment to two customers. Revenue of approximately HK$606,803,000 for the year ended 31 December 2012 was derived from sales in the coke production segment to a single customer. These customers were independent third parties of the Group.

Revenue of approximately HK$89,862,000 (2012: HK$238,120,000) was derived from sales in the coal-related ancillary segment and the coke production segment to a single customer, which is the non-controlling shareholder, holding a 9% interest in 山西金岩和嘉能源有限公司 (the "Non-controlling Shareholder"), and its subsidiary.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year.

An analysis of revenue and other income is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of refined coal	**80,105**	184,966
Sale of electricity and heat	**97,149**	100,383
Sale of medium coal	**7,184**	—
Sale of coke and by-products	**854,018**	861,414
	1,038,456	1,146,763
Other income		
Interest income	**23**	7,221
Commission income	**23**	—
Government subsidies	**53,688**	55,278
Sundry income	**560**	—
	54,294	62,499

6. LOSS BEFORE TAX

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold		**1,037,941**	1,165,148
Auditors' remuneration		**1,950**	2,130
Depreciation	13	**120,480**	102,140
Operating lease payments in respect of leasehold interests in land and rented properties		**1,931**	1,885
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**68,711**	60,995
Equity-settled share option expense	31	**—**	540
Pension scheme contributions#		**17,972**	11,906
		86,683	73,441
Impairment of trade receivables*	20	**4,121**	6,089
Impairment of prepayments*	21	**1,106**	5,836
Reversal of impairment of prepayments*	21	**(3,838)**	—
Write-off of items of property, plant and equipment	13	**—**	5,701
Compensation charge	25	**15,926**	—

As at 31 December 2013 and 2012, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

* The impairment of trade receivables and prepayments and the reversal thereof are included in "Other operating expenses" in the profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings repayable within five years	**5,783**	15,794
Interest expenses on promissory note	**5,478**	11,874
Interest expenses on convertible bonds	**11,923**	30,266
Interest expenses on discounted bills	**2,557**	5,351
	25,741	63,285

8. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Fees	**2,170**	2,390
Other emoluments:		
Salaries, allowances and benefits in kind	**1,534**	2,088
Equity-settled share option expense	**—**	405
Pension scheme contributions	**28**	13
	1,562	2,506
	3,732	4,896

During the year ended 31 December 2013, no director was granted share options. During the year ended 31 December 2012, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of these options, which has been recognised in the profit or loss over the vesting period, was determined as at the date of grant, and the amounts included in the financial statements for the year ended 31 December 2012 have been included in the above directors' remuneration disclosures.

8. DIRECTORS' EMOLUMENTS *(Continued)*

2013

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors:					
Li Baoqi (chief executive officer)	845	949	—	15	1,809
Gao Jianguo	845	585	—	13	1,443
	1,690	1,534	—	28	3,252
Non-executive director:					
Wu Jixian	120	—	—	—	120
Independent non-executive directors:					
Lam Hoy Lee, Laurie	120	—	—	—	120
To Wing Tim, Paddy	120	—	—	—	120
Lau Ka Ho	120	—	—	—	120
	360	—	—	—	360
	2,170	1,534	—	28	3,732

8. DIRECTORS' EMOLUMENTS *(Continued)*

2012

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share option expense *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Li Baoqi (chief executive officer)	845	893	135	5	1,878
Cheung Kai Fai (resigned on 31 July 2012)	220	610	108	8	946
Gao Jianguo	845	585	162	—	1,592
	1,910	2,088	405	13	4,416
Non-executive director:					
Wu Jixian	120	—	—	—	120
Independent non-executive directors:					
Lam Hoy Lee, Laurie	120	—	—	—	120
To Wing Tim, Paddy	120	—	—	—	120
Lau Ka Ho	120	—	—	—	120
	360	—	—	—	360
	2,390	2,088	405	13	4,896

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

During the years ended 31 December 2013 and 2012, no emolument was paid by the Group to the directors and the senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2012: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2012: two) highest paid employees, who are not a director of the Company, are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,700**	966
Equity-settled share option expense	**—**	70
Pension scheme contributions	**34**	21
	1,734	1,057

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**3**	2

During the year ended 31 December 2013, no share options was granted to non-director highest paid employees. During the year ended 31 December 2012, share options were granted to two non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosure in note 31 to the financial statements.

10. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong	**—**	—
Current — Elsewhere		
Over provision in prior years	**—**	(8,214)
Deferred *(note 29)*	**(178)**	(44,098)
Total tax credit for the year	**(178)**	(52,312)

A reconciliation of the tax applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2013

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before tax	**14,547**		**(104,192)**		**(89,645)**	
Tax at the statutory tax rate	**2,400**	**16.5**	**(26,048)**	**(25.0)**	**(23,648)**	**(26.4)**
Expenses not deductible for tax	**2,934**	**20.2**	**10,134**	**9.7**	**13,068**	**14.6**
Income not subject to tax	**(10,244)**	**(70.4)**	**—**	**—**	**(10,244)**	**(11.4)**
Tax losses not recognised	**4,732**	**32.5**	**15,914**	**15.3**	**20,646**	**23.0**
Tax credit at the Group's effective rate	**(178)**	**(1.2)**	**—**	**—**	**(178)**	**(0.2)**

10. INCOME TAX CREDIT *(Continued)*

Group — 2012

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax	(350,955)		(100,139)		(451,094)	
Tax at the statutory tax rate	(57,908)	(16.5)	(25,035)	(25.0)	(82,943)	(18.4)
Expenses not deductible for tax	11,577	3.3	11,759	11.7	23,336	5.2
Overprovision in prior years	—	—	(8,214)	(8.2)	(8,214)	(1.8)
Tax losses not recognised	2,233	0.6	13,276	13.3	15,509	3.4
Tax credit at the Group's effective rate	(44,098)	(12.6)	(8,214)	(8.2)	(52,312)	(11.6)

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2013 includes a profit of HK$44,144,000 (2012: loss of HK$59,026,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the parent of HK$81,765,000 (2012: HK$390,303,000), and the weighted average number of ordinary shares of 5,977,926,000 (2012: 5,977,926,000) in issue during the year, as adjusted to reflect the full conversion of the 2008 Convertible Bonds (as defined in note 28) for ordinary shares of the Company during the year.

