HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(stock code: 704)

2015
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Lau Ka Ho *(Chairman)*
Mr. Lam Hoy Lee, Laurie
Mr. To Wing Tim, Paddy

NOMINATION COMMITTEE

Mr. To Wing Tim, Paddy *(Chairman)*
Mr. Lau Ka Ho
Mr. Lam Hoy Lee, Laurie

REMUNERATION COMMITTEE

Mr. Lam Hoy Lee, Laurie *(Chairman)*
Mr. Lau Ka Ho
Mr. To Wing Tim, Paddy

COMPANY SECRETARY

Mr. Chang Chi Wai, Stanley

COMPANY SOLICITORS

In Hong Kong

Chiu & Partners

In Bermuda

Appleby Spurling Hunter

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

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

In Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 2003, 20th Floor
Lippo Centre, Tower One
89 Queensway
Admiralty, Hong Kong
Tel: 2861 0704
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Website: www.huscoke.com

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Jinyan Road,
Economic and Technological Development Zone, Xiao Yi, Shan Xi, China

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Chairman's Statement

I would like to present the annual audited consolidated results of Huscoke Resources Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2015.

RESULTS AND BUSINESS OVERVIEW

There is no sign of recovery subsequent to the prolonged period of sluggish coke market since 2011 which made 2015 to be another challenging year to the Group, with total revenue dropped from HK$598,618,000 in 2014 to HK$461,384,000 in 2015, representing a 22.9% decrease. Resulting from continuous drop in selling price, the Group suffered gross loss of HK$33,494,000 (2014: HK$117,138,000). Loss attributable to owners of the parent was HK$110,474,000 (2014: HK$989,409,000).

China economy entered into an era of slow growth in recent years. The steel market is facing very harsh operating environment in recent years with the prolonged tightening policies on the property market, credit squeeze and overcapacity also weighs on the sector. Those led to the low demand and price reduction of our major product, coke, an ingredient in steel making process. Coke price dropped continuously throughout 2015.

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

Under the Annual Coke S&P Agreement, Kailuan has agreed to pay HK$220,000,000 to the Group as deposit (the "**Deposit**"), the Deposit is interest free and is repayable on or before 23 May 2014.

The Annual Coke S&P Agreement expired on 23 May 2014. On 27 March 2014, the Company entered into a letter of intent with Kailuan to extend the term of the coke purchase agreement and the repayment date of the Deposit received for a period of 6 months or 12 months upon its expiry on 23 May 2014.

Due to the weak coke market, there had not been any revenue recorded related to the Annual Coke S&P Agreement during the whole agreement period.

In order to repay the Deposit and the default liquidated damages to Kailuan, on obtaining written consent from Kailuan, the Group entered into an agreement with an Independent Third Party on 10 September 2014 pursuant to which the Group has conditionally agreed to dispose the Group's land and building situated in Hong Kong (the "**Property**") which was used to secure the Deposit from Kailuan under second mortgage (the "**Disposal**"), subject, inter alia, to the approval of shareholders of the Company.

As at 31 December 2014, the Group was in default of repayment of the Deposit and on 23 January 2015, a debt repayment scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, a subsidiary of the Group. It was agreed that the proceeds from disposal of the Property shall not be less than HK$179.7 million, and will be used firstly to settle the mortgaged bank loan and the disposal expense, with the remaining amount to partially repay the Deposit.

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

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

- default interest rate subsequent to 24 December 2014 is subject to further negotiation;

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

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

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

The approval of shareholders for the disposal of the Property was obtained on 13 May 2015 and the completion of the Disposal took place on 29 May 2015.

As at 31 December 2015, the balance of the Deposit and penalty charges and accrued interests were HK$120,000,000 (2014: HK$220,000,000), and approximately HK$43,277,000 (31 December 2014: HK$27,683,000), respectively.

The Deposit was secured by the following:

- a pledge of 1,157,000,000 shares of the Company, as to 657,000,000 shares owned by Mr. Wu and as to 500,000,000 shares of the Company held by certain shareholders of the Company;

Further details of the Annual Coke S&P Agreement, the disposal of the Property and the deposit repayment and interest arrangements are set out in the Company's announcements dated 23 May 2013 and 29 May 2013, 23 May 2014, 10 September 2014, 30 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015, 18 March 2015, 26 March 2015, 24 April 2015, 13 May 2015 and 29 May 2015 respectively in relation to the Disposal.

In order to resolve the cash flow difficulty of the Group, the Group entered into a subscription agreement and supplemental agreement (collectively, the "**Subscription Agreements**") with Shun Wang Investments Limited (the "**Subscriber**") an independent third party, on 27 November 2015 and 15 December 2015, respectively. Pursuant to Subscription Agreements the Group conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, an aggregate of 1,400,000,000 subscription shares ("**Subscription Shares**") at the subscription price of HK$0.15 per subscription share for a total cash consideration of HK$210,000,000 ("**Subscription**"). Details of the Subscription were disclosed in our Company's announcement dated 15 December 2015.

The Directors consider that completing the Subscription provides a good opportunity to (i) raise a substantial amount of additional funds for the Group; (ii) improve the financial position and liquidity of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises. The Directors are confident that the Subscriber will bring in additional resources and investment opportunities to the Group which is beneficial to the Group and the shareholders as a whole.

The gross proceeds from the Subscription would amount to HK$210.0 million. The net proceeds of the Subscription, after deducting professional fees and other related expenses, are estimated to be approximately HK$208.7 million, representing a net price of approximately HK$0.1490 per Subscription Share.

The Subscription is subject to a number of conditions precedent, among others, the Listing committee of the Stock Exchange having granted the approval of the listing of, and permission to deal in , the shares to be issued by the Company to the Subscriber, the approval by shareholders in the special general meeting.

Most of the conditions precedent had not yet satisfied up to the date of this report.

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one or two years.

It is expected that the macroeconomy and the coke industry weakness to continue while excess capacity remain to be a serious problem for, among others, the steel and coke industries. Cope with the environmental focus and policies by the Chinese government, it is not easy for the oversaturated coke market to enter into a more balanced supply and demand cycle and adversely affect the development of the coke industry in the foreseeable future. The environmental policies and excess capacity constraints will be the major factors affecting the development coke industry players in the future.

Since smaller coke production facilities are usually of less advance and environmentally friendly technology and lower efficiency, one of the works of the government is to close down small coke production plants. This also helps to solve the excess capacity problems. Thus, the coke producers will have to meet the size, energy consumption and environmental protection standards in order to stay in the industry. Environmental focus restricting the coke production quantities is a support to the coke price, but the weak market demand is still making the industry not able to enter into a more balanced supply and demand cycle. Overall, the 2016 coke market will still continue a weak trend.

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

Moreover, to continue the Group's effort in exploring other business opportunities in coke trading segment and also the establishment of long-term business corporation relationship with Kailuan (Hong Kong) International Co. Ltd ("**Kailuan**"), the Group established a Hong Kong company, Herong Resources Limited ("**Herong**"), with Rontac Resources Company Limited ("**Rontac**") on 20 May 2015. The shareholding percentages of the Group and Rontac in Herong were 51% and 49%, respectively. Kailuan is 40% owned by Rontac. It is expected this company is to be engaged in coke and coal trading business and it had commenced business in the second half of 2015. This company earned agency fee from the coal and coke trading of HK$405,000 (2014: HK$Nil) in the current year and it is expected it will commence direct trading business in the second half of 2016.

In September 2010, the Group has signed a non-legal binding memorandum of understandings ("**MOU**") with a non-controlling shareholder of the PRC subsidiary (the "**Non-controlling Shareholder**"). This MOU mainly related to the proposed cooperation with the Non-controlling Shareholder for the construction of a new coking plant with annual capacity of 2 million tonnes. The construction works of the new plant has started in 2011 and expect to be finished in 2015, however, due to the construction work had certain delay and it is expected to complete in late 2016. It was wholly financed by the Non-controlling Shareholder. The Group will assess the financial abilities and the prospects of the industry after the coking plant commence production and consider if the Group will join the project or not.

Chairman's Statement

As of 31 December 2015, the Group had net current liabilities and current ratio of HK$477,479,000 (2014: HK$499,414,000) and 0.47 (2014: 0.62), respectively as at 31 December 2015.

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

(a) During the year ended 31 December 2015, the Group disposed of certain land and buildings (the "**Property**") with a carrying value of HK$101,477,000 at the date of disposal for a cash consideration of HK$179,700,000. The proceeds, net of disposal expenses of HK$1,900,000, were used, as to HK$67,451,000, to settle a mortgage bank loan and, as to HK$100,000,000, to partially settle the Deposit. The remaining proceeds were used as working capital of the Group.

(b) The Group entered into a subscription agreement and supplemental agreement (collectively, the "**Subscription Agreements**") with Shun Wang Investments Limited (the "**Subscriber**"), an independent third party, on 27 November 2015 and 15 December 2015, respectively. Pursuant to the Subscription Agreements, the Subscriber conditionally agreed to subscribe for an aggregate of 1,400,000,000 subscription shares at the subscription price of HK$0.15 per subscription share for a total cash consideration of HK$210,000,000 (the "**Subscription**"). The Subscription Agreements are effective up to 31 May 2016.

    The conditions to the completion of Subscription include, among other things, to obtain (a) the approval of the Company's shareholders at a special general meeting on a capital reorganisation and on the granting of a specific mandate to authorise the Directors to issue new shares by the Company; and (b) the necessary approval from the regulatory bodies. Further details of the Subscription are set out in the Company's announcements dated on 15 December 2015 and 5 January 2016 (the "**Announcements**"). At the date of approval of these financial statements, the Subscription has not yet taken place.

    The Directors plan to use the estimated net proceeds from the Subscription of HK$208,700,000 to repay the Deposit of HK$120,000,000, with the remaining amount as general working capital of the Group.

(c) On 10 March 2016, the Company and Kailuan entered into a supplemental agreement, pursuant to which Kailuan agreed not to demand repayment of the penalty charges and accrued interests in the amount of HK$43,277,093.08 before 30 June 2017.

(d) The Group recorded interest-bearing other borrowings of HK$23,426,000 and accrued interest of HK$1,724,000 as at 31 December 2015, of which HK$17,100,000 were loans from certain directors of the Company and of a subsidiary of the Group. On 10 March 2016, the Group secured the agreement from the respective lenders to defer settlement of the other borrowings and accrued interest to 30 June 2017.

(e) The Group recorded an amount due to a non-controlling shareholder of a PRC subsidiary (the "**Non-controlling Shareholder**") of HK$50,201,000 at 31 December 2015. On 10 March 2016, the Group secured the agreement from the Non-controlling Shareholder to defer settlement of such balance to 30 June 2017.

(f) In May 2015, a 51% owned subsidiary of the Group, Herong Resources Limited ("**Herong**"), was incorporated in Hong Kong. The remaining 49% interest is owned by Rontac Resources Holdings Limited which holds a 40% equity interest in Kailuan. The principal activity of Herong is trading of coal and coke, and related products. During the year ended 31 December 2015, commission income from coal and coke trading of HK$405,000 was recorded by Herong. It is contemplated that the Group and Kailuan will enter into a cooperation arrangement which will result in a significant increase in trading activities carried out by Herong. The Directors are of the opinion that such trading activities will contribute positive cash flows to the Group.

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

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve the above-mentioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financial and operating cash flows including the successful completion of the Subscription in accordance with the terms stipulated in the Subscription Agreements, the confirmation of the cooperation arrangement between the Group and Kailuan with respect to the trading activities of Herong, and the success of Herong's operations to generate significant positive cash flows to the Group.

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

Chairman's Statement

APPRECIATION

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

Gao Jianguo
Chairman
31 March 2016

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Gao Jianguo, aged 59, has been appointed as an executive Director and the Chairman since September 2011. Mr. Gao joined the Xiaoyi City Jinyan Electrical Coal Chemical Engineering Co., Ltd. (the non-controlling shareholder of the Group's 90% owned Subsidiary Company) in 2001 and joined the 山西金岩和嘉能源有限公司 GRG Huscoke (Shan Xi) Ltd, and an indirect 90%-owned subsidiary of the Company since 2008, and he is now its deputy general manager. He has over 30 years in import-exporting trading business and over 10 years of experience in the coke industry. Mr. Gao was graduated from the 山西財經學院 (Shanxi Finance & Economics College) in 1977.

Mr. Li Baoqi, aged 61, has been appointed as an executive Director since June 2008 and as Chief Executive Officer of the Company since September 2011. Mr. Li has over 25 years of working experience in foreign economy and trade. He worked as the Assistant to General Manager of 中國冶金進出口吉林公司 (China Metallurgy Import and Export Jilin Company), the Manager and the Assistant General Manager of the Import and Export Division of 中國冶金進出口深圳公司 (China Metallurgy Import and Export Shenzhen Company, now known as 中鋼集團深圳公司 (China Steel Group Shenzhen Company)).

Independent Non-executive Directors

Mr. Lau Ka Ho, aged 41, has been appointed as an independent non-executive Director of the Company since 21 April 2011 and is a member of the Nomination Committee and the Remuneration Committee and the Chairman of Audit Committee of the Company. Mr. Lau is currently the Chief Financial Officer and Company Secretary of Ajisen (China) Holdings Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited. Mr. Lau has over 10 years' experience in audit, finance and business advisory, during which he worked for the Deloitte Touche Tohmatsu and various listed companies in Hong Kong. Mr. Lau graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy. He is certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lam Hoy Lee, Laurie, aged 57, has been appointed as an independent non-executive Director since September 2008 and is a member of the Audit Committee and the Remuneration Committee and the Chairman of Remuneration Committee of the Company. He has over 20 years of experience in legal field. Mr. Lam is a solicitor of Hong Kong, Singapore and a solicitor and counsel of Australia.

Biographical Details of Directors and Senior Management

Mr. To Wing Tim, Paddy, aged 64, has been appointed as an independent non-executive Director of the Company since October 2009 and is a member of the Audit Committee and the Nomination Committee and the Chairman of Nomination Committee of the Company. Mr. To obtained his diploma in accountancy from the University of Hong Kong in 1991 and has over 30 years of experience in auditing, accounting and finance industry and has been practicing as a Certified Public Accountant in Hong Kong since 1980. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, associate members of both the Taxation Institute of Hong Kong and Association of Certified General Accountants in Canada.

