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 2013

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2013 amounted to approximately HK$1,038,456,000 (2012: HK$1,146,763,000), representing a decrease of approximately 9.4% as compared with the preceding year.

- EBITDA increased from HK$12,837,000 in 2012 to HK$15,417,000 for the year ended 31 December 2013.

- Net loss for the year ended 31 December 2013 amounted to approximately HK$89,467,000 (2012: HK$398,782,000).

- No final dividend was proposed by the board of directors for the year ended 31 December 2013 (2012: 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 2013 with comparative figures for the corresponding year of 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	4	**1,038,456**	1,146,763
Cost of sales			
— Amortisation of other intangible asset		**—**	(16,814)
— Others		**(1,037,941)**	(1,165,148)
Gross profit/(loss)		**515**	(35,199)
Other income	4	**54,294**	62,499
Selling and distribution costs		**(58,480)**	(41,517)
Administrative expenses		**(84,077)**	(79,975)
Finance costs	5	**(25,741)**	(63,285)
Other operating expenses		**(17,315)**	(11,925)
Gain on redemption of convertible bonds		**15,867**	—
Gain arising from modification of convertible bonds		**—**	23,226
Fair value change on derivative financial instruments		**46,025**	(44,300)
Impairment on other intangible asset		**—**	(260,618)
Impairment on items of property, plant and equipment		**(20,733)**	—
Loss before tax	6	**(89,645)**	(451,094)
Income tax credit	7	**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)

	Note	**2013**	2012
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the parent		**(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	*8*		
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		**1,241,941**	1,335,534
Goodwill		**388,544**	388,544
Other intangible asset		**—**	—
Available-for-sale investments		**4,765**	4,688
Total non-current assets		**1,635,250**	1,728,766
CURRENT ASSETS			
Inventories		**255,126**	112,225
Trade and bills receivables	*9*	**93,467**	67,348
Prepayments, deposits and other receivables	*10*	**442,677**	405,197
Amount due from the Non-controlling Shareholder		**71,037**	74,351
Tax recoverable		**17,630**	7,946
Cash and bank balances	*11*	**10,287**	9,986
Total current assets		**890,224**	677,053
CURRENT LIABILITIES			
Trade payables	*12*	**514,363**	261,342
Other payables, accruals and deposits received	*13*	**569,623**	183,628
Promissory note		**—**	231,171
Interest-bearing bank and other borrowings		**113,062**	128,833
Convertible bonds		**—**	205,789
Derivative financial instruments		**—**	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

	2013	2012
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Amount due to the Non-controlling Shareholder	**42,301**	19,201
Interest-bearing bank and other borrowings	**6,326**	—
Deferred tax liabilities	**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	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

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.

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 items of 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.

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 from the creditor 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.

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 BASIC 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. 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 (collectively referred to as the "Group") 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 interest, 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.

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 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 the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). 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.

(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 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.

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 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.

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					**(84,077)**
Gain on redemption of convertible bonds					**15,867**
Fair value change on derivative financial instruments					**46,025**
Unallocated finance costs					**(23,185)**
Loss before tax					**(89,645)**
Income tax credit					**178**
Loss for the year					**(89,467)**

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)

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

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**
Impairment of prepayments	—	**1,106**	—	**1,106**
Reversal of impairment of prepayments	—	**(3,838)**	—	**(3,838)**

Year ended 31 December 2012

	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	—	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

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.

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	
	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

5. 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

6. LOSS BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**1,037,941**	1,165,148
Auditors' remuneration	**1,950**	2,130
Depreciation	**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	**—**	540
Pension scheme contributions#	**17,972**	11,906
	86,683	73,441
Impairment of trade receivables*	**4,121**	6,089
Impairment of prepayments*	**1,106**	5,836
Reversal of impairment of prepayments*	**(3,838)**	—
Write-off of items of property, plant and equipment	**—**	5,701
Compensation charge	**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. 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	**(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**
Tax credit at the Group's effective rate	**(178)**	**(1.2)**	**—**	**—**	**(178)**	**(0.2)**

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)

8. 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 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 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.

9. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	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	**(71,037)**	(74,351)
	93,467	67,348

Included in the Group's trade receivables 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.

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 44% (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

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

Notes:

(i) Balance included a prepayment of HK$3,816,000 (2012: HK$22,088,000) to an associate of the Non-controlling Shareholder for purchases of raw materials. The balance is to be settled with future purchases. Also included in the 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.

(ii) 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	2012
	HK$'000	*HK$'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.

11. CASH AND BANK BALANCES

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

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 pledged deposits are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

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

Included in the trade payables 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.

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.

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

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 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 2013 of HK$104,828,000.

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 the deposit received approximate their fair values.

14. 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 the expiry date 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.

15. DIVIDEND

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

FINANCIAL HIGHLIGHT

During the year under review, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of HK$1,038,456,000, representing a decrease of 9.4% compared to that of 2012 (2012: HK$1,146,763,000). The Group recorded gross profit of 0.05 % as compared to gross loss of 3.1% in 2012.

EBITDA of the Group increased from HK$12,837,000 in 2012 to HK$15,417,000 for the year ended 31 December 2013. Net loss for the year ended 31 December 2013 was HK$89,467,000 (2012: HK$398,782,000).

The Group recorded a loss and total comprehensive loss attributable to the owners of the parent of HK$81,765,000 and HK$46,113,000, respectively, for the year ended 31 December 2013 (2012: HK$390,303,000 and HK$376,590,000, respectively). The loss includes (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); (iii) gain arising from modification of convertible bonds amounting to Nil (2012: HK$23,226,000); (iv) fair value gain on derivative financial instruments of HK$46,025,000 (2012: Fair value loss of HK$44,300,000); and (v) 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.

The Group also recorded net current liabilities of HK$306,824,000 (2012: HK$379,735,000) 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.

DIVIDEND

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

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 need to rely on coal mines in other regions with much higher transportation costs. The Group also needs to outsource 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 is 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, respectively, 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 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.

As at 31 December 2013, the deposit was a 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 announcement dated 23 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 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 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.

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 and general banking facilities granted to 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 and accruals, 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: 37%).

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 during the year and 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 notes 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 notes during the year.

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 subsequent to the year end:

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. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimize the fair value interest rate risk. 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 other than functional currency 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 announcement, there are 26,600,000 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.

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.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors. It 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 2013 have been reviewed with no disagreement by the Audit Committee of the Company.

EMPHASIS OF MATTER

Without qualifying their opinion, the auditors' report is likely to include a paragraph to draw the attention of the Company's shareholders to the notes to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$89,467,000 for 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. The Group's 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 its operation to generate adequate cash flow to meet the Group's financial obligations as and when they fall due in the foreseeable future.

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 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 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 2013.

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 2013 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 2013 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, the non-executive Director of the Company is Mr. Wu Jixian 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, 28 March, 2014