As disclosed in note 28, the 2008 Convertible Bonds shall be converted automatically into new shares of the Company at the date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of the basic and diluted loss per share amounts.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Furnaces and infrastructure HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 January 2012	367,974	464,678	376,217	72,930	3,404	36,476	247,465	1,569,144
Additions	—	—	1,541	1,992	—	8,504	69,423	81,460
Write-off	(6,064)	—	—	—	—	—	—	(6,064)
Transfer	127,116	35,497	157,082	—	—	—	(319,695)	—
Exchange realignment	2,855	5,273	4,255	827	—	401	2,807	16,418
At 31 December 2012 and 1 January 2013	491,881	505,448	539,095	75,749	3,404	45,381	—	1,660,958
Additions	1,504	224	1,882	171	—	5,450	—	9,231
Exchange realignment	27,616	15,816	964	2,370	—	1,384	—	48,150
At 31 December 2013	521,001	521,488	541,941	78,290	3,404	52,215	—	1,718,339
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2012	30,627	26,714	110,486	32,754	1,395	19,280	—	221,256
Provided for the year	11,855	18,409	49,782	13,517	628	7,949	—	102,140
Write-off	(363)	—	—	—	—	—	—	(363)
Exchange realignment	270	303	1,240	372	—	206	—	2,391
At 31 December 2012 and 1 January 2013	42,389	45,426	161,508	46,643	2,023	27,435	—	325,424
Provided for the year	16,007	20,032	63,632	13,168	572	7,069	—	120,480
Impairment	1,654	15,490	3,151	359	—	79	—	20,733
Exchange realignment	1,039	1,422	5,014	1,464	—	822	—	9,761
At 31 December 2013	61,089	82,370	233,305	61,634	2,595	35,405	—	476,398
NET CARRYING AMOUNT								
At 31 December 2013	459,912	439,118	308,636	16,656	809	16,810	—	1,241,941
At 31 December 2012	449,492	460,022	377,587	29,106	1,381	17,946	—	1,335,534

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying value of the land and buildings shown above comprises:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Properties situated on leasehold interest land:		
In Hong Kong under a long term lease	**104,828**	107,195
Outside Hong Kong under a medium term lease	**355,084**	342,297
	459,912	449,492

At 31 December 2013, certain of the Group's land and buildings with a net carrying amount of approximately HK$104,828,000 (2012: HK$107,195,000) were pledged to secure mortgaged banking facilities granted to the Group (note 27) and to secure a deposit received from a customer (note 25).

14. GOODWILL

	Group
	HK$'000
Cost:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	2,269,645
Accumulated impairment:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	(1,881,101)
Net carrying amount:	
At 31 December 2013	388,544
At 31 December 2012	388,544

Goodwill arising from the acquisition of Pride Eagle Investment Limited and its subsidiaries (the "Pride Eagle Group") and Joy Wisdom International Limited and its subsidiaries (the "Joy Wisdom Group") in 2008 amounted to HK$1,085,213,000 and HK$1,184,432,000, respectively. It represented the excess of the cost of acquisition over the Group's interest in the fair value of the respective identifiable assets and liabilities of the Pride Eagle Group and the Joy Wisdom Group.

15. OTHER INTANGIBLE ASSET

	Group
	HK$'000
Cost:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	870,192
Accumulated amortisation and impairment:	
At 1 January 2012	(592,760)
Amortisation provided during the year	(16,814)
Impairment during the year	(260,618)
At 31 December 2012, 1 January 2013 and 31 December 2013	(870,192)
Net carrying amount:	
At 31 December 2013	—
At 31 December 2012	—

The other intangible asset relates to an export agency agreement entered into between a PRC coke supplier, which is the Non-controlling Shareholder, and Huscoke International Group Limited ("HIG"), a wholly-owned subsidiary of the Group incorporated in Hong Kong. The agreement entitled the Group to have an exclusive right to handle the export business of coke for the supplier under a regulated coke export quota system in the PRC.

From 1 January 2013, the exports of coke were no longer regulated. Instead, exports are conducted through a regime of export licence which is not restricted to designated entities. In the opinion of the directors, the value to the exclusive right to handle export of coke under the previous quota system has diminished as a result of the deregulation and a full impairment provision of HK$260,618,000 on the carrying amount of the other intangible asset was recognised in profit or loss for the year ended 31 December 2012.

16. IMPAIRMENT TEST ON PROPERTY, PLANT AND EQUIPMENT, AND GOODWILL

For the purpose of impairment testing, property, plant and equipment and goodwill have been allocated to two cash-generating units, being the coke production segment and the coal-related ancillary segment. The carrying amounts of property, plant and equipment and goodwill as at 31 December 2013 and 2012 allocated to these units are as follows:

	Property, plant and equipment		Goodwill		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Coal-related ancillary segment	**547,790**	594,352	**388,544**	388,544	**936,334**	982,896
Coke production segment	**508,168**	553,229	**—**	—	**508,168**	553,229
Unallocated	**185,983**	187,953	**—**	—	**185,983**	187,953
	1,241,941	1,335,534	**388,544**	388,544	**1,630,485**	1,724,078

Coal-related ancillary cash-generating unit

The recoverable amount of the coal-related ancillary cash-generating unit as at 31 December 2013 was determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management, and cash flows beyond the 5-year period were extrapolated using a growth rate of 2.5% (2012: 2.5%) which was the same as the long term average growth rate of the coal-related ancillary industry. The discount rate applied to the cash flow projections was 13.6% (2012: 15%).

Key assumptions were used in the value in use calculation of the coal-related ancillary cash-generating unit as at 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Budgeted manufacturing capacity utilisation rate — The rate is determined on the basis of the average actual utilisation rate achieved in prior years, increased gradually for expected revival and improvement in market.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the coal-related ancillary cash-generating unit.

Raw materials purchase costs, production costs and product selling price inflation — The basis used to determine the value assigned to costs and price inflation is the forecasted inflation indices of the budget year.

16. **IMPAIRMENT TEST ON PROPERTY, PLANT AND EQUIPMENT, AND GOODWILL** *(Continued)*

Coke production cash-generating unit

The recoverable amount of the coke production cash-generating unit as at 31 December 2013 was determined based on a value in use calculation using cash flow projections based on financial budgets covering a 11.5-year period (2012: 12.5-year period) which is assessed and approved by senior management with reference to the physical condition of property, plant and equipment at the current status and expected obsolescence and retirement based on prior year experience, and the discount rate applied to the cash flow projections was 13.6% (2012: 15%).

Key assumptions were used in the value in use calculation of the coke production cash-generating units as at 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Budgeted manufacturing capacity utilisation rate — The rate is determined on the basis of the average actual utilisation rate achieved in prior years, increased gradually for expected revival and improvement in market.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the coke production asset cash-generating unit.

Raw materials purchase costs, production costs and product selling price inflation — The basis used to determine the value assigned to costs and prices inflation is the forecasted inflation indices of the budget year.

In light of the unfavourable market circumstances and the sustained operating loss of the coke production segment from the depression in the infrastructure industry for the year ended 31 December 2013, the recoverable amount of the coke production segment was approximately HK$508,168,000. This resulted in an impairment of property, plant and equipment of approximately HK$20,733,000 which was recognised in profit or loss for the year ended 31 December 2013.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**3,748,663**	3,748,663
Amounts due to subsidiaries	**(348,842)**	(140,543)
Impairment#	**(2,217,182)**	(2,098,728)
	1,182,639	1,509,392

The impairment as at 31 December 2013 includes impairment provision of HK$2,217,182,000 (2012: HK$2,098,728,000) for amounts due from subsidiaries. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by subsidiaries.

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**2,098,728**	2,157,728
Impairment	**118,454**	—
Impairment losses reversed	**—**	(59,000)
At 31 December	**2,217,182**	2,098,728

The amounts due from/to subsidiaries included in investments in subsidiaries above are unsecured, non-interest-bearing and have no fixed terms of repayment.

The carrying amounts of the amounts due from/to subsidiaries approximate their fair values.