Senior management

Ms. Man See Yee, aged 42, has been appointed as the Chief Financial Officer since July 2012. Ms. Man has more than 15 years' working experience in the auditing, accounting and financial industry. She worked in two international accounting firms of senior positions responsible for leading auditing and transaction advisory engagements for multinational corporations, Chinese state-owned/private conglomerates, private equity funds and investment banks clients on their audits, listing applications, mergers and acquisitions, divestments, debt and equity capital raising deals. Prior to joining the Company, she was an associate director of Ernst & Young Transactions Limited. She is knowledgeable in both international as well as PRC business practices and has extensive experiences in a range of industries from natural resources, utilities, financial sectors, manufacturing, real estate, among others. Ms. Man holds a Bachelor degree in Professional Accountancy from The Chinese University of Hong Kong. She is a practising member of the Hong Kong Institute of Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants, a Hong Kong Chartered Tax Adviser and a Chartered Financial Analyst.

Mr. Chang Chi Wai, Stanley, aged 35, has been appointed as the Company Secretary since July 2012. Mr. Chang is a member of The Hong Kong Institute of Certified Public Accountants. He graduated from Simon Fraser University in Canada with a Bachelor's degree of Economics in 2002. He has 10 years' extensive experience in the economic management and accounting field. Mr. Chang joined the Company in April 2009 and is currently the Chief Accountant of the Company. He is familiar with the Company's secretarial practice and has a good understanding of the Company's operation and extensive experience in handling the relevant affairs.

BUSINESS REVIEW

There is no sign of recovery subsequent to the prolonged period of sluggish coke market since 2011 which made 2015 to be another challenging year to the Group, with total revenue dropped from HK$598,618,000 in 2014 to HK$461,384,000 in 2015, representing a 22.9% decrease. Resulting from continuous drop in selling price, the Group suffered gross loss of HK$33,494,000 (2014: HK$117,138,000). Loss attributable to owners of the parent was HK$110,474,000 (2014: HK$989,409,000). However, since the sales of coke accounted for approximately 72.9% of the Group's total turnover, the decrease in production cost (mainly due to reduction in raw material costs) in coke production improved the gross loss from 19.6% in 2014 to 7.3% in 2015. The selling and distribution costs dropped from HK$43,263,000 in 2014 to HK$23,094,000 in 2015, representing a decrease of 46.6%. This decrease is mainly due to the reduction of transportation cost from use of trains in 2014 to the use of vehicles in 2015 for delivery of products.

Net loss for the year ended 31 December 2015 amounted to approximately HK$130,735,000 (2014: HK$1,095,942,000). The loss includes (i) impairment of items of property, plant and equipment amounting to HK$14,760,000 (2014: HK$448,545,000); and (ii) impairment loss of goodwill amounting to HK$Nil (2014: HK$388,544,000). These items had not affected the Group's operating cash flows.

China economy entered into an era of slow growth in recent years. The steel market is facing very harsh operating environment in recent years with the prolonged tightening policies on the property market, credit squeeze and overcapacity also weighs on the sector. Those led to the low demand and price reduction of our major product, coke, an ingredient in steel making process. Coke price dropped continuously throughout 2015.

Coke trading segment

Coke exports are no longer restricted by quota (which was the previous regulatory regime) but are regulated by a regime of export licenses. In addition, coke export tax charged at the rate of 40% in the past has also been abolished. These factors reopened the Chinese coke export market. However, the international coke market is already oversaturated and the reopening of the Chinese coke export market exacerbated the oversupply, thus pressuring prices further. These market conditions hindered the Group's attempt to restart the coke export business and the market condition remains the same in the current year.

For the domestic coke market, due to the unfavorable local market condition, the coke trading business has continued to be suspended in 2015.

To continue the Group's effort in exploring other business opportunities in coke trading segment and also the establishment of long-term business corporation relationship with Kailuan (Hong Kong) International Co. Ltd ("**Kailuan**"), the Group established a Hong Kong company, Herong Resources Limited ("**Herong**"), with Rontac Resources Company Limited ("**Rontac**") on 20 May 2015. The shareholding percentages of the Group and Rontac in Herong were 51% and 49%, respectively. Kailuan is 40% owned by Rontac. This company is expected to be engaged in coke and coal trading business and it had commenced operation in the second half of 2015. This company earned agency fee of the coal and coke trading of HK$405,000 (2014: HK$Nil) in the current year and it is expected to commence direct trading business in the second half of 2016.

Coal-related ancillary segment

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

The sluggish coke market which led to reduction of activities of our coal-related ancillary segment situation continued in the current year. External sales from the coal-related ancillary segment decreased from HK$112,932,000 in 2014 to HK$87,270,000 in 2015, representing 22.7% decrease.

Due to the sluggish market, the production of the Non-controlling Shareholder decreased, which lead to a decrease in electricity sales to the Non-controlling Shareholder from HK$869,000 in 2014 to HK$585,000 in 2015, representing 32.7% decrease.

Although the sluggish coke market condition continued, the Group benefited from the price decrease of the raw material, which resulted in lower cost of production for this segment and Group recorded profit of HK$3,016,000 for this segment in the current year (2014: loss of HK$339,800,000, which included impairment loss on goodwill amounting to HK$388,544,000).

Coke production segment

Due to the weak coke price in 2015, the coke production segment recorded reduced revenue from HK$485,686,000 in 2014 to HK$374,114,000 in 2015, representing around 23.0% decrease.

The sluggish coke market condition continued and the Group recorded loss of HK$96,903,000 for this segment in the current year (2014: loss of HK$622,447,000, which included impairment loss on items of property, plant and equipment amounting to HK$448,545,000).

The amounts of selling and distribution costs have been decreased from HK$43,263,000 in 2014 to HK$23,094,000 in 2015.

ANNUAL COKE SALES AND PURCHASE AGREEMENT AND DISPOSAL OF PROPERTY

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

Under the Annual Coke S&P Agreement, Kailuan has agreed to pay HK$220,000,000 to the Group as Deposit. The Deposit is interest free and is repayable on or before 23 May 2014.

The Annual Coke S&P Agreement expired on 23 May 2014. On 27 March 2014, the Company entered into a letter of intent with Kailuan to extend the term of the Annual Coke S&P Agreement and the repayment date of the Deposit received for a period of 6 months or 12 months upon its expiry on 23 May 2014.

Due to the weak coke market, there had not been any revenue recorded related to the Annual Coke S&P Agreement during the whole agreement period.

In order to repay the Deposit and the default liquidated damages to Kailuan, on obtaining written consent from Kailuan, the Group entered into an agreement with an Independent Third Party on 10 September 2014 pursuant to which the Group has conditionally agreed to dispose of the Property which was used to secure the Deposit from Kailuan under second mortgage, subject, inter alia, to the approval of shareholders of the Company.

As at 31 December 2014, the Group was in default of repayment of the Deposit and on 23 January 2015, a debt repayment scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, a subsidiary of the Group. It was agreed that the proceeds from the Disposal shall not be less than HK$179.7 million, and will be used firstly to settle the mortgaged bank loan and the disposal expense, with the remaining amount to partially repay the Deposit.

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

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

- default interest rate subsequent to 24 December 2014 is subject to further negotiation;

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

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

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

The approval of shareholders for the disposal of the Property was obtained on 13 May 2015 and the completion of the Disposal took place on 29 May 2015.

As at 31 December 2015, the balance of the Deposit and accrual penalty and interest of were HK$120,000,000 (2014: HK$220,000,000), approximately HK$43,277,000 (31 December 2014: HK$27,683,000), respectively.

The Deposit was secured by the following:

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

Further details of the Annual Coke S&P Agreement, the Disposal and the deposit repayment and interest arrangements are set out in the Company's announcements dated 23 May 2013 and 29 May 2013, 23 May 2014, 10 September 2014, 30 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015, 18 March 2015, 26 March 2015, 24 April 2015, 13 May 2015 and 29 May 2015 respectively and the Circular dated 23 April 2015 in relation to the Disposal.

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

The Company and Shun Wang Investments Limited (the "**Subscriber**"), an independent third party, entered into a subscription agreement and supplemental agreement (collectively, the "**Subscription Agreements**") on 27 November 2015 and 15 December 2015, respectively, pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, an aggregate of 1,400,000,000 subscription shares ("**Subscription Shares**") at the price of HK$0.15 ("**Subscription Price**") per Subscription Share for a total cash consideration of HK$210,000,000 ("**Subscription**").

The Subscription Shares represent approximately (i) 154.59% of the adjusted share capital of the Company had the Capital Reorganisation, detailed below, become effective, based on the existing issued share capital of the Company as at the date of this announcement; and (ii) 60.72% of the issued share capital of the Company had the Capital Reorganisation become effective and as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). The Subscription Shares shall be allotted and issued pursuant to a specific mandate proposed to be granted to the Directors at the special general meeting.

Subscription Completion is conditional upon, among others, the fulfilment of the terms and conditions as set forth in the Subscription Agreement and most of them conditions precedent had not yet satisfied up to the date of this report.

Prior to the Subscription, the Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them do not hold any relevant securities of the Company. Upon Subscription Completion, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them will hold an aggregate of 1,400,000,000 shares, representing approximately 60.72% of the voting rights of the Company had the Capital Reorganisation become effective and as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

As a result, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them will be obliged to make a mandatory general offer for all the issued shares (other than those already owned or agreed to be acquired by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Securities and Futures Commission of Hong Kong ("**SFC**").

The Subscriber will apply to the SFC for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and which, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM of the Company.

Further details of the Subscription and application for Whitewash Waiver are set out in the Company's announcements dated 15 December 2015.

CAPITAL REORGANISATION

The Board proposes to reorganise the share capital of the Company in the following manner:

(i) Share Consolidation: every five (5) issued and unissued Shares of par value HK$0.10 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value HK$0.50 each;

(ii) Capital Reduction: subject to and forthwith upon the Share Consolidation having become effective, (i) the issued share capital of the Company on each of the issued Consolidated Share will be reduced from HK$0.50 to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$0.49 on each of the issued Consolidated Share such that the par value of each issued Consolidated Share will be reduced from HK$0.50 to HK$0.01; and (ii) the authorised share capital of the Company will also be reduced by reducing the par value of all Consolidated Shares from HK$0.50 each to HK$0.01 each resulting in the reduction of the authorised share capital of the Company from HK$2,000,000,000 divided into 4,000,000,000 Consolidated Shares of par value HK$0.50 each to HK$40,000,000 divided into 4,000,000,000 New Shares of par value HK$0.01 each;

(iii) Capital Increase: forthwith upon the Capital Reduction becoming effective, the authorised share capital of the Company will be increased from HK$40,000,000 into 4,000,000,000 New Shares of par value HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 New Shares of par value HK$0.01 each by the creation of 16,000,000,000 New Shares of par value HK$0.01 each;

(iv) Credit to contributed surplus account: the credit amount arising from the Issued Share Capital Reduction will be transferred to the contributed surplus account of the Company and the Directors will be authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the Bye-Laws and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company).

Immediately after the Capital Reorganisation becoming effective, and on the basis that the Company will not allot and issue any new shares or repurchase any existing shares prior thereto and none of the existing options will be exercised prior thereto, the Company's issued and paid-up share capital shall be approximately HK$9,056,252.58 comprising approximately 905,625,258 new shares of par value HK$0.01 each.

The Capital Reorganisation will be subject to the approval by the Independent Shareholders by way of a poll at the special general meeting of the Company.

Further details of the Capital Reorganisation and application for Whitewash Waiver are set out in the Company's announcements dated 15 December 2015.

CHARGES OVER ASSETS

The Group had no pledged assets as at 31 December 2015. As at 31 December 2014, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$102,462,000 to secure HK$67,451,000 mortgage loan of the Group and Kailuan's Deposit under second mortgage agreement. The whole amount of the mortgage loan was repaid on 29 May 2015 and Kailuan's Deposit was partially repaid subsequent to the disposal of the Property during the year.

The Group had no pledged deposit as at 31 December 2015 (2014: HK$Nil).

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

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

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

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables, accruals and other borrowings, an amount due to the Non-controlling Shareholder, net of cash and bank balances. Capital includes the convertible bonds issued in 2008 and equity attributable to owners of the parent. The gearing ratios as at 31 December 2015 was 100% (2014: 91%). The increase in the gearing ratio is mainly due to the decrease of inventories from HK$61,213,000 in 2014 to HK$28,455,000 in 2015; prepayments, deposits and other receivable from HK$478,606,000 in 2014 to HK$108,652,000 in 2015.

As at 31 December 2015, the equity attributable to owners of the parent amounted to HK$1,142,000 (2014: HK$124,994,000). Taking into account of shares issued upon full conversion of convertible bonds issued in 2008, the equity attributable to owners of the Company per share was approximately HK$0.00 per share (2014: HK$0.02 per share). Decrease in equity attributable to owners of the Company was mainly attributable to the loss incurred during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$477,479,000 (2014: HK$499,414,000) and 0.47 (2014: 0.62), respectively as at 31 December 2015, which include other borrowings of HK$23,426,000 (2014: HK$119,777,000). The decrease in the net current liability position is mainly due to the settlement of current liabilities which included the partial repayment of Deposit from Kailuan of HK$100,000,000 and full settlement of bank loan and mortgage loan in the current year.

As at 31 December 2015, the Group's cash and bank balances amounted to HK$1,439,000 (2014: HK$1,679,000). As at 31 December 2015, the Group has total other borrowings amounting to HK$23,426,000 (2014: HK$119,777,000).

As of 31 December 2015 and 2014, the Group has no bills payable.

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

(i) During the year ended 31 December 2015, the Group disposed of the Property with a carrying value of HK$101,477,000 at the date of disposal for a cash consideration of HK$179,700,000. The proceeds, net of disposal expenses of HK$1,900,000, were used, as to HK$67,451,000, to settle a mortgage bank loan and, as to HK$100,000,000, to partially settle the Deposit. The remaining proceeds were used as working capital of the Group.

(ii) The Group entered into the Subscription Agreements with Shun Wang Investments Limited, an independent third party, on 27 November 2015 and 15 December 2015, respectively. Pursuant to the Subscription Agreements, the Subscriber conditionally agreed to subscribe for an aggregate of 1,400,000,000 subscription shares at the subscription price of HK$0.15 per subscription share for a total cash consideration of HK$210,000,000. The Subscription Agreements are effective up to 31 May 2016.

