2013 Annual Report 年報

Stock Code 股份代號：00988

LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED

樓東俊安資源(中國)控股有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Contents

Corporate Information

EXECUTIVE DIRECTORS

Cai Sui Xin *(Chairman)*
Zhao Cheng Shu *(Deputy Chairman)*
Lau Yu *(Chief Executive Officer)*
Ng Tze For
Li Xiao Juan

NON-EXECUTIVE DIRECTOR

Li Xiao Long

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy So Yuk, *BBS, JP*
Gao Wen Ping
Leung Yuen Wing

AUDIT COMMITTEE

Leung Yuen Wing *(chairman)*
Li Xiao Long
Choy So Yuk, *BBS, JP*
Gao Wen Ping

REMUNERATION COMMITTEE

Choy So Yuk, *BBS, JP (chairman)*
Li Xiao Long
Gao Wen Ping
Leung Yuen Wing

NOMINATION COMMITTEE

Cai Sui Xin *(chairman)*
Zhao Cheng Shu
Choy So Yuk, *BBS, JP*
Gao Wen Ping
Leung Yuen Wing

EXECUTIVE COMMITTEE

Lau Yu *(chairman)*
Zhao Cheng Shu
Ng Tze For
Li Xiao Juan

AUTHORISED REPRESENTATIVES

Ng Tze For
Chiu Yuk Ching

COMPANY SECRETARY

Chiu Yuk Ching

AUDITOR

Ascenda Cachet CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

ADR DEPOSITARY

The Bank of New York Mellon Corporation
101 Barclay Street, 22nd Floor,
New York, NY 10286
USA

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,
Hong Kong Branch
Citic Bank International Limited
DBS Bank (Hong Kong) Limited

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Loudong General Nice Resources (China) Holdings Limited (the "Company"), I am pleased to present to you the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2013 (the "Review Period").

In the Review Period, the Group's revenue and gross profit amounted to approximately HK$3,105,949,000 and HK$648,004,000 respectively. Loss attributable to owners of the Company for the Review Period amounted to approximately HK$2,581,507,000, compared to a profit of HK$138,478,000 recorded in 2012. The loss was partly attributable to low coke selling price and high material cost of coking coal, amidst a slowing demand from steel mills in China. In addition, the substantial loss reported was primarily a result of the considerable impairment posted on the Group's coking plant facilities in line with Shanxi provincial government policy on coking industry consolidation.

For the year ended 31 December 2013, basic loss per share for continuing operations was HK$1.08, as compared to basic earnings per share of HK$0.06 in 2012. The Board does not recommend the payment of a final dividend for the year ended 31 December 2013. (2012: Nil).

CHALLENGING BUSINESS ENVIRONMENT

The Company was hit hard in 2013 along with most coke producers in China that had experienced the toughest time in the history of the coking industry and suffered huge losses amid low coke prices and weak demand from the steel sector. According to information from China Coking Industry Association, about 40% of the coke suppliers in China suffered losses, with total operating losses reaching RMB11.77 billion in 2013.

The Chinese coking industry was plagued with serious overcapacity, with an average capacity utilization rate of about 70-75%, despite the number of coking plants in China dropped by nearly half in the past 10 years to 720 last year. Data from the National Bureau of Statistics showed that China produced 476 million tonnes of coke in 2013, accounting for about 75% of the country's production capacity of around 631 million tonnes.

Chairman's Statement

Domestic Chinese coke market was in stagnancy last year as a result of weak demand from steel sector amid staggering economy. Despite notable export increase since the removal of 40% export duty in 2013, the country's coke export remained meager at less than 1% of total output and did not help much to ease the poor domestic market situation.

Besides, the Shanxi provincial government's coking industry consolidation program requires all existing coking facilities in Shanxi to meet a minimum 2 million-tonne production capacity, plus certain operating and environmental standards on coking ovens. To cope with this policy, a large number of coking facilities in Shanxi province have to be upgraded or totally re-constructed in the next few years, or otherwise will be shut down or eliminated out of the market naturally.

LOOKING AHEAD

China still has a long way to go in tackling oversupply in its coking sector, as new capacity continues to be built and demand remains flat. It would be an arduous task to resolve overcapacity and eliminate backward capacities, and further shutdowns would be needed to help the coke market get out of its turbulence. Future government policy measures will focus on closures of coking facilities and the reorganization of the industry structure, noting advancements in innovation as a crucial mean of boosting coke quality, meeting environmental standards and reducing costs. Yet, this would be a long term exercise with huge investments and painful repercussions in the near term.

The Group is now standing at the crossroads facing enormous task of a critical decision to be made. The pessimistic outlook of the coking industry, the recent non-approval of our synthetic natural gas production joint venture project by local environmental bureau and the huge cost for the construction of the new coking facilities have prompted the Group to consider the disposal of our existing coking facilities whilst reallocating resources to other assets to achieve better return to our shareholders. As such, the Group has entered into memoranda of understanding to dispose our coking facilities as well as to acquire a commercial building in Sydney, Australia with stable rental income.

Chairman's Statement

In order to increase the shareholders' wealth, the Group is committed to continuously seek for other profitable investments with promising outlook in the near future as well as to introduce strategic private and state-owned investors to enhance the Group's strength and business development capabilities.

The Company will continue to uphold our philosophy of sound operation and to grasp any developing opportunity. Also, through our experienced management, the Company is confident that we will turn the prevailing challenges into opportunities so as to sustain decent growth for our shareholders.

On behalf of the Board, I would like to express our sincere appreciation to our shareholders and business partners as well as the significant contribution of our committed staff members in the past year. Looking forward, we are continuously committed to maintain a high level of corporate governance and transparency, and strive to create sound return to the shareholders.

Chairman
Cai Sui Xin

31 March 2014

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2013, the Group recorded revenue from operations of approximately HK$3,105,949,000 (2012: approximately HK$2,233,316,000), representing a 39% increase from the previous year, largely due to the new coke trading business line introduced in the year under review.

As a result of the sales growth, the Group's gross profit increased to approximately HK$648,004,000 for the year ended 31 December 2013 from approximately HK$447,156,000 recorded in 2012, with profit margin unchanged at approximately 20%.

Loss attributable to owners of the Company for the year ended 31 December 2013 was approximately HK$2,581,507,000, compared with a profit attributable to owners of the Company of approximately HK$138,478,000 in 2012. The loss was partly attributable to the drop in selling price of metallurgical coke and high cost of key raw material, coking coal, amidst a slowing demand from steel mills and a tepid domestic market in China.

In addition, the substantial loss reported was primarily a result of the considerable impairment posted on the Company's existing plant facilities. In line with the central government policy, Shanxi provincial government had initiated a consolidation program in the coking industry that require all coking facilities to meet a minimum 2 million-tonne production capacity and certain standards on the furnaces/oven. To cope with this policy, the management planned for the construction of the coking manufacturing facilities (the "New Facilities") in a newly planned zone. The management considers that the operation of the existing coke manufacturing facilities of the Group will cease upon the completion of construction of and the commencement of commercial production of the New Facilities in or around the Year 2017. In view of the estimated useful life for the existing facilities, a substantial impairment is being made leading to a significant loss for the year.

BUSINESS REVIEW

The slowing demand from the troubled steel manufacturing sector and the increasingly stringent environmental policies in China, coupled with the continued over-capacity of coking plants, had directly impacted on the metallurgical coke industry in 2013.

To alleviate the adverse challenges, the Group extended its coke production to coke trading business in this year. It started to trade by direct procurement of the metallurgical coke from other manufacturers and sold them subsequently. This exposure aims in defending the downturn and developing a potential business when the atmosphere is turnabout in future. The change in receivable mainly contributes by this segment. However, as they were settled by bills, the problem of recoverability is minimal.

The increase in income tax expense was largely due to higher revenue and profits generated from the coke trading activities. In addition, when the suppliers do not provide valued-added tax invoices ("VAT") for the purchases by the Group, it is not allowed to set off the sales to calculate the income tax expense. This issue regarding the trading activities contributed another element for the increase in income tax expense and the decrease in the profit attributable to the owners of the Company for the year 2013.

Management Discussion and Analysis

The Group consists of two main divisions, which composed of a coke manufacturing plant and an electricity-generating plant. The electricity generated will principally provide for self-utilization in coke manufacturing, with surplus power generated sold to third parties and local county government.

Consistent with prior years, advances to suppliers is an essential part of our business operation to guarantee the stable supply of coking coal for the production.

Due to the adverse atmosphere of the metallurgical coke industry, for prudence, the assessment for the recoverability of receivables was tightened to get in line with such situation. As a result, there were substantial increases in provision for receivables and prepayment. In view of this, the management will intensify to reassess the creditability of the customers and impose rigid control on providing credit for them.

As of 31 December 2013, the Group's total equity decreased by about 72% to approximately HK$ 1,118,761,000 from approximately HK$3,940,181,000 recorded in 2012, with gearing ratio stood at 59% (31 December 2012: 25%).

The debtor's turnover day of the Group in 2013 was 136 days compared with 77 days in 2012. In order to maintain long-term business relationship with some of the key customers, the Company has extended the credit period for those credit-worthy customers to cope with their trade cycle during a slowing economy and lukewarm downstream demand of the steel industry. In general, the management of the Group adopts a prudent credit policy to its customers by closely monitoring their repayment status and consistently reviews their credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

On 26 July 2013, the Company and Hing Lou Resources Limited, a substantial shareholder of the Company, entered into an amendment and restatement agreement to extend the maturity date of the promissory note, with an outstanding amount of HK$30,000,000, from 26 July 2013 to 26 July 2016. The promissory note was issued by the Company to Hing Lou Resources Limited on 27 July 2010 with principal amount of HK$60,000,000 for settlement of part of the consideration for the acquisition of 39.9% equity interest in Shanxi Loudong-General Nice Coking & Gas Co., Limited ("Shanxi Loudong"), and HK$30,000,000 was repaid before the maturity date on 26 July 2013.

To follow the consolidation program on coking plants launched by the Shanxi provincial government, in March 2013, the Group entered into two lease agreements for leasing of two pieces of land for the purpose of construction of coke oven and engagement of coke production business. In July 2013, the Group has successfully sought the approval from the local government of Xiaoyi City, Shanxi Province to construct a new coking facilities with production capacity of 1.2 million tons per annum. In order to have a larger site area for the construction of the new plant and for future development, and with the agreement of the landlord, one of the aforesaid two lease agreements was terminated and a memorandum of understanding for leasing a land of approximately 4,000 mou was signed on 30 September 2013.

Shanxi Guo Xin Loujun New Resources Limited in which the Group owns 49% equity interests, has applied to the relevant government authorities for the environment impact assessment approval on the synthetic natural gas production project ("SNG Project"). The application was rejected by the relevant government authorities on 22 March 2014 for the reasons that the SNG Project does not meet the environmental requirements and that the operation of the SNG Project may cause adverse impact on the city planning and neighbouring environment. As it is difficult for the SNG Project to continue its operation without the relevant approval, the Group is considering the possible solutions, including but not limited to the deregistration of the joint venture.

The Group's acquisition of 30% equity interest in Shanxi Loujun Group Taiye Coal Mining Company Limited has not yet completed, the parties have agreed to extend the long stop date to 30 June 2014.

OUTLOOK

After the National People's Congress and Chinese People's Political Consultative Conference in early March 2014, the PRC Government declared a war on pollution in an attempt to cool down growing anger over the quality of China's air, water and soil. The Government has been stepping up efforts to purify the environment by improving energy efficiency, reducing emissions, and lowering its energy dependency on coal to below 65% by 2017 from over 70% in 2012. These effects, together with the new policy implemented by the Government, will hurt the demand of coal and coke, and possibly leading to a further diminished in the profit margin of the market players.

On 5 March 2014, Premier Li Keqiang has set China's economic growth target for 2014 at around 7.5%, which is lowered than that of in the past. This target reflected a slowdown on the expected economic activities. The infrastructure investment may not be as optimistic as in the past. As a result, the metallurgical coke industry will be the first to be hit.

Save as aforesaid, the performance of Shanxi Loudong has been unsatisfactory and the cost for the construction of the new coking facilities would be high, and after assessing the prospects of further investment in the coal processing business engaged by Shanxi Loudong, it has been the Group's intention to reallocate its resources with the aim to restructure its asset portfolio in order to increase Shareholders' value through the disposal of Shanxi Loudong. The Group has been actively search for potential buyers, and on 27 March 2014, the Group entered into two memoranda of understanding to dispose of the entire interest in Shanxi Loudong. The proposed disposals provide an exit to the Group to cease the immediate financial burden from the Shanxi Loudong.

Management Discussion and Analysis

In order to maintain a profitable portfolio for benefit of the shareholders as a whole, the Group has entered into a memorandum of understanding to acquire a commercial building located in North Sydney, Australia. The property currently has a net lettable area of approximately 1,862 square meters. The property will be acquired subject to existing tenancies and will generate stable rental income to the Group. The Board believes that this acquisition represents a good investment as the Group will earn a stream of rental income from the property.

In order to increase the shareholders' wealth, the Group will continuously look for profitable investments in any industry to acquire in future as well as to introduce strategic private and state-owned investors to enhance the Group's strength and business development capabilities.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2013, the Group had total bank borrowings in the amount of HK$1,383,332,000 (2012: HK$1,096,278,000), representing an increase of HK$287,054,000. The maturity profile of the Group's bank borrowings of HK$1,383,332,000 was spread with HK$1,249,294,000 repayable within 1 year and HK$134,038,000 repayable in the second year to fifth year.

The Group's total bank borrowings of HK$1,383,332,000 were (i) 99% denominated in Renminbi ("RMB") in which, as to 23% bears at fixed interest rate and as to 76% bears at a floating rate; and (ii) 1% denominated in Hong Kong dollars ("HK$") with floating interest rate. The Group's cash and bank balances of HK$7,630,000 were 85% denominated in RMB and 15% in HK$.

TREASURY POLICY

The Group adopts a conservative approach towards its treasury policy. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year under review, there was no material acquisition or disposal of subsidiaries and affiliated companies.

EMPLOYEES

As at 31 December 2013, the total number of employees of the Group was approximately 1,250 (2012: 1,420). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. As at 31 December 2013, there were 4,486,245 (2012: 4,486,245) outstanding share options granted under such scheme.

CHARGE OF GROUP ASSETS

As at 31 December 2013, the Group pledged bank deposits of approximately HK$642,827,000 (2012: HK$983,149,000), certain machinery with net carrying amount before impairment of approximately HK$370,578,000 (2012: HK$48,430,000) and a property with a carrying value of approximately HK$14,401,000 (2012: HK$14,724,000) as securities for the Group's banking facilities.