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued share/ registered capital and class of share held	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rich Key Enterprises Limited*	British Virgin Islands/ Hong Kong	US$1 Ordinary	100%	—	Investment holding
Pride Eagle Investments Limited*	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100%	Investment holding
Huscoke International Group Limited	Hong Kong/Hong Kong	HK$10,000 Ordinary	—	100%	Trading of coke
Ocean Signal Limited	Hong Kong/Hong Kong	HK$10,000 Ordinary	—	100%	Property holding
Joy Wisdom International Limited*	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100%	Investment holding
Huscoke International Investment Limited	Hong Kong/Hong Kong	HK$1 Ordinary	—	100%	Investment holding
山西金岩和嘉能源有限公司 （"金岩和嘉"）*(note i)**	People's Republic of China/Mainland China	HK$715,000,000#	—	90%	Coal-related ancillary business; coke production and trading of coke

* The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The amount stated represents the paid-up capital.

Note:

(i) 金岩和嘉 is a sino-foreign equity joint venture company established in the People's Republic of China.

17. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Group's subsidiary that has material non-controlling interests are set out below:

金岩和嘉

	2013	2012
Percentage of equity interest held by non-controlling interests:	**10%**	10%

	2013 ***HK$'000***	2012 *HK$'000*
Loss for the year allocated to non-controlling interests:	**7,702**	8,479
Accumulated balances of non-controlling interests at the reporting dates:	**141,627**	145,367

The following tables illustrate the summarised financial information of the above subsidiary, 金岩和嘉. The amounts disclosed are before any inter-company eliminations:

	2013 ***HK$'000***	2012 *HK$'000*
Revenue	**1,038,456**	1,146,763
Other income	**54,271**	62,499
Total expenses	**(1,169,744)**	(1,294,052)
Loss for the year	**(77,017)**	(84,790)
Total comprehensive loss for the year	**(37,403)**	(69,553)
Current assets	**863,823**	660,180
Non-current assets	**1,159,580**	1,229,424
Current liabilities	**(801,257)**	(623,610)
Net cash flows from operating activities	**285,725**	237,858
Net cash flows used in investing activities	**(280,129)**	(132,081)
Net cash flows used in financing activities	**(5,253)**	(104,554)
Net increase in cash and cash equivalents	**343**	1,223

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Club debentures, at fair value	**2,221**	2,221
Unlisted equity investment, at cost	**2,544**	2,467
	4,765	4,688

During the year, no fair value change on available-for-sale investments was recognised in other comprehensive income (2012: Nil).

At 31 December 2013, an unlisted equity investment with a carrying amount of HK$2,544,000 (2012: HK$2,467,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

19. INVENTORIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**89,882**	68,486
Work in progress	**103,339**	25,642
Finished goods	**61,905**	18,097
	255,126	112,225

20. TRADE AND BILLS RECEIVABLES

		Group	
		2013	2012
	Note	HK$'000	HK$'000
Trade receivables		173,771	146,689
Bills receivables		2,544	2,466
Impairment		(11,811)	(7,456)
		164,504	141,699
Less: Trade receivables due from the Non-controlling Shareholder	22	(71,037)	(74,351)
		93,467	67,348

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 31 December 2013, approximately 43% (2012: 52%) and 18% (2012: 10%) of the Group's trade receivables were due from two customers, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Trade receivables due from the Non-controlling Shareholder are on similar credit terms to those offered to the major customers of the Group.

The carrying amounts of trade and bills receivables approximate their fair values.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 3 months	155,873	115,441
3 to 4 months	635	5,186
Over 4 months	7,996	21,072
	164,504	141,699

20. TRADE AND BILLS RECEIVABLES *(Continued)*

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**7,456**	1,352
Impairment losses recognised *(note 6)*	**4,121**	6,089
Exchange realignment	**234**	15
At 31 December	**11,811**	7,456

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$11,811,000 (2012: HK$7,456,000) with a carrying amount before provision of HK$12,665,000 (2012: HK$7,456,000).

The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**155,654**	120,627
Less than 6 months past due	**5,989**	14,880
More than 6 months past due	**2,007**	6,192
	163,650	141,699

The Group's trade and bills receivables at the end of the reporting period that were neither past due nor impaired relate to customers for whom there was no recent history of default.

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
	Notes	**2013** **HK$'000**	2012 HK$'000
Other receivables from the Non-controlling Shareholder	22	**381,465**	168,844
Prepayments to the Non-controlling Shareholder	22	**—**	124,591
Prepayments and other receivables due from a related company	36	**3,816**	34,421
		385,281	327,856
Prepayments, deposits and other receivables to other parties	*(i)*	**60,682**	83,177
Impairment		**(3,286)**	(5,836)
		442,677	405,197

Note:

(i) Balance included prepayments to suppliers of raw materials for the coal-related ancillary and the coke production businesses which are unsecured, non-interest-bearing and are to be settled with future purchases.

The carrying amounts of deposits and other receivables approximate their fair values.

Movements in the provision for prepayments, deposits and other receivables are as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
At 1 January	**5,836**	—
Impairment losses recognised *(note 6)*	**1,106**	5,836
Impairment losses reversed *(note 6)*	**(3,838)**	—
Exchange realignment	**182**	—
At 31 December	**3,286**	5,836

Included in the above provision for prepayments is a provision for individually impaired prepayments of HK$1,106,000 (2012: HK$5,836,000) with a carrying amount before provision of HK$1,106,000 (2012: HK$6,082,000). The individually impaired prepayments relate to the portions of prepayments that were not expected to be recovered.

The financial assets included in the above balances that were neither past due nor impaired relate to receivables for which there was no recent history of default.

22. AMOUNT DUE FROM/(TO) THE NON-CONTROLLING SHAREHOLDER

		Group	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(note 20)*	*(i)*	**71,037**	74,351
Other receivables from the Non-controlling Shareholder *(note 21)*	*(ii)*	**381,465**	168,844
Prepayments to the Non-controlling Shareholder *(note 21)*	*(iii)*	**—**	124,591
Promissory note *(note 26)*	*(iv)*	**—**	(231,171)
Trade payable due to the Non-controlling Shareholder *(note 24)*	*(iii)*	**(44,206)**	—
Non-current			
Amount due to the Non-controlling Shareholder	*(v)*	**(42,301)**	(19,201)

Notes:

(i) The balance is trade in nature, and is unsecured, non-interest-bearing and repayable within a credit term of 120 days (2012: 120 days), which is similar to those granted to major trading customers of the Group. As at 31 December 2013 and 2012, the balances were aged within the credit period.

(ii) The balance is an advance to the Non-controlling Shareholder, which is unsecured, non-interest-bearing and repayable on demand.

(iii) The balance was trade in nature, unsecured and non-interest-bearing.

(iv) The promissory note was issued by the Group to the Non-controlling Shareholder in connection to the acquisition of the coke production assets in 2010. It was offset against certain receivables due by the Non-controlling Shareholder and its related parties to the Group upon maturity on 9 June 2013. Further details of the promissory note are disclosed in note 26 to the financial statements.

(v) The balance represents an advance from the Non-controlling Shareholder. The balance is unsecured, non-interest-bearing and not repayable within 12 months from the end of the reporting period.

The carrying amounts of the above balances approximate their fair values.

23. CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**10,287**	9,986	**263**	264

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$2,222,000 (2012: HK$1,685,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. TRADE PAYABLES

		Group	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Trade payables due to other parties		**470,157**	261,342
Trade payables due to the Non-controlling Shareholder	*22*	**44,206**	—
		514,363	261,342

24. TRADE PAYABLES *(Continued)*

An aged analysis of the trade payables as at the end of the reporting periods, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**280,345**	99,496
3 to 4 months	**8,746**	11,813
Over 4 months	**225,272**	150,033
	514,363	261,342

The trade payables are non-interest-bearing and are normally settled on 120-day terms.

The carrying amounts of trade payables approximate their fair values.

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables and accrued charges	**116,653**	94,502	**2,462**	3,092
Advance received from customers	**232,970**	89,126	**—**	—
Deposit received from Kailuan *(Note)*	**220,000**	—	**—**	—
	569,623	183,628	**2,462**	3,092

25. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(Continued)*

Note:

A deposit was placed by Kailuan (Hong Kong) International Co. Ltd. ("Kailuan"), an independent third party, to the Group for the purchase of coke for a term of one year from 24 May 2013. As at 31 December 2013, the deposit was non-interest-bearing, repayable on or before 23 May 2014 and was secured by the following:

i) a pledge of 1,157,000,000 shares of the Company, as to 657,000,000 shares owned by Mr. Wu Jixian, a non-executive director and a substantial shareholder of the Company and as to 500,000,000 shares of the Company held by certain shareholders of the Company;

ii) a pledge by Mr. Wu Jixian of the Tranche 2 Bonds (as defined in note 28) with an aggregate outstanding principal amount of HK$582,000,000 and a carrying amount of HK$829,350,000 (which, if the convertible rights attached thereto are exercised in full, will be converted into 1,455,000,000 shares of the Company); and

iii) a second mortgage over the Group's land and buildings situated in Hong Kong, with a carrying value at 31 December 2013 of HK$104,828,000 (note 13).

Further details of the deposit received are set out in the Company's announcement dated 23 May 2013.

In connection with the coke supply arrangement, the Group is subject to a penalty if it fails to deliver the agreed quantity of coke at Kailuan's specification on a quarterly basis. During the year, the compensation charged by Kailuan amounted to HK$15,926,000.

Other payables are non-interest-bearing and have an average credit term of 120 days.

The carrying amounts of other payables, accruals and deposit received approximate their fair values.

26. PROMISSORY NOTE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying value	—	231,171

On 10 June 2010, the Company issued two unsecured, non-interest-bearing promissory notes with the principal amount of RMB191,740,000 (equivalent to HK$219,000,000 at 10 June 2010) each to the Non-controlling Shareholder as part of the consideration for the acquisition of the coke production assets. The effective interest rate of the promissory notes is 5.4% per annum. One of the promissory notes matured on 9 December 2011 and was fully repaid. The remaining promissory note matured on 9 June 2013 and was settled by way of offsetting certain trade receivables, prepayments, deposits and other receivables due to the Group by the Non-controlling Shareholder and certain of its related parties. The carrying value of the promissory note at 31 December 2012 approximated its fair value.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	31 December 2013			31 December 2012		
	Effective contractual interest rate	Maturity	*HK$'000*	Effective contractual interest rate	Maturity	*HK$'000*
Current						
Mortgage loan *(note a, c)*	1 month HIBOR + 2.45%	On demand	71,904	1 month HIBOR + 2.45%	On demand	76,239
Other bank loan *(note b)*	7.2%	2014	38,158	7.57%	On demand *(note c)*	37,000
Other borrowing	—	On demand	3,000	10%	On demand	15,594
			113,062			128,833
Non-current						
Other borrowing	10%	2015	6,326			—
			6,326			—
			119,388			128,833
Secured			110,062			76,239
Unsecured			9,326			52,594
			119,388			128,833
Analysed into:						
Bank loans repayable						
Within one year or on demand			110,062			113,239
Other borrowings repayable						
On demand			3,000			15,594
In the second year			6,326			—
			9,326			15,594

Except for the other bank loan of HK$38,158,000 (2012: HK$37,000,000) which is denominated in RMB, and other borrowing of HK$6,326,000 (2012: HK$15,594,000) which is denominated in United States dollar, all bank and other borrowings are denominated in Hong Kong dollars. The carrying values of bank and other borrowings approximate their fair values.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The mortgage loan is secured by a first mortgage over the Group's land and buildings situated in Hong Kong, which had a carrying value at 31 December 2013 of HK$104,828,000 (2012: HK$107,195,000).

(b) The other bank loan as at 31 December 2013 is secured by a corporate guarantee from an independent third party.

(c) As further explained in note 40 to the financial statements, due to the adoption of HK Interpretation 5, the Group's mortgage loan in the amount of HK$67,409,000 (2012: HK$71,863,000) containing a repayment on demand clause has been classified as a current liability. The other bank loan of HK$37,000,000 as at 31 December 2012 repayable within one year also contained a repayment on demand clause. For the purpose of the above analysis, the mortgage and other bank loan are included within current interest-bearing bank borrowings and analysed into bank loans repayable on demand.

Based on the maturity terms of the mortgage and other bank loan, the amounts repayable in respect of the mortgage and other bank loans are HK$4,495,000 (2012: HK$41,376,000) payable within one year; HK$4,616,000 (2012: HK$4,498,000) payable in the second year; HK$14,608,000 (2012: HK$14,233,000) payable in the third to fifth years, inclusive; and HK$48,185,000 (2012: HK$53,132,000) payable beyond five years.

28. CONVERTIBLE BONDS

2008 Convertible Bonds

The Company issued two tranches of zero coupon convertible bonds, each with a principal amount of HK$1,100,000,000, to Mr. Wu Jixian on 16 May 2008 (the "Tranche 1 Bonds") and 31 October 2008 (the "Tranche 2 Bonds") (collectively, the "2008 Convertible Bonds"), with maturity dates on the fifth anniversary of the respective dates of issue, as the partial settlement for the acquisitions of the Pride Eagle Group and the Joy Wisdom Group, respectively.

The 2008 Convertible Bonds should accrue no interest and are freely transferable, provided that where they are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the bondholder), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

The bondholder may, at any time during the respective bond issue periods, convert in whole or in part the 2008 Convertible Bonds into ordinary shares of the Company at the conversion price of HK$0.4 per share, subject to adjustments. Any portion of the bonds which remains outstanding on the respective maturity dates shall be mandatorily converted into new shares of the Company under the same terms mentioned above. The total number of ordinary shares of HK$0.1 each to be converted from the 2008 Convertible Bonds at a conversion price of HK$0.4 per share is 5,500,000,000.

28. CONVERTIBLE BONDS *(Continued)*

2008 Convertible Bonds *(Continued)*

The 2008 Convertible Bonds are considered equity instruments and are included in equity in the convertible bond reserve.

The fair value of the 2008 Convertible Bonds was determined by reference to the quoted market prices of the ordinary shares of the Company, being HK$0.66 per share and HK$0.57 per share, at the respective issuance dates of the Tranche 1 Bonds and the Tranche 2 Bonds.

The Tranche 1 Bonds were fully converted into shares of the Company in prior years. No conversion of the Tranche 2 Bonds was made during the years ended 31 December 2013 and 2012, and they had a carrying amount of HK$829,350,000 and a principal amount of HK$582,000,000 as at 31 December 2013 and 31 December 2012.

