HUSCOKE RESOURCES HOLDINGS LIMITED
和嘉資源控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 704)
Website: http://www.huscoke.com

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2014 amounted to approximately HK$598,618,000 (2013: HK$1,038,456,000), representing a decrease of approximately 42.4% as compared with the preceding year.

- EBITDA changed from profit of HK$15,417,000 in 2013 to loss of HK$174,476,000 for the year ended 31 December 2014.

- Net loss for the year ended 31 December 2014 amounted to approximately HK$1,095,942,000 (2013: HK$89,467,000). The loss includes (i) impairment on property, plant and equipment amounting to HK$448,545,000 (2013: HK$20,733,000); (ii) gain on redemption of convertible bonds amounting to Nil (2013: HK$15,867,000); (iii) fair value gain on derivative financial instruments of Nil (2013: HK$46,025,000); and (iv) impairment loss of goodwill amounting to HK$388,544,000 (2013: Nil). These items had not affected the Group's operating cash flows.

- No final dividend was proposed by the board of directors for the year ended 31 December 2014 (2013: Nil).

The board of directors (the "Board") of Huscoke Resources Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 with comparative figures for the corresponding year of 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	4	**598,618**	1,038,456
Cost of sales		**(715,756)**	(1,037,941)
Gross profit/(loss)		**(117,138)**	515
Other income	4	**36,812**	54,294
Selling and distribution costs		**(43,263)**	(58,480)
Administrative expenses		**(85,399)**	(84,077)
Finance costs	5	**(21,862)**	(25,741)
Other operating expenses		**(28,193)**	(17,315)
Gain on redemption of convertible bonds		—	15,867
Fair value change on derivative financial instruments		—	46,025
Impairment on items of property, plant and equipment		**(448,545)**	(20,733)
Impairment of goodwill		**(388,544)**	—
Loss before tax	6	**(1,096,132)**	(89,645)
Income tax credit	7	**190**	178
LOSS FOR THE YEAR		**(1,095,942)**	(89,467)
OTHER COMPREHENSIVE INCOME FOR THE YEAR:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments		**347**	—
Exchange differences on translation of foreign operation		**(20,727)**	39,614
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,116,322)**	(49,853)

	Note	2014 HK$'000	2013 HK$'000
Loss for the year attributable to:			
Owners of the parent		**(989,409)**	(81,765)
Non-controlling interests		**(106,533)**	(7,702)
		(1,095,942)	(89,467)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,007,715)**	(46,113)
Non-controlling interests		**(108,607)**	(3,740)
		(1,116,322)	(49,853)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*8*		
Basic			
— For loss for the year		**(HK16.55 cents)**	(HK1.37 cents)
Diluted			
— For loss for the year		**(HK16.55 cents)**	(HK1.37 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**661,760**	1,241,941
Goodwill		**—**	388,544
Available-for-sale investments		**4,400**	4,765
Total non-current assets		**666,160**	1,635,250
CURRENT ASSETS			
Inventories		**61,213**	255,126
Trade and bills receivables	*9*	**149,520**	93,467
Prepayments, deposits and other receivables	*10*	**478,606**	442,677
Amount due from the Non-controlling Shareholder		**113,098**	71,037
Tax recoverable		**17,191**	17,630
Cash and bank balances	*11*	**1,679**	10,287
Total current assets		**821,307**	890,224
CURRENT LIABILITIES			
Trade payables	*12*	**511,117**	514,363
Other payables, accruals and deposits received	*13*	**639,626**	569,623
Interest-bearing bank and other borrowings		**119,777**	113,062
Amount due to the Non-controlling Shareholder		**50,201**	—
Total current liabilities		**1,320,721**	1,197,048
NET CURRENT LIABILITIES		**(499,414)**	(306,824)
TOTAL ASSETS LESS CURRENT LIABILITIES		**166,746**	1,328,426

	2014	2013
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Amount due to the Non-controlling Shareholder	**—**	42,301
Interest-bearing bank and other borrowings	**—**	6,326
Deferred tax liabilities	**8,732**	8,922
Total non-current liabilities	**8,732**	57,549
Net assets	**158,014**	1,270,877
EQUITY		
Equity attributable to the owners of parent		
Issued share capital	**452,293**	452,293
Reserves	**(327,299)**	676,957
	124,994	1,129,250
Non-controlling interests	**33,020**	141,627
Total equity	**158,014**	1,270,877

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2014

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:

— coke trading business;
— coal-related ancillary business; and
— coke production business.