GEARING RATIO

As at 31 December 2013, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 59% (2012: 25%). Net debt represents the aggregate amount of the Group's the amount due to related companies, interest-bearing bank and other borrowings, the non-current portion of the amount loans from related parties and promissory note less cash and cash equivalents of the Group. Total capital represents total equity of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's reporting currency is denominated in HK$. The Group's monetary assets, loans and transactions were principally denominated in RMB, USD and HK$. The Group had a net exchange exposure to RMB as the Group's assets were principally located in China and the revenues were in RMB.

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2013 (2012: Nil).

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cai Sui Xin, aged 52, was appointed an executive Director and the chairman of the Company with effect from 19 September 2008 and is the chairman of the Nomination Committee of the Company. He is also a director of certain subsidiaries of the Company, including Shanxi Loudong-General Nice Coking and Gas Co., Ltd. ("Shanxi Loudong"). Mr. Cai is the founder and chairman of General Nice Development Limited, General Nice Resources (Hong Kong) Limited ("GNR") and General Nice (Tianjin) Industry Company Limited (collectively "General Nice"). General Nice has developed into two main segments of business, the first segment involves the mining of coal, coal washing, coke manufacturing, logistic business for coke and coal, and the sale of coal, coking coal and coke; the second segment involves the exploration of iron ore mines and the importing of iron ore into the People's Republic of China (the "PRC"). With Mr. Cai's well-established business relationship in Tianjin and Shanxi, General Nice has expanded to one of the PRC's biggest private producers and operators of metallurgical coke. Mr. Cai is the executive chairman and an executive director of both Abterra Ltd ("Abterra") and Digiland International Ltd ("Digiland"), both companies listed on the Singapore Exchange Securities Trading Limited, a non-executive director of IRC Limited, a company listed on The Stock Exchange of Hong Kong Limited ("HKEX"). Mr. Cai is also a director of General Nice Investment (China) Limited ("GNI") and General Nice Group Holdings Limited, both have controlling interest in GNR, a substantial shareholder of the Company.

Mr. Zhao Cheng Shu, aged 50, was appointed an executive director of the Company on 2 April 2009. He is also the deputy chairman of the Company and a member of the executive committee and nomination committee of the Company. Mr. Zhao is an economist and a senior engineer and has accumulated over 20 years of experience in the management of sizeable enterprises in the PRC. He is a specialist in corporate management and an entrepreneur. Currently he is a director and the general manager of Shanxi Loudong, and a director of a subsidiary of the Company. He is responsible for overall management and operations of Shanxi Loudong. Besides, Mr. Zhao is the general manager of Xiaoyi Loudong Industry and Trading Group Company ("Xiaoyi Loudong") and a director of Hing Lou Resources Limited ("Hing Lou"), which is a subsidiary of Xiaoyi Loudong and is a substantial shareholder of the Company. He is also the Vice President of the Federation of Young Entrepreneurs of Shanxi Province, Standing Committee of the Political Consultative Conference and Representative to the National People's Congress of Xiaoyi City of Shanxi Province, Deputy President of the Chamber of Industrial and Commerce of Xiaoyi City of Shanxi Province, Member of the Committee of the Political Consultative Conference of Luiliang City of Shanxi Province, etc. Mr. Zhao has contributed a lot to the society and thus been awarded many honourable titles and prizes, including "Advance Worker Assisting Economic Development of Private Enterprises of Luiliang City of Shanxi Province", "Outstanding Entrepreneur of Private Enterprise of Shanxi Province", "Young Leader of Special Technology of Luiliang City of Shanxi Province", "Outstanding Person in Pushing Relief from Poverty for the Society", "Role Model for Labour in Shanxi Province", "National Model for Labour ", "Ethical Role Model", "Medalist of Labour Day in Shanxi Province" etc. Mr. Zhao holds a Master degree in Enterprise Management specialising in Industrial Economics awarded by the Graduate School of China Institute of Social Science (中國社會科學院).

EXECUTIVE DIRECTORS (continued)

Mr. Lau Yu, aged 45, was appointed an executive Director of the Company with effect from 22 September 2008. He is also the chief executive officer, the chairman of the executive committee of the Company and director of certain subsidiaries of the Company, including Shanxi Loudong. Mr. Lau has over 20 years of solid experience in international trading of mineral resources and metals, including coal, coke, iron ore and steel. With his extensive experience in the trading of coke and metallurgy, Mr. Lau has established strong relationships with customers in India, Australia, South Africa, Venezuela and Brazil. Mr. Lau is the chief executive officer and an executive director of Abterra, an executive director, vice chairman of the board of directors and member of audit committee, nominating committee and remuneration committee of Digiland. a non-executive director of Pluton Resources Limited, a company listed on the Australian Securities Exchange. He is also the chief executive officer and director of GNR, a substantial shareholder of the Company. Mr. Lau holds a Bachelor of Business Administration degree from the School of Finance in University of Hawaii in the United States of America.

Mr. Ng Tze For, aged 52, was appointed an executive Director of the Company with effect from 11 September 2008. He is also a member of the executive committee of the Company and director of certain subsidiaries of the Company. Besides, Mr. Ng is the chief financial officer of GNR, an alternate director to a non-executive, non-independent director of Palabora Mining Company Limited, a company listed on the Johannesburg Stock Exchange Limited. He has more than 20 years experience in banking, corporate finance, business development and strategy planning for a number of international banks and listed companies in Hong Kong, Beijing and Shanghai. Mr. Ng graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree and obtained a Master Degree in Business Administration from City University of Hong Kong.

Ms. Li Xiao Juan, aged 33, was appointed an executive Director of the Company on 30 March 2009. She is also a member of the executive committee of the Company, the deputy general manager of Shanxi Loudong and director of certain subsidiaries of the Company. Ms. Li is mainly responsible for the corporate finance of Shanxi Loudong. Besides, Ms. Li is currently a director of Hing Lou, a substantial shareholders of the Company. Ms. Li graduated from Fu Dan University (復旦大學) in the PRC with a Bachelor's degree in Economics and subsequently obtained a Master of Science degree in Investments from the University of Birmingham in the United Kingdom.

NON-EXECUTIVE DIRECTOR

Mr. Li Xiao Long, aged 53, was appointed an independent non-executive Director in February 2009 and re-designated as non-executive Director on 18 December 2013. He is currently a member of the remuneration committee and audit committee of the Company. Mr. Li has engaged in corporate consultant business in Europe for years after serving as senior managements in a mineral resources company and some insurance companies in the PRC. He has extensive and valuable experience in international business.

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Choy So Yuk, *BBS, JP*, aged 63, was appointed an independent non-executive Director of the Company on 5 June 2009. She is a member of audit committee and nomination committee and the chairman of remuneration committee of the Company. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy holds a wide variety of political, social and academic positions, such as a deputy of the National People's Congress of China and a director of Fujian Middle School. Ms. Choy was a member of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference and a member of the Legislative Council in Hong Kong from 1998 to 2008. Ms. Choy is currently an independent non-executive director of Huafeng Group Holdings Limited (stock code: 364) since its listing on HKEX on 30 August 2002.

Mr. Gao Wen Ping, aged 51, was appointed an independent non-executive Director of the Company on 18 October 2010. He is also member of audit committee, remuneration committee and nomination committee of the Company. Mr. Gao graduated from the Department of Chinese of HuaZhong Normal University in China with a Master of Arts degree. Mr. Gao had been an associate professor of Lvliang University and had served as the deputy county magistrate of Linxian, LvLiang City of Shanxi Province, the deputy secretary of Liulin County, Shanxi Province, the deputy officer of the Department of Commerce of Shanxi Province, a director of Foreign Investment Association and a professor of the Faculty of Law of University of Finance and Economics for over 20 years and has extensive experience in economics, trading, investment and enterprises management.

Mr. Leung Yuen Wing, aged 46, was appointed an independent non-executive Director of the Company on 1 November 2012. He is also the chairman of audit committee, a member of remuneration committee and nomination committee of the Company. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He had held managerial positions in various renowned accounting firms, an investment bank and listed companies. Mr. Leung is currently the finance director of Samvo Group whose headquarters is in London and engaged in the online entertainment business. Prior to joining Samvo Group in February 2010, Mr. Leung was the company secretary and authorized representative of the Company, the financial controller of General Nice and the chief financial officer of Abterra. He was an independent non-executive director of PME Group Limited (stock code: 379), a company listed on the main board of HKEX, from September 2004 to June 2013.

SENIOR MANAGEMENT

Mr. Kwok Kam Tim, aged 37, joined the Company in 2008 and is currently the financial controller of the Company. He was the company secretary and authorised representative of the Company from February 2010 to March 2013. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators. Mr. Kwok holds a Bachelor of Arts degree in Accounting from The Hong Kong Polytechnic University, a Bachelor of Engineering degree from The University of Hong Kong Science and Technology and a Master of Corporate Governance degree from the Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 12 years of experience in accounting, auditing and financial management. Currently, Mr. Kwok is an independent non-executive director of Ming Kei Holdings Limited (stock code: 8239) and Newtree Group Holdings Limited (stock code: 1323), the shares of which are listed on the growth enterprise market and the main board of the HKEX respectively.

Corporate Governance Report

For the year ended 31 December 2013

The board of directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2013.

A. CORPORATE GOVERNANCE PRACTICES

The Board is committed to raising the standard of corporate governance within the Group at all times and believes that good corporate governance helps the Group safeguard the interests of its shareholders and improve its performance.

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2013, except for the following deviations:

Code provision A.2.7

During the year ended 31 December 2013, the chairman of the Company (the "Chairman") met with the non-executive Director ("NED") and one independent non-executive Director ("INED") without the executive Directors present. As the meetings were not scheduled in advance, the remaining two INEDs had not attended such meetings. The Chairman encourages the NED/INEDs meet with him any time when they think required and will schedule such meetings at such times convenience to the NED and INEDs.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing NED/INEDs was appointed for a specific term. However, all Directors are subject to the retirement provisions in the bye-laws of the Company (the "Bye-laws") which provides that one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement at least once every three years.

Code Provisions A.6.7 and E.1.2

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, code provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

Mr. Gao Wen Ping, an INED and Mr. Li Xiao Long, re-designated from INED to NED in December 2013, were not in Hong Kong and had not attended the annual general meeting of the Company held on 28 May 2013 (the "2013 AGM"). Due to other commitments which must be attended to by the Chairman, the Chairman was unable to attend the 2013 AGM. However, Mr. Lau Yu, an executive Director and the chief executive officer of the Company, attended and took the chair of the 2013 AGM, Mr. Leung Yuen Wing, an INED, the chairman of the audit committee of the Company (the "Audit Committee"), a member of the nomination committee of the Company (the "Nomination Committee") and the remuneration committee of the Company (the "Remuneration Committee"), and Ms. Choy So Yuk, an INED, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee attended the 2013 AGM and answered questions from the shareholders of the Company.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

C. BOARD OF DIRECTORS

The Board currently comprises five executive Directors, namely Mr. Cai Sui Xin (the Chairman), Mr. Zhao Cheng Shu, Mr. Lau Yu, Mr. Ng Tze For and Ms. Li Xiao Juan; one NED, namely Mr. Li Xiao Long (re-designated from INED to NED in December 2013) and three INEDs, namely Ms. Choy So Yuk, Mr. Gao Wen Ping and Mr. Leung Yuen Wing.

The Board, led by the Chairman, is responsible for formulating the Group's overall strategy, sets the business directions and monitors the performance of the Group's businesses. The Board is accountable to the shareholders of the Company for its performance and activities and is the ultimate decision making body of the Group except for those matters that are reserved for approval by shareholders in accordance with the Bye-laws, the Listing Rules and other applicable laws and regulations.

The management has been delegated the authority and responsibility by the Board for the day-to-day operations and management of the Group. It works under the leadership and supervision of the chief executive officer to implement the Board's decisions, makes business proposals and is accountable to the Board. In addition, the Board has delegated various responsibilities to Board committees, further details of these committees are set out in this report. The Board reserves the authority to approve interim and annual financial statements, dividend policy, business plans and material investment decisions.

During the year, 9 Board meetings and the 2013 AGM were held. The attendance records of individual Director are as follows:

Directors	Number of meetings attended/held Board Meetings	2013 AGM
Executive Directors		
Mr. Cai Sui Xin *(Chairman)*	6/9	0/1
Mr. Zhao Cheng Shu *(Deputy Chairman)*	9/9	0/1
Mr. Lau Yu *(Chief Executive Officer)*	8/9	1/1
Mr. Ng Tze For	8/9	1/1
Ms. Li Xiao Juan	9/9	0/1
Non-executive Director		
Mr. Li Xiao Long	7/9	0/1
Independent Non-executive Directors		
Ms. Choy So Yuk	9/9	1/1
Mr. Gao Wen Ping	9/9	0/1
Mr. Leung Yuen Wing	9/9	1/1

Throughout the year ended 31 December 2013, the Company met at all times the requirements of the Listing Rules to have at least three INEDs representing at least one-third of the Board and with at least one INED possessing appropriate accounting and financial management expertise and professional qualifications.

The Company has received from its INEDs annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent.

Biographical details of all Directors are disclosed in the section headed “Biography of Directors and Senior Management” in this Annual Report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships amongst members of the Board.

Pursuant to code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

An induction would be given to the newly appointed Director to provide information regarding the business and operation of the Company and as well as his responsibilities under the Listing Rules and relevant regulations.

The Company also provides reading materials to all Directors and updates them on the latest developments and changes to the Listing Rules, the applicable laws and regulations relating to directors’ duties and responsibilities.

During the year under review, the Company arranged its solicitor to provide seminar relevant to directors' duties and responsibilities to the Directors. All Directors, except Mr. Leung Yuen Wing who has attended other seminars/training courses relevant to his profession and duties as a director, had attended the seminar.

Directors' training is an ongoing process, all Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide records of training they received to the company secretary of the Company (the "Company Secretary") for records.

The Company recognizes the benefits of diversity in Board members. With a view to achieving a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting the attainment of its sustainable development. The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Company seeks to achieve Board diversity through the consideration of a number of measurable objectives. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has set measurable objectives based on a range of diversity perspective, including but not limited to skills, knowledge, cultural and educational background, professional experience, age, gender and length of service for implementing the Board Diversity Policy. The measurable objectives will be reviewed from time to time to ensure their appropriateness and the progress on achieving the objectives and make recommendations on any proposed changes to complement the Company's corporate strategy.