If the Tranche 2 Bonds were fully converted, it would result in the issue of 1,455,000,000 additional ordinary shares of the Company; HK$145,500,000 would be transferred to the share capital account and the remaining HK$683,850,000 would be transferred to the contributed surplus account from convertible bond reserve.

A supplemental deed was entered into between the Company and Mr. Wu Jixian on 31 July 2013 to extend maturity date of the Tranche 2 Bonds to 31 October 2018. The transaction was approved by an ordinary resolution of the Company's shareholders at the special general meeting held on 15 October 2013. Details of the extension of the maturity date of the Tranche 2 Bonds are set out in the Company's circular dated 19 September 2013.

28. CONVERTIBLE BONDS *(Continued)*

2010 Convertible Bonds

	Group and Company	
	2013	2012
	HK$'000	*HK$'000*
Convertible bonds	—	205,789
Derivative financial instruments	—	46,025

On 24 May 2010, the Company issued HK$192,500,000, 8% convertible bonds (the "2010 Convertible Bonds") to two independent third parties, Passion Giant Investment Limited ("PGI") in the amount of HK$154,000,000 (the "PGI CB") and CSOP Asset Management Limited ("CSOP") in the amount of HK$38,500,000 (the "CSOP CB"). The 2010 Convertible Bonds maturity date is 23 May 2013. Interest is paid semi-annually in arrears in May and November of each year.

The bondholders could, at any time before the maturity date, convert in whole or in part the 2010 Convertible Bonds into ordinary shares of the Company at the conversion price of HK$0.55 per share, subject to adjustments. Upon full conversion of the 2010 Convertible Bonds, it would result in the issue of 350,000,000 new shares of the Company.

Unless previously redeemed or converted or purchased and cancelled as provided in the respective subscription agreements, the 2010 Convertible Bonds would be redeemed on the maturity date at the principal amount plus accrued and unpaid interest, together with an additional amount as premium such that interest plus the said additional amount will be equivalent to a rate of return of 18% per annum throughout the bond issue period.

The bondholders are granted a partial redemption option in which the holders are entitled to request the Company to redeem one-third of the 2010 Convertible Bonds at a redemption price of 92% of the face value of the bonds during the bond issue period. A default redemption option is also granted in which the bondholders are entitled to request the Company to redeem the 2010 Convertible Bonds in full at a redemption price at 25% over the face value of the bonds in the events of default. These options constitute derivative financial liabilities of which the fair values were immaterial at the issue date.

28. CONVERTIBLE BONDS *(Continued)*

2010 Convertible Bonds *(Continued)*

At the issue date of 24 May 2010, the 2010 Convertible Bonds were secured by the following:

(i) charge over all shares of Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, wholly-owned subsidiaries of the Group; and

(ii) a pledge by Mr. Wu Jixian of the Tranche 2 Bonds with a principal amount of HK$577,500,000 and a carrying amount of HK$822,938,000.

The CSOP CB was early redeemed on 25 May 2011. The pledge of the Tranche 2 Bonds with a principal amount of HK$115,500,000 and a carrying amount of HK$164,588,000 were released accordingly.

2012 PGI Amendments

In connection with an event of default that occurred in September 2011, the Company and PGI entered into an amendment agreement and a supplemental deed (the "Second PGI Amendment Agreement and the Second PGI Supplemental Deed") on 30 December 2011, pursuant to which, PGI gave confirmation that it would refrain from exercising the early redemption right and sanctioned the modifications of certain terms of the PGI CB, including but not limited to:

(i) the conversion price was adjusted to HK$0.22 per share;

(ii) the removal of the event of default that if, at any time, the average 30 consecutive trading days' closing price per share is less than 70% of the conversion price;

(iii) the reset of the conversion price, where the average closing price per share for the period of 30 consecutive trading days ending on (and inclusive of) 31 December 2012 (the "Relevant Average Price") is less than the then prevailing conversion price (i.e. HK$0.22 per share or such other amount as may be adjusted in accordance with the other conditions set out therein), with effect from 31 December 2012, the conversion price shall be adjusted to such amount as equal to the Relevant Average Price, subject to a floor of nominal value of the Company's share. For avoidance of doubt, where the Relevant Average Price is equal to or more than the then prevailing conversion price, the above adjustment shall not be made; and

(iv) an additional pledge of the Tranche 2 Bonds having an aggregate outstanding principal amount of HK$120,000,000 and a carrying amount of HK$171,000,000 from Mr. Wu Jixian, a non-executive director and a substantial shareholder of the Company.

The redemption premium, the default redemption premium and the maturity date remained the same.

28. CONVERTIBLE BONDS *(Continued)*

2010 Convertible Bonds *(Continued)*

2012 PGI Amendments *(Continued)*

Further details of the Second PGI Amendment Agreement and the Second PGI Supplemental Deed are set out in the Company's circular dated 2 February 2012. The approval of shareholders was obtained, and fulfilment of other conditions of the Second PGI Supplemental Deed was achieved, on 28 February 2012.

The modification under the Second PGI Amendment Agreement and the Second PGI Supplemental Deed constituted a significant modification and was accounted for as an extinguishment of the original PGI CB and an issue of a new PGI CB. The Company reassessed at 28 February 2012 the fair values of the new PGI CB in light of the modification of terms set out above. The derivative financial instruments relating to equity conversion option, partial redemption option and the default redemption option after modification were interdependent as only one of these options can be exercised. These options are not able to be accounted for separately and a single compound derivative financial instrument was recognised. A gain of HK$23,226,000 arising from modification of convertible bonds was recognised in profit or loss for the year ended 31 December 2012.

The fair value of the liability component of the PGI CB at 31 December 2012 was HK$207,096,000. The fair value was calculated by discounting the future cash flows at the prevailing market interest rate at that date.

As at 31 December 2012, the Relevant Average Price was HK$0.076, and was less than the nominal value of the Company's share of HK$0.1 per share. The conversion price of the new PGI CB was reset to HK$0.1 with effect from close of business on 31 December 2012 pursuant to the Second PGI Amendment Agreement and the Second PGI Supplemental Deed.

On 31 December 2012, the Group had not complied with certain financial covenants stipulated in the terms of the 2012 PGI CB, in particular, the net assets of the Company based on the audited consolidated financial statements for the most recent financial year or the audited consolidated management account of the most recent quarter, i.e., 31 December 2012, were less than HK$1.5 billion. This constituted an event of default under the PGI CB. No request for early repayment of the principal amount and interest accrual of the PGI CB was received by the Company.

28. CONVERTIBLE BONDS *(Continued)*

2010 Convertible Bonds *(Continued)*

2012 PGI Amendments *(Continued)*

Upon maturity on 23 May 2013, the PGI CB with carrying value of the liability component of HK$217,712,000 was redeemed at HK$201,845,000. A gain of HK$15,867,000 was credited to the profit or loss for the year ended 31 December 2013. Upon redemption of the PGI CB on 23 May 2013, the following pledges were released.

i) charge over all shares of Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, wholly-owned subsidiaries of the Group; and

ii) a pledge by Mr. Wu Jixian of the Tranche 2 Bonds having an aggregate outstanding principal amount of HK$582,000,000 and a carrying amount of HK$829,350,000 as at 31 December 2012.