2.1 BASIS OF PRESENTATION

The Group incurred a net loss of approximately HK$1,095,942,000 (2013: HK$89,467,000) and had a net cash outflow of HK$8,578,000 for the year ended 31 December 2014 (2013: net cash inflow of HK$253,000). As at 31 December 2014, the Group's current liabilities exceeded its current assets by HK$499,414,000 (2013: HK$306,824,000). At the end of the reporting period, the Group was in default to repay a deposit received of HK$220,000,000 (the "Deposit") due to Kailuan (Hong Kong) International Co. Ltd. ("Kailuan"). The loss includes (i) impairment on property, plant and equipment amounting to HK$448,545,000 (2013: HK$20,733,000); (ii) gain on redemption of convertible bonds amounting to Nil (2013: HK$15,867,000); (iii) fair value gain on derivative financial instruments of Nil (2013: HK$46,025,000); and (iv) impairment loss of goodwill amounting to HK$388,544,000 (2013: Nil). These items had not affected the Group's operating cash flows. The Group's performance deteriorated further in the current year as the coke market continued to be sluggish. The selling price of coke continued to drop whereas the cost of production remained high. The directors of the Company (the "Directors") are of the opinion that these conditions will persist for the near future.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) On 10 September 2014, the Group entered into a preliminary sale and purchase agreement with Guarded Success Limited, an independent third party, for the disposal of its land and buildings with a carrying value of HK$102,462,000 at 31 December 2014 (the "Property") for a cash consideration of HK$179,700,000. The proceeds, net of disposal expenses of HK$1,800,000, will be used to repay a mortgage bank loan with an outstanding balance of HK$67,451,000 at 31 December 2014, with the remaining amount to partially settle the Deposit. The disposal is subject to approval by shareholders in a special general meeting, and the transaction is due to be completed by 29 May 2015.

(ii) In January 2015, the Group obtained financial support of HK$2,600,000 from a director of the Company. The amount is interest-free and is not repayable before 1 July 2016.

(iii) On 31 January 2015, the Group secured the agreement of lenders, including certain directors of the Company and a PRC subsidiary, of certain other borrowings with an aggregate amount of HK$15,918,000 as at 31 December 2014 to defer settlement to 1 July 2016.

(iv) On 31 January 2015, the Group entered into an agreement with a non-controlling shareholder of the PRC subsidiary (the "Non-controlling Shareholder") pursuant to which, settlement of an amount due to it by the Group of HK$50,201,000 as at 31 December 2014 was deferred to 1 July 2016.

(v) The Group's bank loan of RMB30,000,000 (HK$37,500,000) at 31 December 2014, was renewed on 4 March 2015 for six months, maturing on 4 September 2015. The Directors are of the opinion that the facility could be successfully renewed for a term of not less than 1 year upon its maturity on 4 September 2015.

(vi) On 18 March 2015, the Company and Kailuan entered into a supplemental agreement with regard to the Deposit, pursuant to which Kailuan agreed not to demand repayment of the principal amount of the Deposit and the related interest and penalty charge totaling HK$245,483,000 before 1 July 2016, except that the Deposit should be reduced by the remaining proceeds from the disposal of the Property as stated in (i) above.

(vii) Pursuant to the same supplemental agreement stated in (vi) above, Kailuan agreed to purchase 600,000 tons of coke from the Group per year. Kailuan undertakes that the Group will be given a 5.5% net profit margin from these purchases (i.e. after deducting coke purchase and other costs).

(viii) On 18 March 2015, the Group and the Non-controlling Shareholder entered into a settlement arrangement, pursuant to which the Non-controlling Shareholder commits to repay the net balances due to the Group (being the outstanding trade and other receivables less trade payables) in the amount of RMB346,890,000 (HK$433,613,000) as at 31 December 2014 by monthly instalments of RMB30,000,000 (equivalent to HK$37,500,000) after its new coking plant starts operation in August 2015, and that the entire amount would be settled within 12 months.

