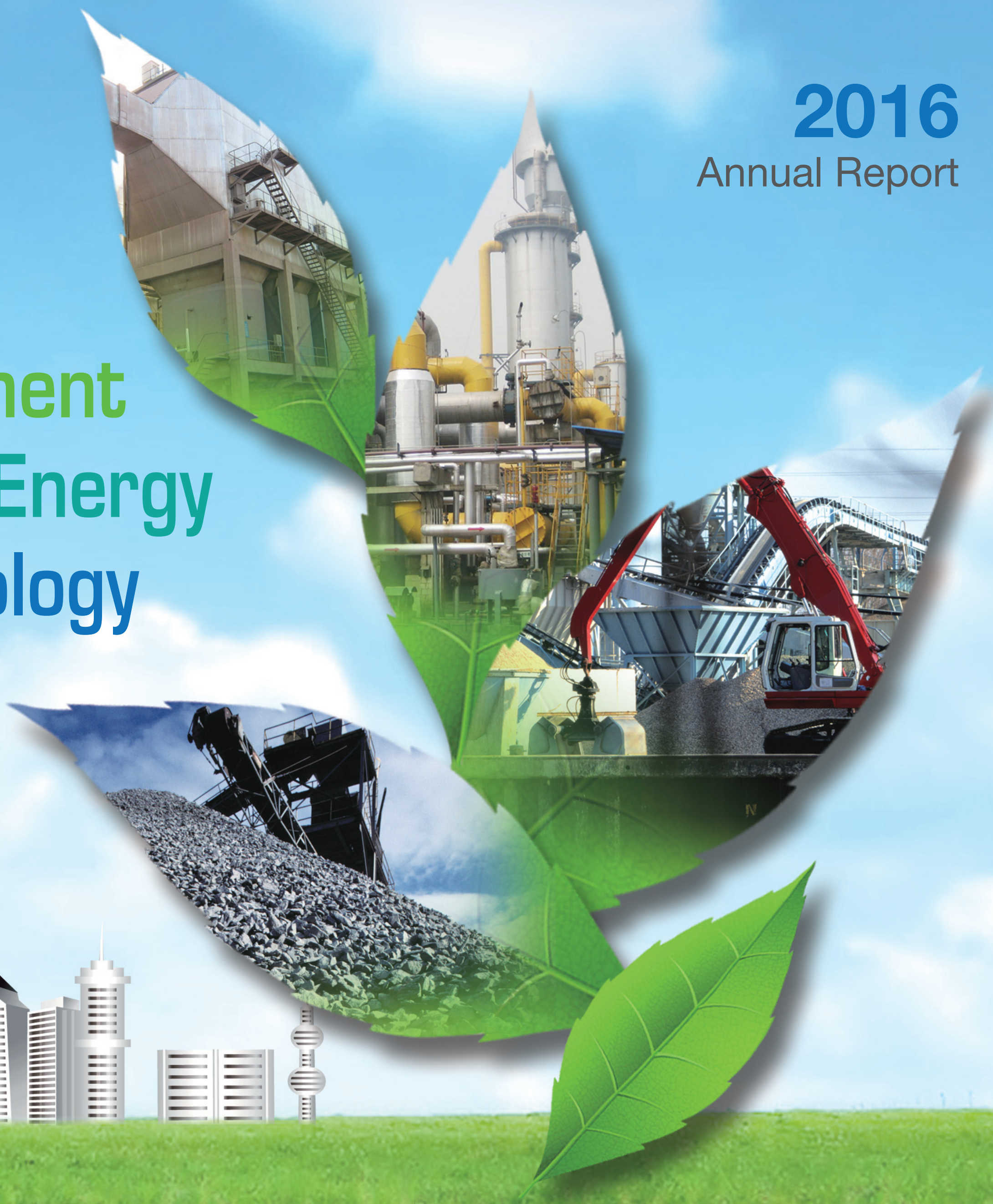
HUSCOKE RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 704)

2016

Annual Report



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Xu Guang *(Chairman)*
Mr. Wong Siu Hung, Patrick *(General Manager)*

Non-Executive Directors

Mr. Huang Man Yem
Mr. Li Baoqi

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. To Wing Tim, Paddy
Mr. Lam Hoy Lee, Laurie
Mr. Huang Man Yem

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Li Chi Chung

COMPANY SOLICITORS

In Hong Kong

Michael Li & Co.

In Bermuda

Appleby Spurling Hunter

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

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

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

Tricor Secretaries Limited
Level 22 Hopewell Centre
183 Queen's Road East
Wan Chai, 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 2301, 23rd Floor
Tower One, Lippo Centre
89 Queensway,
Admiralty, Hong Kong
Tel: 2861 0704
Fax: 2861 3908
E-mail: admin@huscoke.com
Website: www.huscoke.com

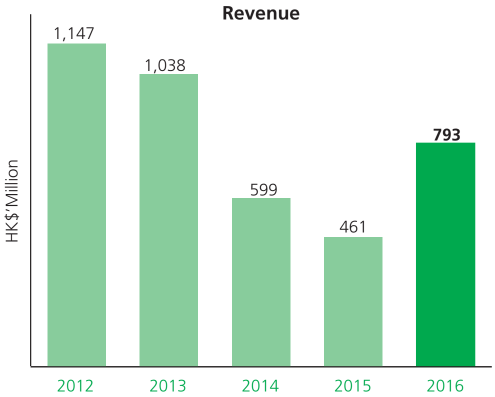
HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

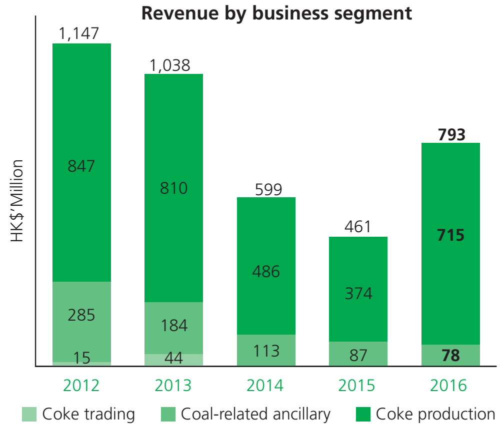
No. 1, Jinyan Road
Economic and Technological Development Zone
Xiao Yi City, Shan Xi, China

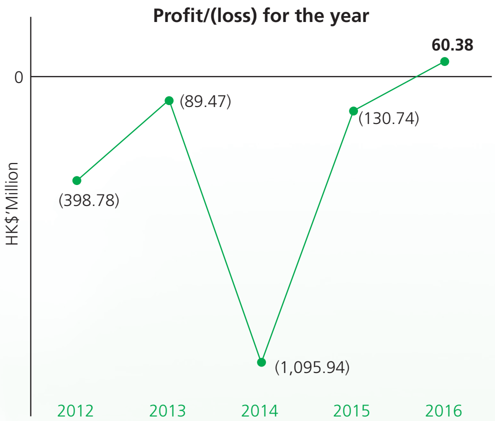
REGISTERED OFFICE

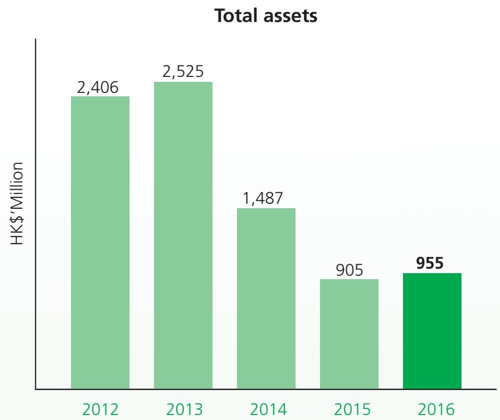
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

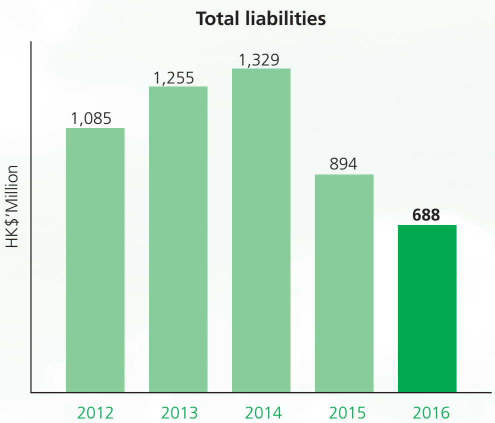
Financial Highlights

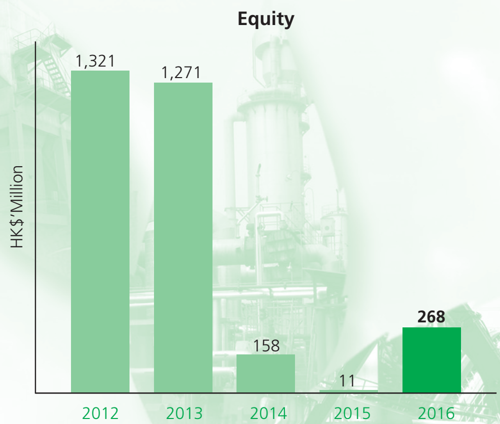












Ratio \ Financial Year	2012	2013	2014	2015	2016
Gearing ratio *(Note a)*	36%	52%	91%	100%	71%

Note:

(a) Gearing ratio is calculated by dividing net debt by capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, other borrowings, amount due to the Non-controlling Shareholder, convertible bonds and tax payable, net of cash and bank balances. Capital includes equity attributable to owners of the parent.

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Huscoke Resources Holdings Limited (the "**Company**", or together with its subsidiaries, the "**Group**"), I hereby present the 2016 annual report to all shareholders.

BUSINESS OVERVIEW

China has met its supply-side structural reform 2016 target of reducing 45 million tonnes of steel and 250 million tonnes of coal production output ahead of schedule, according to The National Development and Reform Commission. Chinese government's effort in the coal industry reform has delivered initial results in 2016, which a spectacular recovery of Chinese coal and coke market witnessed.

Powered by a milder growth and structural optimization in China's economy, the increased infrastructure and fixed asset investment of the country stimulated strong demand for steel products. On the other hand, the government policies, comprising the national coal capacity cut campaign and capping miners' output at 276 days of production from the standard 330 days, largely eliminated the small-scale, inefficient and high environmental pollution coke producers in the market. The coke supply tightness amid the strong demand for steel products led to an upturn of the coke prices rising to the highest in the recent years.

As one of the leading coke producers equipped with the state-of-the-art and cleaner emissions technology facilities in Xiaoyi City of Shanxi Province, the Group has benefited from the resurgence of the coke prices in 2016. The ex-plant coke price in Shanxi Province started to soar from the lowest level of the year at around RMB500/tonne in the first quarter 2016 to a multi-year high of more than RMB2,000/tonne in mid-November 2016.

FINANCIAL PERFORMANCE OVERVIEW

As a result of the dramatic rising of coke prices in 2016, the Group recorded total revenue of approximately HK$792,518,000 for the year ended 31 December 2016 ("**FY2016**"), representing a huge jump of approximately 71.8% as compared to the same of approximately HK$461,384,000 for the year ended 31 December 2015 ("**FY2015**"). Operating profit before interest and tax was approximately HK$70,507,000 in FY2016, as compared to operating loss before interest and tax of approximately HK$115,503,000 in FY2015. Profit attributable to shareholders amounted to approximately HK$55,663,000 in FY2016, as compared to loss attributable to shareholders of approximately HK$110,474,000 in FY2015. Basic earnings per share was 4.00 Hong Kong cents in FY2016, as compared to restated basic loss per share of 9.24 Hong Kong cents in FY2015.

Chairman's Statement

CHANGE IN CONTROL OF THE COMPANY AND COMPLETION OF CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN

Since the beginning of 2016, the Group was indebted with a remaining part of a deposit ("**Remaining Deposit**") placed by Kailuan (Hong Kong) International Co. Ltd. ("**Kailuan**") in the amount of HK$120,000,000 and the accrued interests and default liquidated damages ("**Compensations and Interests**") of approximately HK$43,277,000 arising from the entering into of an agreement dated 22 May 2013 ("**Annual Coke S&P Agreement**"). Due to the sluggish coke industry previously, the Group suffered from operating losses five-year in a row before 2016 and had cash shortage to settle the already due Remaining Deposit and the Compensations and Interests.

Having considered a number of fund raising options, the Group finally opted for entering into a new shares subscription agreement with Shun Wang Investments Limited ("**Shun Wang**") on 27 November 2015 and a convertible bonds ("**CB**") subscription agreement with Kailuan on 13 April 2016.

The new shares subscription was completed on 2 November 2016 and a total of 1,400,000,000 new shares were issued and allotted at HK$0.15 per share for a total cash consideration of HK$210,000,000. Immediately upon the completion of the new shares subscription, Shun Wang became the controlling shareholder of the Company which held 58.25% of the entire issued share capital of the Company. The Remaining Deposit was subsequently fully settled by the share subscription net proceeds on 11 November 2016.

Upon the completion of the new shares subscription, the Company simultaneously issued the CB to Kailuan in an aggregate principal amount of approximately HK$43,277,000, which was equivalent to the amount of the Compensations and Interests. The net proceeds from the CB issuance were used to settle the full amount of the Compensations and Interests.

Shun Wang's investment interest and the CB issuance improved the financial position and liquidity of the Group in the following areas: (i) the net gearing ratio of the Group dropped from 100% as at 31 December 2015 to 71% as at 31 December 2016; and (ii) the increased working capital provided the Group with the financial flexibility for the Group's future business development in its existing coke production business or any new investment opportunity in clean energy technology industry.

Furthermore, the Company has also strengthened its management by reorganizing its Board members and management team who have rich and extensive experience in the natural resources and energy related industry to steer the Company.

The details of subscription of new shares under specific mandate, application for whitewash waiver, capital reorganization and convertible bonds subscription agreement with Kailuan are explained in the Management Discussion and Analysis in this annual report.

Chairman's Statement

PROSPECTS

Looking ahead to 2017, China is facing a tougher battle amid economic slowdown pressure and external uncertainties. Slashing inefficient and excess coal production capacity would remain at the top of the Chinese government's agenda. However, the de-capacity efforts may have worked too well and too fast in 2016, leading to the price hike percentage of coal and coke outweighed substantially of the production cut extent. In order to rebalance the market and avoid drastic price volatility, the policy makers are expected to fine tune the approach by loosening certain output control policies. The coal and coke prices are expected to be stabilized in the years ahead, which will be a favourable factor to the sustainable growth and development of the Group's coke production business.

The coke production process emits large concentrations of particulate matter and greenhouse gases. In the recent decade, the Chinese government has adopted clean coal technology as a strategy for improving the domestic environmental pollution issue. The government policy direction is that the coal industry must change its growth vector and take a sustainable path with a high resource utilization rate and less environmental pollution. The Group's existing coking plant and power plants fulfill both the efficiency and low emissions requirements of the government's direction. In the coming future, the Group will continue to upgrade its existing equipment and facilities or expand the operation scale so as to achieve cleaner emissions.

Moreover, the Group will continue to strengthen its existing coal industry value chain. In the meantime, the Group will search for new and profitable business opportunities which are related to the Group's current operations, and explore investment opportunities with sustainable and steady return to the shareholders of the Company.

APPRECIATION

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

Zhao Xu Guang
Chairman
29 March 2017

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhao Xu Guang, aged 53, was appointed as an Executive Director, the Chairman of the Board and the Chairman of the Nomination Committee with effect from 17 November 2016. Mr. Zhao worked for the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China. He also acted as chairman, general manager and director of various enterprises specializing in trading, investment, property and in the energy field. He served as chairman and executive director of Titan Petrochemicals Group Limited ("**Titan Petrochemicals**"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1192) from July 2012 to September 2015. Mr. Zhao has more than 20 years of experience in business decision-making and management. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

Mr. Wong Siu Hung, Patrick, aged 61, was appointed as an Executive Director with effect from 3 November 2016 and as a Joint General Manager and Authorized Representative with effect from 17 November 2016. Mr. Wong was redesignated as the General Manager of the Company with effect from 25 November 2016 and would remain as an Executive Director and Authorized Representative. Mr. Wong is an associate member of Chartered Institute of Bankers, United Kingdom and holds a Master degree in Applied Finance from Macquarie University, Australia. He has more than 30 years of working experience in banking, finance, commodity trading and project development. He was an executive director of Titan Petrochemicals between 2008 and 2015. Prior to joining Titan Petrochemicals, Mr. Wong was the senior vice president of Commodity and Trade Finance at Societe Generale Singapore and the chief executive officer in the China Division of Louis Dreyfus Group, a global commodity trading firm.