An analysis of the movements of the liability component and the derivative component of PGI CB during the years ended 31 December 2013 and 2012 is as follows:

Group and Company

	Liability component *HK$'000*	Derivative component *HK$'000*	Total *HK$'000*
At 1 January 2012	180,556	36,751	217,307
Interest expenses	30,266	—	30,266
Interest paid	(16,833)	—	(16,833)
Extinguishment during the year arising from 2012 PGI Amendments	(186,253)	(41,434)	(227,687)
Issue of the new PGI CB arising from 2012 PGI Amendments	198,053	6,408	204,461
Fair value change	—	44,300	44,300
At 31 December 2012 and 1 January 2013	205,789	46,025	251,814
Interest expenses	11,923	—	11,923
Fair value change	—	(46,025)	(46,025)
Redemption on maturity date	(217,712)	—	(217,712)
As 31 December 2013	—	—	—

29. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	2013		
	Accelerated tax depreciation *HK$'000*	**Fair value adjustments arising from acquisition of subsidiaries** *HK$'000*	**Total** *HK$'000*
At 1 January 2013	**9,100**	—	**9,100**
Deferred tax credited to profit or loss during the year *(note 10)*	**(178)**	—	**(178)**
Gross deferred tax liabilities 31 December 2013	**8,922**	—	**8,922**

	2012		
	Accelerated tax depreciation *HK$'000*	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2012	9,188	44,010	53,198
Deferred tax credited to profit or loss during the year *(note 10)*	(88)	(44,010)	(44,098)
Gross deferred tax liabilities 31 December 2012	9,100	—	9,100

The Group has tax losses arising in Hong Kong and PRC of HK$87,266,000 (2012: HK$58,587,000) and HK$116,761,000 (2012: HK$53,105,000) that are available indefinitely and within 5 years, respectively, for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these tax loses as it is not considered probable that taxable profits will be available against which the above amounts can be utilised.

29. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

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

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in a subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$332,560,000 at 31 December 2013 (2012: HK$416,020,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2012: 20,000,000,000) ordinary shares of HK$0.1 each	**2,000,000**	2,000,000
Issued and fully paid:		
4,522,926,292 (2012: 4,522,926,292) ordinary shares of HK$0.1 each	**452,293**	452,293

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option schemes include the Company's directors and employees of the Group. The share option scheme became effective on 31 May 2002 and expired on 31 May 2012 (the "2002 Scheme"). A new share option scheme was adopted and became effective on 28 March 2013 (the "2013 Scheme"). Unless otherwise cancelled or amended, the 2013 Scheme will remain in force for ten years from the effective date.

The maximum number of unexercised share options currently permitted to be granted under the 2002 Scheme and the 2013 Scheme (collectively, the "Share Option Schemes") was an amount equivalent, upon their exercise, to 10% of the total number of shares in issue as at the respective dates of approval of the Share Option Schemes. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Schemes within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 within any 12-month period are subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options may be exercised at any time from the date of grant of the share option to the end of exercise period.

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

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

During the year ended 31 December 2013, no share options were granted, exercised or lapsed under the 2013 Scheme.

Under the 2002 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total of 30,100,000 shares as at 31 December 2013. The outstanding options granted under the 2002 Scheme shall continue to be valid and are subject to the provisions of the 2002 Scheme and Chapter 17 of the Listing Rules.

31. SHARE OPTION SCHEMES *(Continued)*

2002 Scheme

The following share options were outstanding under the 2002 Scheme during the year:

	2013		2012	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**0.425**	**30,100**	0.510	35,700
Granted during the year	**—**	**—**	0.16	10,000
Lapsed during the year#	**—**	**—**	0.45	(15,600)
At 31 December	**0.425**	**30,100**	0.425	30,100

\# During the year ended 31 December 2012, 15,600,000 share options with a fair value of HK$2,281,000 lapsed upon cessation of employment of participants in accordance with terms of the 2002 Scheme.

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

2013

Number of options	**Exercise price***	**Exercise period**
'000	*HK$ per share*	
3,500	0.5	27-02-09 to 26-02-14
7,400	0.68	11-01-10 to 10-01-15
12,200	0.4	27-01-11 to 26-01-16
7,000	0.16	06-01-12 to 05-01-17
30,100		

31. SHARE OPTION SCHEMES *(Continued)*

2002 Scheme *(Continued)*

2012

Number of options	Exercise price*	Exercise period
'000	*HK$ per share*	
3,500	0.5	27-02-09 to 26-02-14
7,400	0.68	11-01-10 to 10-01-15
12,200	0.4	27-01-11 to 26-01-16
7,000	0.16	06-01-12 to 05-01-17
30,100		

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

The fair value of the share options granted during the year ended 31 December 2012 was HK$540,000, HK$0.054 each, of which the Group recognised a share option expense of HK$540,000 during the year ended 31 December 2012.

31. SHARE OPTION SCHEMES *(Continued)*

2002 Scheme *(Continued)*

The fair value of equity-settled share options granted during the year ended 31 December 2012 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	**5 January 2012**
Dividend yield (%)	—
Expected volatility (%)	67.645%
Historical volatility (%)	67.645%
Risk-free interest rate (%)	1.025%
Expected life of options (year)	5 years
Weighted average share price (HK$ per share)	HK$0.16

The expected life of the options is based on the historical data over the past two years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which also may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 30,100,000 share options outstanding under the 2002 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 30,100,000 additional ordinary shares of the Company and additional share capital of HK$3,010,000 and share premium of HK$9,783,000 (before issue expenses).

Subsequent to the end of the reporting period, on 27 February 2014, 3,500,000 share options expired. At the date of approval of these financial statements, the Company had 26,600,000 share options outstanding under the 2002 Scheme, which represented approximately 0.59% of the Company's shares in issue as at that date.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Note	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Capital redemption reserve HK$'000	Share option reserve HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012		144,997	419,650	17,275	85	5,892	829,350	(615,306)	801,943
Loss for the year and total comprehensive loss for the year		–	–	–	–	–	–	(26)	(26)
Equity-settled share option arrangements	31	–	–	–	–	540	–	–	540
Lapsed share options	31	–	–	–	–	(2,281)	–	2,281	–
At 31 December 2012 and 1 January 2013		**144,997**	**419,650**	**17,275**	**85**	**4,151**	**829,350**	**(613,051)**	**802,457**
Loss for the year and total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(74,310)**	**(74,310)**
At 31 December 2013		**144,997**	**419,650**	**17,275**	**85**	**4,151**	**829,350**	**(687,361)**	**728,147**

The loss of HK$74,310,000 for the year ended 31 December 2013 (2012: HK$26,000) included impairment of amounts due from subsidiaries of the Company of HK$118,454,000 (2012: reversal of impairment of HK$59,000,000).

Notes:

(i) The contributed surplus represents the excess of value of shares converted upon conversion of the 2008 Convertible Bonds over the nominal amount of the ordinary shares issued pursuant to Section 40(1) of the Bermuda Companies Act 1981.

(ii) The Company's special reserve represents the excess of the combined net assets of the subsidiaries acquired over the nominal amount of the Company's shares issued for the acquisition.

33. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, deposits received and convertible bonds which are secured by certain assets of the Group, are included in notes 13, 25, 27 and 28 to the financial statements.

34. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Acquisitions of plant and equipment:		
Authorised, but not contracted for	**23,181**	23,855
Contracted, but not provided for	**18,055**	18,007

35. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its leasehold interests in land and properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to ten years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**1,956**	1,342
In the second to fifth years, inclusive	**5,601**	4,933
After five years	**1,802**	2,981
	9,359	9,256

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
With the Non-controlling Shareholder:			
Sales of refined coal and electricity	*(i)*	**35,782**	172,610
Sales of coke	*(i)*	**—**	6,808
Sales of by-products	*(i)*	**41,817**	47,906
Transportation income	*(i)*	**3,701**	5,666
Purchases of coke	*(i)*	**38,260**	16,008
Rental expenses	*(ii)*	**1,272**	1,233
With a related company which is a subsidiary of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**8,562**	5,130
With related companies which are the associates of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**21,231**	18,728
Sales of sundry materials	*(i)*	**213**	2,079
With a related company which is held by a close family member of the beneficial owner of the Non-controlling Shareholder:			
Sales of refined coal and medium coal	*(i)*	**38,568**	—
Transportation income	*(i)*	**2,873**	—
Processing fee paid	*(i)*	**310**	—

Notes:

(i) The transactions were conducted on bases mutually agreed by the respective parties, with reference to prevailing market rates or prices transacted with the Group's third party customers/ suppliers.

(ii) The rental expense was charged based on terms mutually agreed between the contractual parties.

All of the transactions above do not fall under the definition of "connected transaction" or "continuing connected transactions" in chapter 14A of the Listing Rules.

36. **RELATED PARTY TRANSACTIONS** *(Continued)*

(b) Outstanding balances with related parties.

Balances with the Non-controlling Shareholder at the end of the reporting period are set out in note 22.

A summary of the Group's balances with other related parties is set out below.

(i) Included in the Group's trade receivables (note 20) are amounts due from a subsidiary of the Non-controlling Shareholder, associates of the Non-Controlling Shareholder and a company held by a close family member of the beneficial owner of the Non-controlling Shareholder of HK$10,019,000 (2012: HK$6,020,000), HK$13,600,000 (2012: HK$13,497,000) and HK$29,628,000 (2012: Nil), respectively. The balances are unsecured, non-interest bearing and repayable on similar credit terms to those offered to the major customers of the Group.

(ii) Included in the Group's prepayments, deposits and other receivables (note 21) is a prepayment of HK$3,816,000 (2012: HK$22,088,000) to an associate of the Non-controlling Shareholder for the purchases of raw materials which is to be settled with future purchase. Also included in the prepayment balance as at 31 December 2012 was an advance of HK$12,333,000 to the related company which was unsecured, non-interest bearing and repayable on demand.

(iii) Included in trade payables (note 24) is a trade payable of HK$4,313,000 (2012: HK$11,932,000) due to an associate of the Non-controlling Shareholder and HK$310,000 (2012: Nil) due to a company held by a close family member of the beneficial owner of the Non-controlling Shareholder. The balances are unsecured, non-interest-bearing and repayable within 120 days, representing similar credit terms offered by major creditors.

(c) Commitments with a related party

On 30 May 2010, 金岩和嘉 entered into a 10-year operating lease arrangement ending 29 May 2020 with the Non-controlling Shareholder to lease the land for the Group's production plants. The total rental expenses paid to the Non-controlling Shareholder for the year are included in note (a) above. The total operating lease commitments due within one year, in the second to fifth years, and beyond the fifth years as at 31 December 2013 were approximately HK$1,272,000 (2012: HK$1,233,000), HK$5,088,000 (2012: HK$4,933,000) and HK$1,802,000 (2012: HK$2,981,000), respectively.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel of the Group:

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,704**	4,478
Equity-settled share option expense	**—**	405
Pension scheme contributions	**28**	13
	3,732	4,896

Further details of directors' emoluments are included in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		
2013 **Financial assets**	**Loans and receivables** *HK$'000*	**Available-for-sale financial assets** *HK$'000*	**Total** *HK$'000*
Available-for-sale investments	—	4,765	4,765
Trade and bills receivables	93,467	—	93,467
Financial assets included in prepayments, deposits and other receivables	387,636	—	387,636
Amount due from the Non-controlling Shareholder	71,037	—	71,037
Cash and bank balances	10,287	—	10,287
	562,427	4,765	567,192

Financial liabilities	**Financial liabilities at amortised costs** *HK$'000*	**Total** *HK$'000*
Trade payables	514,363	514,363
Financial liabilities included in other payables, accruals and deposits received	298,030	298,030
Interest-bearing bank and other borrowings	119,388	119,388
Amount due to the Non-controlling Shareholder	42,301	42,301
	974,082	974,082

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Group		
2012 Financial assets	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	—	4,688	4,688
Trade and bills receivables	67,348	—	67,348
Financial assets included in prepayments, deposits and other receivables	186,539	—	186,539
Amount due from the Non-controlling Shareholder	74,351	—	74,351
Cash and bank balances	9,986	—	9,986
	338,224	4,688	342,912

Financial liabilities	Financial liabilities at fair value through profit or loss — held for trading *HK$'000*	Financial liabilities at amortised costs *HK$'000*	Total *HK$'000*
Trade payables	—	261,342	261,342
Financial liabilities included in other payables, accruals and deposits received	—	73,463	73,463
Promissory note	—	231,171	231,171
Interest-bearing bank and other borrowings	—	128,833	128,833
Convertible bonds	—	205,789	205,789
Derivative financial instruments	46,025	—	46,025
Amount due to the Non-controlling Shareholder	—	19,201	19,201
	46,025	919,799	965,824

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Company	
Financial assets	**2013**	2012
	Loan and receivables	Loan and receivables
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**1,531,481**	1,649,935
Bank balances	**263**	264
	1,531,744	1,650,199

	Company	
2013		
Financial liabilities	**Financial liabilities at amortised costs**	**Total**
	HK$'000	***HK$'000***
Financial liabilities included in other payables and accruals	**2,462**	**2,462**
Amounts due to subsidiaries	**348,842**	**348,842**
	351,304	**351,304**

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Company		
2012 Financial liabilities	Financial liabilities at fair value through profit or loss — held for trading	Financial liabilities at amortised costs	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	—	3,092	3,092
Amounts due to subsidiaries	—	140,543	140,543
Convertible bonds	—	205,789	205,789
Derivative financial instruments	46,025	—	46,025
	46,025	349,424	395,449

38. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

Assets measured at fair value:

Group

As at 31 December 2013 and 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable input (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investments	**2,221**	**—**	**—**	**2,221**

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	—	46,025	—	46,025

The Company did not have any financial instruments measured at fair value as at 31 December 2013 and 2012.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

39. TRANSFER OF FINANCIAL ASSETS

At 31 December 2013, the Group discounted certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain banks (the "Discounting Banks") in order to receive early cash settlement of the Derecognised Bills with carrying amounts in aggregate of HK$12,719,000 (2012: HK$88,185,000). The Derecognised Bills had a maturity from one to six months. In accordance with the Law of Negotiable Instruments in the PRC, the Discounting Banks have a right of recourse against the Group if the banks issuing the bills are in default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2013, the Group had recognised finance costs of HK$2,556,000 (2012: HK$5,351,000) on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively.

