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KAISUN ENERGY GROUP LIMITED

凱順能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8203

* For identification purpose only

Annual Report **2013**



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Kaisun Energy Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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Corporate Information

Board of Directors

Executive Directors

Mr. Chan Nap Kee, Joseph
(Chairman and acting Chief Executive Officer)
Dr. Chow Pok Yu, Augustine
Mr. Yang Yongcheng

Independent Non-Executive Directors

Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

Company Secretary

Mr. Leung Lit For
Ms. Young Helen

Audit Committee

Mr. Liew Swee Yean *(Committee Chairman)*
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

Remuneration Committee

Dr. Wong Yun Kuen *(Committee Chairman)*
Mr. Chan Nap Kee, Joseph
Mr. Anderson Brian Ralph

Nomination and Corporate Governance Committee

Mr. Siu Siu Ling, Robert *(Committee Chairman)*
Mr. Liew Swee Yuen
Mr. Chan Nap Kee, Joseph

Authorised Representatives

Mr. Chan Nap Kee, Joseph
Mr. Leung Lit For

Compliance Officer

Dr. Chow Pok Yu, Augustine

Auditors

RSM Nelson Wheeler

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

21/F, Chun Wo Commercial Centre
23–29 Wing Wo Street, Central
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

UBS AG
Wing Hang Bank Limited
Bank of Communications Co., Limited
China Minsheng Banking Corp., Limited

Website

www.kaisunenergy.com

Stock Code

8203



Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years/period is set out as below:

Results

	Year ended 31 December			Period ended	Year ended
	2013	2012	2011	31 December	31 March
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>266,188</u>	<u>583,154</u>	<u>62,680</u>	<u>59,619</u>	<u>62,806</u>
(Loss)/profit before tax	<u>(200,837)</u>	(177,356)	(1,059,773)	(24,784)	449,624
Income tax credit/(expense)	<u>3,821</u>	(828)	—	(3,454)	(941)
Less: Loss/(profit) attributable to non-controlling interests	<u>29,080</u>	<u>3,983</u>	<u>12,062</u>	<u>(3,597)</u>	<u>4,010</u>
(Loss)/profit attributable to owners of the Company	<u>(167,936)</u>	<u>(174,201)</u>	<u>(1,047,711)</u>	<u>(31,835)</u>	<u>452,693</u>

Assets and Liabilities

	2013	As at 31 December			As at
		2012	2011	2010	31 March
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<u>598,176</u>	<u>884,872</u>	<u>1,187,098</u>	<u>3,870,185</u>	<u>3,764,298</u>
Total liabilities	<u>(119,271)</u>	<u>(202,749)</u>	<u>(329,886)</u>	<u>(1,383,419)</u>	<u>(1,390,922)</u>
Owners' funds	<u>477,799</u>	<u>653,764</u>	<u>821,879</u>	<u>1,730,415</u>	<u>1,642,401</u>

Chairman's Statement

Results

On behalf of the Board of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results for the year ended 31 December 2013 (the "Year"). The Group's consolidated turnover for the Year amounted to HK\$266.2 million and total comprehensive income for the Year attributable to owners of the Company amounted to HK\$(174.4) million.

Business Review

The Group currently own mining rights and interests in three mines in Tajikistan, including the Kaftar-Hona anthracite deposit, the Zeddi coal deposit and the Mienadu coal deposit, and the mining lease with right to mine the Eastern Zone of Fon Yagnob Coal Deposit in Tajikistan. In addition, the Group engages in provision of supply chain management services for mineral business.

For the year ended 31 December 2013 ("Year"), the Group generated its turnover of approximately HK\$266.2 million. The Group has two reportable segments, which are (i) provision of supply chain management services for mineral business, and (ii) production and exploitation of coal in Tajikistan.

During the Year, the business segment for provision of supply chain management services for mineral business generated turnover of approximately HK\$235.2 million, which includes Xinjiang trading in coal that started to contribute approximately HK\$31.2 million in the 4th quarter of 2013; while the production and exploitation of coal in Tajikistan generated turnover of approximately HK\$31.0 million.



Nazar-Aylok Anthracite deposit

Regarding the Tajikistan operation, total group production of coal in 2013 including the Kaftar Hona anthracite deposit, Zeddi, Mienadu and Fon Yagnob coal deposit was approximately 111,000 tonnes.



Chairman's Statement

Tengzhou Kaiyuan

During second half of the year, the Company's subsidiary started a new joint venture. Together with State Owned Enterprise "Tengzhou Liyuan Mining Company" ("Tengzhou Liyuan"), a joint venture "Tengzhou Kaiyuan Industrial Co., Ltd" ("Tengzhou Kaiyuan") was set up. The Company's subsidiary is a 70% shareholder of Tengzhou Kaiyuan while Tengzhou Liyuan is a 30% shareholder of Tengzhou Kaiyuan.