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer should be separated and performed by different individuals.

Mr. Cai Sui Xin is the Chairman while Mr. Lau Yu acts as the chief executive officer of the Company. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role. The chief executive officer is responsible for the day-to-day management and operation of the Group's business. The roles of the Chairman and the chief executive officer are segregated to ensure their respective independence, accountability and responsibility.

E. NON-EXECUTIVE DIRECTORS

As mentioned in Paragraph A above, the existing NED/INEDs are not appointed for a specific term but are subject to the retirement provisions in the Bye-laws which provides that every Director (including the NED/INEDs) shall be subject to retirement at least once every three years.

F. BOARD COMMITTEES

The Board has established four committees, details of which are set out below.

Executive Committee

The executive committee (the "Executive Committee") currently comprises four executive Directors, namely Mr. Lau Yu (the chairman), Mr. Zhao Cheng Shu, Mr. Ng Tze For and Ms. Li Xiao Juan. It was established to assist the Board in execution of its duties and to facilitate effective management. The Executive Committee has a written terms of reference under which certain functions, including the daily operation and management functions have been delegated to it.

During the year, the Executive Committee held two meetings with all members present.

Remuneration Committee

The Remuneration Committee currently comprises three INEDs, namely Ms. Choy So Yuk (as chairman), Mr. Gao Wen Ping and Mr. Leung Yuen Wing, and one non-executive Director, namely Mr. Li Xiao Long. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

The Remuneration Committee will meet at least once a year to discharge its responsibilities. The major roles of the Remuneration Committee are as follows:

(i) make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(iii) make recommendations with respect to the remuneration of the Directors and the senior management of the Company for approval by the Board.

The Group's remuneration policy has been formulated with reference to the market practice and the qualification, duties and responsibilities of Directors and employees. In order to attract, retain, and motivate personnel of the required quality to manage the Company successfully, the Company adopted a share option scheme in 2007 to reward those eligible participants who contribute to the success of the Group's operations.

During the year, the Remuneration Committee held one meeting and the attendance of individual members of the Remuneration Committee at the meeting is set out below:

Committee Members	**Number of meetings attended/held**
Ms.Choy So Yuk *(chairman)*	1/1
Mr. Gao Wen Ping	1/1
Mr. Leung Yuen Wing	1/1
Mr. Li Xiao Long	1/1

During the year 2013, the Remuneration Committee considered the policy for the remuneration of the Directors, reviewed and made recommendation to the Board on the remuneration packages of the Directors and senior management.

Nomination Committee

The Nomination Committee currently comprises the Chairman, Mr. Cai Sui Xin, the deputy Chairman, Mr. Zhao Cheng Shu, and three INEDs, Ms. Choy So Yuk, Mr. Gao Wen Ping and Mr. Leung Yuen Wing. Mr. Li Xiao Long ceased to be a member of the Nomination Committee following his re-designation from INED to NED in December 2013. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

The main duties and responsibilities of the Nomination Committee are as follows:

(i) review the structure, size, diversity and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

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

(iii) assess the independence of independent non-executive Directors;

(iv) make recommendations to the Board on the appointment or re-appointment of Directors; and

(v) review the Board Diversity Policy and the measurable objectives that the Board had set for implementing the Board Diversity Policy, and the progress on achieving the objectives.

During the year, the Nomination Committee held one meeting and the attendance of individual member of the Nomination Committee at the meeting is set out below:

Committee Members	Number of meetings attended/held
Mr. Cai Sui Xin *(chairman)*	1/1
Mr. Zhao Cheng Shu	1/1
Ms. Choy So Yuk	1/1
Mr. Gao Wen Ping	1/1
Mr. Leung Yuen Wing	1/1
Mr. Li Xiao Long (ceased to be a member on 18 December 2013)	1/1

In 2013, the Nomination Committee reviewed the structure, size and composition of the Board, the Board Diversity Policy, the independence of INEDs and considered the re-designation of an INED to NED.

The Nomination Committee's review of the Board's composition as guided by diversified perspectives was summarized below:

Designation	**Executive Director**	**NED**	**INED**
	5 (56%)	1 (11%)	3 (33%)
Gender	**Male**	**Female**	
	7 (78%)	2 (22%)	
Age group	**Below 40**	**40 to 60**	**Over 60**
	1 (11%)	7 (78%)	1 (11%)
Length of service	**Below 2 years**	**2 to 4 years**	**Over 4 years**
	1 (11%)	1 (11%)	7 (78%)
Education background	**Hong Kong**	**PRC**	**Overseas**
	3	5 (1 received education in both PRC and Overseas)	2
Professional/management experience	**Profession in accounting**	**Enterprises management/ industry related experts**	**Corporate finance and investment**
	1 (11%)	6 (67%)	2 (22%)

Audit Committee

The Audit Committee currently comprises three INEDs, namely Mr. Leung Yuen Wing (as chairman), Ms. Choy So Yuk and Mr. Gao Wen Ping, and one NED, namely Mr. Li Xiao Long. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

The major roles of the Audit Committee are as follows:

(i) consider and recommend the independence, remuneration, appointment, re-appointment and removal of external auditor;

(ii) review the independence and objectivity of the external auditor;

(iii) review financial and accounting policies and practices;

(iv) oversee financial reporting system and internal control procedures; and

(v) review connected party transactions.

During the year under review, the Audit Committee held three meetings to discuss and review internal control, made recommendations on credit control, review and discuss financial reporting matters and other areas of concerns during the audit. The attendance record of individual member of the Audit Committee at these meetings is set out in the following table:

Committee Members	Number of meetings attended/held
Mr. Leung Yuen Wing *(chairman)*	3/3
Ms. Choy So Yuk	3/3
Mr. Gao Wen Ping	3/3
Mr. Li Xiao Long	3/3

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audited financial statements of the Company for the year ended 31 December 2013 have been reviewed by the Audit Committee before recommending it to the Board for approval.

G. CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which include developing, reviewing and implementing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the shareholders' communication policy, compliance with the CG Code and disclosure in the corporate governance report. During the year, the Board reviewed the Company's policies on corporate governance, compliance with the CG Code, and disclosure in the corporate governance report and set up the Board Diversity Policy.

H. AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the auditor of the Company amounted to HK$700,000 (2012: HK$660,000) and HK$Nil (2012:HK$12,000) respectively.

I. FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2013, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for the timely publication of the consolidated financial statements of the Group.

The Directors confirm that, having made all reasonable enquiries, that to the best of their knowledge, information and belief, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement made by Ascenda Cachet CPA Limited, the independent auditor of the Company, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditors' Report " in this Annual Report.

J. INTERNAL CONTROL

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposure. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on the information furnished to it and on its own observations, the present internal controls of the Group are effective to protection of material assets and identification of business risks.

The Group is committed to identifying, monitoring and managing risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. However, the system have rooms to improve. The Company will identify the weaknesses and insufficiency and make improvement.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2013 is effective to safeguard the interests of the shareholders' investments and the Company's assets.

The Board has also conducted an annual review on the effectiveness of the accounting and financial reporting function of the Company and takes the view that the Company possesses adequate resources and staff qualifications and experience in this regard.

K. COMPANY SECRETARY

Ms. Chiu Yuk Ching, the Company Secretary, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. During the year under review, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

L. SHAREHOLDERS' RIGHTS

Convening a general meeting

Shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The requisition must be signed by the requisitionists and deposit at the principal place of business of the Company in Hong Kong.

The meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary and deposit at the Company's principal place of business in Hong Kong or by e-mail to enquiry@ldgnr.com.

Putting forward proposal at general meeting

The shareholders holding not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to put forward proposals at an annual general meeting or special general meeting. The proposal must be made in writing and contain detail contact information and submit to the Company Secretary at the Company's principal place of business in Hong Kong. The procedure for putting forward proposals at general meeting is available on the website of the Company.

M. COMMUNICATION WITH SHAREHOLDERS

The Company acknowledges the importance of communicating with shareholders and investors. The Company has adopted its shareholders' communication policy. The primary communication channel between the Company and its shareholders is through the publication of announcements, circulars, interim and annual reports. These publications can be obtained from the Company's website.

In addition, Shareholders are encouraged to attend the Company's annual general meeting which provides a useful forum for shareholders to exchange views with the Board. Notice of annual general meeting together with the meeting materials are dispatched to all shareholders not less than 20 clear business days prior to the meeting. The Directors and external auditor are available to answer questions of the Group's business at the meeting. Separate resolutions are proposed at general meeting on each substantially separate issue, including the election of individual directors.

The Company has also complied with the requirements of the Listing Rules and the Bye-laws in respect of voting by poll and other related matters.

N. INVESTOR RELATIONS

There was no change to the Company's Bye-laws during the financial year 2013. A copy of the latest Bye-laws are posted on the websites of the Company and the Stock Exchange.

Report of the Directors

The directors of Loudong General Nice Resources (China) Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 37 to 123.

The board of directors of the Company (the "Board") does not recommend payment of any dividend for the year ended 31 December 2013 (2012: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on pages 125 to 126, which does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment, and investment property of the Group during the year are set out in notes 14 and 15 to the consolidated financial statements, respectively. Further details of the Group's investment property are set out on page 124.

CONSTRUCTION IN PROGRESS

Details of construction in progress of the Group are set out in note 14 to the consolidated financial statements on pages 80 to 83.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 29 to the consolidated financial statements on pages 99 to 100.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted approximately to HK$775,967,000 (2012: HK$1,858,665,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 67.88% (2012: 78.76%) of the total sales for the year and sales to the largest customer included therein amounted for 22.73% (2012: 32.88%). Purchases from the Group's five largest suppliers accounted for 81.50% (2012: 97.72%) of the total purchases for the year and purchases from the largest supplier included therein amounted for 26.14% (2012: 68.90%).

To the best knowledge of the directors of the Company (the "Directors"), none of the Directors or any of their associates or any shareholders holding more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or five largest suppliers.

Report of the Directors

DIRECTORS

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

Executive Directors:
Mr. Cai Sui Xin
Mr. Zhao Cheng Shu
Mr. Lau Yu
Mr. Ng Tze For
Ms. Li Xiao Juan

Non-executive Director
Mr. Li Xiao Long (Re-designated from independent non-executive Director on 18 December 2013.)

Independent non-executive Directors:
Ms. Choy So Yuk
Mr. Gao Wen Ping
Mr. Leung Yuen Wing

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Cai Sui Xin, Mr. Li Xiao Long and Mr. Gao Wen Ping will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company still considers all of its independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

No contract for management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 14.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are recommended by the remuneration committee of the Company and determined by the Board with reference to Directors' duties, responsibilities and performance of the Directors and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2013, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares Personal interests	 Corporate interests	Number of underlying shares subject to the outstanding share options	Total	Approximate percentage of the issued share capital
Mr. Cai Sui Xin	7,205,545	334,051,660 (Note)	–	341,257,205	14.28%
Mr. Zhao Cheng Shu	5,438,150	–	–	5,438,150	0.23%
Mr. Lau Yu	21,448,550	–	–	21,448,550	0.90%
Mr. Ng Tze For	–	–	3,942,457	3,942,457	0.17%
Ms. Li Xiao Juan	5,514,380	–	–	5,514,380	0.23%
Mr. Li Xiao Long	–	–	271,894	271,894	0.01%
Ms. Choy So Yuk	271,908	–	–	271,908	0.01%
Mr. Leung Yuen Wing	224,213	–	–	224,213	0.01%

Note: These shares are beneficially owned by General Nice Resources (Hong Kong) Limited ("GNR") and Mr. Cai Sui Xin is deemed to be interested in such shares under the SFO by virtue of the fact that each of General Nice Development Limited ("GND") and General Nice Investment (China) Limited ("GNI") holds 40% equity interest in GNR while General Nice Group Holdings Limited ("GNG") and Mr. Cai Sui Xin hold 50% and 5% equity interests in each of GND and GNI respectively. GNG is in turn wholly owned by Mr. Cai Sui Xin.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Interests of Directors and chief executive" and "Share option scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 25 June 2007 for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole.

Details of the Scheme are set out in note 33 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and chief executive" above, as at 31 December 2013, the following persons had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the shares/underlying shares of the Company

Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
GNR	Beneficial owner	Corporate interests	334,051,660	13.98%
GND	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	13.98%
GNI	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	13.98%
GNG	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	13.98%
Tsoi Ming Chi	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	13.98%
Hing Lou Resources Limited ("Hing Lou")	Beneficial owner	Corporate interests	321,858,177	13.47%
Xiaoyi Loudong Industry & Trading Group Company	Interest of controlled corporation	Corporate interests	321,858,177 (Note 2)	13.47%
Ng Ching Mui	Beneficial owner and interests of controlled corporation	Personal and corporate interests	132,010,798 (Note 3)	5.53%
Wong Tai Kuen	Beneficial owner and interests of controlled corporation	Personal and corporate Interests	120,127,800 (Note 4)	5.03%

Notes:

1. These shares are beneficially owned by GNR. Each of GND and GNI holds 40% equity interest in GNR while GNG and Mr. Tsoi Ming Chi hold 50% and 35% equity interests in each of GND and GNI respectively. Accordingly each of GND, GNI, GNG and Mr. Tsoi Ming Chi is deemed to be interested in such shares held by GNR under the SFO.

2. Xiaoyi Loudong Industry & Trading Group Company is deemed to be interested in the shares held by Hing Lou by virtue of the fact that Hing Lou is its wholly owned subsidiary.

3. According to the records of the Company, Ng Ching Mui held 110,008,999 shares of the Company at the record date (8 June 2012) of the bonus issue on basis of 2 bonus shares for every 10 shares. Based on the shareholding of 110,008,999 shares, Ng Ching Mui entitled to 22,001,799 bonus shares, her aggregated shareholding in the Company increased to 132,010,798 shares (representing 5.53% of the existing issued share capital of the Company).

4. Among the 120,127,800 shares, 87,127,800 shares are corporate interests and 33,000,000 shares are personal interests.

Save as disclosed above, the Directors are not aware of any other persons who, at 31 December 2013, had interests or short positions in the shares or underlying shares of the Company which are recorded in the register and required to be kept under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2013 is contained in note 38 to the consolidated financial statements. During the year, there was no transaction which need to be disclosed as connected transaction in accordance with the requirements of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules from the date of the last annual report of the Company to the date of this annual report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, the following Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Cai Sui Xin is also a director and beneficial owner of GND and General Nice (Tianjin) Industry Co. Ltd. ("GNT") which are also involved in the trading of coke and coal-related chemicals.