    The conditions to the completion of Subscription include, among other things, to obtain (a) the approval of the Company's shareholders at a special general meeting on capital reorganisation and on the granting of specific mandate to authorise the Directors to issue new shares by the Company; and (b) the necessary approval from the regulatory bodies. Further details of the Subscription are set out in the Company's announcements dated on 15 December 2015 and 5 January 2016. At the date of approval of these financial statements, the Subscription has not yet taken place.

(iii) The Directors plan to use the estimated net proceeds from the Subscription of HK$208,700,000 to repay the Deposit of HK$120,000,000, with the remaining amount as general working capital of the Group.

(iv) On 10 March 2016, the Company and Kailuan entered into a supplemental agreement, pursuant to which Kailuan agreed not to demand repayment of the penalty charges and accrued interests in the amount of HK$43,277,093 before 30 June 2017.

(v) The Group recorded other borrowings of HK$23,426,000 and accrued interest of HK$1,724,000 as at 31 December 2015, of which HK$17,100,000 were loans from certain directors of the Company and of a subsidiary of the Group. On 10 March 2016, the Group secured the agreement from the respective lenders to defer settlement of the other borrowings and accrued interest to 30 June 2017.

(vi) The Group recorded an amount due to a non-controlling shareholder of a PRC subsidiary (the "**Non-controlling Shareholder**") of HK$50,201,000 at 31 December, 2015. On 10 March 2016, the Group secured the agreement from the Non-controlling Shareholder to defer settlement of such balance to 30 June 2017.

(vii) In May 2015, a 51% owned subsidiary of the Group, Herong Resources Limited ("**Herong**"), was incorporated in Hong Kong. The remaining 49% interest is owned by Rontac Resources Holdings Limited which holds a 40% equity interest in Kailuan. The principal activity of Herong is trading of coal and coke, and related products. During the year ended 31 December 2015, commission income from coal and coke trading of HK$405,000 was recorded by Herong. It is contemplated that the Group and Kailuan will enter into a cooperation arrangement which will result in a significant increase in trading activities carried out by Herong. The Directors are of the opinion that such trading activities will contribute positive cash flows to the Group.

After taking into account the above measures, the Directors consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due.

OPERATING LEASE AND CAPITAL COMMITMENTS

As at 31 December 2015, the Group had operating lease commitments of HK$5,781,000 (2014: HK$7,284,000).

As at 31 December 2015, the Group had authorised, but not contracted for capital commitment of HK$9,863,000 (2014: HK$17,964,000) and contracted, but not provided for capital commitments of HK$15,632,000 (2014: HK$16,369,000) in respect of plant and equipment acquisitions.

INTEREST RATE RISK

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

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

FOREIGN CURRENCY RISK

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

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

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (31 December 2014: HK$Nil).

TREASURY POLICIES

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

EMPLOYEES AND REMUNERATION

As at 31 December 2015, the Group had approximately 1,600 employees (2014: approximately 1,600 employees). Less than 10 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$73,825,000 for the year ended 31 December 2015 and approximately HK$79,816,000 was recorded in the corresponding period of last year.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivated individual performance. Up to the date of this report, there are 78,800,000 share options outstanding under the share option scheme.

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one or two years.

It is expected that the macro-economy and the coke industry weakness to continue while excess capacity remain to be a serious problem for, among others, the steel and coke industries. Cope with the environmental focus and policies by the Chinese government, the oversaturated coke market will not be easy to enter into a more balanced supply and demand cycle and adversely affect the development of the coke industry in the foreseeable future. The environmental policies and excess capacity constraints will be the major factors affecting the development coke industry players in the future. Environmental focus restricting the coke production quantities is a support to the coke price, but the weak market demand is still making the industry not able to enter into a more balanced supply and demand cycle. Overall, the 2016 coke market will still continue a weak trend.

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

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

Moreover, to continue the Group's effort in exploring other business opportunities in coke trading segment and also the establishment of long-term business corporation relationship with Kailuan (Hong Kong) International Co. Ltd ("**Kailuan**"), the Group established a Hong Kong company, Herong Resources Limited ("**Herong**"), with Rontac Resources Company Limited ("**Rontac**") on 20 May 2015. The shareholding percentages of the Group and Rontac in Herong were 51% and 49%, respectively. Kailuan is 40% owned by Rontac. It is expected this company is to engage in coke and coal trading business and it had commenced business in the second half year of 2015. This company earned agency fee of the coal and coke trading of HK$405,000 (2014: HK$Nil) in the current year and it is expected it will commence trading business in the second half year of 2016.

In September 2010, the Group has signed a non-legal binding memorandum of understandings ("**MOU**") with a non-controlling shareholder of the PRC subsidiary (the "**Non-controlling Shareholder**"). This MOU mainly related to the proposed cooperation with the Non-controlling Shareholder for the construction of a new coking plant with annual capacity of 2 million tonnes. The construction works of the new plant has started in 2011 and expect to be finished in 2015, however, due to the construction work had certain delay and it is expected to complete in late 2016. It was wholly financed by the Non-controlling Shareholder. The Group will assess the financial abilities and the prospects of the industry after the coking plant commence production and consider if the Group will join the project or not.

In addition, the Directors consider that entering into the Subscription Agreements represents a good opportunity to provide the Group with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises.

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding good corporate governance. The Board considers effective corporate governance essential to protect shareholders' interests and enhance stakeholders' value. During the year 2015, the Board has continued to spend considerable efforts to identify and formalize and determine the appropriate corporate governance policies to ensure transparency, accountability and effective internal control.

The Company has complied with the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") for the year ended 31 December 2015.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors should attend the general meetings of the Company. However, due to other business commitment, independent non-executive Directors Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy did not attend the special general meeting held on 13 May 2015. Despite the fact that the Directors were not able to attend those general meetings, all directors were fully aware of the matter discussed and the corresponding resolutions through discussions among themselves and with the executive Directors.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "**Model Code**"). Having made specific enquiry of the directors of the Company, all directors of the Company confirmed that they had complied with the required standard as set out in the Model Code during the year ended 31 December 2015.

(3) CORPORATE GOVERNANCE FUNCTIONS

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

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

(4) BOARD OF DIRECTORS

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

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

The major duties performed by the Board are as follows:

1. setting the Company's values and standards;

2. setting the objectives of the Company and responsibilities of the Board and its various committees;

3. establishing the strategic direction for the Company;

4. setting targets for the management of the Group;

5. monitoring the performance of the management of the Group;

6. supervising the annual and interim results of the Group;

7. ensuring that a framework of prudent and effective internal control is in place to assess and manage the risk of the Group and implementing appropriate systems to manage these risks;

8. overseeing the management of the Company's relationships with its shareholders, customers, the community, various Government Authorities, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;

9. identifying and assessing any matters involving a conflict of interest for a substantial shareholder or a Director;

10. determining material acquisitions and disposals of assets, investments, capital, projects, authority levels, major treasury policies, risk management policies and key human resources issues; and

11. considering and determining issues which are the responsibilities of the Board pursuant to the Company's Memorandum of Association and Bye-laws and the relevant laws and regulations in force by which the Company is governed from time to time.

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

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

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

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

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

The Company held six full Board meetings in 2015. Individual attendance of each Director is set out below.

	Note	Number of Meetings attended
Chairman		
Mr. Gao Jianguo		5/6
Executive Director		
Mr. Li Baoqi		6/6
Independent Non-executive Directors		
Mr. Lam Hoy Lee, Laurie		4/6
Mr. To Wing Tim, Paddy		3/6
Mr. Lau Ka Ho		3/6

(5) RELATIONSHIP BETWEEN THE BOARD MEMBERS

None of the members of the Board and senior managers have any relationship (including financial business, family or other material/relevant relationship) among each other.

(6) NON-EXECUTIVE DIRECTORS

No non-executive Director was appointed by the Company for a specific term.

(7) CONTINUING DEVELOPMENT OF DIRECTORS

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, all Directors should participate in the continuous professional training to improve and enrich their knowledge and skills.

Continuous Professional Development of Directors

Directors shall keep abreast of their responsibilities as a Director and of the conduct, business activities and development of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and appropriate.

The Company had from time to time provided relevant reading materials including industry updates and corporate governance to all Directors for their reference and studying. This is to ensure that all the Directors are sufficiently aware of their responsibilities under the Listing Rules and other relevant regulatory requirements.

In addition, the Directors of the Company had participated in various trainings and/or read materials of relevant topics, including:

— Corporate governance

— Updates on laws, rules & regulations

— Professional skills in accounting/legal field

The Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

(8) REMUNERATION COMMITTEE

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

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

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

(iii) to assess the performance of the directors, to approve the terms of service contracts of the directors, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives,

(iv) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group, to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct, and to ensure they are consistent with relevant contractual terms and are otherwise reasonable and appropriate,

(v) to review and approve compensation payable to executive director and senior management for any loss or termination of office or appointment to ensure that it is consistent with contracted terms and is otherwise fair and not excessive, and

(vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

The Company held two committee meetings in 2015. Individual attendance of each Director is set out below:

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

The work of the Remuneration Committee during 2015 included:

— reviewing the Group's incentive schemes; and

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

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of directors and members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration band	**Number of individuals**
HK$Nil to HK$500,000	3
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1

Information relating to the remuneration of each Director for 2015 is set out in Note 8 to the financial statements.

(9) NOMINATION COMMITTEE

The Nomination Committee currently comprises all three independent non-executive Directors (Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Mr. Lau Ka Ho) and Mr. To Wing Tim, Paddy is the Chairman. The main duties of the Nomination Committee are to:

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

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

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

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

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

The Company held two committee meetings in 2015. Individual attendance of each Director is set out below.

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

The work of the Nomination Committee during 2015 included:

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

— recommendation of the re-appointment of those directors standing for re-election at the 2015 annual general meeting of the Company; and

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

(10) AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2015 is set out in the section headed "**Independent Auditors' Report**" in this annual report.

For the year ended 31 December 2015, the Auditors of the Company received approximately HK$2.23 million for audit services rendered. The audit service was mainly on the audit of the annual financial statements for the year ended 31 December 2015.

(11) AUDIT COMMITTEE

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

The Company held two committee meetings in 2015. Individual attendance of each Director is set out below:

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

The work of the Audit Committee during 2015 included:

— reviewing the Directors' Report, full year accounts, annual results announcement and annual report for the year ended 31 December 2015;

— reviewing the interim accounts for the six months ended 30 June 2015 and the interim results announcement;

— reviewing the internal audit plan and internal control system for 2015;

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

(12) RISK AND INTERNAL CONTROLS

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

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

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

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

(14) COMPANY SECRETARY

The Company Secretary, Mr. Chang Chi Wai Stanley, supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. He advises the Board on the corporate governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules. During the year ended 31 December 2015. Mr. Chang Chi Wai, Stanley has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Chang are set out in the section headed "**Directors and Senior Management**" in this annual report.

(15) SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene general meetings

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

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

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

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

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

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

2. Procedures for directing enquiries to the Board

Shareholders may direct enquiries to the Board at any time. Such enquiries can be addressed to the Company Secretary by mail to the Company's principal office in Hong Kong at Room 2003, 20th Floor, Lippo Centre, Tower One, 89 Queensway, Admiralty, Hong Kong, or by email to admin@huscoke.com. Shareholders may also make enquiries with the Board at the general meetings of the Company.

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

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

(16) CONSTITUTIONAL DOCUMENTS

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

(17) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

Report of the Directors

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 1 to the financial statements.

RESULTS AND DIVIDENDS

Details of the loss of the Group for the year ended 31 December 2015 and the Group's financial position as at that date are set out in the financial statements on pages 50 to 139.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK$Nil).

BUSINESS REVIEW

Further discussion and analysis of as required by Schedule 5 of the Hong Kong Companies Ordinance including a description of the principal risks and uncertainties that the Group may be facing and an indication of likely future development in the Group's business are set out in Management Discussion and Analysis on pages 12 to 22 of this annual report, the Chairman's Statement on pages 3 to 9 of this annual report and this Report of the Directors.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefore, are set out in note 25 to the financial statements.

DIRECTORS

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

Executive Directors:

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

Independent non-executive Directors:

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' OR CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

As at 31 December 2015, a qualifying third party indemnity provision was in force for the benefit for all directors of the Company.

MANAGEMENT CONTRACTS

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2015 were as follows:

	2015 ***HK$'000***
Contributed surplus	**419,650**
Accumulated losses	**(2,109,338)**
	(1,689,688)

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

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

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

SHARE OPTION SCHEMES

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

Particulars of the Company's share option schemes are set out in note 26 to the financial statements.

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

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

As at year ended 31 December 2015, options were granted to certain Directors and eligible employees, details of which are set out in note 26 to the financial statements.

Category/Name of participant	Date of grant of share options	Number of share options: At 1 January 2015	Exercised during the year	Lapsed during the year	At 31 December 2015	Exercise period of share options	Exercise price on share options HK$ per share
Directors							
Gao Jianguo	6 January 2012	3,000,000	—	—	3,000,000	6 January 2012 — 5 January 2017	0.16
	5 September 2014	22,000,000	—	—	22,000,000	6 September 2014 — 5 September 2019	0.132
		25,000,000	—	—	25,000,000		
Li Baoqi	11 January 2010	3,000,000	—	(3,000,000)	—	11 January 2010 — 10 January 2015	0.68
	27 January 2011	5,000,000	—	—	5,000,000	27 January 2011 — 26 January 2016	0.40
	6 January 2012	2,500,000	—	—	2,500,000	6 January 2012 — 5 January 2017	0.16
	5 September 2014	20,000,000	—	—	20,000,000	6 September 2014 — 5 September 2019	0.132
		30,500,000	—	(3,000,000)	27,500,000		
Other employees							
	11 January 2010	800,000	—	(800,000)	—	11 January 2010 — 10 January 2015	0.68
	27 January 2011	1,200,000	—	—	1,200,000	27 January 2011 — 26 January 2016	0.40
	6 January 2012	1,500,000	—	—	1,500,000	6 January 2012 — 5 January 2017	0.16
	5 September 2014	35,000,000	(5,200,000)	—	29,800,000	6 September 2014 — 5 September 2019	0.132
		38,500,000	(5,200,000)	(800,000)	32,500,000		
		94,000,000	(5,200,000)	(3,800,000)	85,000,000		

DIRECTORS' INTERESTS

As at 31 December 2015, the interests of the Directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the Shares

Name of Director	*Notes*	Nature of Interest	Number of shares held	Percentage of the Company's existing issued share capital (%)
Gao Jianguo	*(a)*	Beneficial owner	25,062,000	0.55
To Wing Tim Paddy	*(b)*	Beneficial owner and Interest of spouse	1,160,000	0.03

Long positions in the underlying Shares

Name of Director	*Notes*	Nature of interest	Number of underlying shares held	Percentage of issued share capital (%)
Li Baoqi	*(c)*	Beneficial owner	27,500,000	0.61
Gao Jianguo	*(d)*	Beneficial owner	25,000,000	0.55

Notes:

(a) As at 31 December 2015, Mr. Gao Jianguo, an executive Director, beneficially owned 25,062,000 Shares.