NON-EXECUTIVE DIRECTORS

Mr. Huang Man Yem, aged 42, was appointed as a Non-Executive Director with effect from 3 November 2016. Mr. Huang holds a Master degree of Corporate Finance from the Hong Kong Polytechnic University and a Bachelor of Engineering in Electronic Engineering from City University of Hong Kong. Mr. Huang has more than 15 years of working experience in corporate development and restructuring, corporate establishment and M&A projects, and capital market transactions (i.e. equities and bonds/debts) on the stock exchanges of Hong Kong and Singapore respectively. Mr. Huang is currently the general manager of the Shanghai branch office of Expert Systems IVR (Asia) Co. Ltd., a Hong Kong based subsidiaries of Asia-Pacific Region Unified Communications solution provider engaged in Unified Communications solutions development and corporate establishment consultant business. Mr. Huang was also a former member of the senior management of Titan Petrochemicals from April 2002 to May 2014.

Mr. Li Baoqi, aged 62, was redesignated to Non-Executive Director with effect from 25 November 2016. Prior to the redesignation, Mr. Li had been appointed as an Executive Director since 1 June 2008. During his tenure as an Executive Director, Mr. Li was appointed as Chief Executive Office and Authorized Representative on 19 September 2011 and Joint General Manager on 17 November 2016. 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 42, has been appointed as an Independent Non-Executive Director since April 2011. Mr. Lau is a member of the Remuneration Committee and the Nomination Committee, and the Chairman of the Audit Committee. 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. Mr. Lau has over 15 years of working experience in audit, finance and business advisory, during which he worked for Deloitte Touche Tohmatsu and various listed companies in Hong Kong. Mr. Lau graduated from the Hong Kong Polytechnic University with a Bachelor's degree in Accountancy. He is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lam Hoy Lee, Laurie, aged 58, has been appointed as an Independent Non-Executive Director since September 2008. Mr. Lam is a member of the Audit Committee and the Nomination Committee, and the Chairman of the Remuneration Committee. Mr. Lam has 30 years of experience in legal field working as a solicitor in Hong Kong. Mr. Lam is a solicitor of Hong Kong and Singapore and a solicitor and counsel of Australia.

Mr. To Wing Tim, Paddy, aged 64, has been appointed as an Independent Non-Executive Director since October 2009. Mr. To is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. 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. Mr. To has been practicing as a certified public accountant in Hong Kong since 1980. Mr. To is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Taxation Institute of Hong Kong and an associate member of the Association of Certified General Accountants in Canada.

SENIOR MANAGEMENT

Mr. Wong Man Yuk Raymond, aged 41, has joined the Company as the Financial Controller since January 2017. Mr. Wong has over 18 years of working experience in accounting, auditing, corporate finance, mergers and acquisitions, corporate governance and financial management. Prior to joining the Company, Mr. Wong worked for the audit department of Deloitte Touche Tohmatsu, and was the chief financial officer or financial controller for various listed and private companies in Hong Kong and Singapore. Mr. Wong holds a MBA degree from The University of Hong Kong. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Li Chi Chung, aged 48, was appointed as the Company Secretary with effect from 25 November 2016. Mr. Li received a Bachelor of Law degree from the University of Sheffield, United Kingdom in July 1990. Mr. Li is currently a practising solicitor and was admitted as a solicitor in Hong Kong in October 1993.

Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

Chinese government's effort in the coal industry reform has delivered initial results in 2016 after a prolonged sluggish period previously. The coal and coke market in China witnessed an amazing recovery. The ex-plant coke price in Shanxi Province started to soar from the lowest level of the year at around RMB500/tonne in the first quarter 2016 to a multi-year high of more than RMB2,000/tonne in mid-November 2016.

The surge of coal and coke prices was mainly attributable to the imbalance of market demand and supply. On one hand, a milder growth and structural optimization of China's economy led to increased demand for capital investment and coke products. On the other hand, the government-led policies such as capacity reduction campaign, capping miners' days of production at 276 days from the standard 330 days, production halt orders for environmental concern and truck overload regulations, have effectively pressed down the supply in the market.

FINANCIAL REVIEW

Revenue, gross profit margin, net profit, profit attributable to owners of the parent and earnings per share

The Group has benefited from the relentless rising of coke prices in 2016. It achieved a solid growth in revenue and a remarkable improvement in profitability for the year ended 31 December 2016. The total revenue was approximately HK$792,518,000 (2015: HK$461,384,000), representing an increase of approximately 71.8% as compared to the last corresponding year. The Group recorded gross profit margin of approximately 17.0% as compared to gross loss margin of approximately 7.3% in 2015. The profit for the year and the profit attributable to owners of the parent amounted to approximately HK$60,381,000 and HK$55,663,000, respectively, as compared to the loss for the year and the loss attributable to owners of the parent of approximately HK$130,735,000 and HK$110,474,000, respectively, for the corresponding year in 2015. Basic earnings per share was 4.00 Hong Kong cents, as compared to restated basic loss per share of 9.24 Hong Kong cents in 2015.

The Group is principally engaged in three business segments, namely: (i) trading of coke (the "**Coke Trading Segment**"); (ii) washing of raw coal into refined coal for sale and for further processing, and the sale of electricity and heat which are generated with by-products produced during washing of raw coal (the "**Coal-related Ancillary Segment**"); and (iii) processing of refined coal into coke for sale, and sale of coke by-products that are generated during coke production (the "**Coke Production Segment**").

Management Discussion and Analysis

Coke Trading Segment

To continue the Group's effort in exploring business opportunities in coke trading segment and developing a long-term business 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 Group owns 51% shareholdings of Herong, while Rontac owns the remaining 49%. This company is engaged in coke and coal trading business and commenced operation in the second half of 2015. This company earned agency fee of coal and coke trading of approximately HK$1,279,000 (2015: HK$405,000), representing an increase of approximately 215.8% as compared to the last corresponding year. The Group will continue to explore the direct coal and coke trading business opportunity in the future.

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 capacity cut policy in the coal industry largely eliminated the old, small-scale, inefficient and high carbon emissions domestic coal miner and caused to a sharp contraction of coal supply. Thus, the utilization rate of the coal-related ancillary facilities was lingering at the low end, and led to reduction of external sales from HK$87,270,000 in 2015 to HK$77,359,000 in 2016, representing a drop of approximately 11.4%.

The raw coal prices soared significantly under the imbalance supply and demand situation in the second half 2016. As a result, it led to an increase in production cost and the segment profit dropped from HK$3,016,000 in 2015 to a segment loss of approximately HK$261,000 in 2016.

Coke Production Segment

Given the relentless rising coke prices in the second half 2016, the coke production segment recorded a substantial increase in revenue from HK$374,114,000 in 2015 to approximately HK$715,159,000 in 2016, representing an uprise of 91.2%.

The resurgence of the coke market and price in 2016 also turned this segment from a loss position of HK$96,903,000 in 2015 to a profit status of approximately HK$104,579,000 in 2016.

Selling and Distribution Costs

The selling and distribution costs of the Group were mainly from the Coke Production Segment. It increased sharply from approximately HK$23,094,000 in 2015 to approximately HK$55,949,000 in 2016, representing an increase of approximately 142.3%, as a result of increased logistics cost amid the recovery of the coke market and prices in 2016.

Management Discussion and Analysis

Administrative Expenses

The administrative expenses of the Group amounted to approximately HK$79,608,000 in 2016, representing a decrease of approximately 18.1% from approximately HK$97,155,000 in 2015. The decrease in administrative expenses was mainly attributable to the decrease in staff costs as a result of measures implemented for improving the operating costs.

Finance Costs

The finance costs of the Group mainly represented interest expenses on other borrowings and the convertible bonds issued in 2016. The finance costs recorded by the Group decreased to approximately HK$1,582,000 in 2016 from approximately HK$23,964,000 in 2015, mainly due to the repayments of mortgage loan in 2015 and the waive of interest of the default Remaining Deposit in the annual coke sales and purchase agreement ("**Annual Coke S&P Agreement**") accrued from 1 January 2016 and thereafter.

CAPITAL REORGANISATION

Reference is made to the announcements of the Company dated 15 December 2015, 5 January 2016, 15 April 2016 and 11 May 2016, and circular dated 15 April 2016.

On 27 November 2015, the Board proposed to reorganize 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 authorized 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 authorized 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 authorized share capital of the Company increased from HK$40,000,000 divided 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 authorized 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).

The Capital Reorganization had been approved by the Independent Shareholders by way of a poll at the special general meeting ("**SGM**") of the Company held on 11 May 2016.

Immediately after the Capital Reorganization had become effective on 12 May 2016, the Company's issued and paid-up share capital was approximately HK$10,036,253 comprising approximately 1,003,625,258 New Shares of par value HK$0.01 each.

ANNUAL COKE SALE AND PURCHASE AGREEMENT

References are made to the announcements of the Company dated 23 May 2013, 27 March 2014, 23 May 2014, 10 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015, 18 March 2015, 26 March 2015, 29 May 2015 and 29 July 2015 in relation to, among others, the Annual Coke S&P Agreement dated 22 May 2013.

On 22 May 2013, the Company, Kailuan and Mr. Wu Jixian, a former non-executive director and substantial shareholder of the Company, entered into the Annual Coke S&P Agreement. Under the Annual Coke S&P Agreement, the Group has agreed, among other terms, to supply 50,000 tonnes coke (subject to certain adjustment level) to Kailuan each month during the period from 24 May 2013 to 23 May 2014. Total quantity to be sold by the Group to Kailuan would be around 600,000 tonnes during the agreement period. Should the quantity supplied fall short of the agreed 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. The Group was in default of repayment of the Deposit upon the expiry of the Annual Coke S&P Agreement.

In 2015, the Group repaid HK$100,000,000 to Kailuan by the proceeds from the disposal of the Property. As at 31 December 2015, the unpaid balance of the Deposit was HK$120,000,000 (the "**Remaining Deposit**") and the accrued compensations and interests and default liquidated damages (the "**Compensations and Interests**") was HK$43,277,000 (collectively, the "**Kailuan Loan**").

CHANGE IN CONTROL OF THE COMPANY — COMPLETION OF SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND APPROVAL OF WHITEWASH WAIVER

Reference is made to the announcements of the Company dated 15 December 2015, 5 January 2016, 24 March 2016, 15 April 2016, 11 May 2016, 23 May 2016, 30 August 2016, 29 September 2016, 28 October 2016 and 2 November 2016, and circular dated 15 April 2016.

In order to repay the Kailuan Loan, the Board is of the view that equity financing is the most appropriate means of raising additional capital as (i) it is more practicable and direct under a volatile market and the prevailing uncertain market conditions; (ii) it is less costly and carries no interest burden; and (iii) it is less time-consuming.

On 27 November 2015, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by 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 Shares represented approximately (i) 154.59% of the adjusted share capital of the Company had the Capital Reorganisation become effective, based on the issued share capital of the Company as at 13 April 2016 (the latest practicable date for the purpose of ascertaining information contained in the circular dated 15 April 2016); and (ii) 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 was obliged to make a mandatory general offer for all the issued New 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 was obtained from the Securities and Futures Commission of Hong Kong ("**SFC**").

The Subscriber had applied to and the SFC had granted the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares on 9 May 2016. Moreover, the subscription of New Shares under the specific mandate had been approved by the Shareholders other than (i) the Subscriber, its ultimate beneficial owner or any of their respective associates; (ii) any parties acting in concert with the Subscriber or its ultimate beneficial owner; or (iii) parties involved or interested in the Subscription or the Whitewash Waiver are required to abstain from voting on the ordinary resolutions to approve the relevant transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Agreement) and the Whitewash Waiver respectively, at the SGM of the Company held on 11 May 2016.

As it was expected that additional time was required for the satisfaction of the conditions precedent of the Subscription Agreement in particular the due diligence exercise in respect of the Company's assets, debts, operation and affairs of the Company, after arm's length negotiations, on 23 May 2016, 30 August 2016 and 28 September 2016, the Company and the Subscriber entered into extension letters for the extension of the Subscription Long Stop Date from 31 May 2016 to 31 August 2016, from 31 August 2016 to 30 September 2016, and from 30 September 2016 to 28 October 2016 (or such other date as the parties to the Subscription Agreement may agree in writing) respectively.

Pursuant to the Subscription Agreement (as supplemented by a supplemental agreement) dated 15 December 2015 and the extension letters dated 29 September 2016, if any of the conditions precedent under the Subscription Agreement could not be fulfilled on or before 28 October 2016 (the "**Subscription Long Stop Date**"), the Subscription Agreement would be terminated.

On 28 October 2016, all conditions precedent in respect of the Subscription have been fulfilled. As such, the parties of the Subscription Agreement agreed to proceed the Subscription.

The Subscription was completed on 2 November 2016. Immediately before the Subscription Completion, the Company had 1,003,625,258 Shares in issue. Pursuant to the Subscription Agreement, a total of 1,400,000,000 Subscription Shares were issued and allotted to the Subscriber. Accordingly, immediately after the completion of the Subscription and assuming no conversion of the convertible bonds of the Company (the "**CB**"), there are 2,403,625,258 Shares in issue.

Following the Subscription Completion and assuming no conversion of the CB, the Subscriber, Shun Wang Investments Limited ("**Shun Wang**"), became the controlling shareholder of the Company which held 58.25% of the entire issued share capital of the Company.

COMPLETION OF CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN

References are made to the announcements of the Company: (i) dated 15 December 2015 in relation to, among others, the Subscription Agreement dated 27 November 2015 (and as supplemented by a supplemental agreement dated 15 December 2015); (ii) dated 13 April 2016, 28 October 2016, 2 November 2016 and 30 December 2016 in relation to the Issue of CB; (iii) dated 23 May 2016, 30 August 2016 and 29 September 2016 in relation to the extension of Long Stop Date of the Subscription Agreement and (iv) dated 31 May 2016, 30 August 2016 and 29 September 2016 in relation to the extension of Long Stop Date of the CB Subscription Agreement.

In connection with the Compensations and Interests under the Annual Coke S&P Agreement, on 13 April 2016, the Company entered into a subscription agreement (the "**CB Subscription Agreement**") with Kailuan and pursuant to which, the Company (as the issuer) had conditionally agreed to issue and Kailuan (as the subscriber) had conditionally agreed to subscribe for the CB, the principal amount of which was equivalent to the amount of the Compensations and Interests of HK$43,277,000 accrued up to 31 December 2015 (the "**CB Subscription**"). The CB will have the right to convert into 144,256,976 Conversion Shares (after the Capital Reorganisation became effective on 12 May 2016) at the Conversion Price of HK$0.3 per Conversion Share.

Pursuant to Rule 4 of the Takeovers Code, the CB Issue may involve the issue of Shares and/or convertible securities which may constitute a frustrating action and which may be subject to the Shareholders' approval in general meeting.

The Company had obtained a duly signed written consent by the Subscriber for (i) the arrangement for the settlement of the Compensations and Interests by way of the CB Issue; and (ii) the waiver of the requirement of a Shareholders' meeting to obtain the Shareholders' approval in respect of the CB Issue.

In light of the above, the Company had applied to the SFC and the SFC had granted the waiver from the general requirement to obtain Shareholders' approval in respect of the CB Issue.

Pursuant to the CB Subscription Agreement, subject to the completion of the CB Issue, the amount of Compensations and Interests accrued from 1 January 2016 and thereafter will also be waived. Furthermore, the Remaining Deposit will be fully settled from the proceeds of the Subscription.

Given that completion of the transactions contemplated under the Subscription Agreement was one of the conditions precedent to the CB Subscription Agreement, the parties to the CB Subscription Agreement entered into the first, second and third extension letters on 31 May 2016, 30 August 2016 and 29 September 2016, respectively. The first, second and third extension letters were for the extension of the CB Long Stop Date from 31 May 2016 to 31 August 2016, from 31 August 2016 to 30 September 2016, and from 30 September 2016 to 28 October 2016 (or such other date as the parties to the CB Subscription Agreement may agree in writing), respectively. Pursuant to the CB Subscription Agreement and the extension letter dated 29 September 2016, if the conditions precedent to the CB Subscription Agreement are not fulfilled on or before 28 October 2016, the CB Subscription Agreement would be terminated.

On 28 October 2016, all conditions precedent in respect of the CB Subscription Agreement have been fulfilled. As such, the parties of the CB Subscription Agreement agreed to proceed the CB Subscription. The CB Subscription was completed on 2 November 2016 and the CB in the aggregate principal amount of HK$43,277,000, which is equivalent to the amount of the Compensations and Interests of HK$43,277,000, was issued to Kailuan (the "**CB Subscriber**") to subscribe for 144,256,976 Conversion Shares (after the Capital Reorganisation became effective on 12 May 2016) at the Conversion Price of HK$0.3 per Conversion Share) in accordance with the terms and conditions of the CB Subscription Agreement.

The net proceeds from the CB Issue were used to settle the full amount of the Compensations and Interests of HK$43,277,000. The Conversion Shares upon conversion of the CB will be allotted and issued under the General Mandate.