As the Board is independent from the board of directors of GND and GNT and the above director does not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of GND and GNT.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 26 of this annual report.

EVENT AFTER THE REPORTING PERIOD

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

AUDITOR

On 14 January 2011, the Board appointed Ascenda Cachet CPA Limited as auditor of the Company to fill the casual vacancy caused by the resignation of Ernst & Young until the conclusion of the 2011 annual general meeting. Save for the above, there were no other changes in the Company's auditors in the past three years.

A resolution for the reappointment of Ascenda Cachet CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Cai Sui Xin
Chairman

Hong Kong
31 March 2014

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

To the shareholders of Loudong General Nice Resources (China) Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Loudong General Nice Resources (China) Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

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

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
31 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**3,105,949**	2,233,316
Cost of sales	6	**(2,457,945)**	(1,786,160)
Gross profit		**648,004**	447,156
Other income and gains	5	**99,691**	33,156
Selling and distribution expenses		**(69,827)**	(69,279)
Administrative expenses		**(193,394)**	(114,368)
Other operating expenses		**(10,444)**	(20,521)
Impairment of trade receivables	6	**(116,907)**	–
Impairment of prepayments and other receivables	6	**(299,714)**	(14,740)
Impairment of investment in an associate and amount due from an associate	6	**(75,731)**	–
Impairment of property, plant and equipment	6,14	**(1,956,745)**	–
Impairment of goodwill	6,19	**(330,083)**	–
Finance costs	7	**(87,377)**	(67,736)
(LOSS)/PROFIT BEFORE TAX	6	**(2,392,527)**	193,668
Income tax expense	10	**(320,034)**	(46,260)
(LOSS)/PROFIT FOR THE YEAR		**(2,712,561)**	147,408
OTHER COMPREHENSIVE INCOME			
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(108,859)**	32,605
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(108,859)**	32,605
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(2,821,420)**	180,013
(Loss)/profit attributable to:			
Owners of the Company	11	**(2,581,507)**	138,478
Non-controlling interests		**(131,054)**	8,930
		(2,712,561)	147,408
Total comprehensive income attributable to:			
Owners of the Company		**(2,682,584)**	168,562
Non-controlling interests		**(138,836)**	11,451
		(2,821,420)	180,013
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**(HK$1.08)**	HK$0.06
Diluted		**(HK$1.08)**	HK$0.06

Details of the dividends payable and proposed for the year are disclosed in note 12 to the consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**142,958**	2,387,110
Investment property	15	**11,738**	10,716
Prepaid land premiums	16	**36,544**	36,479
Investments in associates	17	**6,532**	24,628
Available-for-sale investments	18	**12,200**	11,611
Goodwill	19	**–**	330,083
Other long-term assets	20	**481,581**	1,002,544
Deferred tax assets	31	**11,252**	11,092
Due from an associate	38(b)	**–**	174,633
Total non-current assets		**702,805**	3,988,896
CURRENT ASSETS			
Inventories	22	**145,268**	201,467
Prepaid land premiums	16	**1,008**	984
Trade and bills receivables	23	**1,490,263**	684,871
Prepayments, deposits and other receivables	24	**1,127,219**	669,097
Equity investments at fair value through profit or loss	25	**1,281**	1,244
Due from related companies	38(b)	**30,075**	41,330
Pledged deposits	26	**642,827**	983,149
Cash and cash equivalents	26	**7,630**	32,395
Total current assets		**3,445,571**	2,614,537
CURRENT LIABILITIES			
Trade and bills payables	27	**911,624**	865,483
Other payables and accruals	28	**214,206**	204,399
Interest-bearing bank and other borrowings	29	**1,249,294**	1,093,815
Due to related companies	38(b)	**27,718**	20,610
Tax payable		**165,058**	162,098
Total current liabilities		**2,567,900**	2,346,405
NET CURRENT ASSETS		**877,671**	268,132
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,580,476**	4,257,028

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**134,038**	2,463
Loans from related companies	38(b)	**232,233**	225,533
Promissory note	30	**25,520**	28,682
Deferred tax liabilities	31	**69,924**	60,169
Total non-current liabilities		**461,715**	316,847
Net assets		**1,118,761**	3,940,181
EQUITY			
Equity attributable to owners of the Company			
Issued capital	32	**23,892**	23,892
Exchange fluctuation reserve		**118,525**	219,602
Reserves	34(a)	**941,905**	3,523,412
		1,084,322	3,766,906
Non-controlling interests		**34,439**	173,275
Total equity		**1,118,761**	3,940,181

Cai Sui Xin
Director

Zhao Cheng Shu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company									
	Issued capital HK$'000 Note 32	Share option reserves* HK$'000 Note 33	Exchange fluctuation reserve HK$'000	Share premium account* HK$'000	Capital reserve* HK$'000 Note 34(a)(i)	Contribution surplus* HK$'000 Note 34(a)(ii)	Retained earnings/ (Accumulated losses)* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	19,411	1,580	189,518	604,589	661,514	1,746,407	352,680	3,575,699	161,824	3,737,523
Profit for the year	–	–	–	–	–	–	138,478	138,478	8,930	147,408
Other comprehensive income for the year:										
– Exchange differences on translation of foreign operations	–	–	30,084	–	–	–	–	30,084	2,521	32,605
Total comprehensive income for the year	–	–	30,084	–	–	–	138,478	168,562	11,451	180,013
Issue of ordinary shares through placement	600	–	–	22,045	–	–	–	22,645	–	22,645
Issue of bonus shares	3,881	–	–	–	–	(3,881)	–	–	–	–
Share options lapsed	–	(46)	–	–	–	–	46	–	–	–
Transfer to capital reserve	–	–	–	–	16,079	–	(16,079)	–	–	–
At 31 December 2012 and 1 January 2013	**23,892**	**1,534**	**219,602**	**626,634**	**677,593**	**1,742,526**	**475,125**	**3,766,906**	**173,275**	**3,940,181**
Loss for the year	–	–	–	–	–	–	(2,581,507)	(2,581,507)	(131,054)	(2,712,561)
Other comprehensive income for the year:										
– Exchange differences on translation of foreign operations	–	–	(101,077)	–	–	–	–	(101,077)	(7,782)	(108,859)
Total comprehensive income for the year	–	–	(101,077)	–	–	–	(2,581,507)	(2,682,584)	(138,836)	(2,821,420)
Transfer to capital reserve	–	–	–	–	10,976	–	(10,976)	–	–	–
As 31 December 2013	**23,892**	**1,534**	**118,525**	**626,634**	**688,569**	**1,742,526**	**(2,117,358)**	**1,084,322**	**34,439**	**1,118,761**

* These reserve accounts comprise the consolidated reserves of HK$941,905,000 (2012: HK$3,523,412,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(2,392,527)**	193,668
Adjustments for:			
Finance costs excluding interest on promissory note	7	**85,388**	64,288
Interest income	5	**(54,926)**	(18,830)
Depreciation of property, plant and equipment	14	**132,055**	114,206
Fair value gain on an investment property	15	**(1,022)**	(1,965)
Amortisation of prepaid land premiums	16	**1,008**	984
Impairment of trade receivables	6	**116,907**	–
Impairment of prepayment and other receivables	6	**299,714**	14,740
Impairment of investment in an associate and the amount due to an associate	6	**75,731**	–
Impairment of items of property, plant and equipments	6	**1,956,745**	–
Impairment of goodwill	6	**330,083**	–
Loss on disposal of property, plant and equipment	14	**43**	–
Gain on modification of promissory note	30	**(5,151)**	–
Interest accrued for promissory note	7	**1,989**	3,448
Write off of items of the property, plant and equipment	14	**65,327**	–
Loss on disposal of a subsidiary	21	**1,840**	–
		613,204	370,539
Decrease in inventories		**62,184**	124,236
Increase in trade and bills receivables		**(902,103)**	(429,760)
Increase in prepayments, deposits and other receivables		**(738,077)**	(5,086)
Decrease in amounts due from related parties		**11,593**	242
Increase in trade and bills payables		**20,368**	197,409
Increase in other payables and accruals		**14,233**	9,045
Increase/(decrease) in amounts due to related companies		**7,356**	(160,364)
Cash (used in)/generated from operations		**(911,242)**	106,261
Interest received		**–**	4
Income tax paid		**(312,589)**	(79,065)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash flows (used in)/from operating activities		**(1,223,831)**	27,200
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**54,926**	18,826
Acquisition of available-for-sale investments		**(240)**	–
Disposal of a subsidiary		**(10,402)**	–
Proceeds from disposal of property, plant and equipment	14	**2,227**	–
Purchases of items of property, plant and equipment	14	**(37,444)**	(12,447)
Repayment from/(advance to) an associate		**121,676**	(471)
Decrease/(increase) in other long-term assets		**543,022**	(534,856)
Decrease in pledged deposits		**369,528**	102,852
Net cash flows from/(used in) investing activities		**1,043,293**	(426,096)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	22,645
New bank and other borrowings		**1,955,004**	1,724,084
Increase in loans from related companies		**–**	86,433
Repayment of promissory note		**–**	(20,000)
Repayment of bank and other borrowings		**(1,703,861)**	(1,317,592)
Interest paid	7	**(102,738)**	(82,555)
Net cash flow from financing activities		**148,405**	413,015
NET (DECREASE)/INCREASE FROM CASH AND CASH EQUIVALENTS		**(32,133)**	14,119
Cash and cash equivalents at beginning of year		**32,395**	11,786
Effect of foreign exchange rate changes, net		**7,368**	6,490
CASH AND CASH EQUIVALENTS AT END OF YEAR		**7,630**	32,395
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flows	26	**7,630**	32,395

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	–	13
Investments in subsidiaries	21	–	–
Due from subsidiaries	21	–	778,866
Total non-current assets		–	778,879
CURRENT ASSETS			
Prepayments, deposits and other receivables		**348**	348
Due from a related company	38(b)	**29,564**	29,564
Due from subsidiaries	21	**977,937**	1,279,725
Cash and cash equivalents	26	**592**	5,485
Total current assets		**1,008,441**	1,315,122
CURRENT LIABILITIES			
Other payables and accruals		**2,771**	2,471
Due to related companies	38(b)	**16,347**	16,347
Due to subsidiaries	21	**1,740**	1,740
Total current liabilities		**20,858**	20,558
NET CURRENT ASSETS		**987,583**	1,294,564
TOTAL ASSETS LESS CURRENT LIABILITIES		**987,583**	2,073,443
NON-CURRENT LIABILITY			
Promissory note	30	**(25,520)**	(28,682)
Net assets		**962,063**	2,044,761
EQUITY			
Issued capital	32	**23,892**	23,892
Reserves	34(b)	**938,171**	2,020,869
TOTAL EQUITY		**962,063**	2,044,761

Cai Sui Xin
Director

Zhao Cheng Shu
Director

1. CORPORATE INFORMATION

Loudong General Nice Resources (China) Holdings Limited (the "Company", and together with its subsidiaries, collectively the "Group") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since January 1994.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is situated at Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. During the year, the principal activities of the Group are coal processing and production of metallurgical coke and by-products, and the trading of metallurgical coke.

2.1 BASIS OF PREPARATION

The consolidated 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for investment property and equity investments at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The consolidated 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, for the first time for the current year's consolidated 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)*
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, and HKAS 1 amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

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

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 Consolidated and Separate Financial Statements and HKAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in notes 21 and 17 to the consolidated financial statements, respectively.

(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 investment property and financial instruments are included in notes 15 and 40 to the consolidated 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) 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. 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 consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKFRS 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]
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]

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

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

Investments in associates

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

The results of associates are included in Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) (continued)

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Leasehold land	Over the lease term
Buildings	30 years
Plant facilities	30 years
Office equipment	10 years
Machinery	20 years
Motor vehicles	10 years
Plant infrastructure	20 years
Leasehold improvements, furniture and fixtures	5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Construction in progress represents production facilities under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases including prepaid land premium under finance lease, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value present as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

Available-for-sale financial investments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, amount due to the related company, interest-bearing bank and other borrowings and promissory note.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grant of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the consolidated financial statements.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Other employee benefits

For the Company and its subsidiaries located in Hong Kong

Pension scheme

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

For the subsidiaries located in PRC

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Medical benefit costs

The Group participates in government-organised defined contribution medical benefits plans, under which it pays contribution to the plans at a fixed percentage of wages and salaries of the existing full time employees in the PRC and has no further legal or constructive obligations to pay additional contributions. The contributions are charged as an expense to profit or loss as incurred.

(c) Housing fund

The Group contributes on a monthly basis to defined contribution housing fund plans organised by the PRC government. Contributions to these plans by the Group are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 8% (2012: 7%) has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Impairment of assets

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill in relation to acquisition of Shanxi Loudong of HK$330,083,000 was fully impaired during the year ended 31 December 2013. Further details are given in note 19 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of property, plant and equipment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2013 was HK$12,200,000 (2012: HK$11,611,000). Further details are included in note 18 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2013 was HK$11,252,000 (2012: HK$11,092,000). Further details are contained in note 31 to the consolidated financial statements.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

4 OPERATING SEGMENT INFORMATION

The directors determine its operating segments based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The operating segment is identified based on the Group's activities. The Group has identified the following reportable segments:

(a) Manufacturing segment is engaged in production of metallurgical coke from the coke plant; and

(b) Trading segment is engaged in purchasing of metallurgical coke from external parties, which was commenced during the year ended 31 December 2013.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax, but head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in associates, available-for-sale investments, other long term assets, prepaid land premiums, amounts due from related companies, equity investments at fair value through profit and loss, deferred tax assets, pledged deposits, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude amounts due to related companies, promissory note, interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2012

The Group operates only in one business segment, being coal processing and production of metallurgical coke and coal-related chemicals and supply of electricity in the PRC. Accordingly, no further disclosures by reportable segment are made based on business segment.

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013

	Manufacturing segment HK$'000	Trading segment HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	1,942,326	1,163,623	3,105,949
Segment results	(2,362,433)	306,988	(2,055,445)
Reconciliation:			
Unallocated income			99,691
Unallocated expense			(349,396)
Finance costs			(87,377)
Loss before tax			(2,392,527)
Segment assets	2,341,587	611,835	2,953,422
Reconciliation:			
Unallocated assets			1,194,954
Total assets			4,148,376
Segment liabilities	1,117,597	8,233	1,125,830
Reconciliation:			
Unallocated liabilities			1,903,785
Total liabilities			3,029,615
Other segment information			
Capital expenditure	37,444	–	37,444
Depreciation and amortisation	132,936	–	132,936
Unallocated depreciation and amortisation			127
			133,063
Impairment loss recognised:			
Property, plant and equipment	(1,956,745)	–	(1,956,745)
Goodwill	(330,083)	–	(330,083)
Trade and bills receivables	(69,984)	(46,923)	(116,907)
Prepayment and other receivables	(299,714)	–	(299,714)

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group operates principally in the PRC. Over 90% of the Group's revenue were derived in the PRC and over 90% of the Group's non-current assets are located in the PRC. Accordingly, no further disclosures by reportable segment are made based on business segment for the years ended 31 December 2012 and 2013.