(ix) As at 31 December 2014, the Group recorded trade and other receivables and prepayments of RMB37,354,000 (HK$46,693,000) due from affiliates of the Non-controlling Shareholder. The Directors are of the opinion that full repayment of these receivables will be forthcoming in 2015. The Group and the Non-controlling Shareholder entered into an indemnity agreement on 20 March 2015, pursuant to which the Non-controlling Shareholder undertakes that if any amounts were not settled by the respective parties by 31 December 2015, it will settle the amount on their behalf within a year from 31 December 2015.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financial and operating cash flows including the successful fulfilment of the following plans:

(i) the renewal of a bank facility of RMB30,000,000 (HK$37,500,000) for not less than 12 months from its maturity date in September 2015;

(ii) the realisation of the trading of coke to Kailuan in accordance with the terms set out in the supplemental agreement;

(iii) the repayment of net amounts due from the Non-controlling Shareholder of RMB346,890,000 (HK$433,613,000) as at 31 December 2014 in accordance with the terms of the settlement agreement; and

(iv) the repayment of the trade and other receivables, and prepayments of RMB37,354,000 (HK$46,693,000) as at 31 December 2014 due from affiliates of the Non-controlling Shareholder on or before 31 December 2015.

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, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. 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 and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. 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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.4 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

Amendments to HKAS 1	*Disclosure Initiative*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these 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.

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3. 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 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 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 and 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, 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.

Segment revenue and results

Year ended 31 December 2014

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue					
— external sales	**—**	**112,932**	**485,686**	**—**	**598,618**
— intersegment sales	**—**	**409,069**	**—**	**(409,069)**	**—**
Other income	**—**	**36,438**	**—**	**—**	**36,438**
Total	**—**	**558,439**	**485,686**	**(409,069)**	**635,056**
Segment results	**—**	**(339,800)**	**(622,447)**	**(8,181)**	**(970,428)**
Interest income and sundry income					**374**
Corporate administrative expenses					**(85,399)**
Unallocated other operating expenses					**(18,817)**
Unallocated finance costs					**(21,862)**
Loss before tax					**(1,096,132)**
Income tax credit					**190**
Loss for the year					**(1,095,942)**

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)

Segment assets and liabilities

31 December 2014

	Coke trading *HK$'000*	**Coal-related ancillary** *HK$'000*	**Coke production** *HK$'000*	**Total** *HK$'000*
SEGMENT ASSETS				
Segment assets	**—**	**752,276**	**127,050**	**879,326**
Corporate and unallocated assets				**608,141**
Consolidated assets				**1,487,467**
SEGMENT LIABILITIES				
Segment liabilities	**69,804**	**439,696**	**340,014**	**849,514**
Corporate and unallocated liabilities				**479,939**
Consolidated liabilities				**1,329,453**

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

Year ended 31 December 2014

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
OTHER SEGMENT INFORMATION				
Additions of property, plant and equipment	—	**6,192**	—	**6,192**
Unallocated				**419**
				6,611
Impairment of goodwill	—	**388,544**	—	**388,544**
Impairment on items of property, plant and equipment	—	—	**448,545**	**448,545**
Depreciation	—	**61,778**	**41,033**	**102,811**
Unallocated				**9,894**
				112,705
Unallocated interest expenses on bank and other borrowings				**21,862**
Unallocated income tax credit				**(190)**
Impairment of trade receivables, net	—	**2,276**	**731**	**3,007**
Impairment of prepayments, net	—	**3,552**	—	**3,552**
Write down of invertories to net realisable value	—	—	**3,757**	**3,757**
Write-off of items of property, plant and equipment	—	—	—	**5,475**

Year ended 31 December 2013

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
OTHER SEGMENT INFORMATION				
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
Reversal of impairment of prepayments	—	(2,732)	—	(2,732)

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 2014 and 2013. Therefore, no analysis by geographical region is presented.

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

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**102,732**	105,638
Mainland China	**559,028**	1,524,847
	661,760	1,630,485

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

Information about major customers

During the year ended 31 December 2014, revenue of approximately HK$120,196,000 (2013: Nil), HK$99,706,000 (2013: Nil) and HK$70,143,000 (2013:421,914,000) were derived from sales in the coke production segment to three customers. During the year ended 31 December 2013, revenue of approximately HK$421,914,000 and HK$195,922,000 were derived from sales in the coke production segment to two customers. These customers were independent third parties of the Group.