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

(c) As at 31 December 2015, Mr. Li Baoqi, an executive Director was entitled to receive share options to subscribe for a maximum of 27,500,000 Shares upon exercise of the options in full.

(d) As at 31 December 2015, Mr. Gao Jianguo, an executive Director was entitled to receive share options to subscribe for a maximum of 25,000,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 31 December 2015, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the registered referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the interests and short positions of each person, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Long positions in the Shares

Name of Shareholder	Nature of Interest	Number of shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	Beneficial owner *(Note a)*	657,000,000	14.51

Long positions in the underlying Shares

Name of Shareholder	Nature of interest	Number of underlying Shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	Beneficial owner *(Note a)*	1,455,000,000	32.13%
Kailuan	Beneficial owner *(Note b)*	1,157,000,000	25.55%
Kailuan (Group) Limited	Interest in controlled corporation *(Note c)*	1,157,000,000	25.55%
Kailuan (Hong Kong) Co., Limited	Interest in controlled corporation *(Note c)*	1,157,000,000	25.55%
Rontac Investment Company Limited	Interest in controlled corporation *(Note c)*	1,157,000,000	25.55%
Rontac Resources Company Limited	Interest in controlled corporation *(Note c)*	1,157,000,000	25.55%

Short positions in the underlying Shares

Name of Shareholder	Nature of interest	Number of underlying Shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	Beneficial owner *(Note a)*	657,000,000	14.51

Notes:

(a) As at 31 December 2015, Mr. Wu Jixian beneficially owned 657,000,000 Shares, he was also interested in convertible bonds in the aggregate principal amount of HK$582,000,000, which were convertible into 1,455,000,000 Shares. Mr. Wu has pledged all of his shares and convertible bonds to Kailuan in order to secure the deposit received of HK$220 million from Kailuan as mentioned in the Annual Coke S&P Agreement. However, on 29 July 2015, Kailuan signed a Deed of Release and agreed to release the pledge of convertible bonds from Mr. Wu.

(b) As at 31 December 2015, Mr. Wu had pledged his interest in 657,000,000 Shares and certain individual minority Shareholders have pledged their interests in 500,000,000 Shares in aggregate to Kailuan.

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

Save as disclosed above, as at 31 December 2015, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Key Operational Data

Key operational data for the year ended 31 December 2015, together with the comparative figures for the corresponding period in 2014, are as follows. Main businesses listed below contributed approximately 90% of the Group's total revenue for the year ended 31 December 2015.

(a) Sales volume of major products:

	Year		
	2015	**2014**	**Increased/ (Decreased)**
	Tonne/GJ/kWh	***Tonne/GJ/kWh***	**%**
Coke (tonne)	389,460	381,889	2.0
Heat (GJ)	2,828,597	2,717,163	4.1
Electricity (kWh)	78,904,395	113,203,344	(30.3)

(b) Average selling prices of major products:

	Year		
	2015	**2014**	**Increased/ (Decreased)**
	per tonne/GJ/ kWh	***per tonne/GJ/ kWh***	**%**
Coke (HK$/tonne)	864.03	1,115.71	(22.6)
Heat (HK$/GJ)	13.69	13.69	0
Electricity (HK$/kWh)	0.46	0.54	(15.0)

(c) Gross profit/(loss) margins of major products:

	Year		
	2015	**2014**	**Increased/ (Decreased)**
	%	**%**	***Percentage points***
Coke	(0.4)	(20.0)	19.6
Heat	(88.0)	(87.0)	(1.0)
Electricity	(32.0)	(3.0)	(29.0)

ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental policies and performance mainly refer to increasing attention of PRC government paid to environmental rules and policies and more strict regulatory requirements. All the plants and acquired plants of the Company's subsidiaries in mainland china were built on or after year 2006 in compliance with the environmental policies by PRC government. The Group monitors impact on business development closely raised from movements of environmental policy and external factors. Acting in an environmentally responsible manner and performing social responsibilities, the Group is committed to improving and maintaining the long term sustainability of the communities in which it operates. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and pollution reduction. Green initiatives and measures have been adopted in daily operation of the Group. Measures adopted include recycling of water resource, pollution controlled measures (such as reduction of sulphur and dust) and emission reduction practices.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in mainland China while the Company is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in mainland China and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, to the best of our knowledge, the Group has complied with all the relevant laws and regulations in mainland China and Hong Kong, and there was no material breach of or non-compliance with the applicable laws and regulations, which results significant loss and negative impacts by the Group.

RELATIONSHIP WITH EMPLOYEES AND KEY STAKEHOLDERS

There has been no labour dispute or significant change in the number of employees that affect the normal operations of the Group. The Directors believe that the Group maintains good relations with its employees.

Our Group understands that it is important to maintain good relationship with business partners, shareholders, investors and banks to achieve its long-term goals. To keep up with our key stakeholders closely, the Group ensures that shareholders' views are communicated to the Board by holding annual/special general meetings and updating of our Company's website from time to time. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared latest business update about development of the Group with them when appropriate. During the Year, there was no material dispute between our Group and its business partners or banks.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange, any other stock exchange, by private arrangement or by generate offer.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31 December 2015.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

BANK BORROWINGS

The Group had no bank loan (2014: HK$37,500,000) and no mortgage loan (2014: HK$67,451,000) as at 31 December 2015 due to the full repayment of bank loan and mortgage loan during the year ended 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 86.6% of the Group's total turnover and the largest customer accounted for approximately 49.4% of the Group's total turnover.

The five largest suppliers of the Group accounted for approximately 36.1% of the Group's total purchases for the year and the largest supplier accounted for approximately 16.8% of the Group's total purchases.

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

SUMMARY OF FINANCIAL INFORMATION

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

Report of the Directors

RESULTS

	Year ended 31 December 2015 HK$'000	2014 HK$'000	Year ended 31 December 2013 HK$'000	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS					
Revenue	**461,384**	598,618	1,038,456	1,146,763	1,847,609
Cost of sales					
— Amortisation of other intangible asset	**—**	—	—	(16,814)	(43,512)
— Others	**(494,878)**	(715,756)	(1,037,941)	(1,165,148)	(1,626,241)
Gross profit/(loss)	**(33,494)**	(117,138)	515	(35,199)	177,856
Other income	**94,152**	36,812	54,294	62,499	27,417
Selling and distribution costs	**(23,094)**	(43,263)	(58,480)	(41,517)	(92,972)
Administrative expenses	**(97,155)**	(85,399)	(84,077)	(79,975)	(87,068)
Finance costs	**(23,964)**	(21,862)	(25,741)	(63,285)	(74,192)
Other operating expenses	**(41,152)**	(28,193)	(17,315)	(11,925)	—
Gain/(loss) on redemption of convertible bonds	**—**	—	15,867	—	(3,353)
Gain/(loss) arising from modification of convertible bonds	**—**	—	—	23,226	(17,272)
Fair value change on derivative financial instruments	**—**	—	46,025	(44,300)	(36,751)
Impairment on items of property, plant and equipment	**(14,760)**	(448,545)	(20,733)	—	—
Impairment of goodwill	**—**	(388,544)	—	—	(10,718)
Impairment on other intangible asset	**—**	—	—	(260,618)	(435,030)
Loss before tax	**(139,467)**	(1,096,132)	(89,645)	(451,094)	(552,083)
Income tax credit/(expense)	**8,732**	190	178	52,312	68,762
PROFIT/(LOSS) FOR THE YEAR	**(130,735)**	(1,095,942)	(89,467)	(398,782)	(483,321)
Attributable to:					
Owners of the parent	**(110,474)**	(989,409)	(81,765)	(390,303)	(488,020)
Non-controlling interests	**(20,261)**	(106,533)	(7,702)	(8,479)	4,699
	(130,735)	(1,095,942)	(89,467)	(398,782)	(483,321)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2015 HK$'000	2014 HK$'000	As at 31 December 2013 HK$'000	2012 HK$'000	2011 HK$'000
TOTAL ASSETS	**905,285**	1,487,467	2,525,474	2,405,819	3,086,992
TOTAL LIABILITIES	**(893,941)**	(1,329,453)	(1,254,597)	(1,085,089)	(1,383,257)
	11,344	158,014	1,270,877	1,320,730	1,703,735
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,142**	124,994	1,129,250	1,175,363	1,551,413
NON-CONTROLLING INTERESTS	**10,202**	33,020	141,627	145,367	152,322
	11,344	158,014	1,270,877	1,320,730	1,703,735

Report of the Directors

CORPORATE GOVERNANCE

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 30 May 2016 (Monday) to 1 June 2016 (Wednesday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on 1 June 2016 (Wednesday), share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 27 May 2016 (Friday).

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Gao Jianguo
Chairman

Hong Kong
31 March 2016

Independent Auditors' Report

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

We were engaged to audit the consolidated financial statements of Huscoke Resources Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 50 to 139, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, it is not possible to form an opinion on the consolidated financial statements due to the potential effect of the uncertainties on the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred net loss of approximately HK$130,735,000 for the year ended 31 December 2015. As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK$477,479,000. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including the successful completion of subscription of the Company's shares in accordance with the terms set out in the subscription agreement and the supplemental agreement as described in the Company's announcements dated 15 December 2015 and 5 January 2016; the confirmation of the cooperation arrangement between the Group and Kailuan (Hong Kong) International Co. Ltd. with respect to the trading activities of Herong Resources Limited ("**Herong**"), a 51% subsidiary of the Group; and the success of Herong's operations to generate significant positive cash inflows to the Group.

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

Our auditors' report dated 31 March 2015 on the consolidated financial statements for the year ended 31 December 2014 also included a disclaimer of opinion due to multiple uncertainties relating to going concern.

DISCLAIMER OF OPINION

Because of the significance of each of the uncertainties and their possible effects, individually and cumulatively, on the consolidated financial statements described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

31 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**461,384**	598,618
Cost of sales		**(494,878)**	(715,756)
Gross loss		**(33,494)**	(117,138)
Other income	5	**94,152**	36,812
Selling and distribution costs		**(23,094)**	(43,263)
Administrative expenses		**(97,155)**	(85,399)
Finance costs	7	**(23,964)**	(21,862)
Other operating expenses		**(41,152)**	(28,193)
Impairment on items of property, plant and equipment	12	**(14,760)**	(448,545)
Impairment of goodwill	13	**—**	(388,544)
Loss before tax	6	**(139,467)**	(1,096,132)
Income tax credit	10	**8,732**	190
LOSS FOR THE YEAR		**(130,735)**	(1,095,942)
OTHER COMPREHENSIVE INCOME FOR THE YEAR:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments	15	**—**	347
Exchange differences on translation of foreign operation		**(16,626)**	(20,727)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(147,361)**	(1,116,322)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Loss for the year attributable to:			
Owners of the parent		**(110,474)**	(989,409)
Non-controlling interests		**(20,261)**	(106,533)
		(130,735)	(1,095,942)
Total comprehensive loss attributable to:			
Owners of the parent		**(124,538)**	(1,007,715)
Non-controlling interests		**(22,823)**	(108,607)
		(147,361)	(1,116,322)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*11*		
Basic			
— For loss for the year		**(HK1.85 cents)**	(HK16.55 cents)
Diluted			
— For loss for the year		**(HK1.85cents)**	(HK16.55 cents)

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**485,337**	661,760
Goodwill	13	**—**	—
Available-for-sale investments	15	**3,486**	4,400
Total non-current assets		**488,823**	666,160
CURRENT ASSETS			
Inventories	16	**28,455**	61,213
Trade and bill receivables	17	**48,223**	149,520
Prepayments, deposits and other receivables	18	**108,652**	478,606
Amount due from the Non-controlling Shareholder	19	**213,625**	113,098
Tax recoverable		**16,068**	17,191
Cash and bank balances	20	**1,439**	1,679
Total current assets		**416,462**	821,307
CURRENT LIABILITIES			
Trade payables	21	**221,138**	511,117
Other payables, accruals and deposits received	22	**599,176**	639,626
Interest-bearing bank and other borrowings	23	**23,426**	119,777
Amount due to the Non-controlling Shareholder	19	**50,201**	50,201
Total current liabilities		**893,941**	1,320,721
NET CURRENT LIABILITIES		**(477,479)**	(499,414)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,344**	166,746

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	—	8,732
Total non-current liabilities		—	8,732
Net assets		**11,344**	158,014
EQUITY			
Equity attributable to the owners of parent			
Issued share capital	25	**452,813**	452,293
Reserves		**(451,671)**	(327,299)
		1,142	124,994
Non-controlling interests		**10,202**	33,020
Total equity		**11,344**	158,014

Mr. Gao Jianguo
Director

Mr. Li Baoqi
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to owners of the parent												
	Notes	Issued share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(note i)*	Special reserve *HK$'000* *(note ii)*	Available-for-sale investment revaluation reserve *HK$'000*	Share option reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Convertible bond reserve *HK$'000* *(note 29)*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014		452,293	144,997	419,650	18,236	(347)	4,151	126,505	85	829,350	(865,670)	1,129,250	141,627	1,270,877
Loss for the year		–	–	–	–	–	–	–	–	–	(989,409)	(989,409)	(106,533)	(1,095,942)
Other comprehensive income for the year:														
Change in fair value of available-for-sale investments, net of tax	*15*	–	–	–	–	347	–	–	–	–	–	347	–	347
Exchange differences on translation of foreign operation		–	–	–	–	–	–	(18,653)	–	–	–	(18,653)	(2,074)	(20,727)
Total comprehensive income/(loss) for the year		–	–	–	–	347	–	(18,653)	–	–	(989,409)	(1,007,715)	(108,607)	(1,116,322)
Equity-settled share option arrangements	*26*	–	–	–	–	–	3,459	–	–	–	–	3,459	–	3,459
Lapsed share options	*26*	–	–	–	–	–	(2,092)	–	–	–	2,092	–	–	–
At 31 December 2014		452,293	144,997*	419,650*	18,236*	–	5,518*	107,852*	85*	829,350*	(1,852,987)*	124,994	33,020	158,014

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to owners of the parent											
	Notes	Issued share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(note i)*	Special reserve *HK$'000* *(note ii)*	Share option reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Convertible bond reserve *HK$'000* *(note 29)*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2015		452,293	144,997*	419,650*	18,236*	5,518*	107,852*	85*	829,350*	(1,852,987)*	124,994	33,020	158,014
Loss for the year		–	–	–	–	–	–	–	–	(110,474)	(110,474)	(20,261)	(130,735)
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operation		–	–	–	–	–	(14,064)	–	–	–	(14,064)	(2,562)	(16,626)
Total comprehensive loss for the year		–	–	–	–	–	(14,064)	–	–	(110,474)	(124,538)	(22,823)	(147,361)
Incorporation of a subsidiary		–	–	–	–	–	–	–	–	–	–	5	5
Exercise of share options	25	520	364	–	–	(198)	–	–	–	–	686	–	686
Lapsed share options	26	–	–	–	–	(887)	–	–	–	887	–	–	–
At 31 December 2015		452,813	145,361*	419,650*	18,236*	4,433*	93,788*	85*	829,350*	(1,962,574)*	1,142	10,202	11,344

* These reserve accounts comprise the consolidated reserve deficits of HK$451,671,000 as at 31 December 2015 (2014: HK$327,299,000) in the consolidated statement of financial position.