On 30 December 2016, pursuant to the terms and conditions of the CB Subscription Agreement, the Company and Kailuan as the holder of CB agreed to extend the Maturity Date for six (6) months and the CB will become due in 2018.

CHARGES OVER ASSETS

The Group had no pledged assets as at 31 December 2016 (2015: 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 2016 and 31 December 2015.

The Group's principal financial instruments comprise convertible bonds 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 receivables, deposits and other receivables, amounts due from/to the Non-controlling Shareholder, cash and bank balances, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarized 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 deposits received, other borrowings, amount due to the Non-controlling Shareholder, convertible bonds, 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 2016 was 71% (2015: 100%). The decrease in the gearing ratio was mainly due to the repayment of Remaining Deposit and Compensations and Interests under the Annual Coke S&P Agreement through the proceeds from subscription of new shares and issuance of CB, respectively, in 2016.

As at 31 December 2016, the equity attributable to owners of the parent amounted to HK$244,610,000 (2015: HK$1,142,000). The equity attributable to owners of the Company per share was approximately HK$0.10 per share (2015: HK$0.00 restated per share). The increase in equity attributable to owners of the Company was mainly attributable to the profit generated and the subscription of 1,400,000,000 new shares by Shun Wang during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$104,451,000 (2015: HK$477,479,000) and 0.84 (2015: 0.47), respectively, as at 31 December 2016. The decrease in the net current liability position was mainly due to the settlement of current liabilities which included the repayment of Remaining Deposit of HK$120,000,000 and the issuance of CB for settlement of Compensations and Interests of HK$43,277,000 under the Annual Coke S&P Agreement in the current year.

As at 31 December 2016, the Group's cash and bank balances amounted to HK$97,931,000 (2015: HK$1,439,000). As at 31 December 2016, the Group has total other borrowings and convertible bonds amounting to HK$25,813,000 (2015: HK$23,426,000) and HK$36,835,000 (2015: Nil) respectively.

As of 31 December 2016 and 2015, the Group has no bills payable.

The auditors of the Group considered material uncertainty related to going concern as detailed on page 57 of this annual report.

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

(a) Upon the Subscription Completion on 2 November 2016, an aggregate of 1,400,000,000 subscription shares were issued and allotted to Shun Wang at the subscription price of HK$0.15 per subscription share for a total cash consideration of HK$210,000,000, whereas the net proceeds from the Subscription amounted to HK$208,500,000. The Remaining Deposit in the Annual Coke S&P Agreement of HK$120,000,000 was fully settled by the net proceeds on 11 November 2016. The remaining balance of the net proceeds from the Subscription will be used as general working capital.

(b) Upon the completion of the CB Subscription on 2 November 2016, Kailuan agreed to waive all the interest accrued from 1 January 2016 onward in the Annual Coke S&P Agreement. The Company was relieved from the corresponding interest obligation accrued from 1 January 2016 and thereafter.

(c) The Group recorded other borrowings of HK$25,813,000 as at 31 December 2016, of which HK$19,487,000 were loans from certain former and current Directors of the Group which mature on 1 July 2017. The Group is in the process of negotiating with the lenders and certain creditors to settle the indebtedness with issue of new shares or securities. In the opinion of the Directors, the negotiation is at an advanced stage and restructuring of indebtedness will be finalized shortly.

(d) 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 an agreement from the Non-controlling Shareholder to defer settlement of such balance to 30 June 2017. On 23 June 2016, the Group entered into a settlement agreement with the Non-controlling Shareholder which agreed to settle the receivable from the Non-controlling Shareholder with the amount due to the Non-controlling Shareholder.

(e) On 11 May 2016, the Group obtained a loan of HK$19,000,000 as working capital from a former director at a rate of 1% per annum and repayable on 31 December 2016. Subsequently, the Group secured an agreement from the lender for waiving the principal amount of the loan, and the related accrued interest.

(f) Further to note (c) above, on 15 March 2017, the Group secured agreements with the lenders of other borrowings and certain creditors to waive a total amount of HK$7,132,000, comprising a total principal amount of other borrowings of HK$6,000,000; accrued interests of HK$632,000; and other payables of HK$500,000. One of the lenders has agreed to waive interest charged on the loan balance from 1 January 2017 onwards. It was further agreed that a portion of the remaining balance of other borrowings and payables to these creditors of HK$4,417,000 is to be settled by cash; while another portion of HK$18,538,000 is to be settled by cash or by issue of new shares or securities of the Company subject to further agreement among the parties. Up to the report date, no agreement in relation to any issue of new shares or securities has been entered into. The Group is negotiating with these lenders and creditors on details of the settlement arrangement. In the opinion of the Directors, the conclusion of the arrangement is forthcoming.

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

Management Discussion and Analysis

OPERATING LEASE AND CAPITAL COMMITMENTS

As at 31 December 2016, the Group had operating lease commitments of HK$13,859,000 (2015: HK$5,781,000).

As at 31 December 2016, the Group had authorised, contracted, but not provided for capital commitments of HK$11,262,000 (2015: HK$15,632,000) in respect of plant and equipment acquisitions.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

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 rate of interest. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Management Discussion and Analysis

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 2016, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (2015: 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 2016, the Group had approximately 1,500 employees (2015: approximately 1,600 employees). Less than 10 staffs are stationed in Hong Kong and the rest are senior management and workers in Mainland China. The Group's staff costs amounted to approximately HK$62,753,000 for the year ended 31 December 2016 and approximately HK$73,825,000 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 12,000,000 share options outstanding under the share option scheme.

PROSPECTS

Looking ahead to 2017, China is facing a tougher battle amid economic slowdown pressure and external uncertainties. Slashing inefficient and excess coal production capacity would remain at the top of the Chinese government's agenda. However, the de-capacity efforts may have worked too well and too fast in 2016, leading to the price hike percentage outweighed substantially of the production cut extent. In order to rebalance the market and avoid drastic price volatility, the policy makers are expected to fine tune the approach by loosening certain output control policies. The coal and coke prices are expected to stabilized in the years ahead, which will be a favourable factor to the sustainable growth and development of the Group's coke production business.

Management Discussion and Analysis

The coke production process emits large concentrations of particulate matter and greenhouse gases. In the recent decade, the Chinese government has adopted clean coal technology as a strategy for improving the domestic environmental pollution issue. The government policy direction is that the coal industry must change its growth vector and take a sustainable path with a high resource utilization rate and less environmental pollution. The Group's existing coking plant and power plants fulfill both the efficiency and low emissions requirements of the government's direction. In the coming future, the Group will continue to upgrade its existing equipment and facilities or expand the operation scale so as to achieve cleaner emissions.

Moreover, the Group will continue to strengthen its existing coal industry value chain. In the meantime, the Group will search for new and profitable business opportunities which are related to the Group's current operations, and explore investment opportunities with sustainable and steady return to the shareholders of the Company.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This is the first ESG report by the Group, highlighting its Environmental, Social, and Governance (the "**ESG**") performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in Mainland China including coal washing plant, coking plant, power and heating plant in Xiaoyi, Shanxi Province from 1 January 2016 to 31 December 2016, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in monthly meetings and community engagement activities to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at admin@huscoke.com.

HUSCOKE'S SUSTAINABILITY COMMITMENT

Huscoke's business value and management approach focus on serving people, homeland and the society. Huscoke aims to become fully vertical integrated along the coal industry supply chain, from downstream trading to midstream processing and upstream ancillary businesses.

Huscoke has cutting-edge technologies which meet the most stringent environmental standards in Xiaoyi City of Shanxi Province. The Group places strong emphasis on reducing emissions through adoption of equipment with cleaner emission and the recycling of by-products to achieve long term sustainability. By-products from coal washing are used in electricity and heat generation both for its own use and for supplying to local community in Xiaoyi, Shanxi Province. Residual materials from power generation are sold to nearby building material manufacturing plants and are recovered as raw materials to make bricks. Similarly, by-products from coke processing are also used to generate coal gas and supply to local community in Xiaoyi. Other by-products like tar, crude benzene and sulphur are sent back to coking plant's boiler for incineration.

Environmental, Social and Governance Report

A. Environmental

The Group maximizes the efficient use of raw materials by expanding its business chain to a fully integrated and better loop-chained coal business:

— Securing steady supply of raw coal

— Producing refined coal from raw coal in coal washing

— Producing coke from refined coal in coking process (which also recovers coal gas, tar residue, crude benzene slag, etc.)

— Generating heat and electricity at heating and power plant with coal middlings or coal gangue resulted from coal processing

In 2016, the Group continues to invest further on clean technology. The capability and efficiency of desulfurization, denitrification and dust removal at the coking plant and power plant have been strengthened with upgraded equipment and facilities in order to achieve cleaner emissions.

Adoption of coal washing in dense medium enhance efficiency in extracting refined coal from raw coal, further reduced the generation of coal gangue; practice the concept of circular economy to maximize the recycling of and add value on waste products.

Energy Intensity by Production in 2016

	Resources Consumption per unit of Production	Production
Coal Gas for Coking Process	233m^3/tonne	Coke
Coal Middlings for Heat and Electricity Generation	0.45kg/kWh	Electricity

At the same time, in the office setting, the Group also practices recycling/recovery measures such as sending leftover food from canteen to nearby farms as animal feed, ensuring waste paper are collected by licensed recyclers, and making organic fertilizers for office gardening with fallen leaves within the business operations.

Type of Emissions

Type of emissions the Group involved in the reporting period was mainly petrol, diesel, and production-related water consumption, landfill disposal and waste oil which are regulated under national laws and regulations. No packaging materials was involved in operations.

Total plant area coverage (including coal washing plant, coking plant, power and heating plant) for the Group was 314,333 m^2 and the Group accounts for major emissions from its operations in Xiaoyi, Shanxi Province.

1. *Greenhouse Gas Emission*

Scope of Greenhouse Gas Emissions	**Emission Sources**	**Emission (in tonnes of CO_2e)**	**Total Emission (in percentage)**
Scope 1			
Direct Emission	Boiler for Coking*	114,000.00	100%
	Boiler for Power Generation*	98,000.00	
	Boiler for Heat Generation*	489,200.00	
	Petrol Consumed	484.35	
	Diesel Oil Consumed	2,644.54	
Scope 2			
Indirect Emission	NA	NA	NA
Scope 3			
Other Indirect Emission	NA	NA	NA
Total		**704,328.89**	

* Main emissions from the Group's business operations were carbon dioxide and methane. Since emission of methane was minimal, it has been calculated together with carbon dioxide for convenience.

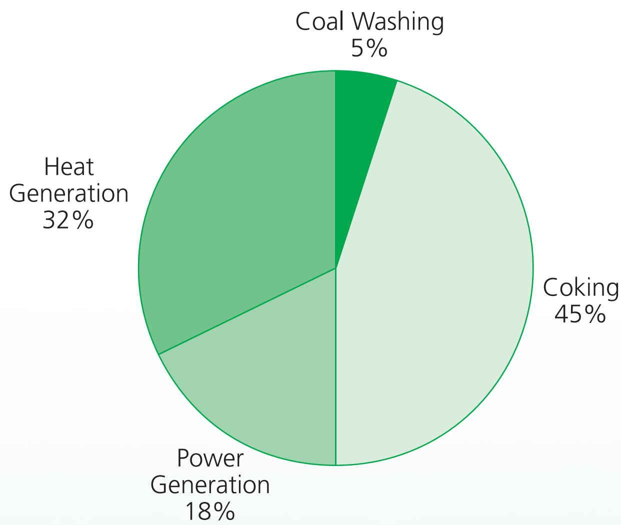
2. *Direct Emission*

A total of 179,053 litres of petrol (93 octane and 97 octane) was used for staff and client commute (private cars and medium sized coach) in the reporting period, contributing to 484.35 tonnes of carbon dioxide equivalent. A total of 999,306 litres of diesel oil (0# and 10#) was used for staff commute (large sized coaches), and operation uses (pickup trucks, heavy duty trucks and loaders) in the reporting period, contributing to 2,644.54 tonnes of carbon dioxide equivalent.

3. *Water*

Water consumption by the Group was 1,940,000 tonnes with water intensity of 6.17 tonnes/m^2. The Group obtained Groundwater Abstraction Permit and maximized use of recycling water within operations inside the plants as much as possible. See below graph for allocation:

WATER CONSUMPTION BY OPERATIONS



Water Intensity by Production in 2016^

	Water Consumption per unit of Production	Production
Coking Plant	1.32 tonne/tonne	Coke
Power and Heat Generation Plant 1	97 tonne/10^4kWh	Electricity
Power and Heat Generation Plant 2	48 tonne/GJ	Heat

^ The water consumption in coal washing plant is relatively insignificant, therefore its water intensity is not included in the table.

4. *Hazardous Waste*

In 2016, hazardous waste generated from the Group included waste oil (1 tonne), tar residue (14.49 tonnes), asphalt residue (7.32 tonnes), crude benzene slag (40.10 tonnes), biochemical sludge (12.42 tonnes) and waste from desulfurization (366 tonnes). According to the Environmental Impact Assessment Report, all hazardous waste, except waste oil, were sent back to coking plant's boiler for incineration. Waste oil was reused as lubricant for trucks on site.

5. *Non-hazardous Waste*

Non-hazardous waste generated from the Group included coal gangue (31,500 tonnes), fly ash (123,500 tonnes) and boiler slag (156,700 tonnes). They were then sold to nearby building material manufacturing plants and were recovered as raw materials for making bricks. Small amount of wastes such as waste packaging and waste cotton gloves from production that are unable to be recovered will be deposited to approved designated landfill. No packaging materials was involved in business operations.

Non-hazardous Waste Generation by Input in 2016

	Waste Generation per unit of Input	**Input**
Coal Gangue	0.72 tonne/tonne	Raw Coal
Fly Ash	0.26 tonne/tonne	Coal Middlings
Boiler Slag	0.33 tonne/tonne	Coal Middlings

B. Social

1. Employment and Labour Practices

(i) Employment

The Group's business operations in Mainland China had a total number of 1,496 employees, including senior management and workers, as of 31 December 2016. All employees were from various provinces in People's Republic of China. 100% of them were full time staff. Employee turnover rate was 6.01% in 2016.

Workforce by Age Group	**18-25**	**26-35**	**36-45**	**46-55**	**56 and above**
2016	113	516	386	352	129

Workforce by Gender	**Male**	**Female**
2016	1,255	241

Employees are entitled to statutory holidays, various types of paid leave (annual, marriage, maternity, compassionate, sick or work-related injury), and basic employment insurance (pension, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance). The Contract also stated the set working hours (no more than 8 hours per day, 40 hours per week), special arrangement for emergency and overtime works, payment arrangement, dismissal procedure, arrangement for transportation, meal and accommodation, etc.

Remuneration is reviewed with reference to market trend, the Group's capability and affordability, inflation, and most of all, the capability, experience, and performance of individual employee. Pay scale is different for different job nature with a standardized salary structure.

In addition, employees can enjoy welfare facilities such as basketball court, table tennis court, gym and theatre, as well as subsidies for training and festival and free annual body check.

(ii) *Employee Health and Safety*

Occupational Health and Safety Policy

The Policy aims to provide a safe and healthy working environment for the employees and to minimize work-related injuries and occupational hazards through enhanced management and comprehensive occupational health and safety preventive control system. The Policy also ensures all employees received medical body check before and after they change the job positions or before leaving the Group; surprise check and emergency drill shall be conducted at set frequency in each business operation; all employees' performance and compliance to the Policy are assessed through an award and penalty system.

Noise Preventive Measures

The Group has carefully reviewed production processes in various business operations and identified the sources and level of noise generated from production activities. Clear instructions and preventive measures (such as separation of noise sources from design aspect, on-site warning signage and protective equipment for employees), are given to employees for better noise control at their working environment.

Dust Suppression Measures

The Group has standardized guidelines for dust suppression control at each business operations, in the aspect of equipment, technology, sprinkler system, wheel washing facilities, ventilation and protective equipment for employees.

Fire Protection Plan

Comprehensive Fire Protection Plan has clearly stated the standard requirement, types, quantity and specific locations of fire safety equipment. It also provides information regarding emergency assistant from the local district.

Personal Protective Equipment

Work uniform, safety helmet and other personal protective equipment must be provided to employees.

Incident Reporting Procedure

When any incident or accident occurs, the affected department's representative is required to fill in an Incident Investigation Report to record the incident date, description of incident, employee details (name, condition, job position, gender, age, training history) and corrective actions to prevent recurrence. The Report will then be reviewed and approved by Health and Safety Department and management.

Declaration on Safe Production

Every year the Group reviews and updates safe production targets, job responsibilities and expectation for employees from different department and level of employment, as well as specialized award and penalty system. All employees are required to sign the declaration to show their commitment to be responsible for safe working environment.