4. 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	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of refined coal	—	66,239
Sale of transportation service	**11,481**	13,866
Sale of electricity and heat	**98,032**	97,149
Sale of medium coal	**3,419**	7,184
Sale of coke and by-products	**485,686**	854,018
	598,618	1,038,456
Other income		
Interest income	**4**	23
Commission income	**47**	23
Government subsidies	**36,391**	53,688
Sundry income	**370**	560
	36,812	54,294

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings repayable within five years	**21,862**	5,783
Interest expenses on promissory note	—	5,478
Interest expenses on convertible bonds	—	11,923
Interest expenses on discounted bills	—	2,557
	21,862	25,741

6. LOSS BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**711,999**	1,037,941
Auditors' remuneration	**2,130**	1,950
Depreciation	**112,705**	120,480
Operating lease payments in respect of leasehold interests in land and rented properties	**1,934**	1,931
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**59,068**	68,711
Equity-settled share option expense	**3,459**	—
Pension scheme contributions[#]	**17,289**	17,972
	79,816	86,683
Write-down of inventories to net realisable value[@]	**3,757**	—
Impairment of trade receivables, net*	**3,007**	4,121
Impairment/(reversal of impairment) of prepayments, net*	**3,552**	(2,732)
Impairment of available-for-sale investments*	**668**	—
Write-off of items of property, plant and equipment*	**5,475**	—
Gain on disposal of items of property, plant and equipment	**(86)**	—
Compensation charge*	**12,674**	15,926

As at 31 December 2014 and 2013, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

* These balances are included in "Other operating expenses" in the consolidated profit or loss.

@ The balances is included in "Cost of sales" in the consolidated profit or loss.

7. INCOME TAX CREDIT

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

	2014	2013
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong	**—**	—
Current — Elsewhere	**—**	—
Deferred	**(190)**	(178)
Total tax credit for the year	**(190)**	(178)

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on loss for the year attributable to owners of the parent of HK$989,409,000 (2013: HK$81,765,000), and the weighted average number of ordinary shares of 5,977,926,000 (2013: 5,977,926,000) in issue during the year, as adjusted to reflect the full conversion of the convertible bonds issued in 2008 for ordinary shares of the Company during the year.

The convertible bonds issued in 2008 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 2014 and 2013 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**276,732**	173,771
Bills receivables	**500**	2,544
Impairment	**(14,614)**	(11,811)
	262,618	164,504
Less: Trade receivables due from the Non-controlling Shareholder	**(113,098)**	(71,037)
	149,520	93,467

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 2014, approximately 19% (2013: 44%) and 11% (2013: 19%) 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	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**134,766**	155,873
3 to 4 months	**36,794**	635
Over 4 months	**91,058**	7,996
	262,618	164,504

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**11,811**	7,456
Impairment loss recognised *(note 6)*	**5,891**	4,121
Impairment loss reversed *(note 6)*	**(2,884)**	—
Exchange realignment	**(204)**	234
At 31 December	**14,614**	11,811

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$14,614,000 (2013: HK$11,811,000) with a carrying amount before provision of HK$15,136,000 (2013: HK$12,665,000).

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.

An 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	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**171,036**	155,654
Less than 6 months past due	**10,389**	5,989
More than 6 months past due	**80,671**	2,007
	262,096	163,650

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.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Other receivables from the Non-controlling Shareholder		**409,370**	381,465
Prepayments and other receivables due from a related company		**3,750**	3,816
		413,120	385,281
Prepayments, deposits and other receivables of other parties	*(i)*	**72,267**	60,682
Impairment		**(6,781)**	(3,286)
		478,606	442,677

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	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**3,286**	5,836
Impairment loss recognised *(note 6)*	**4,143**	1,106
Impairment loss reversed *(note 6)*	**(591)**	(3,838)
Exchange realignment	**(57)**	182
At 31 December	**6,781**	3,286

Included in the above provision is a provision for individually impaired prepayments of HK$6,781,000 (2013: HK$3,286,000) with a carrying amount before provision of HK$6,786,000 (2013: HK$4,260,000). 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.

11. CASH AND BANK BALANCES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Cash and bank balances	**1,679**	10,287

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$1,171,000 (2013: HK$2,222,000). 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 are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade payables due to other parties	**422,262**	470,157
Trade payables due to the Non-controlling Shareholder	**88,855**	44,206
	511,117	514,363

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**92,396**	280,345
3 to 4 months	**9,717**	8,746
Over 4 months	**409,004**	225,272
	511,117	514,363

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.

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group	
	2014	2013
	HK$'000	*HK$'000*
Other payables and accrued charges	**221,129**	116,653
Advance received from customers	**198,497**	232,970
Deposit received from Kailuan *(Note)*	**220,000**	220,000
	639,626	569,623

Note:

The Deposit was placed by Kailuan, an independent third party, to the Group in connection with annual coke sale and purchase agreement for the purchase of coke for a term of one year from 24 May 2013. The Deposit 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 former 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 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 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 2014 of HK$102,462,000.