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year ended 31 December 2013, the promissory note with the carrying value of HK$243,882,000 on the maturity date was settled by way of offsetting certain trade receivables, prepayments, deposits and other receivables due to the Group by the Non-controlling Shareholder and certain of its related parties in the amounts of HK$20,128,000 and HK$223,754,000, respectively.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise a promissory note, convertible bonds, derivative financial instruments, and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables, amounts due from/to the Non-controlling Shareholder, cash and bank balances, trade payables, other payables, accruals and deposits received, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk primarily through the impact of long term floating interest rate bank borrowings. Long-term borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not have any significant exposure to fair value interest rate risk based on the mix of fixed and floating rate debts as at 31 December 2013 and 2012. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group's concentration of cash flow interest rate risk is mainly on bank borrowings in relation to movements in interest at rates with reference to the Hong Kong Inter-Bank Offered Rate.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity.

	Group		
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*
2013			
Hong Kong dollar	**100**	**719**	**(719)**
Hong Kong dollar	**(100)**	**(719)**	**719**

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis *(Continued)*

	Group		
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*
2012			
Hong Kong dollar	100	762	(762)
Hong Kong dollar	(100)	(762)	762

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars ("HKD"). The Group is exposed to foreign currency risk arising from the monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group does not have any hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in the future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in USD rate %	**Increase/ (decrease) in loss before tax** *HK$'000*
2013		
If the Hong Kong dollar weakens against the USD	0.5%	98
If the Hong Kong dollar strengthens against the USD	(0.5%)	(98)
2012		
If the Hong Kong dollar weakens against the USD	0.5%	427
If the Hong Kong dollar strengthens against the USD	(0.5%)	(427)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each amount due from individual debtors at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale investments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equals to the carrying amounts of these instruments.

In addition to the concentration of credit risk on prepayments to, and other receivables due from, the Non-controlling Shareholder and a related company (note 21), the Group had a concentration of credit risk as 43% (2012: 52%) of the Group's trade receivables was due from the Non-controlling Shareholder and 18% of the Group trade receivables was due from a related company (2012: 10% due from an independent third company) as at 31 December 2013.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of convertible bonds, a promissory note and interest-bearing bank loans and other borrowings.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the financial liabilities of the Group and the Company as at the end of the reporting periods, based on the contractual undiscounted payments, is as follows:

Group

	On demand or less than 3 months *HK$'000*	**3 to less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Total** *HK$'000*
2013				
Trade payables	**288,040**	**226,323**	**—**	**514,363**
Financial liabilities included in other payables, accruals and deposits received	**78,030**	**220,000**	**—**	**298,030**
Interest-bearing bank and other borrowings*	**74,904**	**40,740**	**6,326**	**121,970**
Amount due to the Non-controlling Shareholder	**—**	**—**	**42,301**	**42,301**
	440,974	**487,063**	**48,627**	**976,664**

	On demand or less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
2012				
Trade payables	210,121	51,221	—	261,342
Financial liabilities included in other payables, accruals and deposits received	73,463	—	—	73,463
Promissory note	—	236,482	—	236,482
Interest-bearing bank and other borrowings*	128,833	—	—	128,833
Convertible bonds#	180,970	—	—	180,970
Amount due to the Non-controlling Shareholder	—	—	19,201	19,201
	593,387	287,703	19,201	900,291

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company

	2013 **On demand or less than 3 months** ***HK$'000***	2012 On demand or less than 3 months *HK$'000*
Financial liabilities included in other payables and accruals	**2,462**	3,092
Amounts due to subsidiaries	**348,842**	140,543
Convertible bonds#	**—**	180,970
	351,304	324,605

* Included in interest-bearing bank and other borrowings are a mortgage loan and an other bank loan for which the related agreements contain a repayment on-demand clause giving the banks the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors consider that the loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements. This evaluation was made considering the Group's compliance with the loan covenants and loan terms, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the interest-bearing mortgage loan and other bank loan, the contractual undiscounted payments as at 31 December 2013 were HK$46,461,000 payable in 2014, HK$25,413,000 during 2015 to 2018 and HK$53,875,000 in 2019 and beyond. The contractual undiscounted payments as at 31 December 2012 were HK$46,156,000 in 2013, HK$25,413,000 during 2014 to 2017 and HK$60,886,000 in 2018 and beyond.

The balance represented the convertible bonds held by PGI which were due on 23 May 2013. As stated in note 28 of the financial statements, on 31 December 2012, the Group had not complied with certain financial covenants stipulated in the 2012 PGI CB, and therefore, for the purpose of the above maturity profile, the total amount was classified as "on demand".

In accordance with the original maturity of the PGI CB, the contractual undiscounted payments as at 31 December 2012 were HK$208,472,000 payable in 2013..

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, interest-bearing bank and other borrowings, an amount due to the Non-controlling Shareholder and a promissory note, net of cash and bank balances. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratios as at the end of the respective reporting periods were as follows:

Group

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**514,363**	261,342
Other payables, accruals and deposits received	**569,623**	183,628
Interest-bearing bank and other borrowings	**119,388**	128,833
Amount due to the Non-controlling Shareholder	**42,301**	19,201
Promissory note	**—**	231,171
Less: Cash and bank balances	**(10,287)**	(9,986)
Net debt	**1,235,388**	814,189
Convertible bonds, the liability component	**—**	205,789
Derivative financial instruments	**—**	46,025
Equity attributable to owners of the parent	**1,129,250**	1,175,363
Adjusted capital	**1,129,250**	1,427,177
Capital and net debt	**2,364,638**	2,241,366
Gearing ratio	**52%**	36%

42. EVENT AFTER THE REPORTING PERIOD

On 27 March 2014, the Company entered into a letter of intent with Kailuan to extend the term of the coke purchase agreement and the repayment date of the deposit received of HK$220,000,000 for a period of 6 months or 12 months upon its expiry on 23 May 2014. On the same day, Mr. Wu Jixian and certain shareholders of the Company signed undertakings, pursuant to which they agreed to extend the pledging period in relation to a total of 957,000,000 shares of the Company pledged to Kailuan in order to secure the deposit from Kailuan under the coke purchase agreement. Moreover, certain shareholders of the Company agreed to extend the option period of the options (the "Options") granted to Kailuan giving it rights to acquire 230,000,000 shares of the Company at agreed prices. The undertakings in relation to the shares of the Company pledged to Kailuan and the Options granted to Kailuan shall be subject to the extension of terms of the coke purchase agreement. Further details of the letter of intent and undertakings are set out in the Company's announcement dated 27 March 2014.

43. DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

Particulars of Properties

Name/location	Lease term	Type	Gross floor area (sq.m.)	Attributable interest
Properties Held for the Group's Own Use				
HONG KONG				
Units 4203, 4205, 4206 and 4208 42nd Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long lease	C	409	100%
The People's Republic of China				
山西省孝義市經濟開發區金岩路1號	Medium term lease	C & I	29,148	90%

C Commercial
I Industrial