Information about major customers

Revenue from major customers accounts for more than 10% of the revenue, including sales to a group of entities which are known to be under common control with that customer.

Detailed information was summarised as follows:

	2013 **HK$'000**	2012 HK$'000
Customers		
A – Trading segment	**706,047**	–
B – Manufacturing segment	**513,481**	734,051
C – Manufacturing segment	**479,572**	–
D – Manufacturing segment	**330,180**	–
	2,029,280	734,051

5 REVENUE, OTHER INCOME AND GAINS

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

Revenue, other income and gains recognised during the year are as follows:

	2013 HK$'000	2012 HK$'000
Revenue		
Sales of goods	**3,105,949**	2,233,316
Other income and gains		
Rental income	**125**	123
Bank interest income	**54,926**	18,830
Government grants*	**6,952**	9,469
Sundry income	**3,478**	1,297
Fair value gain on an investment property (note 15)	**1,022**	1,965
Gain on modification of promissory note (note 30)	**5,151**	–
Exchange gains	**–**	1,472
Reimbursement of depreciation charges	**19,120**	–
Overprovision of litigation cost	**8,917**	–
Total other income and gains	**99,691**	33,156
Total revenue, other income and gains	**3,205,640**	2,266,472

* Various government grants have been received for the Group's supply of electricity and heat in the PRC. There are no unfulfilled conditions or contingencies attached to these grants.

6 (LOSS)/PROFIT BEFORE TAX

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

	2013 HK$'000	2012 HK$'000
Cost of inventories sold *	**2,457,945**	1,786,160
Minimum lease payments under operating leases:		
Land and buildings	**89**	214
Auditors' remuneration	**700**	660
Staff costs (excluding directors' remuneration (note 8))		
Salaries and allowances	**48,026**	43,818
Retirement benefit costs	**4,873**	3,298
	52,899	47,116
Depreciation of property, plant and equipment (note 14)	**132,055**	114,206
Loss on disposal of items of property, plant and equipment, net	**43**	–
Write off of items of the property, plant and equipment (note 14)	**65,327**	–
Amortisation of prepaid land premiums (note 16)	**1,008**	984
Impairment of trade receivables (note 23)	**116,907**	–
Impairment of prepayments and other receivables	**299,714**	14,740
Impairment of investment in an associate and amount due from an associate	**75,731**	–
Impairment of property, plant and equipment (note 14)	**1,956,745**	–
Impairment of goodwill (note 19)	**330,083**	–
Loss of disposal of a subsidiary (note 21)	**1,840**	–
Bank interest income	**(54,926)**	(18,830)
Government grants	**(6,952)**	(9,469)
Fair value gain on an investment property (note 15)	**(1,022)**	(1,965)
Gain on modification of promissory note (note 30)	**(5,151)**	–

* Cost of inventories sold includes approximately HK$35,316,000 (2012: HK$31,765,000) and HK$122,785,000 (2012: HK$100,329,000) relating to staff costs and depreciation, respectively, which amounts are also included in the respective total amounts disclosed separately above.

7 FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank loans	**65,431**	76,065
Finance cost arising from discounted bills receivables	**37,057**	6,222
Loans from non-financial institutions	**–**	7
Promissory note (note 30)	**1,989**	3,448
	104,477	85,742
Less: Interest capitalised to construction in progress (note 14)	**(17,350)**	(18,267)
	87,127	67,475
Interest on borrowings not wholly repayable within five years:		
Mortgage loans	**250**	261
	87,377	67,736

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 HK$'000	2012 HK$'000
Fees	**600**	572
Other emoluments:		
Salaries, allowances and benefits in kind	**3,900**	3,900
Pension scheme contributions	**64**	56
	4,564	4,528

8 DIRECTORS' REMUNERATION (continued)

a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 Fees HK$'000	2012 Fees HK$'000
Choy So Yuk	**150**	143
Li Xiao Long	**150**	143
Kwok Man To Paul (resigned on 1 November 2012)	**–**	118
Gao Wen Ping	**150**	143
Leung Yuen Wing (appointed on 1 November 2012)	**150**	25
	600	572

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8 DIRECTORS' REMUNERATION (continued)

b) Executive directors

2013	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Cai Sui Xin	–	–	–
Lau Yu	**650**	**16**	**666**
Li Xiao Juan	**1,040**	**16**	**1,056**
Ng Tze For	**1,560**	**16**	**1,576**
Zhao Cheng Shu	**650**	**16**	**666**
	3,900	**64**	**3,964**

2012	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Cai Sui Xin	–	–	–
Lau Yu	650	14	664
Li Xiao Juan	1,040	14	1,054
Ng Tze For	1,560	14	1,574
Zhao Cheng Shu	650	14	664
	3,900	56	3,956

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

There was no remuneration paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2012: Nil).

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2012: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2012: one) highest paid employee who is neither a director nor the chief executive of the Company is as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**893**	842
Retirement scheme contributions	**15**	14
	908	856

10 INCOME TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits generated in Hong Kong during the year (2012: Nil). Taxes on profits assessable in the PRC have been calculated at the rates of 25%, based on existing legislation, interpretations and practices in respect thereof.

The major components of income tax expense for the year are as follows:

	2013 HK$'000	2012 HK$'000
Group		
Current – PRC		
Charge for the year	**312,428**	74,936
Overprovision in prior year	**(2,149)**	(31,589)
	310,279	43,347
Deferred tax (note 31)	**9,755**	2,913
Total tax charge for the year	**320,034**	46,260

10 INCOME TAX (continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax using 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 rates) to the effective tax rates, are as follows:

2013

	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(8,212)		(2,384,315)		(2,392,527)	
Tax at the statutory tax rate	(1,355)	16.5	(596,079)	25.0	(597,434)	25.0
Income not subject to tax	(92)	1.0	(11,871)	0.5	(11,963)	0.5
Over-provision in prior year	–	–	(2,149)	0.1	(2,149)	0.1
Expenses not deductible for tax	1,321	(16.0)	358,324	(15.0)	359,645	(15.1)
Deferred tax not recognised	228	(2.8)	571,707	(23.9)	571,935	(23.9)
Tax charge at effective tax rate	102	(1.3)	319,932	(13.3)	320,034	(13.4)

2012

	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(14,174)		207,842		193,668	
Tax at the statutory tax rate	(2,339)	16.5	51,960	25.0	49,621	25.6
Income not subject to tax	(345)	2.4	(915)	(0.4)	(1,260)	(0.7)
Over-provision in prior year	–	–	(31,589)	(15.2)	(31,589)	(16.3)
Expenses not deductible for tax	2,669	(18.8)	26,608	12.8	29,277	15.2
Deferred tax not recognised	211	(1.5)	–	–	211	0.1
Tax charge at effective tax rate	196	(1.4)	46,064	22.2	46,260	23.9

11 LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$7,462,000 (2012: HK$14,244,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

The board of directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

13 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$2,581,507,000 (2012: profit of approximately HK$138,478,000) and the weighted average number of ordinary shares of 2,389,223,000 (2012: 2,354,374,000) in issue during the year.

The calculation of diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2012 and 2013 by the effect of share options as it is reasonably presumed that no option holder will exercise the option when the market price per share is lower than the exercise price per share of the share option. Therefore, no dilution effect occurred for the years.

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013									
At 1 January 2013									
Cost	17,745	815,125	32,316	1,127,084	24,244	306,104	1,101	317,897	2,641,616
Accumulated depreciation	(1,902)	(61,299)	(7,960)	(158,676)	(7,738)	(16,438)	(493)	–	(254,506)
Net carrying amount	15,843	753,826	24,356	968,408	16,506	289,666	608	317,897	2,387,110
At 1 January 2013, net of accumulated depreciation	15,843	753,826	24,356	968,408	16,506	289,666	608	317,897	2,387,110
Additions	–	387	503	248	2,993	–	–	33,313	37,444
Written off	–	–	(6)	–	(281)	–	–	(65,040)	(65,327)
Disposal during the year	–	–	–	–	(2,270)	–	–	–	(2,270)
Capitalised interest (note 7)	–	–	–	–	–	–	–	17,350	17,350
Depreciation provided during the year	(324)	(40,349)	(3,864)	(76,821)	(3,026)	(7,633)	(38)	–	(132,055)
Transfer	–	211,956	–	–	–	–	–	(211,956)	–
Impairment	(1,628)	(806,597)	(18,331)	(780,114)	(11,996)	(241,661)	–	(96,418)	(1,956,745)
Exchange realignment	622	(63,753)	(1,346)	(58,072)	(1,101)	(23,753)	–	4,854	(142,549)
At 31 December 2013, net of accumulated depreciation and impairment	14,513	55,470	1,312	53,649	825	16,619	570	–	142,958
At 31 December 2013									
Cost	18,723	1,057,427	34,069	1,172,883	23,170	311,128	1,101	97,789	2,716,290
Accumulated depreciation and impairment	(4,210)	(1,001,957)	(32,757)	(1,119,234)	(22,345)	(294,509)	(531)	(97,789)	(2,573,332)
Net carrying amount	14,513	55,470	1,312	53,649	825	16,619	570	–	142,958

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012									
At 1 January 2012									
Cost	17,429	767,982	28,877	1,080,397	23,283	297,059	1,101	365,534	2,581,662
Accumulated depreciation	(542)	(31,756)	(3,910)	(83,509)	(4,102)	(7,887)	(456)	–	(132,162)
Net carrying amount	16,887	736,226	24,967	996,888	19,181	289,172	645	365,534	2,449,500
At 1 January 2012, net of accumulated depreciation	16,887	736,226	24,967	996,888	19,181	289,172	645	365,534	2,449,500
Additions	–	–	2,966	2,505	599	–	–	6,377	12,447
Capitalised interest (note 7)	–	–	–	–	–	–	–	18,267	18,267
Depreciation provided during the year	(1,302)	(28,078)	(3,867)	(69,701)	(3,355)	(7,866)	(37)	–	(114,206)
Transfer	–	38,420	59	29,455	–	7,418	–	(75,352)	–
Exchange realignment	258	7,258	231	9,261	81	942	–	3,071	21,102
At 31 December 2012, net of accumulated depreciation	15,843	753,826	24,356	968,408	16,506	289,666	608	317,897	2,387,110
At 31 December 2012									
Cost	17,745	815,125	32,316	1,127,084	24,244	306,104	1,101	317,897	2,641,616
Accumulated depreciation	(1,902)	(61,299)	(7,960)	(158,676)	(7,738)	(16,438)	(493)	–	(254,506)
Net carrying amount	15,843	753,826	24,356	968,408	16,506	289,666	608	317,897	2,387,110

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

The Group's land and building included in property, plant and equipment with a net carrying amount of approximately HK$14,401,000 (2012: approximately HK$14,724,000) are situated in Hong Kong (the "Hong Kong Land and Building") and are held under a medium term lease. The Hong Kong Land and Building are pledged to secure general banking facilities granted to the Group (note 29). The remaining balance of the land and building of approximately HK$112,000 (2012: approximately HK$1,119,000) is the building in the PRC, the related land portion is included in "Prepaid land premium" in the consolidated statement of financial position (note 16).

Certain machinery with a net carrying amount before impairment of approximately HK$370,578,000 (2012: HK$48,430,000) are pledged to secure general banking facilities granted to the Group (note 29).

As detailed in note 19 to the consolidated financial statements, the management carried out an impairment assessment of the Coke Manufacturing CGU (as defined in note 19 to the consolidated financial statements). The recoverable amount of the Coke Manufacturing CGU at 31 December 2013 is less than its carrying amount of the related identifiable net assets of the Coke Manufacturing CGU, and impairment loss of approximately HK$1,956,745,000 is allocated to reduce the carrying amount of property, plant and equipment.

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Office equipment HK$'000
31 December 2013	
At 1 January 2013	
Cost	**65**
Accumulated depreciation	**(52)**
Net carrying amount	**13**
At 1 January 2013, net of accumulated depreciation	**13**
Depreciation provided during the year	**(13)**
At 31 December 2013, net of accumulated depreciation	**–**
At 31 December 2013	
Cost	**65**
Accumulated depreciation	**(65)**
Net carrying amount	**–**
31 December 2012	
At 1 January 2012	
Cost	65
Accumulated depreciation	(39)
Net carrying amount	26
At 1 January 2012, net of accumulated depreciation	26
Depreciation provided during the year	(13)
At 31 December 2012, net of accumulated depreciation	13
At 31 December 2012	
Cost	65
Accumulated depreciation	(52)
Net carrying amount	13

15 INVESTMENT PROPERTY

	Group 2013 HK$'000	2012 HK$'000
Carrying amount at 1 January	**10,716**	8,751
Net gain from a fair value adjustment (note 5)	**1,022**	1,965
Carrying amount at 31 December	**11,738**	10,716

The Group's investment property is situated in the PRC and is held under a long term lease.

The Group's investment property located in the PRC was revalued on 31 December 2013 by RHL Appraisal Limited, independent professionally qualified valuer, at RMB9,170,000 (equivalent to approximately HK$11,738,000).

Information about the fair value hierarchy as at 31 December 2013 are as follows:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Investment property	–	11,738	–	11,738

During the year, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3 during the year.

The fair value of investment property was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments and hence the investment property was classified as level 2 of the fair value hierarchy.

The investment property is leased to a third party under an operating lease, details of which are included in note 36 to the consolidated financial statements.

16 PREPAID LAND PREMIUMS

	Group	
	2013	2012
	HK$'000	HK$'000
Cost:		
At 1 January	**41,719**	41,319
Exchange realignment	**1,239**	400
At 31 December	**42,958**	41,719
Accumulated amortisation:		
At 1 January	**4,256**	3,233
Charge for the year	**1,008**	984
Exchange realignment	**142**	39
At 31 December	**5,406**	4,256
Net carrying amount:		
At 31 December	**37,552**	37,463
Current portion	**(1,008)**	(984)
Non-current portion	**36,544**	36,479

The leasehold land premium is held under a long term lease and is situated in the PRC.