Further details of the Deposit 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 failed to deliver the agreed quantity of coke at Kailuan's specification on a quarterly basis. No coke was supplied to Kailuan during the purchase contract term which expired on 23 May 2014, and a compensation charge of HK$10,474,000 was recorded for the year (2013: HK$15,926,000).

At 31 December 2014, the Group was in default of repayment of the Deposit.

On 23 January 2015, a debt repayment scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, a subsidiary of the Group. It was agreed that the proceeds from disposal of the Property shall not be less than HK$179.7 million, and will be used firstly to settle the mortgaged bank loan and the disposal expense, with the remaining amount to partially repay the Deposit.

On the same day, an interest scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, pursuant to which

(a) the Group agreed to pay default interest at an annual rate of 13% from 24 May 2014 (contractual due date) to 24 December 2014 which amounted to HK$16,683,000;

(b) default interest rate subsequent to 24 December 2014 is subject to further negotiation; and

(c) the Group agreed to pay additional sum of HK$2,200,000 to Kailuan as compensation for delinquent repayment of the Group on top of the aforesaid default interest.

On 18 March 2015, the Company and Kailuan entered into a supplemental agreement with regard to the Deposit, pursuant to which Kailuan agreed not to demand repayment of the principal amount of the Deposit and the related interest and penalty charge of HK$245,483,000 before 1 July 2016, except that the Deposit should be reduced by the remaining proceeds from the disposal of the Property.

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

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

14. EVENTS AFTER THE REPORTING PERIOD

On 23 January 2015, the Company signed a debt repayment scheme agreement with Kailuan with the terms that the process of disposal of the Property shall be completed on or before 29 May 2015 and that the remaining proceeds from the disposal shall be used entirely to repay the Deposit and interest owed to Kailuan after the full payment to release the first mortgage loan from The Bank of East Asia and the disposal expenses. On the same date, the Company also signed an interest scheme agreement with Kailuan with the terms that the interest will be charged on the Deposit at a rate of 13% per annum from 24 May 2014 to 23 December 2014 and an additional HK$2,200,000 as compensation for the damage caused by the Companys delinquent repayment to Kailuan.

On 18 March 2015, the Company signed the Supplemental Agreement in which Kailuan will purchase coke from the Company and a 5.5% net profit margin will be given to the Company after deducting third party coke purchase price and other costs. The quantity will be 600,000 tonnes per year but no penalties will be imposed by either side if the quantity falls short. Kailuan has also agreed not to demand repayment of the Deposit, or the remaining balance of the Deposit (after deducting the repayment of part of the Deposit upon the disposal of the Property, and the relevant interests or penalties from the Company) before 1 July 2016.

15. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

FINANCIAL HIGHLIGHT

During the year under review, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of HK$598,618,000, representing a decrease of 42.4% compared to that of 2013 (2013: HK$1,038,456,000). The Group recorded gross loss of 19.6% as compared to gross profit of 0.05% in 2013.

EBITDA of the Group changed from profit of HK$15,417,000 in 2013 to loss of HK$174,476,000 for the year ended 31 December 2014. Net loss for the year ended 31 December 2014 was HK$1,095,942,000 (2013: HK$89,467,000).

The Group recorded a loss and total comprehensive loss attributable to the owners of the parent of HK$989,409,000 and HK$1,007,715,000, respectively, for the year ended 31 December 2014 (2013: HK$81,765,000 and HK$46,113,000, respectively). The loss includes (i) impairment on property, plant and equipment amounting to HK$448,545,000 (2013: HK$20,733,000); (ii) gain on redemption of convertible bonds amounting to Nil (2013: HK$15,867,000); (iii) fair value gain on derivative financial instruments of Nil (2013: HK$46,025,000); and (iv) impairment loss of goodwill amounting to HK$388,544,000 (2013: Nil). These items had not affected the Group's operating cash flows.

The Group also recorded net current liabilities of HK$499,414,000 (2013: HK$306,824,000) as at 31 December 2014, which include current portion of interest-bearing bank and other borrowings of HK$119,777,000 (2013: HK$113,062,000). The increase in the net current liability portion is mainly due to the decrease of inventories from HK$255,126,000 in 2013 to HK$61,213,000 in 2014.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

BUSINESS REVIEW

The coke market continued to be sluggish and there is no sign of recovery subsequent to 2013 which made 2014 to be another challenging year to the Group, with the total revenue dropped from HK$1,038,456,000 in 2013 to HK$598,618,000 in 2014, representing a 42.4% decrease. Resulted from continuous drop in selling price and the high cost of production, the Group suffered gross loss of HK$117,138,000 in 2014 as compared with gross profit of HK$515,000 in 2013. Loss attributable to owners of the parent was HK$989,409,000 (2013: HK$81,765,000).