Notes:

(i) The contributed surplus represents the excess of the value of shares converted upon conversion of the 2008 Convertible Bonds (as defined in note 29 to the financial statements) over the nominal amount of the ordinary shares issued pursuant to section 40(1) of the Bermuda Companies Act 1981.

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

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(139,467)**	(1,096,132)
Adjustments for:			
Finance costs	7	**23,964**	21,862
Interest income	5	**(6)**	(4)
Depreciation	6	**69,852**	112,705
Impairment on items of property, plant and equipment	12	**14,760**	448,545
Impairment of goodwill	13	**—**	388,544
Write down of inventories to net realisable value	6	**749**	3,757
Impairment of trade receivables, net	6	**37,753**	3,007
Impairment of available-for-sale investments	6	**801**	668
Impairment of prepayments, net	6	**1,156**	3,552
Write-off of items of property, plant and equipment	6	**1,442**	5,475
Gain on disposal of items of property, plant and equipment	6	**(76,323)**	(86)
Equity-settled share option expense	6	**—**	3,459
		(65,319)	(104,648)
Decrease in inventories		**30,486**	185,755
Increase in trade and bill receivables		**(53,017)**	(60,673)
Decrease/(increase) in prepayments, deposits and other receivables		**49,864**	(12,620)
Increase in an amount due from the Non-controlling Shareholder		**(109,949)**	(43,286)
Increase/(decrease) in trade payables		**(8,067)**	5,627
Increase in other payables, accruals and deposits received		**53,830**	57,410
Increase in an amount due to the Non-controlling Shareholder		**—**	7,900
Cash generated from/(used in) operations		**(102,172)**	35,465
Income taxes paid		**—**	—
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**(102,172)**	35,465

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(34,276)**	(6,611)
Net proceeds from disposal of items of property, plant and equipment		**177,800**	549
Decrease/(increase) in an advance to the Non-controlling Shareholder		**155,553**	(34,486)
Interest received		**6**	4
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**299,083**	(40,544)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**10,400**	46,000
Exercise of share options	25	**686**	—
Repayments of bank and other borrowings		**(106,532)**	(44,953)
Repayment of deposits received		**(100,000)**	—
Interest paid		**(1,687)**	(4,546)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(197,133)**	(3,499)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(222)**	(8,578)
Cash and cash equivalents at the beginning of the year		**1,679**	10,287
Effect of foreign currency rate changes, net		**(18)**	(30)
Cash and cash equivalents at the end of the year		**1,439**	1,679
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**1,439**	1,679

1. CORPORATE AND GROUP INFORMATION

Huscoke Resources Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business at the end of the reporting period was Room 2003, 20/F, Tower one, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

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

— coke trading business;

— coal-related ancillary business; and

— coke production business.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rich Key Enterprises Limited*	British Virgin Islands/ Hong Kong	US$1	100%	—	Investment holding
Pride Eagle Investments Limited*	British Virgin Islands/ Hong Kong	US$1	—	100%	Investment holding
Huscoke International Group Limited	Hong Kong/Hong Kong	HK$10,000	—	100%	Trading of coke
Herong Resources Limited@	Hong Kong/Hong Kong	HK$10,000	—	51%	Trading of coke
Ocean Signal Limited	Hong Kong/Hong Kong	HK$10,000	—	100%	Dormant
Joy Wisdom International Limited*	British Virgin Islands/ Hong Kong	US$1	—	100%	Investment holding
Huscoke International Investment Limited	Hong Kong/Hong Kong	HK$1	—	100%	Investment holding
山西金岩和嘉能源有限公司 (“金岩和嘉”) *(note i)**	People's Republic of China/ Mainland China	HK$715,000,000#	—	87.4%#	Coal-related ancillary business; coke production and coke trading

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

\# The amount stated represents the paid-up capital. Pursuant to the shareholders' resolution dated 9 November 2015, the Group's ownership interest in the subsidiary is different from its profit sharing ratio therein, which is 90%.

@ The Company was incorporated during the year ended 31 December 2015.

Note:

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

2.1 BASIS OF PRESENTATION

The Group incurred a net loss of approximately HK$130,735,000 (2014: HK$1,095,942,000) for the year ended 31 December 2015. The loss includes (i) impairment loss of property, plant and equipment of HK$14,760,000 (2014: HK$448,545,000); (ii) impairment loss of trade receivables and prepayments of HK$37,753,000 (2014: HK$3,007,000) and HK$1,156,000 (2014: HK$3,552,000), respectively; and (iii) impairment loss of goodwill of HK$Nil (2014: HK$388,544,000). As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK$477,479,000 (2014: HK$499,414,000). At the end of the reporting period, the Group recorded a deposit received of HK$120,000,000 (2014: HK$220,000,000) (the "Deposit") due to Kailuan (Hong Kong) International Co. Ltd. ("Kailuan"). Together with penalty charges and accrued interests (the "Other Charges"), the total amount due to Kailuan at 31 December 2015 was HK$163,277,000 (note 22). During 2015, the Group continued to experience very challenging operating conditions in the PRC. The directors of the Company (the "Directors") are of the opinion that these conditions will persist in the near future.

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

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

(i) During the year ended 31 December 2015, the Group disposed of certain land and buildings (the "Property") with a carrying value of HK$101,477,000 at the date of disposal for a cash consideration of HK$179,700,000. The proceeds, net of disposal expenses of HK$1,900,000, were used, as to HK$67,451,000, to settle a mortgage bank loan and, as to HK$100,000,000, to partially settle the Deposit. The remaining proceeds were used as working capital of the Group.

2.1 BASIS OF PRESENTATION *(Continued)*

(ii) The Group entered into a subscription agreement and supplemental agreement (collectively, the "Subscription Agreements") with Shun Wang Investments Limited (the "Subscriber"), an independent third party, on 27 November 2015 and 15 December 2015, respectively. Pursuant to the Subscription Agreements, the Subscriber conditionally agreed to subscribe for an aggregate of 1,400,000,000 subscription shares at the subscription price of HK$0.15 per subscription share for a total cash consideration of HK$210,000,000 (the "Subscription"). The Subscription Agreements are effective up to 31 May 2016.

The conditions to the completion of the Subscription include, among other things, to obtain (a) the approval of the Company's shareholders at a special general meeting on a capital reorganisation and on the granting of specific mandate to authorise the Directors to issue new shares by the Company; and (b) the necessary approval from the regulatory bodies. Further details of the Subscription are set out in the Company's announcements dated 15 December 2015 and 5 January 2016 (the "Announcements"). At the date of approval of these financial statements, the Subscription has not yet been taken place.

The Directors plan to use the estimated net proceeds from the Subscription of HK$208,700,000 to repay the Deposit of HK$120,000,000, with the remaining amount as general working capital of the Group.

(iii) On 10 March 2016, the Company and Kailuan entered into a supplemental agreement, pursuant to which Kailuan agreed not to demand repayment of the Other Charges before 30 June 2017.

(iv) The Group recorded other borrowings of HK$23,426,000 and accrued interest of HK$1,724,000 as at 31 December 2015, of which HK$17,100,000 were loans from certain directors of the Company and of a subsidiary of the Group. On 10 March 2016, the Group secured the agreement from the respective lenders to defer settlement of the other borrowings and accrued interest to 30 June 2017.

(v) The Group recorded an amount due to a non-controlling shareholder of a PRC subsidiary (the "Non-controlling Shareholder") of HK$50,201,000 at 31 December, 2015. On 10 March 2016, the Group secured the agreement from the Non-controlling Shareholder to defer settlement of such balance to 30 June 2017.

2.1 BASIS OF PRESENTATION *(Continued)*

(vi) In May 2015, a 51% owned subsidiary of the Group, Herong Resources Limited ("Herong"), was incorporated in Hong Kong. The remaining 49% interest is owned by Rontac Resources Holdings Limited which holds a 40% equity interest in Kailuan. The principal activity of Herong is trading of coal and coke, and related products. During the year ended 31 December 2015, commission income from coal and coke trading of HK$405,000 was recorded by Herong. It is contemplated that the Group and Kailuan will enter into a cooperation arrangement which will result in a significant increase in trading activities carried out by Herong. The Directors are of the opinion that such trading activities will contribute positive cash flows to the Group.

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

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve the above-mentioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financial and operating cash flows including the successful completion of the Subscription in accordance with the terms stipulated in the Subscription Agreements, the confirmation of the cooperation arrangement between the Group and Kailuan with respect to the trading activities of Herong, and the success of Herong's operations to generate significant positive cash flows to the Group.

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value as further explained in note 2.5 to the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The 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.

2.2 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

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

(b) *The Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

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

(c) *The Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. This amendment is not applicable to the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 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. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of 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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (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 the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Assets carried at cost

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition 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.

Loan and borrowings

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

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

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

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

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 consolidated 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

(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; and

(d) commission income is recognised when the services are rendered.

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Foreign currencies

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

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

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

Income tax

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Impairment of non-financial assets

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

Tax

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

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

Estimation uncertainty

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

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which these assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose suitable discount rates in order to calculate the present value of those cash flows. Any change in the business environment may lead to the change of expected future cash flows. The carrying amount of property, plant and equipment as at 31 December 2015 was HK$485,337,000 (2014: HK$661,760,000). Further details are set out in note 12 to the financial statements.

Depreciation

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

Impairment of receivables, prepayments, and deposits

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable/prepayment/deposit is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of trade and bill receivables, an amount due from the Non-controlling Shareholder, prepayments, deposits and other receivables as at 31 December 2015 were HK$48,223,000 (2014: HK$149,520,000), HK$213,625,000 (2014: HK$113,098,000), and HK$108,652,000 (2014: HK$478,606,000), respectively.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, sundry income, corporate administrative expenses, unallocated finance costs and income tax credit are excluded from such measurement.

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

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results

Year ended 31 December 2015

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue					
— external sales	—	87,270	374,114	—	461,384
— intersegment sales	—	229,747	—	(229,747)	—
Other income	405	16,779	—	—	17,184
Total	405	333,796	374,114	(229,747)	478,568
Segment results	405	3,016	(96,903)	(1,033)	(94,515)
Interest income and sundry income					76,968
Corporate administrative expenses					(97,155)
Unallocated other operating expenses					(801)
Unallocated finance costs					(23,964)
Loss before tax					(139,467)
Income tax credit					8,732
Loss for the year					(130,735)

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Year ended 31 December 2014

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

31 December 2015

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Total HK$'000
SEGMENT ASSETS				
Segment assets	—	505,988	225,410	731,398
Corporate and unallocated assets				173,887
Consolidated assets				905,285
SEGMENT LIABILITIES				
Segment liabilities	69,804	208,062	364,616	642,482
Corporate and unallocated liabilities				251,459
Consolidated liabilities				893,941

31 December 2014

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2015

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Total HK$'000
OTHER SEGMENT INFORMATION				
Additions of property, plant and equipment	—	33,663	613	34,276
Impairment of items of property, plant and equipment	—	4,400	10,360	14,760
Depreciation	—	62,453	18	62,471
Unallocated				7,381
				69,852
Unallocated interest expenses on bank and other borrowings				23,964
Unallocated income tax credit				(8,732)
Impairment of trade receivables	—	—	37,753	37,753
Impairment of prepayments	—	1,156	—	1,156
Write down of inventories to net realisable value	—	—	749	749
Write-off of items of property, plant and equipment	—	1,442	—	1,442
Unallocated impairment of available for sale investment				801

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2014

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
OTHER SEGMENT INFORMATION				
Additions of property, plant and equipment	—	6,192	—	6,192
Unallocated				419
				6,611
Impairment of goodwill	—	388,544	—	388,544
Impairment of items of property, plant and equipment	—	—	448,545	448,545
Depreciation	—	61,778	41,033	102,811
Unallocated				9,894
				112,705
Unallocated interest expenses on bank and other borrowings				21,862
Unallocated income tax credit				(190)
Impairment of trade receivables, net	—	2,276	731	3,007
Impairment of prepayments, net	—	3,552	—	3,552
Write down of inventories to net realisable value	—	—	3,757	3,757
Write-off of unallocated items of property, plant and equipment				5,475
Unallocated impairment of available for sale investment				668

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations during the years ended 31 December 2015 and 2014. Therefore, no analysis by geographical region is presented.

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

(b) Non-current assets

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**—**	102,732
Mainland China	**485,337**	559,028
	485,337	661,760

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

Information about major customers

During the year ended 31 December 2015, revenue of approximately HK$64,197,000 and HK$52,844,000 were derived from sales in the coke production segment to two customers. During the year ended 31 December 2014, revenue of approximately HK$120,196,000, HK$99,706,000 and HK$70,143,000 were derived from sales in the coke production segment to three customers. These customers were independent third parties of the Group.