17 INTERESTS IN ASSOCIATES

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**20,676**	19,944
Goodwill on acquisition	**4,684**	4,684
	25,360	24,628
Less: Impairment	**(18,828)**	–
	6,532	24,628

17 INTERESTS IN ASSOCIATES (continued)

Particulars of the associates of the Group at 31 December 2013 are as follows:

Name	Place of establishment/ registration	Paid up capital	Percentage of equity interest attributable to the Group	Principal activities
Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie") *^	Shanxi Province, the PRC	RMB10,000,000	19%	Provision of loading storage and transportation service for coke, washed coals and raw coals
Shanxi Guo Xin Loujin New Resources Limited ("Guo Xin Loujun") *^ (note (i))	Shanxi Province, the PRC	RMB30,000,000	49%	Provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas

Note:

(i) On 24 May 2011, Shanxi Loudong General Nice Coking & Gas Co, Limited ("Shanxi Loudong"), a subsidiary of the Group and 山西省國新能源發展集團有限公司 (Shanxi Guo Xin Resources Development Group Limited^, "Guo Xin Resources", an independent third party) entered into a cooperation agreement (the"Cooperation Agreement"), pursuant to which, Shanxi Loudong and Guo Xin Resources would establish a joint venture namely Guo Xin Loujun, with the registered capital of RMB50 million to engage in the provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas. Pursuant to the Cooperation Agreement, Guo Xin Loujun is owned as to 51% by Guo Xin Resources and as to 49% by Shanxi Loudong. Accordingly, Shanxi Loudong should contribute RMB24.5 million to Guo Xin Loujun as equity capital. Up to 31 December 2013, the paid-up capital of Guo Xin Loujun amounted to RMB30 million, of which Shanxi Loudong had contributed RMB14.7 million (equivalent to approximately HK$18 million) in proportion to the equity interest in Guo Xin Loujun. Accordingly, Shanxi Loudong had capital commitment in respect of the outstanding contracted capital contributions of RMB9.8 million (equivalent to approximately HK$12,552,000) as at 31 December 2013 (2012: equivalent to approximately HK$12,190,000).

Apart from the equity capital contribution, pursuant to the Cooperation Agreement, Shanxi Loudong should contribute of RMB147 million to Guo Xin Loujun for the construction of production facilities. Up to 31 December 2012, Shanxi Loudong had made shareholders' loan of RMB140 million (equivalent to approximately HK$174,633,000) and accordingly, had capital commitment of RMB7 million (equivalent to approximately HK$8,707,000) as at 31 December 2012.

17 INTERESTS IN ASSOCIATES (continued)

Note: (continued)

(i) (continued)

An application for the environmental impact assessment approval from the relevant governmental authorities had been submitted. However, the application has been rejected by the PRC Government on or about 24 March 2014. In the opinion of the Directors, it is difficult for Guo Xin Loujun to continue to operate without the relevant approval and, accordingly, full provision for impairment of the investment in Guo Xin Loujun of RMB14,700,000 (equivalent to approximately HK$18,564,000) and the amount due from Guo Xin Loujun of RMB45,397,000 (equivalent to approximately HK$57,167,000) had been made in the consolidated financial statements for the year ended 31 December 2013.

* Not audited by Ascenda Cachet CPA Limited.

^ The English names of these companies are directly translated from their Chinese names as no English names have been registered.

A summary of financial information of the associates extracted from their management accounts is set out as follows:

	2013 **HK$'000**	2012 HK$'000
Assets	**44,242**	382,628
Liabilities	**(20,035)**	(321,958)
Revenues	**19,460**	18,428
Profit	**155**	3,985

18 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**12,200**	11,611

The above investment consists of investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2013, all the unlisted equity investments with an aggregate carrying amount of HK$12,200,000 (2012: HK$11,611,000) were stated at cost because the range of reasonable fair value estimates cannot be measured reliably. The Group does not intend to dispose of them in the near future.

19 GOODWILL

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**330,083**	330,083
Less: Impairment during the year (note 6)	**(330,083)**	–
Carrying amount at 31 December	**–**	330,083
As at 31 December		
Cost	**901,222**	901,222
Accumulated impairment	**(901,222)**	(571,139)
Carrying amount	**–**	330,083

Goodwill acquired through the business combination has been allocated to the coke manufacturing cash generating unit (the "Coke Manufacturing CGU").

19 GOODWILL (continued)

Impairment test of goodwill for the year ended 31 December 2013

In line with the continuing restructuring of the coke manufacturing facilities (the "New Facilities") in the Shanxi province, the management is in the process of planning for the construction of the New Facilities in a newly planned zone. The management considers that the operation of the existing coke manufacturing facilities of the Group will cease upon the completion of construction of and the commencement of commercial production of the New Facilities in or around the Year 2017.

Accordingly, for the purpose of impairment testing, the recoverable amount of the Coke Manufacturing CGU has been determined by Greater China Appraisal Limited, an independent professional valuer, as at 31 December 2013 based on a value-in-use calculation using cash flow projections based on financial budgets covering a definite four-year period from 1 January 2014, which is approved by senior management, with related estimated residual values of property plant and equipment. At 31 December 2013, the discount rate applied to cash flow projections was 18.1%. Key assumptions used in the value-in-use calculation for 31 December 2013 are as follows:

Revenues

Future revenues are estimated based on annual output taking into account the designed capacity and market demand at expected future commodity prices.

Commodity prices

Future commodity prices are estimated by management based on their industry experience, historic price trends and independent expert commentaries.

Discount rates

The discount rates used is based on a weighted average cost of capital, and is real rate, reflecting specific risks relating to the relevant cash generating units.

The recoverable amount of the Coke Manufacturing CGU as at 31 December 2013 is less than its aggregate carrying amount of the related identifiable net assets of the Coke Manufacturing CGU, and impairment loss of approximately HK$330,083,000 and approximately HK$1,956,745,000 are allocated to reduce the carrying amounts of goodwill and property, plant and equipment (note 14), respectively.

Impairment test of goodwill for the year ended 31 December 2012

Goodwill acquired through the business combination has been allocated to the Coke Manufacturing CGU. For the purpose of impairment testing, the recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate beyond the time horizon, which is approved by senior management. At 31 December 2012, the discount rate applied to cash flow projections was 13%. Key assumptions used in the value in use calculation for 31 December 2012 are as follows:

19 GOODWILL (continued)

Impairment test of goodwill for the year ended 31 December 2012 (continued)

Revenues

Future revenues are estimated based on annual output taking into account the designed capacity at expected future commodity prices.

Commodity prices

Future commodity prices are estimated by management based on their industry experience, historic price trends and independent expert commentaries.

Discount rates

The discount rates used is based on a weighted average cost of capital, and is real rate, reflecting specific risks relating to the relevant cash generating units.

Growth rates

Cash flows beyond the five year forecast period are assumed to grow at a constant 2% per annum, based on expected long term inflation rates in the PRC.

20 OTHER LONG-TERM ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
Deposit paid for the proposed acquisition of Linxian Taiye (note (i))	**481,581**	467,688
Advances for the proposed Development 1 (note (ii))	**–**	472,663
Advances for the proposed Development 2 (note (iii))	**–**	62,193
	481,581	1,002,544
At 1 January	**1,002,544**	463,203
(Refund of advances)/advances for the proposed Development 1 (note (ii))	**(479,880)**	472,663
(Refund of advances)/advances for the proposed Development 2 (note (iii))	**(63,142)**	62,193
Exchange realignment	**22,059**	4,485
At 31 December	**481,581**	1,002,544

20 OTHER LONG-TERM ASSETS (continued)

Notes:

(i) On 16 September 2009, Shanxi Loudong entered into a memorandum of understanding with independent third parties to acquire 49% equity interests in Shanxi Linxian Taiye Coal Mining Company Limited was known as Shanxi Loujun Group Taiye Coal Mining Company Limited ("Linxian Taiye"), a coal mining company. A deposit of RMB176 million (equivalent to approximately HK$225,421,000; 2012: approximately HK$218,918,000) was paid upon signing of the memorandum of understanding. On 4 May 2010, Shanxi Loudong entered into an agreement with one of the independent third parties for acquisition of 30% equity interest in Linxian Taiye at a total consideration of RMB700 million (equivalent to approximately HK$896,561,000 (2012: approximately HK$870,695,000)) subject to adjustment in respect of profit guarantee. During the year ended 31 December 2010, an additional amount of RMB200 million (equivalent to approximately HK$256,160,000 (2012: approximately HK$248,770,000)) was paid by the Group. As at 31 December 2013, the aggregate amount paid by the Group reached RMB376 million (equivalent to approximately HK$481,581,000 (2012: approximately HK$467,688,000)). Accordingly, Shanxi Loudong had capital commitments of RMB324 million (equivalent to approximately HK$414,980,000 (2012: approximately HK$403,008,000)). As additional time is required for the finalisation and negotiation of the terms of the relevant supplemental agreement; and to prepare and update the valuation report and the competent person's report of the coal mine and the financial statements of the Linxian Taiye, the acquisition has not been completed at the date of approval of these consolidated financial statements.

(ii) On 19 March 2013, Shanxi Loudong entered into a lease agreement (the "Lease Agreement 1") with the Villagers Committee of Tianjia Gou Village for the leasing of a land located in the PRC for a term commencing from 1 April 2013 to 31 March 2043 at a rent of approximately RMB2 million (equivalent to approximately HK$2.5 million) per year (the "Proposed Development 1"). The rent is payable annually in advance. Pursuant to the terms of the Lease Agreement 1, Shanxi Loudong is required to pay a total sum of RMB380,000,000 (equivalent to approximately HK$472,663,000 as at 31 December 2012) as a deposit for compensation to the residents for relocation during the year ended 31 December 2012. Pursuant to the terms of the Lease Agreement 1, the parties had subsequently agreed to terminate the Lease Agreement 1, and the deposit of RMB380,000,000 (equivalent to approximately HK$479,880,000) had been refunded to Shanxi Loudong without any deductions during the year ended 31 December 2013.

(iii) On 19 March 2013, Shanxi Loudong entered into another lease agreement (the "Lease Agreement 2") with the Villagers Committee of Daxiaobao Village for the leasing of land located in the PRC for a term commencing from 1 April 2013 to 31 March 2043 at a rent of approximately RMB225,000 (equivalent to approximately HK$281,250) per year (the "Proposed Development 2"). Pursuant to the terms of the Lease Agreement 2, Shanxi Loudong paid a total sum of RMB50,000,000 (equivalent to approximately HK$62,193,000 as at 31 December 2012) as a deposit for compensation to the residents for relocation during the year ended 31 December 2012. A total amount of approximately RMB36,160,000 (equivalent to approximately HK$45,664,000) had been certified as used by the Villagers Committee of Daxiaobao Village in compensation tariff for the relocations of the residents and preparatory work.

21 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**–***	–*
Due from subsidiaries:		
Non-current portion	**1,350,005**	1,350,005
Less: Impairment	**(1,350,005)**	(571,139)
	–	778,866
Current portion	**1,274,307**	1,279,725
Less: Impairment	**(296,370)**	–
	977,937	2,058,591
Due to subsidiaries:		
Current portion	**1,740**	1,740

* The investment at cost has been presented as nil as a result of rounding.

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The classification of non-current amounts due from subsidiaries has been determined based on the amount expected to be settled beyond one year from the end of the reporting period.

21 INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation and business	Issued/paid up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal
Kingfund Corporation Limited	Hong Kong	HK$1	–	100%	Property investment
Abterra Coal & Coke Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Shanxi Loudong*#	PRC	RMB446,000,000	–	94.48%	Coke extracting and the manufacture of relevant chemicals
Super Energy Limited	Hong Kong	HK$1	100%	–	Administrative function

* Ascenda Cachet CPA Limited are not the local statutory auditors.

\# The subsidiary is registered as foreign investment enterprise under the PRC law. As detailed in note 42 to the consolidated financial statements, the subsidiary will be disposed to independent third parties subsequent to the end of the reporting period and impairment of goodwill and property, plant and equipment of HK$330,083,000 and HK$1,956,745,000, respectively, were made by the Group during the year ended 31 December 2013.

During the year ended 31 December 2013, the Group had disposed of 100% equity interest in Shanxi Hing Lou Trading Limited which had no operation. The loss on disposal of a subsidiary of HK$1,840,000 was charged to profit or loss (note 6).

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22 INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**44,997**	76,878
Work in progress	**25,969**	25,534
Finished goods	**64,702**	94,042
Spare parts and consumables	**9,600**	5,013
	145,268	201,467

Certain of the Group's inventories of approximately HK$123,692,000 were pledged for general banking facilities as at 31 December 2013 (note 29).

23 TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**854,439**	595,854
Less: Impairment of trade receivables	**(149,307)**	(29,851)
	705,132	566,003
Bills receivables	**785,131**	118,868
	1,490,263	684,871

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's customers are concentrated in the steel making industry. Trade receivables are non-interest-bearing.

23 TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Current	**164,989**	191,701
31-60 days	**134,437**	26,064
61-90 days	**144,693**	267,545
91-365 days	**315,432**	81,928
Over 1 year	**94,888**	28,616
	854,439	595,854

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**29,851**	29,565
Impairment losses recognised (note 6)	**116,907**	–
Exchange realignment	**2,549**	286
At 31 December	**149,307**	29,851

The above provision for impairment of trade receivables as at 31 December 2013 was in relation to individually impaired trade receivables with a carrying amount of HK$190,945,000 (2012:HK$29,851,000).

The Group does not hold any collateral or other credit enhancements over these balances.

23 TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**409,108**	300,988
Less than 1 month past due	**144,315**	5,953
1 to 3 months past due	**94,296**	197,790
3 to 12 months past due	**8,474**	58,276
1 year past due	**7,301**	2,996
	663,494	566,003

Receivables that were neither overdue nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company 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/or the balances are still considered fully recoverable.

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Advances to suppliers	**1,098,557**	576,952
Other receivables and deposits	**28,662**	92,145
	1,127,219	669,097

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The aged analysis of the other receivables that are not considered to be impairment is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**28,604**	92,087

Receivables that were neither past due nor impaired relate to a number of debtors for whom there was no recent history of default.