China economy entered into an era of slow growth in recent years. The steel market is facing very harsh operating environment in recent years with the prolonged tightening policies on the property market, credit squeeze and overcapacity also weighs on the sector. Those led to the low demand and price reduction of our major product, coke, an ingredient in steel making process. Coke price dropped continuously throughout 2014.

The gross loss 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. These factors reopened the Chinese coke export market. However, the international coke market is already oversaturated and throughout 2013 and 2014, the reopening of the Chinese coke export market, exacerbating the oversupply, thus pressuring prices further. These market conditions hindered the Group's attempt to restart the coke export business.

For the domestic coke market, due to the unfavorable local market condition, the coke trading business has been suspended in the year (2013: HK$44,265,000).

As such, the Group did not record any coke trading revenue in this year.

Coal-related ancillary segment

The coal-related ancillary segment related to the 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 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 external sales contributed by this segment. The external sales from this segment decreased from HK$184,428,000 in 2013 to HK$112,932,000 in 2014, representing a 38.8% decrease as compared to that in 2013. The decrease was mainly due to the sluggish coke market which led to reduction of the activities of our coal-related ancillary segment in 2014. Moreover, the production of the Non-controlling Shareholder decreased, which lead to decrease in refined coal and electricity sales to the Non-controlling Shareholder from HK$35,782,000 in 2013 to HK$869,000 in 2014.

Due to the continuous weak coal market and the gloomy market outlook, the Group had internally reviewed and assessed the carrying value of the Group's coal-related ancillary business segment and made impairment loss on goodwill amounting to HK$388,544,000 (2013: Nil). The impairment loss is a non-cash item which does not have any impact on the Group's operating cash flows.

Coke production segment

Due to the weak coke price in 2014, the coke production segment recorded reduced revenue from HK$809,753,000 in 2013 to HK$485,686,000 in 2014, representing around 40.0% decrease.

As a result of the continuous weak coke price and the high production cost, the Group had internally reviewed and assessed the carrying value of the Group's coke production facilities and made impairment loss on items of property, plant and equipment amounting to HK$448,545,000 (2013: HK$20,733,000). 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 decreased from HK$58,480,000 in 2013 to HK$43,263,000 in 2014.

The amount of finance costs slightly decreased from HK$25,741,000 in 2013 to HK$21,862,000 in 2014.

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 former non-executive director and substantial shareholder 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"), the Deposit is interest free and is repayable on or before 23 May 2014.

The Annual Coke S&P Agreement expired on 24 May 2014. 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.

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 default liquidated damages, compensation and interest charged by Kailuan amounted to HK$29,357,000 in 2014 (2013: HK$15,926,000).

In order to repay the Deposit and the default liquidated damages to Kailuan, on obtaining written consent from Kailuan, the Group entered into an agreement with an Independent Third Party on 10 September 2014 pursuant to which the Group has conditionally agreed to dispose the Group's land and building situated in Hong Kong (the "Property") which was used to secure the Deposit from Kailuan under second mortgage, subject, inter alia, to the approval of shareholders of the Company. The approval of shareholders was not yet obtained up to the date of this announcement.

As at 31 December 2014, the Deposit 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 former non-executive director and 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 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 2014 of HK$102,462,000.

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

At 31 December 2014, the Group was in default of repayment of the Deposit.

On 23 January 2015, a debt repayment scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, a subsidiary of the Group. It was agreed that the proceeds from disposal of the Property shall not be less than HK$179.7 million, and will be used firstly to settle the mortgaged bank loan and the disposal expense, with the remaining amount to partially repay the Deposit.

On the same day, an interest scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, pursuant to which

(a) the Group agreed to pay default interest at an annual rate of 13% per annum from 24 May 2014 (contractual due date) to 24 December 2014 which amounted to HK$16,683,000;

(b) default interest rate subsequent to 24 December 2014 is subject to further negotiation;

(c) the Group agreed to pay an additional sum of HK$2,200,000 to Kailuan as compensation for delinquent repayment of the Group on top of the aforesaid default interest.