During the year ended 31 December 2015, revenue of approximately HK$228,082,000 (2014: HK$48,330,000) was derived from sales in the coal-related ancillary segment and the coke production segment to the Non-controlling Shareholder.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue and other income is as follows:

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of transportation service	**12,511**	11,481
Sale of electricity and heat	**74,759**	98,032
Sale of medium coal	**—**	3,419
Sale of coke and by-products	**374,114**	485,686
	461,384	598,618
Other income		
Interest income	**6**	4
Commission income	**405**	47
Gain on disposal of items of property, plant and equipment	**76,323**	—
Government subsidies	**16,779**	36,391
Sundry income	**639**	370
	94,152	36,812

6. LOSS BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**494,129**	711,999
Auditors' remuneration		**2,230**	2,130
Depreciation	12	**69,852**	112,705
Operating lease payments in respect of leasehold interests in land and rented properties		**1,917**	1,934
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**58,815**	59,068
Equity-settled share option expense	26	**—**	3,459
Pension scheme contributions#		**15,010**	17,289
		73,825	79,816
Write-down of inventories to net realisable value@		**749**	3,757
Impairment of trade receivables, net*	17	**37,753**	3,007
Impairment of prepayments, net*	18	**1,156**	3,552
Impairment of available-for sale investments*	15	**801**	668
Write-off of items of property, plant and equipment*	12	**1,442**	5,475
Gain on disposal of items of property, plant and equipment		**(76,323)**	(86)
Compensation charge*	22	**—**	12,674

As at 31 December 2015 and 2014, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings repayable within five years	**23,964**	21,862

8. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Fees	**2,050**	2,140
Other emoluments:		
Salaries, allowances and benefits in kind	**1,534**	1,534
Equity-settled share option expense	**—**	2,129
Pension scheme contributions	**36**	34
	1,570	3,697
	3,620	5,837

During the year ended 31 December 2015, no share options were granted to directors in respect of their services to the Group.

During the year ended 31 December 2014, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined at the date of grant, and the amounts included in the financial statements for the year ended 31 December 2014 have been included in the above directors' remuneration disclosures.

8. DIRECTORS' EMOLUMENTS *(Continued)*

2015

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Li Baoqi (chief executive officer)	845	949	—	18	1,812
Gao Jianguo	845	585	—	18	1,448
	1,690	1,534	—	36	3,260
Independent non-executive directors:					
Lam Hoy Lee, Laurie	120	—	—	—	120
To Wing Tim, Paddy	120	—	—	—	120
Lau Ka Ho	120	—	—	—	120
	360	—	—	—	360
	2,050	1,534	—	36	3,620

8. DIRECTORS' EMOLUMENTS *(Continued)*

2014

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Li Baoqi (chief executive officer)	845	949	1,014	17	2,825
Gao Jianguo	845	585	1,115	17	2,562
	1,690	1,534	2,129	34	5,387
Non-executive director:					
Wu Jixian (resigned on 30 September 2014)	90	—	—	—	90
Independent non-executive directors:					
Lam Hoy Lee, Laurie	120	—	—	—	120
To Wing Tim, Paddy	120	—	—	—	120
Lau Ka Ho	120	—	—	—	120
	360	—	—	—	360
	2,140	1,534	2,129	34	5,837

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: HK$Nil).

During the years ended 31 December 2015 and 2014, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2014: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees, who are not a director of the Company, are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,700**	1,700
Equity-settled share option expense	**—**	1,216
Pension scheme contributions	**54**	50
	1,754	2,966

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

	Number of employees	
	2015	2014
HK$Nil to HK$1,000,000	**3**	3

During the year ended 31 December 2015, no share options were granted to non-director highest paid employees in respect of their services to the Group.

During the year ended 31 December 2014, share options were granted to non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosure in note 26 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined at the date of grant, and the amounts included in the financial statements for the year ended 31 December 2014 have been included in the above non-director highest paid employees' disclosures.

10. INCOME TAX CREDIT

No provision for Hong Kong and PRC profits tax have been made as there were no assessable profits arising in Hong Kong and Mainland China.

	2015	2014
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	—
Current — Elsewhere	**—**	—
Deferred *(note 24)*	**(8,732)**	(190)
Total tax credit for the year	**(8,732)**	(190)

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

2015

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before tax	**38,241**		**(177,708)**		**(139,467)**	
Tax at the statutory tax rate	**6,310**	**16.5**	**(44,427)**	**(25.0)**	**(38,117)**	**(27.3)**
Expenses not deductible for tax	**3,533**	**9.3**	**24,890**	**14.0**	**28,423**	**20.4**
Income not subject to tax	**(21,400)**	**(56.0)**	**—**	**—**	**(21,400)**	**(15.3)**
Tax losses not recognised	**4,780**	**12.5**	**19,537**	**11.0**	**24,317**	**17.4**
Utilisation of tax losses	**(1,955)**	**(5.1)**	**—**	**—**	**(1,955)**	**(1.4)**
Tax credit at the Group's effective rate	**(8,732)**	**(22.8)**	**—**	**—**	**(8,732)**	**(6.2)**

10. INCOME TAX CREDIT *(Continued)*

2014

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Loss before tax	(440,076)		(656,056)		(1,096,132)	
Tax at the statutory tax rate	(72,613)	(16.5)	(164,014)	(25.0)	(236,627)	(21.6)
Expenses not deductible for tax	65,789	14.9	128,279	19.5	194,068	17.8
Income not subject to tax	(27)	—	(721)	(0.1)	(748)	(0.1)
Tax losses not recognised	6,661	1.6	36,456	5.6	43,117	3.9
Tax credit at the Group's effective rate	(190)	—	—	—	(190)	—

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the parent of HK$110,474,000 (2014: HK$989,409,000), and the weighted average number of ordinary shares of 5,981,071,000 (2014: 5,977,926,000) in issue during the year, as adjusted to reflect the full conversion of the 2008 Convertible Bonds (as defined in note 29) for ordinary shares of the Company during the year.

As disclosed in note 29, the 2008 Convertible Bonds shall be converted automatically into new shares of the Company at the date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculations of the basic and diluted loss per share.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furnaces and infrastructure HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2014	521,001	521,488	541,941	78,290	3,404	52,215	1,718,339
Additions	1,375	1,122	3,695	—	—	419	6,611
Disposal	—	—	—	—	—	(1,936)	(1,936)
Write-off	(6,146)	—	—	—	—	—	(6,146)
Exchange realignment	(6,980)	(8,996)	(9,327)	(1,350)	—	(881)	(27,534)
At 31 December 2014 and 1 January 2015	509,250	513,614	536,309	76,940	3,404	49,817	1,689,334
Additions	—	—	34,204	72	—	—	34,276
Disposal	(116,767)	—	—	—	—	—	(116,767)
Write-off	(1,821)	—	—	—	—	—	(1,821)
Exchange realignment	(17,210)	(23,115)	(26,663)	(3,466)	—	(2,191)	(72,645)
At 31 December 2015	373,452	490,499	543,850	73,546	3,404	47,626	1,532,377
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	61,089	82,370	233,305	61,634	2,595	35,405	476,398
Provided for the year	15,708	19,734	63,560	8,518	540	4,645	112,705
Impairment	37,576	348,248	58,681	3,206	—	834	448,545
Disposal	—	—	—	—	—	(1,473)	(1,473)
Write-off	(671)	—	—	—	—	—	(671)
Exchange realignment	(854)	(1,421)	(4,005)	(1,059)	—	(591)	(7,930)
At 31 December 2014 and 1 January 2015	112,848	448,931	351,541	72,299	3,135	38,820	1,027,574
Provided for the year	12,650	2,481	48,576	2,656	269	3,220	69,852
Impairment	3,221	7,902	3,452	143	—	42	14,760
Disposal	(15,290)	—	—	—	—	—	(15,290)
Write-off	(379)	—	—	—	—	—	(379)
Exchange realignment	(4,625)	(20,613)	(19,052)	(3,362)	—	(1,825)	(49,477)
At 31 December 2015	108,425	438,701	384,517	71,736	3,404	40,257	1,047,040
NET CARRYING AMOUNTS							
At 31 December 2015	265,027	51,798	159,333	1,810	—	7,369	485,337
At 31 December 2014	396,402	64,683	184,768	4,641	269	10,997	661,760

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

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

	2015 HK$'000	2014 HK$'000
Properties situated on leasehold interest land:		
In Hong Kong under a long term lease	—	102,462
Outside Hong Kong under a medium term lease	265,027	293,940
	265,027	396,402

At 31 December 2014, certain of the Group's land and buildings with a net carrying amount of approximately HK$102,462,000 were pledged to secure general banking facilities granted to the Group (note 23) and with a second mortgage to secure the Deposit (note 22).

On 10 September 2014, the Group entered into a conditional sale and purchase agreement with Guarded Success Limited, an independent third party, for the disposal of its land and buildings with a carrying value of HK$102,462,000 at 31 December 2014 (the "Property") for a cash consideration of HK$179,700,000. The transaction was completed on 29 May 2015, resulting in a gain of HK$76,323,000, after netting the disposal expense of HK$1,900,000.

13. GOODWILL

	HK$'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	2,269,645
Accumulated impairment:	
At 1 January 2014	(1,881,101)
Impairment during the year	(388,544)
At 31 December 2014, 1 January 2015 and 31 December 2015	(2,269,645)
Net carrying amount:	
At 31 December 2015	—
At 31 December 2014	—

14. IMPAIRMENT TEST ON PROPERTY, PLANT AND EQUIPMENT

For the purpose of impairment testing, property, plant and equipment has been allocated to two cash-generating units, being the coal-related ancillary segment and coke production segment. The carrying amounts of property, plant and equipment as at 31 December 2015 and 2014 allocated to these units are as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Coal-related ancillary segment	**426,008**	480,922
Coke production segment	**—**	9,822
Unallocated	**59,329**	171,016
	485,337	661,760

Coal-related ancillary cash-generating unit

At 31 December 2015, the recoverable amount of the coal-related ancillary cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a 13-year period, which is assessed and approved by senior management with reference to the physical conditions of property, plant and equipment at the current status and the expected obsolescence and retirement based on prior year experience. The discount rate applied to the cash flow projections was 12.0%.

At 31 December 2014, the recoverable amount of the coal-related ancillary cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5 year period approved by senior management, and cash flows beyond the 5-year period were extrapolated using a growth rate of 2.0% which was the same as the long term average growth rate of the coal-related ancillary industry. The discount rate applied to the cash flow projections was 12.0%.

Key assumptions were used in the value-in-use calculation of the coal-related ancillary cash-generating unit as at 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

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

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

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

Residual value — The residual value of the coal-related ancillary cash-generating unit was determined on the basis that the unit will be disposal of at the end of the economic useful life.

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

Coke production cash-generating unit

The recoverable amount of the coke production cash-generating unit as at 31 December 2015 and 31 December 2014 was determined based on a value in use calculation using cash flow projections based on financial budgets covering a 9.5-year period (2014: 10.5-year period) which is assessed and approved by senior management with reference to the physical conditions of property, plant and equipment at the current status and the expected obsolescence and retirement based on prior year experience. The discount rate applied to the cash flow projections was 12.0% (2014: 12.0%).

Key assumptions were used in the value in use calculation of the coke production cash-generating unit as at 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

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

Discount rate — The discount rate used reflects specific risks relating to the coke production cash-generating unit.

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

Residual value — The residual value of the coke production cash-generating unit was determined on the basis that the unit will be disposed of at the end of the economic useful life.

In light of the unfavourable market circumstances and the sustained operating losses recorded during the year ended 31 December 2015 due to the depression in the coke industry, the recoverable amounts of the coal-related ancillary segment and coke production segment were approximately HK$426,008,000 (2014: HK$480,922,000) and HK$Nil (2014: HK$9,822,000), respectively. This resulted in an impairment of property, plant and equipment of approximately HK$4,400,000 (2014: HK$Nil) and impairment of goodwill of HK$Nil (2014: HK$388,544,000) in the coal-related ancillary segment and an impairment of property, plant and equipment of approximately HK$10,360,000 (2014: HK$448,545,000) in the coke production segment, which were recognised in profit or loss for the year ended 31 December 2015.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Club debentures, at fair value	**1,099**	1,900
Unlisted equity investment, at cost	**2,387**	2,500
	3,486	4,400

There was a significant and prolonged decline in the market value of the club debentures. The Directors consider that such a decline indicates that the club debentures have been impaired and an impairment loss of HK$801,000 (2014: HK$668,000), which included a reclassification from other comprehensive income of HK$Nil (2014: HK$347,000), was recognised in profit or loss for the year.

At 31 December 2015, an unlisted equity investment with a carrying amount of HK$2,387,000 (2014: HK$2,500,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

16. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	**17,610**	24,815
Work in progress	**1,670**	5,897
Finished goods	**9,175**	30,501
	28,455	61,213

17. TRADE AND BILL RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Trade receivables		**271,976**	233,789
Trade receivables from related companies	33	**40,094**	42,943
Bill receivables		**—**	500
Impairment		**(50,222)**	(14,614)
		261,848	262,618
Less: Trade receivables due from the Non-controlling Shareholder	19	**(213,625)**	(113,098)
		48,223	149,520

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The Directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 31 December 2015, approximately 82% (2014: 43% and 20%) of the Group's trade receivables was due from one (2014: two) customer, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances due from customers other than the Non-controlling Shareholder (Note 19). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

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

	2015 HK$'000	2014 HK$'000
Within 3 months	**78,418**	134,766
3 to 4 months	**30,890**	36,794
Over 4 months	**152,540**	91,058
	261,848	262,618

17. TRADE AND BILL RECEIVABLES *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**14,614**	11,811
Impairment loss recognised *(note 6)*	**37,753**	5,891
Impairment loss reversed *(note 6)*	**—**	(2,884)
Exchange realignment	**(2,145)**	(204)
At 31 December	**50,222**	14,614

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$50,222,000 (2014: HK$14,614,000) with a carrying amount before provision of HK$50,298,000 (2014: HK$15,136,000).

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

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

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**109,308**	171,036
Less than 6 months past due	**54,325**	10,389
More than 6 months past due	**98,215**	80,671
	261,848	262,096

The Group's trade and bill receivables at the end of the reporting period that were neither past due nor impaired relate to customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Further details about the trade receivables due from the Non-controlling Shareholder and related companies are set out in note 19 and note 33, respectively.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Other receivables from the Non-controlling Shareholder	*19*	**91,525**	409,370
Prepayments and other receivables due from a related company	*33*	**3,582**	3,750
		95,107	413,120
Prepayments, deposits and other receivables of other parties	*(i)*	**21,132**	72,267
Impairment		**(7,587)**	(6,781)
		108,652	478,606

Note:

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

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

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

	2015 HK$'000	2014 HK$'000
At 1 January	**6,781**	3,286
Impairment loss recognised *(note 6)*	**1,156**	4,143
Impairment loss reversed *(note 6)*	**—**	(591)
Exchange realignment	**(350)**	(57)
At 31 December	**7,587**	6,781

Included in the above provision is a provision for individually impaired prepayments of HK$7,587,000 (2014: HK$6,781,000) with a carrying amount before provision of HK$7,587,000 (2014: HK$6,786,000). The individually impaired prepayments relate to the portions of prepayments that were not expected to be recovered.