25 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	HK$'000
Listed equity investments, at market value:		
PRC	**1,281**	1,244

The above equity investments at 31 December 2012 and 2013 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**650,457**	1,015,544	**592**	5,485
Less: Pledged bank deposits with maturity period over three months	**(642,827)**	(983,149)	**–**	–
Cash and cash equivalents	**7,630**	32,395	**592**	5,485

26 CASH AND CASH EQUIVALENTS (continued)

At the end of the reporting period, the cash and bank balance of Group denominated in Renminbi ("RMB") amounted to HK$649,331,000 (2012: HK$1,005,484,000). 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 was 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. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27 TRADE AND BILLS PAYABLE

	Group	
	2013	2012
	HK$'000	HK$'000
Trade payables	**98,315**	119,173
Bills payable	**813,309**	746,310
	911,624	865,483

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

	Group	
	2013	2012
	HK$'000	HK$'000
Current	**12,208**	29,568
31-60 days	**8,394**	15,684
61-90 days	**2,157**	12,686
91-365 days	**17,424**	37,895
Over 1 year	**58,132**	23,340
	98,315	119,173

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

28 OTHER PAYABLES AND ACCRUALS

	Group 2013 HK$'000	2012 HK$'000
Customer advances	**80,597**	75,647
Value-added tax payable	**–**	17,139
Other payables	**102,699**	72,520
Accruals	**30,910**	39,093
	214,206	204,399

Other payables are non-interest-bearing and have an average term of three months.

29 INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2013 Effective interest rate (%)	2013 Maturity	2013 HK$'000	2012 Effective interest rate (%)	2012 Maturity	2012 HK$'000
Current:						
Bank loans – secured	**–**	**–**	**–**	3.5%	On demand	7,841
Bank loans – secured	**5.32%-9.00%**	**2014**	**1,166,609**	4.4%- 9.18%	2013	1,059,852
Current portion of loan from local credit corporation – secured	**6.15%**	**2014**	**82,685**	5.41%	2013	26,122
			1,249,294			1,093,815
Non-current:						
Non-current portion of loan from local credit corporation – secured	**6.15%**	**2016**	**134,038**	–	–	–
Other borrowing:						
Loan from non-financial institutions – unsecured	**–**	**–**	**–**	28%	No fixed terms	2,463
			1,383,332			1,096,278

29 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group	
	2013	2012
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,166,609**	1,067,693
Other borrowings repayable:		
Within one year	**82,685**	26,122
In the second year to fifth year	**134,038**	2,463
	216,723	28,585
Total borrowings	**1,383,332**	1,096,278
Less: Classified as non-current portion	**(134,038)**	(2,463)
Current portion	**1,249,294**	1,093,815

Certain of the Group's bank loans and loan from local credit corporation are secured by:

(a) mortgage over the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$14,401,000 (note 14) (2012: HK$14,724,000);

(b) mortgage over the Group's machinery, which had an aggregate carrying value before impairment at the end of the reporting period of approximately HK$370,578,000 (note 14) (2012: HK$48,430,000);

(c) pledge of certain of the Group's bank deposits of approximately HK$642,827,000 (note 26) (2012: HK$983,149,000);

(d) personal guarantees from a director of the Company and a director of a subsidiary;

(e) corporate guarantees from independent third parties; and

(f) pledge of certain of the Group's inventories of approximately HK$123,692,000 (note 22).

30 PROMISSORY NOTE

	Group and Company	
	2013	2012
	HK$'000	HK$'000
At 1 January	**28,682**	44,445
Interest expenses charged (note 7)	**1,989**	3,448
Early redemption during the year	**–**	(19,211)
Gain on the modification of promissory note (note 5)	**(5,151)**	–
At 31 December	**25,520**	28,682

On 27 July 2010, the Company issued to Hing Lou Resources Limited, a substantial shareholder of the Company, an unsecured promissory note with principal value of HK$60,000,000 as a partial consideration for the acquisition of a further 39.9% equity interest in Shanxi Loudong. Upon 2012, the Company had negotiated and agreed with the Hing Lou Resources Limited to redeem part of the promissory note with a principal value of HK$30,000,000. The promissory note bears no interest and was repayable in one lump sum on 26 July 2013. The promissory note was measured at amortised cost, using an effective rate of 7.735%.

On 26 July 2013, the promissory note was modified (the "Modification") with its maturity date being further extended to 26 July 2016. At the date of the Modification, the present value of the promissory note was revalued by RHL Appraisal Limited, independent professionally qualified valuers, at HK$24,849,000, and accordingly, the Group has recognised a gain on the modification of the promissory note of approximately HK$5,151,000 during the year ended 31 December 2013.

31 DEFERRED TAX

Group

Deferred tax assets

31 December 2013

	Impairment of trade receivables HK$'000	Impairment of other receivables HK$'000	Total HK$'000
At 1 January 2013	7,407	3,685	11,092
Exchange realignment	107	53	160
At 31 December 2013	7,514	3,738	11,252

Deferred tax liabilities

	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2013	38,045	3,261	553	18,310	60,169
Deferred tax charged to profit or loss (note 10)	4,338	273	15,762	(10,618)	9,755
Exchange realignment	161	101	224	(486)	–
At 31 December 2013	42,544	3,635	16,539	7,206	69,924

31 DEFERRED TAX (continued)

Group (continued)

Deferred tax assets

31 December 2012

	Impairment of trade receivables HK$'000	Impairment of other receivables HK$'000	Total HK$'000
At 1 January 2012	7,391	–	7,391
Deferred tax credited to profit or loss (note 10)	–	3,647	3,647
Exchange realignment	16	38	54
At 31 December 2012	7,407	3,685	11,092

Deferred tax liabilities

	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2012	33,110	2,963	357	16,914	53,344
Deferred tax charged to profit or loss (note 10)	4,614	269	196	1,481	6,560
Exchange realignment	321	29	–	(85)	265
At 31 December 2012	38,045	3,261	553	18,310	60,169

The Group has accumulative tax losses arising in Hong Kong of HK$6,648,000 (2012: HK$76,194,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31 DEFERRED TAX (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2012: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of withholding taxes associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised approximately HK$61,418,000 (2012: HK$49,398,000).

32 SHARE CAPITAL

	Group and the Company	
	2013	2012
	HK$'000	HK$'000
Authorised:		
200,000,000,000 ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
2,389,222,370 ordinary shares of HK$0.01 each	**23,892**	23,892

32 SHARE CAPITAL (continued)

	Number of shares '000	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2012	1,941,020	19,411	604,589	624,000
Issue of new shares:				
Bonus issue (note a)	388,203	3,881	–	3,881
Issue of shares by placement (note b)	60,000	600	22,045	22,645
At 31 December 2012 and 2013	**2,389,223**	**23,892**	**626,634**	**650,526**

The movements in the issued share capital of the Company were as follows:

(a) Bonus issue

On 28 March 2012, the Board proposed a bonus issue (the "Bonus Issue") on the basis of 2 bonus shares for every 10 existing shares to shareholders whose names appeared on the register of members of the Company on 8 June 2012. The shareholders approved the Bonus Issue at the annual general meeting held on 30 May 2012, and a total of 388,202,780 bonus shares were issued on 29 June 2012 and accordingly, the Group recognised issued share capital of HK$3,881,000 from the contributed surplus account.

(b) Placing of new shares

On 11 July 2012, the Company entered into a placing agreement with a placing agent, which is an independent third party, pursuant to which, the placing agent agreed to place, on a best effort basis, up to 60,000,000 new shares at a placing price of HK$0.38 per placing share to not less than six placees who and whose ultimate beneficial owners are independent third parties of the Company and its connected persons (as defined in the Listing Rules). Upon completion of the placing on 1 August 2012, a total of 60,000,000 new shares were issued. The net proceeds for the placement of approximately HK$22.54 million was used for general working capital for the administration and operation expenses of the Group. Details of the placing had been disclosed in the Company's announcements dated 11 July 2012 and 1 August 2012.

33 SHARE OPTION SCHEME

On 25 June 2007 (the "Adoption Date"), the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole. Participants include the directors and any employees of the Group, supplier of goods or services of the Group, any person provides professional advice, consultancy service or technical support to the Group and any shareholders of any member of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the Adoption Date. The principal terms of the Scheme are summarised as follows:

(a) The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date. Subject to prior shareholders' approval, the Company may, at any time thereafter, refresh the scheme mandate limit to the extent not exceeding 10% of the shares in issue as at the date of the shareholders' approval. The shareholders approved the refreshment of the scheme limit at the special general meeting held on 15 October 2010. Following the refreshment, the maximum number of shares in respect of which options may be granted under the Scheme is 182,509,081 shares, representing 10% of the total number of shares in issue as at the date of refreshment of the scheme limit on 15 October 2010 and representing approximately 7.6% of the issued share capital of the Company as at 31 December 2013 and the date of this annual report. The maximum number of shares to be issued under the share options granted to each Participant in the Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

(c) The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a consideration of HK$10.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the expiry of six months after the date of grant and ends on a date which is not later than the expiry date of the Scheme.

33 SHARE OPTION SCHEME (continued)

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

The movements in the share options of the Company during the year were set out as follows:

Name or category of participants	At 1 January 2013 (Note 1)	Grant during the year (Note 2)	Exercised/ cancelled/ lapsed during the year (Note 3)	At 31 December 2013	Exercise period of the outstanding share options	Exercise price per share HK$ (Note 1)
Directors						
Ng Tze For	3,942,457	–	–	3,942,457	From 9 January 2010 to 24 June 2017	0.6517
Li Xiao Long	271,894	–	–	271,894	From 9 July 2010 to 24 June 2017	0.6517
Sub-total	4,214,351	–	–	4,214,351		
Employee	271,894	–	–	271,894	From 9 January 2010 to 24 June 2017	0.6517
Total	4,486,245	–	–	4,486,245		

Notes:

1. These share options were granted on 9 July 2009 at an exercise price of HK$0.886 per share. The vesting period of the share options is from the date of grant until the commencement of the exercised period. As a result of the completion of the open offer by the Company in July 2009, the exercise price of the share options was adjusted from HK$0.886 to HK$0.782 per share and the number of share options was adjusted accordingly.

   Upon the completion of the Bonus Issue on 29 June 2012, the exercise price of the share options was further adjusted from HK$0.782 per share to HK$0.6517 per share and the number of outstanding share options was further adjusted.

2. During the year, no share option was granted.

3. During the year, no share option was exercised, cancelled or lapsed.

33 SHARE OPTION SCHEME (continued)

At the end of the reporting period and at the date of approval of these consolidated financial statements, the Company had 4,486,245 share options outstanding under the Scheme, exercisable at a price of HK$0.6517 per share, which represented approximately 0.19% of the Company's shares in issue as at the end of the reporting period. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,486,245 additional ordinary shares of the Company and additional share capital of approximately HK$45,000 and share premium of approximately HK$2,879,000 (before issue expenses).

34 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 40 of the consolidated financial statements.

(i) Capital reserve

Capital reserve comprised of the followings:

Statutory surplus reserve ("SSR")

Pursuant to the relevant PRC laws and regulations for Sino-foreign joint venture enterprises, the profits of the Group's PRC subsidiary are available for distribution, in the form of cash dividends to each of the joint venture partners: (1) satisfies all tax liabilities; (2) provides for losses in previous years; and (3) makes appropriate to the three statutory reserves. These appropriations include the individual entity's reserve fund, expansion fund and funds for staff bonuses and welfare benefits.

All Sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after tax to the SSR as determined in the PRC subsidiary's statutory audited accounts prepared in accordance with Chinese Accounting Standards, until the balance of the fund reaches 50% of the registered capital. Appropriations of the expansion fund and funds for staff bonuses and welfare benefits are determined at the sole discretion of the board of directors.

Subject to certain restrictions set out in the Company law of the PRC, part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

34 RESERVES (continued)

(a) Group (continued)

(i) Capital reserve (continued)

Waiver of the increased consideration for the acquisition of 50.1% equity interest in Shanxi Loudong

Pursuant to the sale and purchase agreement dated 8 December 2007, as supplemented by supplemental agreements, entered between GNR and Buddies Power Enterprises Limited, a subsidiary of the Company, the consideration for the acquisition of 50.1% equity interest in Shanxi Loudong shall be increased by HK$280 million in the event that the aggregate audited attributable net profits of 50.1% equity interest in Shanxi Loudong for the financial years ended 31 December 2008 and 2009 exceeds HK$230 million, such increased amount is to be satisfied by way of Buddies Power Enterprises Limited procuring the Company to issue a promissory note in the principal amount of the increased consideration of HK$280 million to GNR. The targeted profits for the above-mentioned financial years were made. The increased consideration was included in the consolidated financial statements for the year ended 31 December 2009 as goodwill and amount due to GNR of HK$280 million.

On 26 August 2010, GNR, Buddies Power Enterprises Limited and the Company entered into a deed of waiver pursuant to which GNR agreed to waive the obligations of the Group under the agreements to waive the liability due from the Group. Accordingly, the Group had classified the amount due to GNR as capital reserve with no adjustment to the goodwill previously recorded.

Capital reserve in respect of acquisition of the equity interest of the PRC subsidiary

During the year ended 31 December 2010, the Group had acquired further 39.9% equity interest in Shanxi Loudong from Hing Lou Resources Limited, a non-controlling equity holder of Shanxi Loudong and a shareholder of the Company. Pursuant to the acquisition of the 39.9% equity interest in Shanxi Loudong, an excess of the net assets acquired over the consideration amounting to approximately HK$224,238,000 was recorded. In accordance with HKFRS 3 Business Combination, the excess should be accounted for as equity movement as being acquisition of the non-controlling interests and included in the capital reserve of the Group.

During the year ended 31 December 2010, apart from the acquisition of the 39.9% equity interest in Shanxi Loudong, only the Group had further contributed to Shanxi Loudong. Accordingly, there was a deemed acquisition of the equity interest in Shanxi Loudong. In accordance with HKFRS 3, such deemed acquisition should be accounted for as equity movement and included in the capital reserve of the Group.

34 RESERVES (continued)

(a) Group (continued)

(ii) Contributed surplus

Pursuant to a special resolution passed at the special general meeting on 15 October 2010, the share premium of the Company of HK$2,269,538,000 as at 30 June 2010 had been cancelled and eliminated against the accumulated losses of the Company of HK$475,986,000 as at 30 June 2010 and the then remaining balance of HK$1,793,552,000 was transferred to the contributed surplus account of the Group and Company.