Communication on Appointment of Health and Safety Representative

To ensure transparent communication and to make sure all employees in every department and business operations are aware of the appointed Health and Safety Representative, the Group sends out memo regarding the appointed representatives' names, their responsible department and/or business operations and major health and safety responsibilities.

Standard Procedure for Handling Dangerous Chemicals

Several dangerous chemicals are used during production such as crude benzene, tar, sulphur, gas in coking plant, sulfuric acid and caustic soda. The Group has standard procedures for each chemical's storage details, maximum storage capacity, and handling methods in case of leakage.

Emergency Procedures

The Group ensures responsible employees are trained to deal with emergency situations and fully understand the procedures required to handle and rescue injured person. They are also responsible to provide standard items and quantity of first aid kit, and to regularly brief and refresh the emergency handling skills of the employees in their work area.

Guidelines for Heat Stroke

The Group has identified sensitive working areas that require constant cooling environment and good ventilation system. At the same time, the Group dispatches medicines and perquisites to employees, and adjust their workload or working schedule, as heat stroke prevention measures.

Occupational Health and Safety Data

	2016
Work related fatality	0
Lost days due to work injury	8

(iii) *Development and Training*

The Group has strong commitment on health and safety training and it reviews its training plan annually to strengthen the employees' safety knowledge, operational skill and capability, and their response to emergency. An average of 20 training hours were given to each employee, leads to an approximate 29,920 training hours in total for the Group in 2016.

Trainings were arranged during work hours and covered topics such as safe production laws and regulation, basic safe production knowledge, fire safety, handling of emergency, incident investigation, use and maintenance of fire extinguishers and other protective equipment, preventive measures of occupational diseases, etc. If any employee fails the test at the end of training, extra training session and test will be provided.

(iv) Labour Standard

All employment and recruitment strictly abide by the Labour Law and Labour Contract Law of the People's Republic of China. No child nor forced labour is allowed in the Group's operation as stated clearly in the Employment Contract.

(v) Equal Opportunity

Equal opportunities without any discrimination are enforced in all Group's policies and procedures.

2. Operating Practices

(i) Supply Chain Management

The Group has engaged a total of 9 raw materials from Mainland China. Procurement Policy and standardized purchasing procedure are in place to strengthen the management, work quality, consistency and productivity.

(ii) Product Responsibility

Various departments (sales & marketing, procurement, production, quality assurance and financial) are responsible for the implementation of policy and are required to monitor the quality (and quantity when applicable) of products and services provided by the suppliers, and to ensure the satisfaction of contractual agreed items. No complaints or product recalls was received in 2016.

(iii) Anti-corruption

The Group's Procurement Policy states that employees shall safeguard the Group's reputation and interest by exercising strict self-discipline and no corruption bribery, as well as complying with law and regulations. Employees who violate this policy will be subject to warning, penalty or legal action handled by the Group's Legal Department.

3. Community

(i) Community Investment

Over the past years, the Group contributed to road construction, teaching assistant and donation for poverty relief. The Group recognized its enterprise social responsibility in contributing to its community. In 2016, the Group provided district heating for 32% the industrial area in Xiaoyi District.

It has been four consecutive year that all enterprise and surrounding villages gather together to celebrate Wutongzhen Cultural and Art Festival at Wutongzhen, Shanxi Province, between 8 and 10 April (lunar calendar). Employees from the Group actively participated and often have great achievement in singing competition, dancing competition, handcrafts exhibition and other sports games.

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 2016, 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 CG Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2016.

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. Lam Hoy Lee, Laurie and Mr. Lau Ka Ho did not attend the special general meeting held on 11 May 2016, while independent non-executive director Mr. To Wing Tim, Paddy did not attend the annual general meeting held on 1 June 2016. Despite the fact that the independent non-executive directors were not able to attend those special general meeting and 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 (the "**Model Code**") as its own code of conduct regarding securities transaction by the directors of the Company. 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 2016.

(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. Zhao Xu Guang. The General Manager is Mr. Wong Siu Hung, Patrick. The role of the Chairman is clearly segregated from that of the General Manager. 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 General Manager 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), two non-executive Directors 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 independent non-executive Directors are the members of the Audit Committee, the Remuneration Committee and the Nomination Committee and they represent the majority of the Board Committees.

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 five full Board meetings in 2016. Individual attendance of each Director is set out below.

	Number of Meetings attended
Chairman and Executive Directors	
Mr. Zhao Xu Guang *(appointed on 17 November 2016)*	1/1
Mr. Gao Jianguo *(retired on 1 June 2016)*	1/1
Executive Director	
Mr. Wong Siu Hung, Patrick *(appointed on 3 November 2016)*	1/1
Non-Executive Directors	
Mr. Li Baoqi *(appointed on 25 November 2016)*	5/5
Mr. Huang Man Yem *(appointed on 3 November 2016)*	1/1
Independent Non-Executive Directors	
Mr. Lam Hoy Lee, Laurie	5/5
Mr. Lau Ka Ho	4/5
Mr. To Wing Tim, Paddy	5/5

(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) 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.

(7) 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 one non-executive Director (Mr. Huang Man Yem). 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 Directors 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 four committee meetings in 2016. Individual attendance of each Director is set out below:

	Number of Meetings attended
Chairman and Independent Non-Executive Director	
Mr. Lam Hoy Lee, Laurie	4/4
Independent Non-Executive Directors	
Mr. Lau Ka Ho	3/4
Mr. To Wing Tim, Paddy	4/4
Non-Executive Director	
Mr. Huang Man Yem *(appointed on 17 November 2016)*	0/0

The work of the Remuneration Committee during 2016 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 2016 is set out below:

Remuneration band	**Number of individuals**
HK$Nil to HK$500,000	6
HK$500,001 to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1

Information relating to the remuneration of each Director for 2016 is set out in Note 8 to the financial statements.

(8) 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 one executive Director (Mr. Zhao Xu Guang). Mr. Zhao Xu Guang 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 General Manager 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 four committee meetings in 2016. Individual attendance of each Director is set out below.

	Number of Meetings attended
Chairman and Executive Director	
Mr. Zhao Xu Guang *(appointed on 17 November 2016)*	0/0
Independent Non-Executive Directors	
Mr. Lam Hoy Lee, Laurie	4/4
Mr. Lau Ka Ho	3/4
Mr. To Wing Tim, Paddy	4/4

The work of the Nomination Committee during 2016 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 2016 annual general meeting of the Company; and

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

(9) AUDITOR'S 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 2016 is set out in the section headed "**Independent Auditor's Report**" in this annual report.

For the year ended 31 December 2016, the auditors of the Company received approximately HK$2.33 million for audit services rendered. The audit service was mainly on the audit of the annual financial statements for the year ended 31 December 2016.

(10) 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 one non-executive Director (Mr. Huang Man Yem). 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.

During the review of financial statements, management reported liquidity position of the Group and measures taken/to be taken to enable the Group to sustain as a going concern. The audit committee is aware of the matter as one of key audit matters and to be included in the section under material uncertainty related to going concern in the independent auditor's report for 2016 consolidated financial statements. The audit committee did not express any disagreement with management's assessment concerning of the going concern assumptions in the preparation of 2016 consolidated financial statements.

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 2016. Individual attendance of each Director is set out below:

	Number of Meetings attended
Chairman and Independent Non-Executive Director	
Mr. Lau Ka Ho	1/2
Independent Non-Executive Directors	
Mr. Lam Hoy Lee, Laurie	2/2
Mr. To Wing Tim, Paddy	2/2
Non-Executive Director	
Mr. Huang Man Yem *(Appointed on 3 November 2016)*	0/0

The work of the Audit Committee during 2016 included:

— reviewing the Directors' Report, full year accounts, annual results announcement and annual report for the year ended 31 December 2016;

— reviewing the interim accounts for the six months ended 30 June 2016 and the interim results announcement;

— reviewing the internal audit plan and internal control system for 2016;

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

(11) RISK MANAGEMENT AND INTERNAL CONTROLS

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets at all times. The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Details of the Risk Management and Internal Control Systems are set out in the section headed "Risk Management and Internal Control Systems" of the "**Management Discussion and Analysis**" on page 19 of this annual report.

During the year, the Group engaged an external professional consultant to review and assess its risk management and internal control systems and reported to the audit committee. The review covered several parts of the systems including risk management, and operational, financial and compliance controls.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016 covering all material financial, operational and compliance functions, is of the view that the effectiveness of the risk management and internal control systems of the Group are considered as effective and adequate.

(12) 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 Auditor's Report**" in this annual report.

(13) COMPANY SECRETARY

The Company Secretary, Mr. Li Chi Chung, 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 not an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman and the General Manager, 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 2016. Mr. Li Chi Chung has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Li are set out in the section headed "**Directors and Senior Management**" in this annual report.

(14) 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 2301, 23th 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.

(15) CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum of association and Bye-laws of the Company during the year. The Bye-laws of the Company are available on the websites of the Company and The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

(16) 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 and the website of the Stock Exchange 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 2016.

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 profit of the Group for the year ended 31 December 2016 and the Group's financial position as at that date are set out in the financial statements on pages 62 to 155.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: 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 9 to 21 of this annual report, the Chairman's Statement on pages 4 to 6 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. Zhao Xu Guang *(Chairman) (appointed on 17 November 2016)*
Mr. Wong Siu Hung, Patrick *(appointed on 3 November 2016)*
Mr. Gao Jianguo *(retired on 1 June 2016)*

Non-Executive Directors:

Mr. Huang Man Yem *(appointed on 3 November 2016)*
Mr. Li Baoqi *(appointed on 25 November 2016)*

Independent Non-Executive Directors:

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

DIRECTORS' SERVICE CONTRACTS

Pursuant to bye-law 102(B) of the Bye-Laws of the Company, Mr. Zhao Xu Guang, Mr. Wong Siu Hung, Patrick and Mr. Huang Man Yem will hold office until the following annual general meeting of the Company and will retire at the annual general meeting. They will be eligible for re-election at the annual general meeting.

Pursuant to bye-law 99 of the Bye-Laws of the Company, Mr. Li Baoqi and Mr. Lau Ka Ho shall retire by rotation and be eligible for re-election at the following annual general meeting.

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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or 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 2016, 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 2016 were as follows:

	2016
	HK$'000
Contributed surplus	**1,141,727**
Accumulated losses	**(2,094,968)**
	(953,241)

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 other eligible participants in accordance with the share option schemes of the Company.

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 2016, options were granted to certain Directors and eligible employees, details of which are set out in note 26 to the financial statements.

	Date of grant of share options	Number of share options: At 1 January 2016	Exercised during the year	Lapsed during the year	Adjustment for Capital Reorganisation[1]	At 31 December 2016	Exercise period of share options	Exercise price on share options HK$ per share
Gao Jianguo	6 Janaury 2012	3,000,000	—	—	(2,400,000)	600,000	6 January 2012 — 5 January 2017	0.80[2]
	5 September 2014	22,000,000	—	—	(17,600,000)	4,400,000	6 September 2014 — 5 September 2019	0.66[2]
		25,000,000	—	—	(20,000,000)	5,000,000		
Li Baoqi	27 January 2011	5,000,000	—	(5,000,000)	—	—	27 January 2011 — 26 January 2016	0.40
	6 January 2012	2,500,000	—	—	(2,000,000)	500,000	6 January 2012 — 5 January 2017	0.80[2]
	5 September 2014	20,000,000	—	—	(16,000,000)	4,000,000	6 September 2014 — 5 September 2019	0.66[2]
		27,500,000	—	(5,000,000)	(18,000,000)	4,500,000		
Other employees	27 January 2011	1,200,000	—	(1,200,000)	—	—	27 January 2011 — 26 January 2016	0.40
	6 January 2012	1,500,000	—	(60,000)	(1,200,000)	240,000	6 January 2012 — 5 January 2017	0.80[2]
	5 September 2014	29,800,000	—	(200,000)	(23,840,000)	5,760,000	6 September 2014 — 5 September 2019	0.66[2]
		32,500,000	—	(1,460,000)	(25,040,000)	6,000,000		
		85,000,000	—	(6,460,000)	(63,040,000)	15,500,000		

1 Following the capital reorganisation passed in the Company's special general meeting held on 11 May 2016, the number of share options granted was adjusted accordingly.

2 The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital. Following the capital reorganisation passed in the Company's special general meeting held on 11 May 2016, the exercise prices of the share options granted on 6 January 2012 and 5 September 2014 were adjusted from HK$0.16 per share to HK$0.80 per share and HK$0.132 per share to HK$0.66 per share, respectively.

DIRECTORS' INTERESTS

As at 31 December 2016, the interests of the Directors and the chief executive 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 ("**Stock Exchange**") pursuant to the Model Code, were as follows:

Long positions in the Shares

Name of Directors	*Notes*	Nature of Interest	Number of Shares held	Percentage of the Company's existing issued share capital (%)
Zhao Xu Guang	*(a)*	Deemed	1,400,000,000	58.25
To Wing Tim Paddy	*(b)*	Beneficial owner and Interest of spouse	232,000	0.01

Long positions in the share options of the Company

Name of Director	*Note*	Nature of interest	Number of share options held	Percentage of issued share capital (%)
Li Baoqi	*(c)*	Beneficial owner	4,500,000	0.19

Notes:

(a) These shares are owned by Shun Wang Investments Limited, a company incorporated in British Virgin Islands with limited liability. The shares of Shun Wang Investments Limited are wholly owned by Mr. Zhao Xu Guang, an executive Director.

(b) Among the 232,000 Shares held by Mr. To Wing Tim, Paddy, an independent non-executive Director, 60,000 Shares were held by Mr. To as beneficial owner and 172,000 Shares held by Ms. Leung Yuet Mei, the spouse of Mr. To. Accordingly, Mr. To was deemed to be interested in the said 232,000 Shares under Part XV of the SFO.

(c) As at 31 December 2016, Mr. Li Baoqi, a non-executive Director was entitled to receive share options to subscribe for a maximum of 4,500,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 31 December 2016, none of the Directors nor the chief executives 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 2016, 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	Number of Interest	Nature of Shares held	Percentage of the Company's existing issued share capital (%)
Shun Wang Investments Limited	Beneficial owner *(Note a)*	1,400,000,000	58.25
Zhao Xu Guang	Deemed *(Note a)*	1,400,000,000	58.25
Wu Ying	Beneficial owner	131,400,000	5.47

Note:

(a) These shares are owned by Shun Wang Investments Limited, a company incorporated in British Virgin Islands with limited liability. The shares of Shun Wang Investments Limited are wholly owned by Mr. Zhao Xu Guang, an executive Director.

Long positions in the underlying Shares

Name of Shareholder	Number of Interest	Number of underlying Shares held	Percentage of the Company's existing issued share capital (%)
Kailuan	Beneficial owner *(Note a)*	144,256,976	6.00
Kailuan (Group) Limited	Interest in controlled corporation *(Note b)*	144,256,976	6.00
Kailuan (Hong Kong) Co., Limited	Interest in controlled corporation *(Note b)*	144,256,976	6.00
Rontac Investment Company Limited	Interest in controlled corporation *(Note b)*	144,256,976	6.00
Rontac Resources Company Limited	Interest in controlled corporation *(Note b)*	144,256,976	6.00
Chen Lizhi	Beneficial owner *(Note c)*	193,000,000	8.03

Notes:

(a) As at 31 December 2016, Kailuan held the 2016 Convertible Bonds in the aggregate principal amount of HK$43,277,000. Kailuan is entitled to subscribe for 144,256,976 Shares.

(b) Kailuan is owned by Kailuan (Hong Kong) Co., Limited as to 51% and Rontac Resources Company Limited as to 40%. Kailuan (Hong Kong) Co., Limited is owned by Kailuan (Group) Limited as to 100%. Rontac Resources Company Limited is owned by Rontac Investment Company Limited as to 83.33%.

(c) As at 31 December 2016, Mr. Chen Lizhi held the 2008 Convertible Bonds in the aggregate principal amount of HK$386,000,000, which were convertible into 193,000,000 Shares.

Save as disclosed above, as at 31 December 2016, 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 2016, together with the comparative figures for the corresponding period in 2015, are as follows. Main businesses listed below contributed approximately 90% of the Group's total revenue for the year ended 31 December 2016.

(a) Sales volume of major products:

	Year		
	2016	**2015**	**Increased/ (Decreased)**
	Tonne/GJ/kWh	***Tonne/GJ/kWh***	**%**
Coke (tonne)	524,650	389,460	34.7
Heat (GJ)	2,731,000	2,828,597	(3.5)
Electricity (kWh)	108,542,600	78,904,395	37.6

(b) Average selling prices of major products:

	Year		
	2016	**2015**	**Increased/ (Decreased)**
	Tonne/GJ/kWh	***Tonne/GJ/kWh***	**%**
Coke (HK$/tonne)	1,215.80	864.03	40.7
Heat (HK$/GJ)	12.97	13.69	(5.3)
Electricity (HK$/kWh)	0.34	0.46	(26.1)

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

	Year		
	2016	**2015**	**Increased/**
	%	**%**	**(Decreased) %**
Coke	26.89	(0.4)	27.29
Heat	(93.2)	(88.0)	(5.2)
Electricity	(36.7)	(32.0)	(4.7)

ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental policies and performance mainly refer to increasing attention of PRC government paid to environmental rules and policies and stricter regulatory requirements. All the plants and acquired plants of the Company's subsidiary in mainland China were built in or after year 2006 in compliance with the environmental policies by PRC government. The Group monitors the impact on business development closely raised from the changes of environmental policies 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 subsidiary 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 2016 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.