The financial assets included in the above balances that were neither past due nor impaired relate to receivables for which there was no recent history of default. Further details about the balances due from the Non-controlling Shareholder and a related company are set out in note 19 and note 33, respectively.

19. AMOUNTS DUE FROM/(TO) THE NON-CONTROLLING SHAREHOLDER

	Notes	2015 HK$'000	2014 HK$'000
Current			
Trade receivables due from the Non-controlling Shareholder *(note 17)*	*(i), (v)*	**213,625**	113,098
Other receivables from the Non-controlling Shareholder *(note 18)*	*(ii), (v)*	**91,525**	409,370
Trade payables due to the Non-controlling Shareholder *(note 21)*	*(iii)*	**—**	(88,855)
Amount due to the Non-controlling Shareholder	*(iv)*	**(50,201)**	(50,201)

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2014: 120 days), which are similar to those granted to major trading customers of the Group.

(ii) The balances are advances to the Non-controlling Shareholder, which are non-interest-bearing and repayable on demand.

(iii) The balances were trade in nature, unsecured and non-interest-bearing.

(iv) The balances represent advances from the Non-controlling Shareholder. The balances are unsecured, non-interest-bearing and not repayable on or before 1 July 2016 (2014: non-interest-bearing and repayable within 12 months from the end of the reporting period). On 10 March 2016, the Group entered into a repayment agreement with the Non-controlling Shareholder which agreed not to demand for repayment of the amount due to it on or before 30 June 2017.

(v) On 28 February 2016, the Group and the Non-controlling Shareholder entered into a repayment agreement, pursuant to which the Non-controlling Shareholder commits to repay the balances due to the Group (being the outstanding trade and other receivables) by monthly instalments of RMB50,000,000 (equivalent to HK$59,700,000) after its new coking plant starts operations in October 2016, and that the entire amount would be settled within 12 months.

Furthermore, an asset pledge agreement was provided by the Non-controlling Shareholder on 29 February 2016 whereby certain property, plant and equipment with a value of HK$1,347 million were pledged to the Group to secure the repayment of the amount of HK$305,150,000 due from the Non-controlling Shareholder and the amount of HK$40,094,000 (note 17) due from, and prepayments of HK$3,582,000 (note 18) made to, affiliates of the Non-controlling Shareholder.

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

20. CASH AND BANK BALANCES

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**1,439**	1,679

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$229,000 (2014: HK$1,171,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. TRADE PAYABLES

	Note	2015 HK$'000	2014 HK$'000
Trade payables due to other parties		**221,138**	422,262
Trade payables due to the Non-controlling Shareholder	19	**—**	88,855
		221,138	511,117

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

	2015 HK$'000	2014 HK$'000
Within 3 months	**40,599**	92,396
3 to 4 months	**12,982**	9,717
Over 4 months	**167,557**	409,004
	221,138	511,117

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

The carrying amounts of trade payables approximate their fair values.

22. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2015 HK$'000	2014 HK$'000
Deposit received from Kailuan *(a)*	**120,000**	220,000
Other payables and accrued charges	**319,575**	221,129
Advance received from customers *(b)*	**159,601**	198,497
	599,176	639,626

Notes:

(a) The Deposit with an original amount of HK$220,000,000 was placed by Kailuan to the Group in connection with an annual coke sale and purchase agreement entered into in 2013. Further details of the Deposit were set out in the Company's announcement dated 23 May 2013. As at 31 December 2015, the Deposit was secured by pledge of 1,157,000,000 shares of the Company, as to 657,000,000 shares owned by Mr. Wu Jixian, a former non-executive director and a substantial shareholder of the Company and as to 500,000,000 shares of the Company held by certain shareholders of the Company.

At 31 December 2014, the Group was in default of repayment of the Deposit. In connection with the default, the Group was subject to a penalty of HK$2,200,000 and default interest of HK$25,483,000 as at 31 December 2014 which were included in other payables and accrual charges at 31 December 2014.

During the year ended 31 December 2015, partial settlement of HK$100 million was made to Kailuan from the proceeds on the disposal of the Property. The balances with Kailuan at 31 December 2015 included a principal of HK$120 million and Other Charges of HK$43,277,000, which were included in other payables and accrued charges at 31 December 2015. The balance was repayable on or before 30 June 2016.

As set out in note 2.1 to the consolidated financial statements, the Group plans to settle the principal of HK$120 million with the net proceeds arising from the Subscription.

On 10 March 2016, the Group and Kailuan entered into a supplemental agreement, pursuant to which Kailuan agreed not to demand for the repayment of the Other Charges on or before 30 June 2017.

(b) As at 31 December 2015, the balance included a deposit of US$9,000,000 (equivalent to HK$69,804,000) received by Huscoke International Group Limited ("HIG"), a subsidiary of the Group, from a customer. On 31 March 2016, an agreement was signed by the customer, the Non-controlling Shareholder, and HIG, agreeing that the entire amount will be transferred as a payable from HIG to the Non-controlling Shareholder. On the same date, another agreement was signed by HIG, the Non-controlling Shareholder and 金岩和嘉 agreeing that the entire amount will be used to reduce the outstanding amounts of account receivables and other receivables of RMB255,623,851 (equivalent to HK$305,149,637) due by the Non-controlling Shareholder to 金岩和嘉 as at 31 December 2015.

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

The carrying amounts of the Deposit, other payables and accrued charges approximate their fair values.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2015			31 December 2014		
	Effective interest rate	**Maturity**	***HK$'000***	Effective interest rate	Maturity	*HK$'000*
Current						
Mortgage loan *(note a)*	—	—	—	1 month HIBOR + 2.45%	On demand	67,451
Other bank loan *(note b)*	—	—	—	6.72%	2015	37,500
Other borrowings *(note c, note 33)*	—	**2016**	**17,100**	—	On demand	8,500
Other borrowing *(note c)*	**10%**	**2016**	**6,326**	10%	On demand	6,326
			23,426			119,777
Secured			—			104,951
Unsecured			**23,426**			14,826
			23,426			119,777
Analysed into:						
Bank loans repayable						
Within one year or on demand			—			104,951
Other borrowings repayable						
Within one year or on demand			**23,426**			14,826

Except for other bank loan of HK$Nil (2014: HK$37,500,000) which is denominated in RMB, and other borrowing of HK$6,326,000 (2014: HK$6,326,000) which is denominated in United States dollars, all bank and other borrowings are denominated in Hong Kong dollars. The carrying values of bank and other borrowings approximate their fair values.

Notes:

(a) The mortgage loan at 31 December 2014 was secured by a first mortgage over the Group's land and buildings situated in Hong Kong, which had a carrying value at 31 December 2014 of HK$102,462,000.

As further explained in note 38 to the financial statements, due to the adoption of HK Interpretation 5, the Group's mortgage loan at 31 December 2014 in the amount of HK$62,853,000 containing a repayment on demand clause was classified as a current liability.

Based on the maturity terms of the mortgage loan at 31 December 2014, the amounts repayable in respect of the mortgage bank loan as at 31 December 2014 were HK$4,598,000 payable within one year; HK$4,722,000 payable in the second year; HK$14,952,000 payable in the third to fifth years, inclusive; and HK$43,179,000 payable beyond five years.

(b) The other bank loan at 31 December 2014 was secured by a corporate guarantee from an independent third party as at 31 December 2014.

(c) On 10 March 2016, the Group secured the agreement from the lenders of the other borrowings to defer settlement of the principal and the related accrued interest at 31 December 2015 to 30 June 2017.

24. DEFERRED TAX

Movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

	Total
	HK$'000
At 1 January 2014	8,922
Deferred tax credited to profit or loss during the year *(note 10)*	(190)
Deferred tax liabilities at 31 December 2014 and 1 January 2015	8,732
Deferred tax credited to profit or loss during the year *(note 10)*	(8,732)
Deferred tax liabilities at 31 December 2015	—

The Group has tax losses arising in Hong Kong and the PRC of HK$156,605,000 (2014: HK$127,636,000) and HK$340,731,000 (2014: HK$262,583,000) that are available indefinitely and within five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose.

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

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

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiary established in Mainland China that are subject to withholding taxes. In the opinion of the Directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in a subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$358,996,000 at December 2015 (2014: HK$380,313,000).

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

25. SHARE CAPITAL

Shares

	2015	2014
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2014: 20,000,000,000) ordinary shares of HK$0.1 each	**2,000,000**	2,000,000
Issued and fully paid:		
4,528,126,292 (2014: 4,522,926,292) ordinary shares	**452,813**	452,293

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014, 31 December 2014 and 1 January 2015	4,522,926,292	452,293	144,997	597,290
Exercise of share options *(Note)*	5,200,000	520	364	884
At 31 December 2015	4,528,126,292	452,813	145,361	598,174

Note: The subscription rights attaching to 5,200,000 share options were exercised at the subscription price of HK$0.132 per share (note 26), resulting in the issue of 5,200,000 shares for a total cash consideration, before expenses, of HK$686,400. An amount of HK$197,600 was transferred from the share option reserve to share premium upon the exercise of the share options.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 26 to the financial statements.

26. SHARE OPTION SCHEMES

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. Eligible participants of the share option scheme include the Directors and employees of the Group. The share option scheme became effective on 31 May 2002 and expired on 31 May 2012 (the "2002 Scheme"). A new share option scheme was adopted and became effective on 28 March 2013 (the "2013 Scheme"). Unless otherwise cancelled or amended, the 2002 Scheme and the 2013 Scheme (collectively, the "Share Option Schemes") will remain in force for ten years from the effective date.

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

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

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

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

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

26. SHARE OPTION SCHEMES *(Continued)*

Under the 2002 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total of 13,200,000 shares as at 31 December 2015, representing approximately 0.29% of the issued share capital of the Company as at that date. Following the expiry of the 2002 Scheme in May 2012, no further options may be granted under the 2002 Scheme. The outstanding options granted under the 2002 Scheme shall continue to be valid and subject to the provisions of the 2002 Scheme and Chapter 17 of the Listing Rules.

Under the 2013 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total of 71,800,000 shares as at 31 December 2015, representing approximately 1.59% of the issued share capital of the Company as at that date. The outstanding options granted under the 2013 Scheme shall be subject to the provisions of the 2013 Scheme and Chapter 17 of the Listing Rules.

Under the 2002 Scheme and 2013 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total of 13,200,000 shares and 71,800,000 shares as at 31 December 2015, respectively. The outstanding options granted under the 2002 Scheme shall continue to be valid and subject to the provisions of the 2002 Scheme and Chapter 17 of the Listing Rules.

2013 Scheme

The following share options were outstanding under the 2013 Scheme during the year:

	2015		2014	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**0.132**	**77,000**	—	—
Granted during the year#	**—**	**—**	0.132	77,000
Exercised during the year##	**0.132**	**(5,200)**	—	—
At 31 December	**0.132**	**71,800**	0.132	77,000

\# During the year ended 31 December 2014, 77,000,000 share options with a fair value of HK$3,459,000 were granted.

\## During the year ended 31 December 2015, 5,200,000 share options were exercised by certain employees.

26. SHARE OPTION SCHEMES *(Continued)*

2013 Scheme *(Continued)*

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

2015

Number of options	**Exercise price***	**Exercise period**
'000	*HK$ per share*	
71,800	0.132	06-09-14 to 05-09-19
71,800		

2014

Number of options	**Exercise price***	**Exercise period**
'000	*HK$ per share*	
77,000	0.132	06-09-14 to 05-09-19
77,000		

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

26. SHARE OPTION SCHEMES *(Continued)*

2002 Scheme

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

	2015		2014	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**0.364**	**17,000**	0.425	30,100
Lapsed during the year###	**0.68**	**(3,800)**	0.504	(13,100)
At 31 December	**0.273**	**13,200**	0.364	17,000

During the year ended 31 December 2015, 3,800,000 (2014: 3,500,000) share options lapsed at the end of the exercise period in accordance with terms of the 2002 Scheme and 9,600,000 share options lapsed upon the resignation of a director during the year ended 31 December 2014.

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

2015

Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
6,200	0.4	27-01-11 to 26-01-16
7,000	0.16	06-01-12 to 05-01-17
13,200		

26. SHARE OPTION SCHEMES *(Continued)*

2002 Scheme *(Continued)*

2014

Number of options	Exercise price*	Exercise period
'000	*HK$ per share*	
3,800	0.68	11-01-10 to 10-01-15
6,200	0.4	27-01-11 to 26-01-16
7,000	0.16	06-01-12 to 05-01-17
17,000		

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

The fair value of the share options granted during the year ended 31 December 2014 was HK$3,459,000, of which the Group recognised a share option expense of HK$3,459,000 for the year ended 31 December 2014.

The fair value of equity-settled share options granted during the year ended 31 December 2014 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	5 September 2014
Dividend yield (%)	—
Expected volatility (%)	63.972%
Risk-free interest rate (%)	1.315%
Expected life of options (year)	5 years
Weighted average share price (HK$ per share)	HK$0.131

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

26. SHARE OPTION SCHEMES *(Continued)*

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

At the end of the reporting period, the Company had 13,200,000 and 71,800,000 share options outstanding under the 2002 Scheme and 2013 Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 85,000,000 additional ordinary shares of the Company and additional share capital of HK$8,500,000 and share premium of HK$4,578,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 78,800,000 share options outstanding, which represented approximately 1.74% of the Company's shares in issue as at that date.