On 18 March 2015, the Company and Kailuan entered into a supplemental agreement with regard to the Deposit, pursuant to which Kailuan agreed not to demand repayment of the principal amount of the Deposit and the related interest and penalty charge of HK$245,483,000 before 1 July 2016, except that the Deposit should be reduced by the remaining proceeds from the disposal of the Property after repayment of the mortgaged bank loan and the disposal expenses.

Under the same supplemental agreement, Kailuan will purchase 600,000 tonnes of coke per year from the Group. Kailuan has undertaken that the Group will be given 5.5% net profit margin from those purchases (i.e. after deducting third party coke purchase price and other costs).

Further details of the Annual Coke S&P Agreement, the disposal of the Property and the deposit repayment and interest arrangements are set out in the Company's announcements dated 23 May 2013 and 29 May 2013, 23 May 2014, 10 September 2014, 30 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015, 18 March 2015 and 26 March 2015.

CHARGES OVER ASSETS

As at 31 December 2014, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$102,462,000 (2013: HK$104,828,000) to secure a mortgage loan of the Group. The amount of the secured bank borrowings outstanding at 31 December 2014 was HK$67,451,000 (2013: HK$71,904,000). The Group had no pledged deposit as at 31 December 2014 (2013: 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.

On 10 September 2014, the Group entered into a Preliminary Sale & Purchase Agreement with an independent third party pursuant to which the Group has conditionally agreed to sell the Group's land and building covered by the second mortgage regarding the Deposit and the part of the proceed from the disposal will be used to repay the Deposit from Kailuan. Further details of the disposal of the Property are set out in the Company's announcements dated 10 September 2014, 30 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015 and 26 March 2015.

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 2014 and 31 December 2013.

The Group's principal financial instruments comprise the Deposit 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 deposits received, interest bearing bank and other borrowings, an amount due to the Non-controlling Shareholder, net of cash and bank balances. Capital includes the convertible bonds issued in 2008 and equity attributable to owners of the parent. The gearing ratios as at 31 December 2014 was 91% (2013: 52%). The increase in the gearing ratio is mainly due to the decrease of inventories from HK$255,126,000 in 2013 to HK$61,213,000 in 2014.

As at 31 December 2014, the equity attributable to owners of the parent amounted to HK$124,994,000 (2013: HK$1,129,250,000). Taking into account of shares issued upon full conversion of convertible bonds issued in 2008, the equity attributable to owners of the Company per share was HK$0.02 per share (2013: HK$0.19 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$499,414,000 (2013: HK$306,824,000) and 0.62 (2013: 0.74), respectively as at 31 December 2014, which include current portion of interest-bearing bank and other borrowings of HK$119,777,000 (2013: HK$113,062,000). The increase in the net current liability position is mainly due to the decrease of inventories from HK$255,126,000 in 2013 to HK$61,213,000 in 2014.

Due to adoption of HK Interpretation 5, the Group's mortgage loan of HK$62,853,000 (2013: HK$67,409,000) 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 2014, the Group's cash and bank balances amounted to HK$1,679,000 (2013: HK$10,287,000). As at 31 December 2014, the Group has total bank and other borrowings amounting to HK$119,777,000 (2013: HK$119,388,000).

As of 31 December 2014 and 2013, 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 and Kailuan had entered into a Supplemental Agreement to the "Annual Coke S&P Agreement" on 18 March 2015 pursuant to which:

    - Kailuan will purchase and the Group will sell 600,000 tonnes coke per year to Kailuan. Kailuan has undertaken that the Group will be given 5.5% net profit margin from those purchases (i.e. after deducting third party coke purchase price and other costs). The settlement cycle of each purchase shall not exceed one month; and

    - Kailuan agreed not to demand repayment of the principal amount of the Deposit and the related interest and penalty charge totaling HK$245,483,000 before 1 July 2016, except that the Deposit should be reduced by the remaining proceeds from the disposal of the Property.

b. the Group had a bank loan granted by a bank in the People's Republic of China ("PRC") of approximately HK$37,500,000 (equivalent to RMB30,000,000) as at 31 December 2014 for working capital purposes. Although the bank loan will expire in September 2015, the Directors are of the opinion that the Group will be able to renew/refinance the bank loan upon its expiry;

c. as of 31 December 2014, the Group had net receivables of HK$433,613,000 (equivalent to RMB346,890,000) from the Non-controlling Shareholder. The Group had entered into a settlement agreement with the Non-controlling Shareholder that the Non-controlling Shareholder will repay HK$37,500,000 (equivalent to RMB30,000,000) per month to the Group after its new coking plant starts operation in August 2015, and that the entire amount would be settled within 12 months; and

d. as of 31 December 2014, the Group had net receivables of HK$46,693,000 (equivalent to RMB37,354,000) from related parties of the Non-controlling Shareholder. The Non-controlling Shareholder had guaranteed the repayment of those repayable that should any of those receivables not repaid by 31 December 2015, the Non-controlling Shareholder will repay the uncollected amount to the Group within 1 year.