SUBSCRIPTION OF NEW SHARES

On 2 November 2016, the Company issued and allotted a total of 1,400,000,000 Subscription Shares to Shun Wang at the Subscription Price of HK$0.15 per Subscription Share for a total cash consideration of HK$210,000,000. The net proceeds, after deduction of the related expenses, of approximately HK$208,500,000 was utilized to settle the Remaining Deposit in the Annual Coke S&P Agreement of HK$120,000,000 on 11 November 2016. The remaining balance of the net proceeds will be used as general working capital.

Following the Subscription Completion and assuming no conversion of the CB, the Subscriber, Shun Wang became the controlling shareholder of the Company which held 58.25% of the entire issued share capital of the Company. For details regarding the subscription, please refer to the paragraph "Change in Control of the Company – Completion of Subscription of New Shares under Specific Mandate and Approval of Whitewash Waiver" under the section headed "**Management Discussion and Analysis**".

SUBSCRIPTION OF CONVERTIBLE BONDS

On 2 November 2016, the Company issued the CB to Kailuan in the aggregate principal amount of HK$43,277,000, which was equivalent to the amount of the Compensations and Interests accrued up to 31 December 2015 under the Annual Coke S&P Agreement. The net proceeds from the CB Issue were used to settle the full amount of the Compensations and Interests of HK$43,277,000. Kailuan will have the right to convert into 144,256,976 Conversion Shares at the Conversion Price of HK$0.3 per Conversion Share. The Conversion Shares upon conversion of the CB will be allotted and issued under the General Mandate. For details regarding the CB subscription, please refer to the paragraph "Completion of Convertible Bonds Subscription Agreement with Kailuan" under the section headed "**Management Discussion and Analysis**".

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 general offer.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31 December 2016.

Report of the Directors

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.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 89.3% of the Group's total turnover and the largest customer accounted for approximately 54.9% of the Group's total turnover.

The five largest suppliers of the Group accounted for approximately 72.1% of the Group's total purchases for the year and the largest supplier accounted for approximately 43.5% 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 2016 HK$'000	2015 HK$'000	Year ended 31 December 2014 HK$'000	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS					
Revenue	**792,518**	461,384	598,618	1,038,456	1,146,763
Cost of sales					
— Amortisation of other intangible asset	**—**	—	—	—	(16,814)
— Others	**658,103**	(494,878)	(715,756)	(1,037,941)	(1,165,148)
Gross profit/(loss)	**134,415**	(33,494)	(117,138)	515	(35,199)
Other income and gains	**58,891**	94,152	36,812	54,294	62,499
Selling and distribution costs	**(55,949)**	(23,094)	(43,263)	(58,480)	(41,517)
Administrative expenses	**(79,608)**	(97,155)	(85,399)	(84,077)	(79,975)
Finance costs	**(1,582)**	(23,964)	(21,862)	(25,741)	(63,285)
Other operating income/(expenses), net	**12,758**	(41,152)	(28,193)	(17,315)	(11,925)
Gain on redemption of convertible bonds	**—**	—	—	15,867	—
Gain arising from modification of convertible bonds	**—**	—	—	—	23,226
Fair value change on derivative financial Instruments	**—**	—	—	46,025	(44,300)
Impairment on items of property, plant and equipment	**—**	(14,760)	(448,545)	(20,733)	—
Impairment of goodwill	**—**	—	(388,544)	—	—
Impairment on other intangible asset	**—**	—	—	—	(260,618)
Profit/(loss) before tax	**68,925**	(139,467)	(1,096,132)	(89,645)	(451,094)
Income tax credit/(expense)	**(8,544)**	8,732	190	178	52,312
PROFIT/(LOSS) FOR THE YEAR	**60,381**	(130,735)	(1,095,942)	(89,467)	(398,782)
Attributable to:					
Owners of the parent	**55,663**	(110,474)	(989,409)	(81,765)	(390,303)
Non-controlling interests	**4,718**	(20,261)	(106,533)	(7,702)	(8,479)
	60,381	(130,735)	(1,095,942)	(89,467)	(398,782)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2016 HK$'000	2015 HK$'000	As at 31 December 2014 HK$'000	2013 HK$'000	2012 HK$'000
TOTAL ASSETS	**955,267**	905,285	1,487,467	2,525,474	2,405,819
TOTAL LIABILITIES	**(687,662)**	(893,941)	(1,329,453)	(1,254,597)	(1,085,089)
	267,605	11,344	158,014	1,270,877	1,320,730
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**244,610**	1,142	124,994	1,129,250	1,175,363
NON-CONTROLLING INTERESTS	**22,995**	10,202	33,020	141,627	145,367
	267,605	11,344	158,014	1,270,877	1,320,730

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 29 May 2017 (Monday) to 2 June 2017 (Friday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on 2 June 2017 (Friday), 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on 26 May 2017 (Friday).

AUDITORS

Ernst & Young will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment.

ON BEHALF OF THE BOARD

Zhao Xu Guang
Chairman

Hong Kong
29 March 2017

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 155, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements which indicates that, as of 31 December 2016, the Group's total current liabilities exceeded its total current assets by HK$104,451,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.1, these financial statements have been prepared on a going concern basis, the validity of which depends on the Group's ability to improve its operations and to generate adequate cash flows, and to refinance its existing indebtedness to meet the Group's financial obligations as and when they fall due in the foreseeable future. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matters described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Assessment of carrying amount of property, plant and equipment	
As at 31 December 2016, the carrying amount of property, plant and equipment (the "PPE"), net of accumulated impairment and depreciation, was approximately HK$412.8 million which represented approximately 99.7% of the total non-current assets of the Group. In view of the operating result for the year, management performed an impairment assessment on the Group's cash-generating units (the "CGUs") to which the PPE belonged at the end of the reporting period. Based on the results of the assessment, no impairment loss was recognised in the consolidated profit or loss for the year ended 31 December 2016. Management performed an assessment of the CGUs to determine the recoverable amounts using a value-in-use approach which was based on discounted cash flow calculations. This assessment requires the use of significant judgment and assumptions made by management to determine the key assumptions including sales growth rates, production capacity utilisation, pricing, production costs and the discount rates applied in the discounted cash flows. Relevant disclosures are included in notes 3 and 14 to the consolidated financial statements.	In evaluating management's impairment assessment, our audit procedures included, inter alia, (i) evaluating the key assumptions used in the discounted cash flow forecasts, including the sales growth rates, production capacity utilisation, pricing, fluctuation of expenses based on latest operation performance and historical data; (ii) involving our valuation specialists to assess the value-in-use calculation methodologies and discount rates adopted by management by benmarking to industry practices and making reference to market comparables; and (iii) performing sensitivity analyses on key inputs on the discounted cash flows for any significant impact on the recoverable amounts of the CGUs.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for receivables, prepayments, and deposits	
As at 31 December 2016, the Group recorded trade receivables of approximately HK$229.5 million after netting off provisions of approximately HK$52.3 million and prepayments, deposits and other receivables of approximately HK$151.8 million after netting off provisions of approximately HK$18.5 million. These balances, in aggregate, represented 70.4% of the total current assets of the Group. Management considered various factors, including the ageing profile of the trade and other receivables, historical debtor repayment patterns, post year end settlement and trading history of each debtor and the values of collaterals provided by the debtors in determining provisions for the receivables. In determining the provision for prepayments and deposits, management considered the ageing profile and utilisation of prepayments and deposits during the year and subsequent to the year end. These involved significant management judgement and estimation. Relevant disclosures are included in notes 3, 17, 18 and 19 to the consolidated financial statements.	Our audit procedures included, inter alia, assessing the basis of the provision estimated by management with reference to the ageing profile of receivable and prepayment balances, historical repayment patterns of debtors and settlements after the end of the reporting period, collaterals provided by debtors and utilisation pattern history of prepayments and deposits during the year and after the year end. We tested the ageing of receivables, prepayments and deposits as at 31 December 2016 to source documents on a sampling basis. We also involved our valuation specialists to evaluate management assessment on the values of collaterals provided by debtors by benchmarking to market data and industry practices.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fok Lai Ching.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 *HK$'000*	2015 *HK$'000*
REVENUE	5	**792,518**	461,384
Cost of sales		**(658,103)**	(494,878)
Gross profit/(loss)		**134,415**	(33,494)
Other income and gains	5	**58,891**	94,152
Selling and distribution costs		**(55,949)**	(23,094)
Administrative expenses		**(79,608)**	(97,155)
Finance costs	7	**(1,582)**	(23,964)
Other operating income/(expenses), net		**12,758**	(41,152)
Impairment on items of property, plant and equipment	12	**—**	(14,760)
PROFIT/(LOSS) BEFORE TAX	6	**68,925**	(139,467)
Income tax credit/(expense)	10	**(8,544)**	8,732
PROFIT/(LOSS) FOR THE YEAR		**60,381**	(130,735)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operation		**(13,952)**	(16,626)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(13,952)**	(16,626)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**46,429**	(147,361)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the parent		**55,663**	(110,474)
Non-controlling interests		**4,718**	(20,261)
		60,381	(130,735)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**43,106**	(124,538)
Non-controlling interests		**3,323**	(22,823)
		46,429	(147,361)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		(Restated)
Basic			
— For profit/(loss) for the year		**HK4.00 cents**	(HK9.24 cents)
Diluted			
— For profit/(loss) for the year		**HK3.53 cents**	(HK9.24 cents)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**412,849**	485,337
Goodwill	13	**—**	—
Available-for-sale investments	15	**1,099**	3,486
Total non-current assets		**413,948**	488,823
CURRENT ASSETS			
Inventories	16	**55,120**	28,455
Trade receivables	17	**61,027**	48,223
Amount due from the Non-controlling Shareholder	18	**168,483**	213,625
Prepayments, deposits and other receivables	19	**151,800**	108,652
Tax recoverable		**6,958**	16,068
Cash and bank balances	20	**97,931**	1,439
Total current assets		**541,319**	416,462
CURRENT LIABILITIES			
Trade payables	21	**247,162**	221,138
Other payables, accruals and deposits received	22	**372,586**	599,176
Other borrowings	23	**25,813**	23,426
Amount due to the Non-controlling Shareholder	18	**—**	50,201
Tax payable		**209**	—
Total current liabilities		**645,770**	893,941
NET CURRENT LIABILITIES		**(104,451)**	(477,479)
TOTAL ASSETS LESS CURRENT LIABILITIES		**309,497**	11,344

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Deferred income	22	**5,057**	—
Deferred tax liabilities	24	**—**	—
Convertible bonds	29	**36,835**	—
Total non-current liabilities		**41,892**	—
Net assets		**267,605**	11,344
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**24,036**	452,813
Reserves		**220,574**	(451,671)
		244,610	1,142
Non-controlling interests		**22,995**	10,202
Total equity		**267,605**	11,344

Mr. Zhao Xu Guang
Director

Mr. Wong Siu Hung, Patrick
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		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$'000*	Convertible bonds reserve *HK$'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(a)*	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

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		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)	Other reserve HK$'000 (note iii)	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Convertible bonds reserve HK$'000 (note 29)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016		452,813	145,361*	419,650*	18,236*	–*	4,433*	93,788*	85*	829,350*	(1,962,574)*	1,142	10,202	11,344
Profit for the year		–	–	–	–	–	–	–	–	–	55,663	55,663	4,718	60,381
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operation		–	–	–	–	–	–	(12,557)	–	–	–	(12,557)	(1,395)	(13,952)
Total comprehensive income for the year		–	–	–	–	–	–	(12,557)	–	–	55,663	43,106	3,323	46,429
Conversion of convertible bonds	29	49,000	–	230,300	–	–	–	–	–	(279,300)	–	–	–	–
Capital reorganisation	25(c)	(491,777)	–	491,777	–	–	–	–	–	–	–	–	–	–
Share subscription	25(d)	14,000	196,000	–	–	–	–	–	–	–	–	210,000	–	210,000
Lapsed share options	26	–	–	–	–	–	(848)	–	–	–	848	–	–	–
Acquisition of non-controlling interests of a subsidiary		–	–	–	–	(9,788)	–	–	–	–	–	(9,788)	9,470	(318)
Issue of convertible bonds	29	–	–	–	–	–	–	–	–	150	–	150	–	150
At 31 December 2016		24,036	341,361*	1,141,727*	18,236*	(9,788)*	3,585*	81,231*	85*	550,200*	(1,906,063)*	244,610	22,995	267,605

* These reserve accounts comprise the consolidated reserves of HK$220,574,000 as at 31 December 2016 (2015: consolidated reserve deficits of HK$451,671,000) 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 and the credit arising from the capital reorganisation.

(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.

(iii) The other reserve represents the difference between the fair value of the consideration paid and the relevant share of carrying value of the subsidiary's net assets acquired from the non-controlling interest.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**68,925**	(139,467)
Adjustments for:			
Finance costs		**1,582**	23,964
Interest income	5	**(4)**	(6)
Depreciation	6	**60,277**	69,852
Impairment on items of property, plant and equipment		**—**	14,760
Write-down of inventories to net realisable value	6	**—**	749
Impairment of trade receivables, net	6	**5,184**	37,753
Impairment of available-for-sale investments	6	**—**	801
Impairment of prepayments, net	6	**11,797**	1,156
Write-off of items of property, plant and equipment	6	**—**	1,442
Gain on disposal of items of property, plant and equipment	6	**(12)**	(76,323)
Gain on debt restructuring	5	**(23,937)**	—
Gain arising from amendment to convertible bonds	5	**(2,303)**	—
		121,509	(65,319)
Decrease/(increase) in inventories		**(29,467)**	30,486
Increase in trade receivables		**(21,438)**	(53,017)
Decrease/(increase) in prepayments, deposits and other receivables		**(38,461)**	49,864
Increase in an amount due from the Non-controlling Shareholder		**(90,295)**	(109,949)
Increase/(decrease) in trade payables		**44,445**	(8,067)
Increase in other payables, accruals and deposits received, and deferred income		**35,798**	53,830
CASH GENERATED FROM/(USED IN) OPERATIONS AND NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**22,091**	(102,172)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(14,416)**	(34,276)
Net proceeds from disposal of items of property, plant and equipment		**18**	177,800
Decrease/(increase) in other receivables due from the Non-controlling Shareholder		**(22,457)**	155,553
Interest received		**4**	6
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(36,851)**	299,083
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue shares	25	**210,000**	—
Exercise of share options	25	**—**	686
New other borrowings		**21,387**	10,400
Repayments of bank and other borrowings		**—**	(106,532)
Repayment of deposits received	22	**(120,000)**	(100,000)
Interest paid		**—**	(1,687)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**111,387**	(197,133)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**96,627**	(222)
Cash and cash equivalents at the beginning of the year		**1,439**	1,679
Effect of foreign currency rate changes, net		**(135)**	(18)
Cash and cash equivalents at the end of the year		**97,931**	1,439
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**97,931**	1,439

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.

On 27 March 2017, the registered office and principal place of business of the Company was changed to Room 2301, 23/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:

— coal-related ancillary business;

— coke production business; and

— coke trading business.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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 ("HIG")	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 (the "PRC")/Mainland China	HK$715,000,000#	—	90%#	Coal-related ancillary business; coke production and coke trading

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

* 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.

During the year ended 31 December 2016, the registered capital of 金岩和嘉 was reduced from HK$900,000,000 to HK$715,000,000. The Group acquired a 2.6% equity interest in 金岩和嘉 from non-controlling shareholders. The Group's ownership interest in the subsidiary was changed from 87.4% to 90% which is the same as its profit sharing ratio.

@ 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 recorded a consolidated net profit of HK$60,381,000 (2015: a net loss of HK$130,735,000) for the year ended 31 December 2016. The Group also recorded net current liabilities of HK$104,451,000 as at 31 December 2016 (2015: HK$477,479,000) and consolidated accumulated losses of HK$1,906,063,000 (2015: HK$1,962,574,000).