27. RESERVES

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

28. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

金岩和嘉

	2015	2014
Percentage of equity interest held by non-controlling interests at 31 December	**12.6%**	12.6%

	2015	2014
	HK$'000	*HK$'000*
Loss for the year allocated to non-controlling interests	**20,458**	106,533
Accumulated balances of non-controlling interests at the reporting dates	**10,001**	33,020

28. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Revenue	**461,384**	598,618
Other income	**17,412**	36,761
Total expenses	**(678,148)**	(1,456,981)
Loss for the year	**(199,352)**	(821,602)
Total comprehensive loss for the year	**(201,914)**	(842,329)
Current assets	**422,695**	803,434
Non-current assets	**487,724**	561,528
Current liabilities	**(758,992)**	(1,005,874)
Net cash flows from/(used in) operating activities	**(84,003)**	42,232
Net cash flows from/(used in) investing activities	**121,284**	(40,544)
Net cash flows used in financing activities	**(38,075)**	(2,704)
Net decrease in cash and cash equivalents	**(794)**	(1,016)

29. 2008 CONVERTIBLE BONDS

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

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

29. 2008 CONVERTIBLE BONDS *(Continued)*

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

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

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

The Tranche 1 Bonds were fully converted into shares of the Company in prior years. No conversion of the Tranche 2 Bonds was made during the years ended 31 December 2015 and 2014. The Tranche 2 Bonds had a carrying amount of HK$829,350,000 and a principal amount of HK$582,000,000.

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

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

30. PLEDGE OF ASSETS

Details of the Deposit and the Group's bank and other borrowings which were secured by certain assets of the Group, are included in notes 22 and 23 to the financial statements.

31. COMMITMENTS

(a) Capital Commitments

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

	2015	2014
	HK$'000	*HK$'000*
Acquisitions of plant and equipment:		
Authorised, but not contracted for	**9,863**	17,964
Contracted, but not provided for	**15,632**	16,369

(b) Operating Lease Commitments

As lessee

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

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**1,702**	1,763
In the second to fifth years, inclusive	**4,079**	5,000
After five years	**—**	521
	5,781	7,284

32. CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities which have not been provided for in these financial statements (2014: HK$Nil).

33. RELATED PARTY TRANSACTIONS

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

	Notes	**2015** **HK$'000**	2014 HK$'000
With the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**585**	869
Sales of coke	*(i)*	**202,041**	8,879
Sales of by-products	*(i)*	**25,456**	38,582
Purchases of refined coal	*(i)*	**—**	36,250
Purchases of medium coal	*(i)*	**—**	2,564
Rental expense	*(ii)*	**1,243**	1,250
With a related company which is a subsidiary of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**892**	6,789
With related companies which are associates of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**3,852**	15,714
Sales of sundry materials	*(i)*	**61**	173
With a related company which is held by a close family member of the beneficial owner of the Non-controlling Shareholder:			
Sales of refined coal and medium coal	*(i)*	**—**	3,419
Processing fee paid	*(i)*	**—**	887

Notes:

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

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

33. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties

Balances with the Non-controlling Shareholder at the end of the reporting period are set out in note 19. A summary of the Group's balances with other related parties is set out below.

(i) Included in the Group's trade and bill receivables (note 17) are amounts due from a subsidiary and associates of the Non-Controlling Shareholder and a company held by a close family member of the beneficial owner of the Non-controlling Shareholder of HK$17,991,000 (2014: HK$17,789,000), HK$20,895,000 (2014: HK$20,729,000) and HK$1,208,000 (2014: HK$4,425,000), respectively. The balances are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

(ii) Also, included in prepayments, deposits and other receivables (note 18) was a balance of HK$3,582,000 (2014: HK$3,750,000) paid to an associate of the Non-controlling Shareholder for the purchases of raw materials.

(iii) Included in other borrowings (note 23) were loans of HK$14,800,000 (2014: HK$7,500,000) from two executive directors of the Company and HK$2,300,000 (2014: HK$1,000,000) from a director of 金岩和嘉.

(iv) As at 31 December 2014, included in trade payables (note 21) was a trade payable of HK$16,923,000 due to an associate of the Non-controlling Shareholder. The balance was unsecured, non-interest-bearing and repayable within 120 days, which represented similar credit terms offered by major creditors.

With respect to (i) and (ii) above, the Group and the Non-controlling Shareholder entered into an indemnity agreement on 28 February 2016, pursuant to which the Non-controlling Shareholder undertakes that if any amounts were not settled by the respective parties by 30 June 2016, it will settle the amount on their behalf by monthly instalments of RMB 10,000,000 after its new coking plant starts operation in October 2016, and that the entire amount would be settled within 12 months. Further, as stated in note 19, these amounts are secured by certain assets of the Non-controlling Shareholder.

33. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Commitments with a related party

On 30 May 2010, 金岩和嘉 entered into a 10-year operating lease arrangement ending 29 May 2020 with the Non-controlling Shareholder to lease the land for the Group's production plants. The total rental expenses paid to the Non-controlling Shareholder for the year are included in note (a) above. The total operating lease commitments due within one year, in the second to fifth years, and beyond the fifth years as at 31 December 2015 were approximately HK$1,194,000 (2014: HK$1,250,000), HK$4,079,000 (2014: HK$5,000,000) and HK$Nil (2014: HK$521,000), respectively.

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

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

	2015 ***HK$'000***	2014 *HK$'000*
Salaries, allowances and benefits in kind	**3,584**	3,674
Equity-settled share option expense	**—**	2,129
Pension scheme contributions	**36**	34
	3,620	5,837

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

34. LITIGATIONS

On 29 April 2015, 天津富迪特實業有限公司 (Tianjin Fudite Company Limited) ("Tianjin Fudite") issued a writ of summons against (i) 金岩和嘉 and (ii) the Non-controlling Shareholder in relation to an alleged breach of repayment by 金岩和嘉 pursuant to a repayment agreement entered into among Tianjin Fudite as the creditor, 金岩和嘉 as the debtor and the Non-controlling Shareholder as the guarantor on 12 February 2015. According to the writ of summons, Tianjin Fudite claimed against 金岩和嘉 and the Non-controlling Shareholder, as guarantor of 金岩和嘉, for a total sum of HK$15,818,632, comprising the outstanding purchase amount of RMB12,729,253 plus interest from default payment. Objection and appeals over jurisdiction to handle the case were filed by 金岩和嘉 and were rejected by the relevant courts in June and August 2015, respectively. As at the reporting date, the case was still outstanding.

On 25 September 2015, 杭州熱聯集團股份有限公司 (Hangzhou Relian Group Holding Limited) ("Hangzhou Relian") issued a writ of summons against (i) 張家港保稅區康輝國際貿易有限公司 (Zhangjiagang Kanghui International Trading Limited) ("Kanghui International") and (ii) 金岩和嘉 in relation to an alleged breach by Kanghui International of an agency agreement (as amended and supplemented by the supplemental agreement dated 5 May 2014) (the "Agency Agreements") entered into on 30 December 2013 among Hangzhou Relian as the agent, Kanghui International as the principal and 金岩和嘉 as the supplier and guarantor in relation to the supply of coke by 金岩和嘉 to Kanghui International through Hangzhou Relian. According to the writ of summons, Hangzhou Relian claimed against Kanghui International and 金岩和嘉, as guarantor of Kanghui International, for a sum of RMB4,317,807 (equivalent to HK$5,365,735), being the outstanding sum payable by Kanghui International to Hangzhou Relian under the Agency Agreements. As at the reporting date, the case was still outstanding.

In the opinion of the Directors, appropriate provisions have been made on the above matters in the financial statements for the year ended 31 December 2015.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	—	3,486	3,486
Trade and bill receivables	48,223	—	48,223
Financial assets included in prepayments, deposits and other receivables	91,855	—	91,855
Amount due from the Non-controlling Shareholder	213,625	—	213,625
Cash and bank balances	1,439	—	1,439
	355,142	3,486	358,628

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	221,138
Financial liabilities included in other payables, accruals and deposits received	439,575
Interest-bearing bank and other borrowings	23,426
Amount due to the Non-controlling Shareholder	50,201
	734,340

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2014

Financial assets

	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	—	4,400	4,400
Trade and bill receivables	149,520	—	149,520
Financial assets included in prepayments, deposits and other receivables	409,584	—	409,584
Amount due from the Non-controlling Shareholder	113,098	—	113,098
Cash and bank balances	1,679	—	1,679
	673,881	4,400	678,281

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	511,117
Financial liabilities included in other payables, accruals and deposits received	441,129
Interest-bearing bank and other borrowings	119,777
Amount due to the Non-controlling Shareholder	50,201
	1,122,224

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investments	**1,099**	**—**	**—**	**1,099**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	1,900	—	—	1,900

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: HK$Nil).

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2015, offsetting agreements were entered amongst the Group, the Non-controlling Shareholder and certain creditors of the Group in which the Non-controlling Shareholder agreed to take up the obligation to settle the trade payables on behalf of the Group. Trade payables with an amount of HK$269,858,000 (2014: HK$Nil) were offset with other receivables from the Non-controlling Shareholder.

(b) During the year ended 31 December 2015, agreements were entered amongst the Group, certain debtors of the Group and the Non-controlling Shareholder in which the Non-controlling Shareholder agreed to take up certain of the Group's trade receivables. Trade receivables of HK$113,711,000 (2014: HK$Nil) were transferred to other receivables of the Non-controlling Shareholder.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and an amount due to the Non-controlling Shareholder. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bill receivables and other receivables, amounts due from the Non-controlling Shareholder, cash and bank balances, trade payables, other payables, accruals and the Deposit, 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.

Interest rate risk

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

The Group is exposed to cash flow interest rate risk through the impact of floating interest rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

During the year ended 31 December 2014, the Group's concentration of cash flow interest rate risk is mainly on bank borrowings in relation to movements in the interest rates with reference to the Hong Kong Inter-Bank Offered Rate.

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

Interest rate risk *(Continued)*

Sensitivity analysis

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax** *HK$'000*	**Increase/ (decrease) in equity** *HK$'000*
2015			
Hong Kong dollar	**100**	—	—
Hong Kong dollar	**(100)**	—	—

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*
2014			
Hong Kong dollar	100	675	(675)
Hong Kong dollar	(100)	(675)	675

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

Foreign currency risk

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

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

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

	Increase/ (decrease) in USD rate	**Increase/ (decrease) in loss before tax**
	%	*HK$'000*
2015		
If the Hong Kong dollar weakens against USD	**0.5%**	**379**
If the Hong Kong dollar strengthens against USD	**(0.5%)**	**(379)**
2014		
If the Hong Kong dollar weakens against USD	0.5%	380
If the Hong Kong dollar strengthens against USD	(0.5%)	(380)

Credit risk

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

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

Credit risk *(Continued)*

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

In addition to the concentration of credit risk on other receivables from the Non-controlling Shareholder, the Group had concentration of credit risk as 82% (2014: 43%) of the Group's trade receivables was due from the Non-controlling Shareholder and 7% of Group's trade receivables was due from a related company (2014: 20% of the Group trade receivables were due from an unrelated third party) as at 31 December 2015.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

Liquidity risk

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

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

	On demand or less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	Total *HK$'000*
2015			
Trade payables	195,618	25,520	221,138
Financial liabilities included in other payables, accruals and deposits received	319,575	120,000	439,575
Interest-bearing bank and other borrowings*	9,232	14,826	24,058
Amount due to the Non-controlling Shareholder	—	50,201	50,201
	524,425	210,547	734,972

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

Liquidity risk *(Continued)*

	On demand or less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	Total *HK$'000*
2014			
Trade payables	466,388	44,729	511,117
Financial liabilities included in other payables, accruals and deposits received	441,129	—	441,129
Interest-bearing bank and other borrowings*	120,852	—	120,852
Amount due to the Non-controlling Shareholder	50,201	—	50,201
	1,078,570	44,729	1,123,299

* As at 31 December 2014, included in interest-bearing bank and other borrowings are a mortgage loan for which the related agreements contain a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

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

In accordance with the terms of the interest-bearing mortgage loan and other borrowings, the contractual undiscounted payments as at 31 December 2014 were HK$6,353,000 in 2015, HK$25,413,000 during 2016 to 2019 and HK$47,732,000 in 2020 and beyond.

During the year ended 31 December 2015, the Group has repaid the entire amount of the above mortgage loan and other borrowings. As at 31 December 2015, there were no interest-bearing mortgage loans nor other borrowings borrowed by the Group.

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

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

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**221,138**	511,117
Other payables, accruals and deposits received	**599,176**	639,626
Interest-bearing bank and other borrowings	**23,426**	119,777
Amount due to the Non-controlling Shareholder	**50,201**	50,201
Less: Cash and bank balances	**(1,439)**	(1,679)
Net debt	**892,502**	1,319,042
Equity attributable to owners of the parent	**1,142**	124,994
Capital and net debt	**893,644**	1,444,036
Gearing ratio	**100%**	91%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**123,754**	578,388
CURRENT ASSETS		
Bank balances	**236**	259
CURRENT LIABILITIES		
Other payables and accruals	**4,749**	5,871
NET CURRENT LIABILITIES	**(4,513)**	(5,612)
TOTAL ASSETS LESS CURRENT LIABILITIES	**119,241**	572,776
NON-CURRENT LIABILITIES		
Amount due to subsidiaries	**(359,612)**	(352,158)
Net assets/(net liabilities)	**(240,371)**	220,618
EQUITY		
Issued share capital	**452,813**	452,293
Reserves *(note)*	**(693,184)**	(231,675)
Total equity/(deficiency in assets)	**(240,371)**	220,618

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Capital redemption reserve HK$'000	Share option reserve HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	144,997	419,650	17,275	85	4,151	829,350	(687,361)	728,147
Loss for the year and total comprehensive loss for the year	—	—	—	—	—	—	(963,281)	(963,281)
Equity-settled share option arrangements	—	—	—	—	3,459	—	—	3,459
Lapsed share options	—	—	—	—	(2,092)	—	2,092	—
At 31 December 2014 and 1 January 2015	**144,997**	**419,650**	**17,275**	**85**	**5,518**	**829,350**	**(1,648,550)**	**(231,675)**
Loss for the year and total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(461,675)**	**(461,675)**
Exercise of share options	**364**	**—**	**—**	**—**	**(198)**	**—**	**—**	**166**
Lapsed share options	**—**	**—**	**—**	**—**	**(887)**	**—**	**887**	**—**
At 31 December 2015	**145,361**	**419,650**	**17,275**	**85**	**4,433**	**829,350**	**(2,109,338)**	**(693,184)**

Notes:

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

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.

Particulars of Properties

Name/location	Lease term	Type	Gross floor area *(sq.m.)*	Attributable interest
Properties Held for the Group's Own Use				
The People's Republic of China				
山西省孝義市經濟開發區金岩路1號	Medium term lease	C & I	29,148	90%

C Commercial
I Industrial