After taking into account the above measures, the Directors 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 2014, the Group had operating lease commitments of HK$7,284,000 (2013: HK$9,359,000).

As at 31 December 2014, the Group had authorised, but not contracted for capital commitment of HK$17,964,000 (2013: HK$23,181,000) and contracted, but not provided for capital commitments of HK$16,369,000 (2013: HK$18,055,000) 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 cash and bank balances. 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 2014, the Group had approximately 1,600 employees (2013: approximately 1,850 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$79,816,000 for the year ended 31 December 2014 and approximately HK$86,683,000 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 90,200,000 share options outstanding under the share option scheme.

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.

It is expected either the macroeconomic or the coke industry will continue this year's weakness in 2015. Excess capacity had been a serious problem for many industries in China, including the steel industry and coke industry, and this is still the main problem facing the market players in those industries. Environmental focus restricting the coke production quantities is a support to the coke price, but the weak market demand is still making the industry not able to enter into a more balanced supply and demand cycle. Overall, the 2015 coke market will still continue a weak trend.

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.

Moreover, the management had been considering of spending more effort on the attempt to restart the Group's coke export trading business. On 18 March 2015, the Group and Kailuan entered into a Supplemental Agreement pursuant to which Kailuan will purchase 600,000 tonnes coke per year from the Group. Kailuan has undertaken that the Group will be given 5.5% net profit margin from those purchases (i.e. after deducting third party coke purchase price and other costs). The Group will try to find new source of coke suppliers which meets the export coke quality standards. The management hopes this coke export trading business can help the Group to improve its gross profit margin and alleviate the effect on the Group imposed by the weak China coke market.

In September 2010, the Group has signed an non-legal binding memorandum of understandings ("MOU") with the Non-Controlling Shareholder. This 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.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors namely, Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy. The Audit Committee has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters.

REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2014 have been reviewed with no disagreement by the Audit Committee of the Company.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The below sections set out an extract of auditors' report on the Group's consolidated financial statements for the year ended 31 December 2014;

"Basis for disclaimer of opinion

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred a net loss of approximately HK$1,095,942,000 for the year ended 31 December 2014. As at 31 December 2014, the Group's current liabilities exceeded its current assets by HK$499,414,000. In addition, as at 31 December 2014, the Group was in default to repay a deposit received of HK$220,000,000 due to Kailuan (Hong Kong) International Co. Ltd. ("Kailuan"). These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the renewal of a bank facility of RMB30,000,000 (HK$37,500,000) upon its maturity on 4 September 2015, (ii) the realisation of the trading of coke to Kailuan in accordance with the terms set out in a supplemental agreement, (iii) the repayment of net amounts of RMB346,890,000 (HK$433,613,000) as at 31 December 2014 due from a non-controlling shareholder of a PRC subsidiary (the "Non-controlling Shareholder") in accordance with terms of a settlement agreement and (iv) the repayment of trade and other receivables, and prepayments of RMB37,354,000 (HK$46,693,000) as at 31 December 2014 from affiliates of the Non-controlling Shareholder on or before 31 December 2015.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of each of the uncertainties and their possible effects, individually and cumulatively, on the consolidated financial statements described in the Basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether 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 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

CODE ON CORPORATE GOVERNANCE PRACTICES

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 2014.

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, non-executive Director Wu Jixian and independent non-executive Directors Mr. Lau Ka Ho did not attend the annual general meeting held on 3 June 2014. Despite the fact that the Directors were not able to attend those general meetings, all directors were fully aware of the matter discussed and the corresponding resolutions through discussions among themselves and with the executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2014.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2014 annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.huscoke.com).

The 2014 Annual Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors of the Company confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors of the Company are Mr. Gao Jianguo and Mr. Li Baoqi and the independent non-executive Directors of the Company are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.

By Order of the Board
Li Baoqi
Executive Director

Hong Kong, 31 March 2015