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In order to improve the Group's liquidity and cash flows for the Group to sustain as a going concern, the Group has taken the following measures during the year ended 31 December 2016 and subsequent to the year end:

(a) On 2 November 2016, the Group completed a subscription of shares with Shun Wang Investments Limited, an independent third party, which subscribed 1,400 million shares of the Company at a subscription price of HK$0.15 per share with a gross proceeds of HK$210,000,000 (the "Share Subscription"). The proceeds was used partly to repay a deposit received of HK$120,000,000 with the remaining amount as the working capital of the Group;

2.1 BASIS OF PRESENTATION *(Continued)*

(b) On 2 November 2016, the Company issued convertible bonds with a principal amount of HK$43,277,000 to Kailuan (Hong Kong) International Co., Limited ("Kailuan") (the "2016 Convertible Bonds" as defined in note 29). The bonds had a maturity date of 1 year from the date of issue. The 2016 Convertible Bonds were issued to settle the penalty charges and accrued interests due to Kailuan amounted to HK$43,277,000 as at 31 December 2015. Upon completion of the subscription of the 2016 Convertible Bonds on 2 November 2016, Kailuan agreed to waive all the interests accrued from 1 January 2016 onwards. As a result, the Company was relieved from the corresponding interest obligation accrued from 1 January 2016 and thereafter.

On 30 December 2016, the Company secured an agreement with Kailuan, pursuant to which Kailuan agreed to extend the maturity date of the 2016 Convertible Bonds to 2 May 2018. Further details are set out in note 29 to the financial statements.

(c) As at 31 December 2016, the Group recorded other borrowings of HK$25,813,000 plus accrued interests of HK$2,357,000 which are repayable on 1 July 2017. The Group is in the process of negotiating with the lenders and certain creditors to settle the indebtedness with issues of new shares or securities. In the opinion of the directors, the negotiation is at an advanced stage and the restructuring of the indebtedness will be finalised shortly.

On 11 May 2016, the Group obtained a working capital loan of HK$19,000,000 from a former director of the Company, which bore interest at a rate of 1% per annum, and was repayable on 31 December 2016. Subsequently, the Group secured an agreement from the lender for waiving the principal amount of the loan and the related accrued interests.

(d) Management has used the best endeavour in improving the Group's operating performance to attain positive operating cash flows. The Group's operation has gradually recovered in light of an improved market demand for coke production in the PRC during the year ended 31 December 2016. A gross profit of HK$134,415,000 (2015: gross loss of HK$33,494,000) and a net profit of HK$60,381,000 (2015: net loss of HK$130,735,000) were recorded for the year ended 31 December 2016. The directors of the Company believe that the recovery momentum will continue and the operation will contribute positive cash inflows to the Group in the foreseeable future.

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

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments 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 2016. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any disposal group held for sale during the year.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but 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 financial performance 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 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 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Available-for-sale financial investments

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

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

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

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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

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

Subsequent measurement

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

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.

Convertible bonds

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

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 sales of 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 sales 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 and transportation service income are 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits *(Continued)*

Pension schemes *(Continued)*

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).

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Government grants

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(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 and this 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 in expected future cash flows. The carrying amount of property, plant and equipment as at 31 December 2016 was HK$412,849,000 (2015: HK$485,337,000). Further details are set out in notes 12 and 14 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.

Provision for 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 receivables (including trade receivables due from the non-controlling shareholder of a PRC subsidiary (the "Non-controlling Shareholder")), and prepayments, deposits and other receivables as at 31 December 2016 were HK$229,510,000 (2015: HK$261,848,000) (note 17) and HK$151,800,000 (2015: HK$108,652,000), 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 profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, sundry income, corporate and administrative expenses, unallocated finance costs and income tax credit/expense are excluded from such measurement.

Segment assets exclude cash and bank balances, unallocated available-for-sale investments, tax recoverable 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, other borrowings and convertible bonds 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 2016

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue					
— external sales	—	77,359	715,159	—	792,518
— intersegment sales	—	187,419	—	(187,419)	—
Other income	1,279	31,314	—	—	32,593
Total	1,279	296,092	715,159	(187,419)	825,111
Segment results	1,279	(261)	104,579	(843)	104,754
Interest income and sundry income					26,298
Corporate and administrative expenses					(79,608)
Unallocated other operating income					19,063
Unallocated finance costs					(1,582)
Profit before tax					68,925
Income tax expense					(8,544)
Profit for the year					60,381

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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 and 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 assets and liabilities

31 December 2016

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Total HK$'000
SEGMENT ASSETS				
Segment assets	—	483,640	203,446	687,086
Corporate and unallocated assets				268,181
Consolidated assets				955,267
SEGMENT LIABILITIES				
Segment liabilities	209	338,044	249,445	587,698
Corporate and unallocated liabilities				99,964
Consolidated liabilities				687,662

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2016

	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	—	13,661	—	13,661
Unallocated				755
				14,416
Depreciation	—	55,297	—	55,297
Unallocated				4,980
				60,277
Unallocated interest expenses on other borrowings				1,582
Unallocated income tax expense				8,544
Impairment of trade receivables, net	—	5,184	—	5,184
Impairment of prepayments, net	—	3,787	7,230	11,017
Unallocated				780
				11,797

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)*

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 2016 and 2015. Therefore, no analysis by geographical region is presented.

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

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**743**	—
Mainland China	**412,106**	485,337
	412,849	485,337

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 2016, revenue in the amount of approximately HK$435,477,000 (2015: Nil) was derived from sales in the coke production segment to a single customer. During the year ended 31 December 2015, revenue in the amounts of approximately HK$64,197,000 and HK$52,844,000 were derived from sales in the coke production segment to two customers. These customers were independent third parties of the Group.

During the year ended 31 December 2016, revenue in the amount of approximately HK$192,099,000 (2015: HK$228,082,000) 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 AND GAINS

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 and gains is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sales of transportation service	**4,896**	12,511
Sales of electricity and heat	**72,453**	74,759
Sales of medium coal, coke and by-products	**715,169**	374,114
	792,518	461,384
Other income and gains		
Interest income	**4**	6
Commission income	**1,279**	405
Gain on disposal of items of property, plant and equipment	**12**	76,323
Gain on debt restructuring *(note 23)*	**23,937**	—
Gain arising from amendment to convertible bonds *(note 29)*	**2,303**	—
Government subsidies*	**31,314**	16,779
Sundry income	**42**	639
	58,891	94,152

* Government subsidies have been received for supplying heat in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories sold		**658,103**	494,129
Auditor's remuneration		**2,330**	2,230
Depreciation	12	**60,277**	69,852
Operating lease payments in respect of leasehold interests in land and rented properties		**2,428**	1,917
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**50,530**	58,815
Pension scheme contributions#		**12,223**	15,010
		62,753	73,825
Write-down of inventories to net realisable value@		**—**	749
Impairment of trade receivables, net*	17	**5,184**	37,753
Impairment of prepayments, net*	19	**11,797**	1,156
Impairment of available-for sale investments*	15	**—**	801
Write-off of items of property, plant and equipment*	12	**—**	1,442
Gain on disposal of items of property, plant and equipment		**(12)**	(76,323)

\# As at 31 December 2016 and 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

* These balances are included in "Other operating income/(expenses), net" in the consolidated profit or loss. The "Other operating income/(expenses), net" also included reversal of accruals of HK$29,739,000 for the year ended 31 December 2016 (2015: Nil).

@ 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:

	2016 HK$'000	2015 HK$'000
Interest expenses on bank and other borrowings repayable within five years	**634**	23,964
Interest expenses on convertible bonds *(note 29)* repayable within five years	**948**	—
	1,582	23,964

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:

	2016 HK$'000	2015 HK$'000
Fees	**1,765**	2,050
Other emoluments:		
Salaries, allowances and benefits in kind	**1,296**	1,534
Pension scheme contributions	**26**	36
	1,322	1,570
	3,087	3,620

8. DIRECTORS' EMOLUMENTS *(Continued)*

2016

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:				
Li Baoqi (redesignated to a non-executive director on 25 November 2016)	**761**	**807**	**18**	**1,586**
Gao Jianguo (resigned on 1 June 2016)	**352**	**244**	**8**	**604**
Wong Siu Hung, Patrick (appointed on 3 November 2016)	**136**	**94**	**—**	**230**
Zhao Xu Guang (appointed on 17 November 2016)	**103**	**151**	**—**	**254**
	1,352	**1,296**	**26**	**2,674**
Non-executive directors:				
Li Baoqi	**24**	**—**	**—**	**24**
Huang Man Yem (appointed on 3 November 2016)	**29**	**—**	**—**	**29**
	53	**—**	**—**	**53**
Independent non-executive directors:				
Lam Hoy Lee, Laurie	**120**	**—**	**—**	**120**
To Wing Tim, Paddy	**120**	**—**	**—**	**120**
Lau Ka Ho	**120**	**—**	**—**	**120**
	360	**—**	**—**	**360**
	1,765	**1,296**	**26**	**3,087**

8. DIRECTORS' EMOLUMENTS *(Continued)*

2015

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:				
Li Baoqi	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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees, who are not a director of the Company, are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	1,700	1,700
Pension scheme contributions	54	54
	1,754	1,754

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

	Number of employees	
	2016	2015
Nil to HK$1,000,000	3	3

10. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2016 while no provision for Hong Kong profits tax was made during the year ended 31 December 2015 as there was no assessable profits arising in Hong Kong.

No provision for PRC profits tax was made for the year ended 31 December 2016 as the Group had available tax losses brought forward from prior years to offset the assessable profits arising in Mainland China. No provision was made for PRC profits tax for the year ended 31 December 2015 as there was no assessable profit arising in Mainland China in the prior year.

	2016	2015
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**209**	—
Overprovision in prior years	**(7,766)**	—
Current — Elsewhere		
Charge for the year	**—**	—
Underprovision in prior years	**16,101**	—
Deferred *(note 24)*	**—**	(8,732)
Total tax expenses/(credit) for the year	**8,544**	(8,732)

A reconciliation of tax applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(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:

10. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

2016

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	**10,830**		**58,095**		**68,925**	
Tax at the statutory tax rate	**1,787**	**16.5**	**14,524**	**25.0**	**16,311**	**23.7**
Expenses not deductible for tax	**1,522**	**14.1**	**7,537**	**13.0**	**9,059**	**13.1**
Income not subject to tax	**(1,195)**	**(11.0)**	**—**	**—**	**(1,195)**	**(1.7)**
Adjustments in respect of current tax of previous periods	**(7,766)**	**(71.7)**	**16,101**	**27.7**	**8,335**	**12.1**
Utilisation of tax losses	**(1,905)**	**(17.6)**	**(22,061)**	**(38.0)**	**(23,966)**	**(34.8)**
Tax expenses/(credit) at the Group's effective rate	**(7,557)**	**(69.7)**	**16,101**	**27.7**	**8,544**	**12.4**

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)

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent of HK$55,663,000 (2015: loss of HK$110,474,000), and the weighted average number of ordinary shares of 1,392,395,750 (2015: 1,196,214,000 (restated)) 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 and the Share Consolidation (as defined in note 25) 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 earnings/(loss) per share.

The calculation of diluted earnings per share amount for the year ended 31 December 2016 is based on the profit for the year attributable to owners of the parent, adjusted to reflect the interest and gain arising from amendment to the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculation of diluted earnings per share for the year ended 31 December 2016 is based on:

	HK$'000
Earnings:	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**55,663**
Less: Gain arising from amendment to convertible bonds	**(2,303)**
Add: Interest expense on convertible bonds	**948**
Profit attributable to ordinary equity holders of the parent used in the diluted earnings per share calculation	**54,308**

	Number of shares
Shares:	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,392,395,750**
Effect of dilution – weighted average number of ordinary shares: Convertible bonds*	**144,256,976**
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**1,536,652,726**

* Share options are not considered in the effect of dilution as it had no diluting effect on the basic earnings per share for the year ended 31 December 2016 and were ignored in the calculation of diluted earnings per share.

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 2015	509,250	513,614	536,309	76,940	3,404	49,817	1,689,334
Additions	—	—	34,204	72	—	—	34,276
Disposals	(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 and 1 January 2016	373,452	490,499	543,850	73,546	3,404	47,626	1,532,377
Additions	—	582	12,944	136	57	697	14,416
Disposals	—	—	—	—	(2,619)	(122)	(2,741)
Exchange realignment	(21,866)	(28,742)	(32,343)	(4,312)	—	(2,717)	(89,980)
At 31 December 2016	351,586	462,339	524,451	69,370	842	45,484	1,454,072
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 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
Disposals	(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 and 1 January 2016	108,425	438,701	384,517	71,736	3,404	40,257	1,047,040
Provided for the year	10,476	2,355	44,075	712	1	2,658	60,277
Disposals	—	—	—	—	(2,619)	(116)	(2,735)
Exchange realignment	(6,752)	(25,778)	(24,211)	(4,230)	—	(2,388)	(63,359)
At 31 December 2016	112,149	415,278	404,381	68,218	786	40,411	1,041,223
NET CARRYING AMOUNTS							
At 31 December 2016	239,437	47,061	120,070	1,152	56	5,073	412,849
At 31 December 2015	265,027	51,798	159,333	1,810	—	7,369	485,337

13. GOODWILL

	HK$'000
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	2,269,645
Accumulated impairment:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	(2,269,645)
Net carrying amount:	
At 31 December 2016 and 2015	—

14. IMPAIRMENT TEST ON PROPERTY, PLANT AND EQUIPMENT

For the purpose of impairment testing, property, plant and equipment have 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 2016 and 2015 allocated to these units are as follows:

	2016	2015
	HK$'000	*HK$'000*
Coal-related ancillary segment	**361,280**	426,008
Coke production segment	**—**	—
Unallocated	**51,569**	59,329
	412,849	485,337

Coal-related ancillary cash-generating unit

At 31 December 2016, 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 12-year period (2015:13 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 14.1% (2015: 12.0%).

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

Coal-related ancillary cash-generating unit *(Continued)*

Key assumptions were used in the value in use calculation of the coal-related ancillary cash-generating unit as at 31 December 2016 and 31 December 2015. 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.

Coke production cash-generating unit

The recoverable amount of the coke production cash-generating unit as at 31 December 2016 and 31 December 2015 was determined based on a value in use calculation using cash flow projections based on financial budgets covering a 8.5-year period (2015: 9.5-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 14.1% (2015: 12.0%).

Key assumptions were used in the value in use calculation of the coke production cash-generating unit as at 31 December 2016 and 31 December 2015. 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.

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

Coke production cash-generating unit *(Continued)*

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.

Based on the results from the discounted cash flows, the directors consider no additional impairment for items of property, plant and equipment in the coal-related ancillary segment for the year ended 31 December 2016.

In light of the unfavorable 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 and nil, respectively. This resulted in an impairment of property, plant and equipment of approximately HK$4,400,000 in the coal-related ancillary segment and an impairment of property, plant and equipment of approximately HK$10,360,000 in the coke production segment, which were recognised in profit or loss for the year ended 31 December 2015.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Club debentures, at fair value	**1,099**	1,099
Unlisted equity investment, at cost	**—**	2,387
	1,099	3,486

At 31 December 2015, there was a significant and prolonged decline in the market value of the club debentures. The directors consider that such a decline indicated that the club debentures have been impaired and an impairment loss of HK$801,000 was recognised in profit or loss for that year.

At 31 December 2015, an unlisted equity investment with a carrying amount of HK$2,387,000 (equivalent to RMB2,000,000) was stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that the fair value could not be measured reliably. During the year ended 31 December 2016, the unlisted equity investment was disposed of to a subsidiary of the Non-Controlling Shareholder for a cash consideration of HK$2,248,000 (equivalent to RMB2,000,000) (note 34).

16. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**19,476**	17,610
Work in progress	**15,959**	1,670
Finished goods	**19,685**	9,175
	55,120	28,455

17. TRADE RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Trade receivables		**243,703**	271,976
Impairment		**(52,266)**	(50,222)
		191,437	221,754
Trade receivables from related companies	*34*	**38,073**	40,094
		229,510	261,848
Less: Trade receivables due from the Non-controlling Shareholder	*18*	**(168,483)**	(213,625)
		61,027	48,223

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 2016, approximately 73% (2015: 82%) of the Group's trade receivables were due from one (2015: one) customer, 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 18). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The carrying amounts of trade receivables approximate their fair values.

17. TRADE RECEIVABLES *(Continued)*

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

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**19,945**	78,418
3 to 4 months	**2,712**	30,890
Over 4 months	**206,853**	152,540
	229,510	261,848

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

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**50,222**	14,614
Impairment loss recognised *(note 6)*	**8,011**	37,753
Impairment loss reversed *(note 6)*	**(2,827)**	—
Exchange realignment	**(3,140)**	(2,145)
At 31 December	**52,266**	50,222

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK$52,266,000 (2015: HK$50,222,000) with carrying amounts before provision of HK$66,548,000 (2015: HK$50,298,000).