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (Note 34(a)(ii))	Share option reserve HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	604,589	160,670	1,746,407	1,580	(496,297)	2,016,949
Loss for the year and total comprehensive income	–	–	–	–	(14,244)	(14,244)
Share options lapsed	–	–	–	(46)	46	–
Bonus issue	–	–	(3,881)	–	–	(3,881)
Issue of ordinary shares through placements	22,045	–	–	–	–	22,045
At 31 December 2012 and at 1 January 2013	**626,634**	**160,670**	**1,742,526**	**1,534**	**(510,495)**	**2,020,869**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1,082,698)**	**(1,082,698)**
At 31 December 2013	**626,634**	**160,670**	**1,742,526**	**1,534**	**(1,593,193)**	**938,171**

35 CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group and of the Company as at 31 December 2012 and 2013.

36 OPERATING LEASE ARRANGEMENTS

As lessor

The Group lease its investment property (note 15) under operating lease arrangements, with the lease negotiated for original terms of 10 years.

At the end of the reporting period, the Group had total future minimum lease receivables under a non-cancellable operating lease within its tenant falling due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**128**	124
In the second to fifth years, inclusive	**512**	498
After the fifth years	**96**	218
	736	840

As lessee

The Group leases certain of its staff quarters under operating lease arrangement. Leases for the residential properties are negotiated for original terms of two years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**–**	214

37 CAPITAL COMMITMENTS

In addition to the information disclosed in note 36 and elsewhere in the financial statements, the Group had the following capital commitments as at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
Contracted, but not provided for, in respect of:		
Acquisition of 30% equity interest in Linxian Taiye (Note 20(i))	**414,980**	403,008
Capital expenditure in respect to the construction in progress	**26,998**	56,246
Capital expenditure in respect to the construction of production facilities	**35,108**	–
	477,086	459,254

38 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	Note	2013 HK$'000	2012 HK$'000
Director:			
Rental expenses	(i)	**89**	214

Notes:

(i) The rental expenses paid to a close family member of the director were determined with reference to the normal commercial terms of similar transactions.

38 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

The balances with shareholders and related parties are unsecured, interest-free and have no fixed terms of repayment. The classification of non-current due from/(to) related parties has been determined based on the amount expected to be settled beyond one year from the end of the reporting period. These balances represented cash advances to or from those related parties and shareholders, and were non-trade in nature.

The detailed breakdown of amounts with related parties and shareholders is as follows:

Outstanding balances with related parties:

(i) *Current portion*

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from related companies:				
General Nice Resources (Hong Kong) Limited ("GNR") *	**511**	387	**–**	–
General Nice (Tianjin) Industry Company Limited ("GNT")	**29,564**	29,564	**29,564**	29,564
General Nice (Shanxi) Economic & Trade Co., Ltd.	**–**	1,428	**–**	–
Xiaoyi Loudong Industry & Trading Group Co. ("Xiaoyi Loudong")	**–**	9,951	**–**	–
	30,075	41,330	**29,564**	29,564
Due to related companies:				
GNR *	**16,656**	16,656	**13,656**	13,656
General Nice Development Limited ("GND") ^	**584**	584	**584**	584
Hing Lou Resources Limited#	**2,125**	2,125	**2,107**	2,107
Tianjin General Nice Coke & Chemicals Co., Ltd.	**997**	997	**–**	–
Xiaoyi Loudong	**7,356**	248	**–**	–
	27,718	20,610	**16,347**	16,347

38 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

(ii) Non-current portion

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from an associate:				
Guo Xin Loujun	**–**	174,633	**–**	–
Loan from related companies:				
GND ^	**142,294**	138,189	**–**	–
GNT	**89,002**	86,433	**–**	–
GNR *	**937**	911	**–**	–
	232,233	225,533	**–**	–

* GNR directly held the Company's equity interest of 13.98% as at 31 December 2013.

^ GND indirectly held the Company's equity interest of 13.98% as at 31 December 2013.

Hing Lou Resources Limited directly held the Company's equity interest of 13.47% as at 31 December 2013.

(c) Compensation of key management personnel of the Group

	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**3,900**	3,900
Post-employment benefits	**64**	56
Total compensation paid to key management personnel	**3,964**	3,956

39 FINANCIAL INSTRUMENTS BY CATEGORY

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

Group
31 December 2013
Financial assets

	Financial assets at fair value through profit or loss			
	Held for trading HK$'000	Loan and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	12,200	12,200
Trade and bills receivables	–	1,490,263	–	1,490,263
Financial assets included in prepayments, deposits and other receivables	–	28,662	–	28,662
Due from related companies	–	30,075	–	30,075
Equity investments at fair value through profit or loss	1,281	–	–	1,281
Pledged deposits	–	642,827	–	642,827
Cash and cash equivalents	–	7,630	–	7,630
	1,281	2,199,457	12,200	2,212,938

Group
31 December 2013
Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	133,609
Interest-bearing bank and other borrowings	1,383,332
Due to related companies	27,718
Loans from related companies	232,233
Trade and bills payables	911,624
Promissory note	25,520
	2,714,036

39 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

31 December 2012

Financial assets

	Financial assets at fair value through profit or loss			
	Held for trading HK$'000	Loan and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	11,611	11,611
Due from an associate	–	174,633	–	174,633
Trade and bills receivables	–	684,871	–	684,871
Financial assets included in prepayments, deposits and other receivables	–	92,145	–	92,145
Due from related companies	–	41,330	–	41,330
Equity investments at fair value through profit or loss	1,244	–	–	1,244
Pledged deposits	–	983,149	–	983,149
Cash and cash equivalents	–	32,395	–	32,395
	1,244	2,008,523	11,611	2,021,378

Group

31 December 2012

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	111,613
Interest-bearing bank and other borrowings	1,096,278
Due to related companies	20,610
Loans from related companies	225,533
Trade and bills payables	865,483
Promissory note	28,682
	2,348,199

39 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Due from subsidiaries	**977,937**	2,058,591
Due from a related company	**29,564**	29,564
Financial assets included in prepayments, deposits and other receivables	**36**	36
Cash and cash equivalents	**592**	5,485
	1,008,129	2,093,676

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Other payables and accruals	**2,771**	2,471
Due from related companies	**16,347**	16,347
Due to subsidiaries	**1,740**	1,740
Promissory note	**25,520**	28,682
	46,378	49,240

40 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value
Group
As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	HK$'000
Equity investments at fair value through profit or loss	1,281	–	–	1,281

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise promissory note, interest-bearing bank and other borrowings and cash and bank balances. 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 receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial consolidated statements.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

Year ended 31 December 2013

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2013			
Renminbi	1%	268,968	–
	(1%)	(268,968)	–

* Excluding accumulated losses

Year ended 31 December 2012

The Group's exposure to the risk of the changes in market interest rates relates primarily to the Group's long term debt with a floating interest rate. The Group's policy is to manager its interest cost using a mix of fixed and variable rate debts.

Foreign currency risk

The Group has transactional currency exposures as almost 100% of the sales and purchases of the Group were transacted in Renminbi ("RMB"). The Group manages its transactional currency exposures by matching as far as possible, its receipts and payments in each individual currency. The Group monitors the foreign currency exchange rates closely so as to minimise any potential material adverse effects from these exposure in a timely manner.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the respective reporting dates to a reasonable possible change in the exchange rate of RMB with all other variables held constant, of Group's loss before tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 December 2013			
If HK$ weakens against RMB	**5%**	**56,476**	**–**
If HK$ strengthens against RMB	**(5%)**	**(56,476)**	**–**
31 December 2012			
If HK$ weakens against RMB	5%	173,490	–
If HK$ strengthens against RMB	(5%)	(173,490)	–

* Excluding retained earnings/accumulated losses

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and bank balances pledged deposits, prepayment, deposit and other receivables, amounts due from related companies, equity investments at fair value through profit or loss and trade and bills receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and banks with good reputation in the PRC.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer and by industry sector. There are no significant concentrations of credit risk within the Group.

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

Group

31 December 2013

	Within 1 year, on demand or no fixed repayment terms HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	1,249,294	134,038	1,383,332
Due to related companies	27,718	–	27,718
Trade and bills payables	911,624	–	911,624
Loans from related companies	–	232,233	232,233
Financial liabilities included in other payables and accruals	133,609	–	133,609
Promissory note	–	25,520	25,520
	2,322,245	391,791	2,714,036

31 December 2012

	Within 1 year, on demand or no fixed repayment terms HK$'000	1 to 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	1,093,815	2,463	1,096,278
Due to related companies	20,610	–	20,610
Trade and bills payables	865,483	–	865,483
Loans from related companies	–	225,533	225,533
Financial liabilities included in other payables and accruals	111,613	–	111,613
Promissory note	–	28,682	28,682
	2,091,521	256,678	2,348,199

41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, the non-current portion of the amounts due to related companies and promissory note, less cash and cash equivalents. Total capital represents total equity attributable to owners of the Company. The gearing ratios as at the ends of reporting periods were as follows:

	2013 **HK$'000**	2012 HK$'000
Interest-bearing bank and other borrowings	**1,383,332**	1,096,278
Loan from related companies	**232,233**	225,533
Promissory note	**25,520**	28,682
Less: Cash and bank balances	**(7,630)**	(32,395)
Net debt	**1,633,455**	1,318,098
Equity	**1,118,761**	3,940,181
Total equity and net debt	**2,752,216**	5,258,279
Gearing ratio	**59%**	25%

42 EVENTS AFTER THE REPORTING PERIOD

Significant events occurred after the end of the reporting period are as follows:

(a) Shanxi Guo Xin Loujun New Resources Limited has submitted an application for the environmental impact assessment approval on the synthetic natural gas production project from the relevant governmental authorities of the PRC. The application has been rejected by the PRC government on 22 March 2014, details of which had been disclosed in the Company's announcement dated 25 March 2014.

42 EVENTS AFTER THE REPORTING PERIOD (continued)

(b) On 27 March 2014, the Group entered into a memorandum of understanding ("GNLC MOU") with Mega Smart Capital Investment Limited ("Mega Smart", an independent third party), pursuant to which, the Group will dispose of its entire equity interest in General Nice-Loudong Coal & Coke Limited ("GNLC"). GNLC is an investment holding company and directly owns 47.24% equity interest in Shanxi Loudong. The consideration shall be subject to further negotiation with Mega Smart.

(c) On 27 March 2014, the Group further entered into a memorandum of understanding ("Buddies Power MOU") with Glory China Global Investment Limited ("Glory China", an independent third party), pursuant to which, the Group will dispose of its entire equity interest in Buddies Power Enterprises Limited ("Buddies Power"). Buddies Power is an investment holding company and indirectly owns 47.24% equity interest in Shanxi Loudong. The consideration shall be subject to further negotiation with Buddies Power.

(d) On 27 March 2014, the Group further entered into a memorandum of understanding ("Nice Link MOU") with Nice Link Pty Limited ("Nice Link") and General Nice Development Limited ("GND"), both Nice Link and GND are connected persons of the Company, pursuant to which, the Group will acquire (the "Acquisition") a commercial building which is situated at 146 Arthur Street, North Sydney, Australia (the "Property"), comprising three levels of basement parking, ground floor and lower ground floor showrooms and ten upper levels of office accommodation, plus rooftop plant rooms with a total net lettable area of approximately 8,162 square metres. The consideration shall be subject to further negotiation between the parties.

The disposal of GNLC and Buddies Power (the "Proposed Disposal(s)") are inter-conditional. Each of the Proposed Disposal is also conditional upon the Acquisition becoming unconditional while the Acquisition is not conditional upon either of the Proposed Disposals. Further details of the Proposed Disposals and the Acquisition were disclosed in the Company's announcement dated 27 March 2014.

43 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

44 APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Company's board of directors on 31 March 2014.

Particulars of Properties

31 December 2013

INVESTMENT PROPERTY

Location	Intend use	Site area (sq m)	Lease term
Unit 601 together with its roof, Phase 1, Levels 6 and 7, Block 2, Court No. 4, Greenwich Garden, Yaojiayuan East Lane, Chaoyang District, Beijing City, the PRC	Lease	254.14	Long lease

Five Year Financial Summary

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

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**3,105,949**	2,233,316	2,559,575	2,358,250	1,224,798
Cost of sales	**(2,457,945)**	(1,786,160)	(1,776,024)	(1,639,963)	(778,276)
Gross profit	**648,004**	447,156	783,551	718,287	446,522
Other income	**99,691**	33,156	18,269	65,643	118,789
Selling and distribution costs	**(69,827)**	(69,279)	(131,566)	(148,985)	(53,494)
Administration expenses	**(193,394)**	(129,108)	(87,113)	(88,379)	(67,148)
Other operating expenses	**(10,444)**	(20,521)	(16,420)	(31,047)	(27,309)
Fair value changes on derivative component of convertible notes	**–**	–	–	(16,949)	–
Impairment of trade receivables	**(116,907)**	–	–	–	–
Impairment of prepayment and other receivables	**(299,714)**	–	–	–	–
Impairment of investment in an associate and amount due from an associate	**(75,731)**	–	–	–	–
Impairment of property, plant and equipment	**(1,956,745)**	–	–	–	–
Impairment of goodwill	**(330,083)**	–	–	–	–
Finance costs	**(87,377)**	(67,736)	(75,703)	(51,736)	(80,733)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**(2,392,527)**	193,668	491,018	446,834	336,627
Income tax expense	**(320,034)**	(46,260)	(181,700)	(160,248)	(141,927)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**(2,712,561)**	147,408	309,318	286,586	194,700
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**–**	–	–	–	4,796

Five Year Financial Summary

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(2,712,561)**	147,408	309,318	286,586	199,496
OTHER COMPREHENSIVE INCOME					
To reclassified to profit or less in subsequent periods:					
Exchange differences on translation of foreign operations	**(108,859)**	32,605	127,434	83,973	2,900
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(2,821,420)**	180,013	436,752	370,559	202,396
(Loss)/profit attributable to:					
Owners of the Company	**(2,581,507)**	138,478	291,152	187,236	50,414
Non-controlling interests	**(131,054)**	8,930	18,166	99,350	149,082
	(2,712,561)	147,408	309,318	286,586	199,496
Total comprehensive income attributable to:					
Owners of the Company	**(2,682,584)**	168,562	412,179	259,376	51,867
Non-controlling interests	**(138,836)**	11,451	24,573	111,183	150,529
	(2,821,420)	180,013	436,752	370,559	202,396
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**4,148,376**	6,603,433	5,883,736	5,795,750	4,359,869
TOTAL LIABILITIES	**(3,029,615)**	(2,663,252)	(2,146,213)	(2,565,709)	(2,574,622)
NON-CONTROLLING INTERESTS	**(34,439)**	(173,275)	(161,824)	(137,251)	(920,151)
	1,084,322	3,766,906	3,575,699	3,092,790	865,096