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

17. TRADE RECEIVABLES *(Continued)*

An aged analysis of the trade 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:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**22,657**	109,308
Less than 6 months past due	**170,990**	54,325
More than 6 months past due	**35,863**	98,215
	229,510	261,848

The Group's trade receivables at the end of the reporting period that were neither past due nor impaired relate to customers for which 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 18 and note 34, respectively.

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

		2016	2015
	Notes	***HK$'000***	*HK$'000*
Trade receivables due from the Non-controlling Shareholder *(note 17)*	*(i), (iv)*	**168,483**	213,625
Other receivables due from the Non-controlling Shareholder *(note 19)*	*(ii), (iv)*	**107,756**	91,525
Amount due to the Non-controlling Shareholder	*(iii)*	**—**	(50,201)

18. AMOUNTS DUE FROM/(TO) THE NON-CONTROLLING SHAREHOLDER *(Continued)*

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2015: 120 days), which are similar to those terms 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 balance as at 31 December 2015 represented advances from the Non-controlling Shareholder. The amount was unsecured, non-interest-bearing and not repayable on or before 1 July 2016. 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.

On 23 June 2016, an agreement was signed by HIG, the Non-controlling Shareholder and 金岩和嘉, pursuant to which the entire amount was used to reduce the outstanding other receivables of RMB76,670,000 (equivalent to HK$91,525,000) due by the Non-controlling Shareholder to金岩和嘉 as at 31 December 2015.

(iv) With respect to items mentioned in notes (i) and (ii) as at 31 December 2015, the Group and the Non-controlling Shareholder entered into a repayment agreement on 28 February 2016, pursuant to which the Non-controlling Shareholder committed to repay the balances due to the Group by monthly instalments of RMB50,000,000 from October 2016 onwards after its new coking plant started operation, 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$1,347,000,000 as at 29 February 2016, were pledged to the Group to secure the repayment of the balances due from the Non-controlling Shareholder of HK$305,150,000 and an aggregate amount due from affiliates of the Non-controlling Shareholder of HK$43,676,000 as at 31 December 2015 (note 34).

In March 2017, the repayment and the asset pledge agreements were renewed to cover the trade and other receivables due from the Non-controlling Shareholder of HK$276,239,000 and an aggregate amount due from affiliates of the Non-controlling Shareholder of HK$40,321,000 at 31 December 2016 (note 34). Pursuant to the renewed repayment agreement, a monthly repayment of RMB50,000,000 will be made by the Non-controlling Shareholder from October 2017 onwards after its new coking plant starts operation, and that the entire amount will be settled within 12 months. The pledged property, plant and equipment were valued at HK$1,229,023,000 at 28 February 2017.

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Other receivables due from the Non-controlling Shareholder	18	**107,756**	91,525
Prepayments and other receivables due from a related company	34	**2,248**	3,582
Prepayments, deposits and other receivables due from other parties	(i)	**60,280**	21,132
		170,284	116,239
Impairment		**(18,484)**	(7,587)
		151,800	108,652

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:

	2016 HK$'000	2015 HK$'000
At 1 January	**7,587**	6,781
Impairment loss recognised *(note 6)*	**12,206**	1,156
Impairment loss reversed *(note 6)*	**(409)**	—
Exchange realignment	**(900)**	(350)
At 31 December	**18,484**	7,587

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Included in the above are provisions for individually impaired prepayments of HK$18,484,000 (2015: HK$7,587,000) with carrying amounts before provision of HK$20,681,000 (2015: HK$7,587,000). The individually impaired prepayments mainly relate to the portions of prepayments made to suppliers which are in default in delivery of purchases or services and 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.

20. CASH AND BANK BALANCES

	2016	2015
	HK$'000	*HK$'000*
Cash and bank balances	**97,931**	1,439

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$133,000 (2015: HK$229,000). 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	2016 HK$'000	2015 HK$'000
Trade payables due to other parties		**239,475**	221,138
Trade payables due to related companies	34	**7,687**	—
		247,162	221,138

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

	2016 HK$'000	2015 HK$'000
Within 3 months	**70,940**	40,599
3 to 4 months	**5,792**	12,982
Over 4 months	**170,430**	167,557
	247,162	221,138

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, AND DEFERRED INCOME

	Notes	2016 HK$'000	2015 HK$'000
Deposit received from Kailuan	(a)	**—**	120,000
Other payables and accrued charges	(b)	**263,904**	319,575
Advances received from customers and deferred income	(c)	**113,739**	159,601
		377,643	599,176
Less: Current portion		**(372,586)**	(599,176)
Non-current portion – deferred income		**5,057**	—

22. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED, AND DEFERRED INCOME *(Continued)*

Notes:

(a) The deposit received of HK$120,000,000 as at 31 December 2015 (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. 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 director and substantial shareholder of the Company and as to 500,000,000 shares of the Company held by certain shareholders of the Company.

Partial settlement of HK$100 million was made to Kailuan from the proceeds on disposal of a property during the year ended 31 December 2015.

During the year ended 31 December 2016, the Group settled the remaining amount of HK$120 million with the net proceeds from the Share Subscription, upon which the pledge of shares was released.

(b) Included in other payables and accrued charges as at 31 December 2015 was accrued penalty charges, and interest of HK$43,277,000 in relation to the Deposit. The amount was settled by the issue of 2016 Convertible Bonds during the year ended 31 December 2016. Further details of the 2016 Convertible Bonds are set out in note 29 to the financial statements.

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

(c) As at 31 December 2015, the balance included a deposit of US$9,000,000 (equivalent to HK$69,804,000) received by HIG 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 would 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 would be used to reduce the aggregate 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 carrying amounts of the Deposit, other payables and accrued charges approximate their fair values.

23. OTHER BORROWINGS

	2016			2015		
	Effective interest rate	**Maturity**	***HK$'000***	Effective interest rate	Maturity	*HK$'000*
Current						
Unsecured other borrowings *(note 34(b)(iii))*	**—**	**2017**	**19,487**	—	2016	17,100
Unsecured other borrowing	**10%**	**2017**	**6,326**	10%	2016	6,326
			25,813			23,426
Analysed into:						
Other borrowings repayable						
Within one year or on demand			**25,813**			23,426

Other than an amount of HK$6,326,000 (2015: HK$6,326,000) which is denominated in United States dollars ("USD"), all other borrowings are denominated in HK$. The carrying values of other borrowings approximate their fair values.

During the year ended 31 December 2016 and subsequent to the year end, the Group has been negotiating with lenders and certain creditors of the Group to restructure the Group's indebtedness. Details are set out below:

(a) On 10 March 2016, the Group secured the agreement from the lenders of other borrowings to defer settlement of the principal amount of HK$23,426,000 and the related accrued interest of HK$1,744,000 included in other payables and accruals as at 31 December 2015 to 30 June 2017.

(b) On 15 March 2017, the Group secured agreements with lenders of other borrowings and certain creditors to waive a total amount of HK$7,132,000 comprising principal amounts of other borrowings of HK$6,000,000, accrued interests of HK$632,000, and other payables of HK$500,000. One of the lenders has agreed to waive the interest charged on the loan balance from 1 January 2017 onwards. It was further agreed that the remaining balances of other borrowings and other payables after the waiver of HK$22,955,000 are to be settled partly by cash of HK$4,417,000 with the remaining balances to be settled by cash or by issue of new shares or securities of the Company. As the Group is still negotiating with these lenders, no agreement was entered on details of issue of new shares or securities.

23. OTHER BORROWINGS *(Continued)*

During the year ended 31 December 2016 and subsequent to the year end, the Group has been negotiating with lenders and certain creditors of the Group to restructure the Group's indebtedness. Details are set out below: *(Continued)*

(c) On 11 May 2016, the Group obtained a loan of HK$19,000,000 from a former director of the Company, with interest rate of 1% per annum and was repayable on 31 December 2016. The loan was used as working capital of the Group. During the year, the Group secured an agreement from the lender for waiving the principal amount of the loan and the related accrued interests.

(d) As detailed in note 22(b), the 2016 Convertible Bonds were issued to Kailuan to settle the accrued penalty charges and interest of HK$43,277,000 in relation to the Deposit. The fair values of the 2016 Convertible Bonds was HK$38,340,000 on the issue date. This arrangement resulted in a gain of HK$4,937,000 recognised in the profit or loss for the year ended 31 December 2016. Kailuan agreed to waive all the interests accrued from 1 January 2016 onwards upon subscription of the 2016 Convertible Bonds. Further details of the 2016 Convertible Bonds are set out in note 29 to the financial statements.

A gain on debt restructuring of HK$23,937,000 was recognised in the profit or loss for the year ended 31 December 2016.

24. DEFERRED TAX

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

Deferred tax liabilities

	Total
	HK$'000
At 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, 1 January 2016 and 31 December 2016	—

The Group has tax losses arising in Hong Kong and the PRC of HK$145,062,000 (2015: HK156,605,000) and HK$252,487,000 (2015: HK$340,731,000) that are available indefinitely and within five years from the year of losses, 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.

24. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

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

At 31 December 2016, 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$396,042,000 at 31 December 2016 (2015: HK$358,996,000).

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

25. SHARE CAPITAL

Shares

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2015: 20,000,000,000) ordinary shares of HK$0.01 each (2015: HK$0.1 each)	**200,000**	2,000,000
Issued and fully paid:		
2,403,625,258 (2015: 4,528,126,292) ordinary shares	**24,036**	452,813

25. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

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

	Number of shares in issue	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2015	4,522,926,292	452,293	144,997	597,290
Exercise of share options *(note (a))*	5,200,000	520	364	884
At 31 December 2015 and 1 January 2016	4,528,126,292	452,813	145,361	598,174
Issue of shares upon conversion of 2008 Convertible Bonds *(note (b))*	490,000,000	49,000	—	49,000
Capital reorganisation *(note (c))*	(4,014,501,034)	(491,777)	—	(491,777)
Share Subscription *(note (d))*	1,400,000,000	14,000	196,000	210,000
At 31 December 2016	2,403,625,258	24,036	341,361	365,397

Notes:

(a) 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.

(b) On 6 May 2016, 490,000,000 ordinary shares of the Company of HK$0.1 each were issued at a conversion price of HK$0.4 per share upon partial conversion of the 2008 Convertible Bonds for a total amount of HK$196,000,000 (note 29).

(c) Pursuant to a special resolution passed at a special general meeting held on 11 May 2016, a capital reorganisation (the "Capital Reorganisation") became effective on 12 May 2016. The Capital Reorganisation involved:

   (i) the consolidation of every five issued shares at a par value of HK$0.10 into one consolidated share (the "Consolidated Share") of a par value of HK$0.50 (the "Share Consolidation");

   (ii) the reduction of issued share capital of the Company of HK$491,777,000 whereby the par value of each issued Consolidated Share was reduced from HK$0.50 to HK$0.01 by cancelling HK$0.49 of the paid-up capital on each issued Consolidated Share such that the par value of each issued Consolidation Share was reduced from HK$0.50 to HK$0.01 (the "Capital Reduction");

25. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) *(Continued)*

(iii) the reduction of authorised share capital of the Company 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 (the "New Shares") of par value HK$0.01 per share;

(iv) the increase of authorised share capital of the Company from HK$40,000,000 divided 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.

Further details of the Capital Recoganisation are set out in the Company's circular dated 15 April 2016.

Upon completion of the Capital Reorganisation on 12 May 2016, the issued share capital of the Company became HK$10,036,253 divided into 1,003,625,258 New Shares. A credit amount of HK$491,777,000 arising from the Capital Reduction was transferred to the contributed surplus of the Company. The directors have been authorised to apply the credit balance of HK$491,777,000 in the contributed surplus account of the Company in accordance with the applicable law to set off against the accumulated losses of the Company.

(d) Pursuant to a subscription agreement and a supplemental agreement entered into between the Company and Shun Wang Investments Limited (the "Subscriber"), an independent third party, on 27 November 2015 and 15 December 2015, respectively, the Company issued an aggregate of 1,400,000,000 New Shares at a subscription price of HK$0.15 per share to the Subscriber on 2 November 2016. The gross proceeds from the said subscription amounted to HK$210,000,000.

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. A 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 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 to, upon their exercise, 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.

26. SHARE OPTION SCHEMES *(Continued)*

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 shares of the Company.

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

Under the 2002 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total number of 1,340,000 shares, which was adjusted to reflect the effect of Share Consolidation under the Capital Reorganisation, as at 31 December 2016, representing approximately 0.06% 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 number of 14,160,000 shares, which was adjusted to reflect the effect of Share Consolidation under the Capital Reorganisation, as at 31 December 2016, representing approximately 0.59% 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.

26. SHARE OPTION SCHEMES (Continued)

2013 Scheme

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

	2016		2015	
	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	71,800	0.132	77,000
Exercised during the year#	—	—	0.132	(5,200)
Lapsed during the year##	0.66	(200)	—	—
Adjustment arising from the Share Consolidation	—	(57,440)	—	—
At 31 December	0.66	14,160	0.132	71,800

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

\## During the year ended 31 December 2016, 200,000 share options lapsed upon the cessation of employment of a participant in accordance with terms of the 2013 Scheme.

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

2016

Number of options '000	Exercise price* HK$ per share	Exercise period
14,160	0.66	06-09-14 to 05-09-19
14,160		

26. SHARE OPTION SCHEMES *(Continued)*

2013 Scheme *(Continued)*

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		

* 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.

2002 Scheme

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

	2016		2015	
	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	**0.273**	**13,200**	0.364	17,000
Lapsed during the year###	**0.40**	**(6,260)**	0.68	(3,800)
Adjustment arising from the Share Consolidation	**—**	**(5,600)**	—	—
At 31 December	**0.80**	**1,340**	0.273	13,200

During the year ended 31 December 2016, 6,200,000 (2015: 3,800,000) share options lapsed at the end of the exercise period in accordance with terms of the 2002 Scheme and 60,000 (2015: Nil) share options lapsed upon the cessation of employment of a participant during the year ended 31 December 2016.

26. SHARE OPTION SCHEMES *(Continued)*

2002 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:

2016

Number of options	Exercise price*	Exercise period
'000	*HK$ per share*	
1,340	0.80	06-01-12 to 05-01-17
1,340		

2015

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

* 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.

No share option expense was recognised for the years ended 31 December 2016 and 2015.

At the end of the reporting period, the Company had 1,340,000 and 14,160,000 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 15,500,000 additional ordinary shares of the Company and additional share capital of HK$155,000 and share premium of HK$10,263,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 12,000,000 share options outstanding, which represented approximately 0.50% 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

	2016	2015
Percentage of equity interest held by non-controlling interests at 31 December	**10%**	12.6%

	2016	2015
	HK$'000	*HK$'000*
Profit/(loss) for the year allocated to non-controlling interests	**4,199**	(20,458)
Accumulated balances of non-controlling interests at the reporting date	**22,274**	10,001

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:

	2016	2015
	HK$'000	*HK$'000*
Revenue	**792,518**	461,384
Other income	**31,369**	17,412
Total expenses	**(781,894)**	(678,148)
Profit/(loss) for the year	**41,993**	(199,352)
Total comprehensive income/(loss) for the year	**28,041**	(201,914)
Current assets	**480,525**	422,695
Non-current assets	**412,106**	487,724
Current liabilities	**(704,639)**	(758,992)
Non-current liabilities	**(5,057)**	—
Net cash flows from/(used in) operating activities	**36,022**	(84,003)
Net cash flows from/(used in) investing activities	**(36,100)**	121,284
Net cash flows used in financing activities	**—**	(38,075)
Net decrease in cash and cash equivalents	**(78)**	(794)

29. CONVERTIBLE BONDS

(A) 2016 Convertible Bonds

Pursuant to a subscription agreement entered into between Kailuan and the Company on 13 April 2016, the Company issued convertible bonds with a principal amount of HK$43,277,000 (the "2016 Convertible Bonds") to Kailuan on 2 November 2016. The 2016 Convertible Bonds bear interest at 2.5% per annum, mature 1 year from the issue date and are extendable for one additional year subject to the agreement between the Company and the bondholder. Interest is paid annually in arrears on the anniversary of the issue date.

The 2016 Convertible Bonds are convertible at the option of the holder into the Company's ordinary shares during the period commencing from the seventh business day of the issue and expiring on the date immediately before the maturity date. The 2016 Convertible Bonds carry the conversion right entitling the holder to subscribe for the Company's shares at a conversion price of HK$0.06 per share.

29. CONVERTIBLE BONDS *(Continued)*

(A) 2016 Convertible Bonds *(Continued)*

The bondholder may, at any time before the maturity date, convert in whole or in part the 2016 Convertible Bonds into ordinary shares of the Company provided that the conversion does not trigger off a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers and the public float of the Company's shares shall not be less than 25% of total issued shares of the Company, in which:

(i) The bondholder has a right to convert up to 50% of the principal amount of the 2016 Convertible Bonds into the Company's shares at any time throughout the bond issue period at its sole and absolute discretion; and

(ii) The bondholder has a right to convert the remaining 50% of the principal amount of the 2016 Convertible Bonds subject to the consent of the Company.

The Company has a right to redeem the whole or part of the outstanding 2016 Convertible Bonds at 100% of the principal amount and accrued interest at any time before the maturity date by giving the bondholder not less than 14 days prior notice during the outstanding period.

On the maturity date, any of the 2016 Convertible Bonds not converted or redeemed during the tenure will be redeemed at 100% of the principal amount with accrued interest.

As a result of the Share Consolidation, the conversion price of the 2016 Convertible Bonds was adjusted from HK$0.06 per share to HK$0.3 per New Share pursuant to the terms and conditions of the 2016 Convertible Bonds. The number of shares upon conversion would be adjusted in accordance with the adjusted conversion price.

The fair value of the 2016 Convertible Bonds as a whole was HK$38,340,000 on the issue date of which the fair value of the liability portion of the 2016 Convertible Bonds was HK$38,190,000 and the equity portion was HK$150,000.

On 30 December 2016 (the "Amendment Date"), the Company and Kailuan entered into an agreement whereby the maturity date of the 2016 Convertible Bonds was extended to 2 May 2018 (the "2016 Amendment"). Other than the maturity date, all terms of the 2016 Convertible Bonds remain unchanged. In light of the terms of the 2016 Amendments, the Company reassessed the fair values of the 2016 Convertible Bonds at the Amendment Date. The fair values of the liability component and the equity component were determined at HK$36,835,000 and HK$150,000, respectively. The net effect of the 2016 Amendment was a gain of HK$2,303,000 which was recognised in the consolidated profit or loss.

29. CONVERTIBLE BONDS *(Continued)*

(A) 2016 Convertible Bonds *(Continued)*

The fair values of the liability component of the 2016 Convertible Bonds at the issue date and the Amendment Date were estimated using an equivalent market interest rate for a similar note without a conversion option. The respective residual amounts are assigned as the equity components and included in the convertible bonds reserve.

There was no conversion or redemption of the 2016 Convertible Bonds during the year ended 31 December 2016 or subsequent to the end of the reporting period.

An analysis of the liability and equity components of the 2016 Convertible Bonds on the issue date and the movements during the year ended 31 December 2016 is as follows:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
On date of issue at 2 November 2016	38,190	150	38,340
Interest expense for the year	948	—	948
Gain arising from amendment to the 2016 Convertible Bonds	(2,303)	—	(2,303)
At 31 December 2016	36,835	150	36,985

(B) 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 Pride Eagle Investment Limited and Joy Wisdom International Limited, respectively. On 31 July 2013, a supplemental deed was entered into to extend the maturity date of the Tranche 2 Bonds to 31 October 2018.

The 2008 Convertible Bonds have accrued 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. CONVERTIBLE BONDS *(Continued)*

(B) 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. 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.

As a result of the Capital Reorganisation, the conversion price was adjusted from HK$0.4 per share to HK$2.00 per New Share and the number of shares upon conversion would be adjusted in proportion to the adjusted conversion price.

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

In prior years, the Tranche 1 Bonds and part of Tranche 2 Bonds were converted into shares of the Company.

On 6 May 2016, the Tranche 2 Bonds with an aggregate carrying amount of HK$279,300,000 and a principal amount of HK$196,000,000 were converted into 490,000,000 shares of the Company, HK$49,000,000 and HK$230,300,000 were transferred from the convertible bonds reserve to share capital and the contributed surplus, respectively.

As at 31 December 2016, the Tranche 2 Bonds had a carrying amount of HK$550,050,000 (2015: HK$829,350,000) which was included in convertible bonds reserve. The principal amount was HK$386,000,000 (2015: HK$582,000,000).

If the remaining Tranche 2 Bonds as at 31 December 2016 were fully converted, it would result in the issue of 193,000,000 additional New Shares of the Company, and HK$1,930,000 would be transferred to the share capital account and the remaining HK$548,120,000 would be transferred to the contributed surplus account from the convertible bonds reserve.

30. PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2016 (2015: Nil).

31. COMMITMENTS

(a) Capital commitments

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

	2016	2015
	HK$'000	*HK$'000*
Acquisitions of plant and equipment:		
Contracted, but not provided for	**11,262**	15,632

(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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**4,290**	1,702
In the second to fifth years, inclusive	**9,569**	4,079
	13,859	5,781

32. CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities which have not been provided for in these financial statements (2015: Nil).

33. LITIGATIONS

(a) 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 for a total sum of RMB13,401,000 (equivalent to HK$16,654,000), comprising the outstanding trade payables of RMB12,729,000 (equivalent to HK$15,819,000) plus interest from the default payment of RMB672,000 (equivalent to HK$835,000). 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.

To the best knowledge of the directors, no further legal action was lodged by Tianjin Fudite up to the approval date of the financial statements and the Group is still negotiating with Tianjin Fudite for the settlement plan. In the opinion of the directors, appropriate provisions have been made to the above in the financial statements for the years ended 31 December 2016 and 2015.

(b) 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) 張家港保税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, for a sum of RMB4,318,000 (equivalent to HK$5,366,000), being the outstanding sum payable by Kanghui International to Hangzhou Relian under the Agency Agreements. The case was still outstanding as at the end of the reporting period. In the opinion of the directors, appropriate provisions have been made to the above in the financial statements for the years ended 31 December 2016 and 2015.

33. LITIGATIONS *(Continued)*

(c) The Group received notification issued by 山西省太原市人民法院 (Shanxi Province Taiyuan City Intermediate People's Court) (the "Court") dated 20 May 2016 in which 山西國際物流有限公司 (Shanxi International Logistic Co., Ltd.) ("Shanxi Logistic") commenced a legal action against 金岩和嘉. Pursuant to the statement of claim, 金岩和嘉 failed to deliver goods and failed to repay the prepayment of RMB50,000,000 (equivalent to HK$63,597,000) received from Shanxi Logistics in accordance with the cooperation agreements entered into by Shanxi Logistic and 金岩和嘉 in March 2013, on 1 April 2014 and 1 May 2015 respectively. As a result, Shanxi Logistic claimed against 金岩和嘉 to repay RMB50,000,000 (equivalent to HK$63,597,000) plus profits forgone of RMB13,928,000 (equivalent HK$16,522,000) up to 29 February 2016 as a result of non-delivery of goods by 金岩和嘉.

On 27 May 2016, 金岩和嘉, Shanxi Logistic and the Non-controlling Shareholder (as guarantor of 金岩和嘉) entered into a civil mediation agreement (the "Civil Mediation Agreement") to confirm, among others, that the sums owed by 金岩和嘉 to Shanxi Logistic amounted to RMB64,894,000 (equivalent to HK$72,931,000) as of 11 April 2016 and such sums should be repaid on or before 30 May 2016.

On 8 June 2016, 金岩和嘉, Shanxi Logistic, the Non-controlling Shareholder and the controlling owner of the Non-controlling Shareholder (collectively, the Guarantors of 金岩和嘉) entered into a settlement agreement (the "Settlement Agreement") regarding the execution of the Civil Mediation Agreement. Pursuant to the Settlement Agreement, 金岩和嘉 shall settle RMB31,000,000 (equivalent to HK$34,791,000) by instalments by 31 December 2016, and monthly instalments of RMB6,000,000 (equivalent to HK$6,734,000) from January 2017 onwards until the full settlement of the outstanding sums (including interest accrued and to be accrued thereon).

The Group has been in negotiation with Shanxi Logistic to re-arrange the payment schedule under the Settlement Agreement. To the best knowledge of the directors, no further legal action was lodged by Shanxi Logistics up to the approval date of the financial statements. In the opinion of the directors, appropriate provision has been made to the above in the financial statements for the year ended 31 December 2016.

34. 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	**2016** **HK$'000**	2015 HK$'000
With the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**782**	585
Sales of coke	*(i)*	**178,792**	202,041
Sales of by-products	*(i)*	**12,525**	25,456
Purchases of sundry materials	*(i)*	**4,968**	—
Rental expense	*(ii)*	**1,169**	1,243
With a related company which is a subsidiary of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**1,330**	892
Disposal of an available-for-sale investment	*(iii)*	**2,248**	—
With related companies which are associates of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**2,110**	3,852
Sales of sundry materials	*(i)*	**—**	61
Purchases of raw coal	*(i)*	**8,236**	—
With a related company which is held by a close family member of the beneficial owner of the Non-controlling Shareholder:			
Sales of raw coal	*(i)*	**593**	—
Purchases of refined coal	*(i)*	**31,690**	—
With a company which is owned by a member of key management personnel of the Group:			
Sales of by-products	*(i)*	**113**	—

34. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

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.

(iii) The consideration was determined with reference to the Group's investment cost.

(b) Outstanding balances with related parties

(i) Balances with the Non-controlling Shareholder at the end of the reporting period are set out in note 18 to the financial statements.

(ii) A summary of the Group's balances with other related companies is set out below.

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Trade receivables from related companies	*17*	**38,073**	40,094
Prepayments, deposits, and other receivables from related companies	*19*	**2,248**	3,582
		40,321	43,676

These related companies are affiliates of the Non-controlling Shareholder.

With respect to the balances as at 31 December 2015, the Group and the Non-controlling Shareholder entered into an indemnity agreement on 28 February 2016, pursuant to which the Non-controlling Shareholder undertook that if any amounts were not settled by the respective parties by 30 June 2016, it would settle the amounts on their behalf by monthly instalments of RMB10,000,000 after its new coking plant started operation in October 2016.

The Group and the Non-controlling Shareholder renewed the indemnity agreement on 1 March 2017 to cover the balances outstanding from affiliates of the Non-controlling Shareholder at 31 December 2016. Pursuant to the renewed indemnity agreement, the Non-controlling Shareholder undertakes that if any amounts were not settled by the respective parties by 30 June 2017, it will settle the amount on their behalf by monthly instalments of RMB10,000,000 after its new coking plant starts operation in October 2017.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties *(Continued)*

(iii) As at 31 December 2016, included in trade payables (note 21) were payables to related companies, which are affiliates of the Non-controlling Shareholder, of HK$7,687,000 (2015: Nil). Details of the terms are set out in note 21 to the financial statements.

(iv) As at 31 December 2016, included in other borrowings (note 23) were loans from a director of the Company of HK$1,907,000 (2015: 2 directors of HK$14,800,000) and a director of 金岩和嘉 of HK$3,480,000 (2015: HK$2,300,000). Details of the terms of these balances are set out in note 23 to the financial statements.

(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. 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 and in the second to fifth years as at 31 December 2016 were approximately HK$1,124,000 (2015: HK$1,194,000) and HK$2,716,000 (2015: HK$4,079,000), 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:

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,061**	3,584
Pension scheme contributions	**26**	36
	3,087	3,620

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

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2016, offsetting agreements were entered into amongst the Group, the Non-controlling Shareholder and certain creditors of the Group pursuant to which the Non-controlling Shareholder agreed to take up the obligation to settle certain trade payables and other paybles on behalf of the Group. Trade payables of HK$3,910,000 (2015: HK$269,858,000) and other payables of HK$2,819,000 (2015: Nil) were offset against the other receivables due from the Non-controlling Shareholder.

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

(c) On 31 March 2016, an agreement was signed between the Group and the Non-controlling Shareholder pursuant to which an amount due to the Non-controlling Shareholder of HK$50,201,000 was offset against other receivables due from the Non-controlling Shareholder.

(d) On 31 March 2016, agreements were signed by a customer, the Non-controlling Shareholder, and HIG, pursuant to which a deposit received from the customer of HK$69,804,000 was offset against other receivables due from the Non-controlling Shareholder.

(e) During the year ended 31 December 2016, the penalty charges and accrued interests in an amount of HK$43,277,000 due to Kailuan was satisfied by the Company issuing the 2016 Convertible Bonds with no cash flow impact.

(f) During the year ended 31 December 2016, the Group acquired an additional 2.6% equity interest in 金岩和嘉 from certain non-controlling shareholders at a cash consideration of HK$318,000. The consideration payable was included in other payable as at 31 December 2016.

(g) As detailed in note 25(b) to the financial statements, 490,000,000 ordinary shares of the Company were issued upon partial conversion of the 2008 Convertible Bonds with an aggregate principal amount of HK$196,000,000. This has no cash flow impact for the year ended 31 December 2016.

(h) As detailed in note 23, a loan balance of HK$19,000,000 was waived by the lender during the year ended 31 December 2016.

36. 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:

2016

Financial assets

	Loans and receivables *HK$'000*	Available-for-sale financial asset *HK$'000*	Total *HK$'000*
Available-for-sale investment	—	1,099	1,099
Trade receivables	61,027	—	61,027
Amount due from the Non-controlling Shareholder	168,483	—	168,483
Financial assets included in prepayments, deposits and other receivables	110,057	—	110,057
Cash and bank balances	97,931	—	97,931
	437,498	1,099	438,597

2016

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	247,162
Financial liabilities included in other payables, accruals and deposits received	182,563
Other borrowings	25,813
Convertible bonds	36,835
	492,373

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

2015

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	—	3,486	3,486
Trade receivables	48,223	—	48,223
Amount due from the Non-controlling Shareholder	213,625	—	213,625
Financial assets included in prepayments, deposits and other receivables	91,855	—	91,855
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
Other borrowings	23,426
Amount due to the Non-controlling Shareholder	50,201
	734,340

37. 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 2016

	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 investment	**1,099**	**—**	**—**	**1,099**

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 investment	1,099	—	—	1,099

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 (2015: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other borrowings, an amount due to the Non-controlling Shareholder and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and deposit and other receivables, an amount 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 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.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HK$. 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.

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

Foreign currency risk *(Continued)*

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 profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before tax *HK$'000*
2016		
If the HK$ weakens against USD	**0.5%**	**32**
If the HK$ strengthens against USD	**(0.5%)**	**(32)**

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

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.

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 and a related company, the Group had concentrations of credit risk as 73% (2015: 82%) of the Group's trade receivables was due from the Non-controlling Shareholder, and 16% (2015: 15%) of Group trade receivables was due from two related companies as at 31 December 2016.

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.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of convertible bonds 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	**3 to less than 12 months**	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
2016				
Trade payables	**190,537**	**56,625**	**—**	**247,162**
Financial liabilities included in other payables, accruals and deposits received	**180,839**	**1,724**	**—**	**182,563**
Other borrowings	**1,237**	**24,576**	**—**	**25,813**
Convertible bonds	**—**	**1,082**	**43,818**	**44,900**
	372,613	**84,007**	**43,818**	**500,438**

	On demand or less than 3 months	3 to less than 12 months	Total
	HK$'000	*HK$'000*	*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
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)*

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 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, other borrowings, an amount due to the Non-controlling Shareholder, tax payable and convertible bonds, 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:

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**247,162**	221,138
Other payables, accruals and deposits received	**372,586**	599,176
Other borrowings	**25,813**	23,426
Amount due to the Non-controlling Shareholder	**—**	50,201
Tax payable	**209**	—
Convertible bonds	**36,835**	—
Less: Cash and bank balances	**(97,931)**	(1,439)
Net debt	**584,674**	892,502
Capital – Equity attributable to owners of the parent	**244,610**	1,142
Capital and net debt	**829,284**	893,644
Gearing ratio	**71%**	100%

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:

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	182,559	123,754
CURRENT ASSETS		
Bank balances	95,845	236
CURRENT LIABILITIES		
Other payables and accruals	4,585	4,749
NET CURRENT ASSETS/(LIABILITIES)	91,260	(4,513)
TOTAL ASSETS LESS CURRENT LIABILITIES	273,819	119,241
NON-CURRENT LIABILITIES		
Amount due to subsidiaries	(253,683)	(359,612)
Convertible bonds	(36,835)	—
Total non-current liabilities	(290,518)	(359,612)
Net liabilities	(16,699)	(240,371)
DEFICIENCY IN ASSETS		
Equity attributable to owners of the parent		
Issued share capital	24,036	452,813
Reserves *(note)*	(40,735)	(693,184)
Total deficiency in assets	(16,699)	(240,371)

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$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2016	145,361	419,650	17,275	85	4,433	829,350	(2,109,338)	(693,184)
Profit for the year and total comprehensive profit for the year	—	—	—	—	—	—	13,522	13,522
Conversion of convertible bonds	—	230,300	—	—	—	(279,300)	—	(49,000)
Capital Reorganisation	—	491,777	—	—	—	—	—	491,777
Share Subscription	196,000	—	—	—	—	—	—	196,000
Lapsed share options	—	—	—	—	(848)	—	848	—
Issue of convertible bonds	—	—	—	—	—	150	—	150
At 31 December 2016	341,361	1,141,727	17,275	85	3,585	550,200	(2,094,968)	(40,735)

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 and the credit arising from the Capital Reorganisation.

(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 29 March 2017.

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