Tengzhou Kaiyuan business include design and production of mining and metallurgical machineries, as well as the equipments installment. The leading products can be generally classified into four categories: overhead man-riding devices, hydraulic and pneumatic lever devices, valve devices and belt transmission devices.

At the end of 2013, Tengzhou Kaiyuan obtained the licenses issued by National Quality Supervision Bureau, when Tengzhou Kaiyuan become qualified to manufacture and sell such products. Currently, Tengzhou Kaiyuan has 25-30 regular clients and it is expected to contribute positively to our Group in the year 2014.

Xinjiang Kaiyun

Since October 2013, the Company's subsidiary — Xinjiang Kaiyun, started its coal trade with coke production enterprises in Changji region, Xinjiang. During 2013 winter, Xinjiang Kaiyun supplied coking coal of about 30,000 tons in total, and the revenue was approximately HK\$31.2 million.

Resources and Reserves

Regarding the Resources and Reserves estimate for the Group's mining asset, there is no material change from the resource level as disclosed in Part IV of the Company's circular dated 6 October 2011.

Outlook and Prospects

Coal price in Tajikistan remain stable, with demand coming from stable customers such as cement factories, power plant. Tajikistan economy is not affected by the downturn of coal markets in other Asian countries. Weather, however, is a key factor to our production of coal and its logistic. Snow fell earlier than expected in 2013 and slowed down our development of new markets in other parts of Tajikistan other than Dushanbe.

During the meeting of Shanghai Cooperation Organisation held this September in Bishek, Xi Jinping, President of the People's Republic of China and President of Tajikistan held bilateral talks. After the meeting, intergovernmental agreement to build a gas pipeline from Turkmenistan into China through Tajikistan was signed in presence of the two presidents. It was reported that this pipeline will carry natural gas from the Turkmenistan's southern gas field through Afghanistan and Tajikistan into China's northeast Xinjiang-Uyghur Autonomous Region and the pipeline will be opened by the end of 2016. Implementation of the project will allow attraction of USD\$3 billion Chinese direct investment into the Tajik economy. Hence, the future economic and business environment between Tajikistan and China will be highly favourable.

Chairman's Statement

Tajikistan is now a member of World Trade Organization (WTO). In March 2014, a two-day conference organized by the Ministry of Economic Development and Trade of Tajikistan in cooperation with the Organization for Security and Co-operation in Europe (OSCE) Office in Tajikistan on the obligations arising from membership of Tajikistan in the WTO was held in Dushanbe. Inaugurating the conference, Ambassador Markus Mueller, Head of the OSCE Office in Tajikistan, noted that the time has come to consider the obligations Tajikistan undertook after joining the WTO. International experts will help Tajikistan fulfill these obligations, Ambassador Mueller stressed.



Bituminous Coal of the East Zeddi deposit

Speaking at the conference, Deputy Minister of Economic Development and Trade of Tajikistan, Saidrahmon Nazriyev, noted that Tajikistan had signed protocols on market access for goods with 16 countries and on market access for services with six countries; more than 100 normative legal documents have been brought into compliance with the WTO requirements and standards and new laws have been adopted.

Currently, Tajikistan has been making progress towards complying with WTO requirements.

In order to capture opportunities arising from this favourable economic and business environment, the Group will utilize our resources in Tajikistan and China, in particular Xinjiang, to enhance forthcoming business development between Central Asia Region and China. With the synergistic effect created by the Group's coal production and our Xinjiang coal logistic business, the Group is well positioned to capture greater opportunities arising from this recent economic development.

The Group also continues to seek undervalued coal projects to acquire and develop while the coal market is still at the bottom of the price cycle in order to create more future upside. The Company's current strategy is to acquire near production coal mines, partnering with the larger companies/SOEs to reap rewards from developing these coal mines.

The Group's strategy continues to be actively looking for other appropriate investment opportunities in the resources sector. Announcement(s) will be published when appropriate.



Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with our financial statements together with the accompanying notes included in this annual report. The financial statements have been prepared in accordance with International Financial Report Standards ("IFRSs") issued by the International Accounting Standards Board.

Financial Review

Turnover of the Group for the Year amounted to approximately HK\$266.2 million (for the year ended 31 December 2012: HK\$583.2 million). Turnover arising from the provision of supply chain management services for mineral business and production and exploitation of coal in Tajikistan amounted to HK\$235.2 million and HK\$31.0 million respectively.

Gross loss from the Group's operations for the Year was approximately HK\$(33.2) million (for the year ended 31 December 2012: HK\$(45.7) million). Gross loss arising from production and exploitation of coal in Tajikistan amounted to HK\$(46.7) million and gross profit from provision of supply chain management services for mineral business is approximately HK\$13.5 million.

For the Year, the total administrative and other operating expenses from the Group's operations is approximately HK\$135.2 million (for the year ended 31 December 2012: HK\$111.0 million).

For the Year, total finance costs from the Group's operations amounted to HK\$3.9 million (for the year ended 31 December 2012: HK\$33.1 million).

The Group recorded loss for the Year of approximately HK\$(197.0) million (for the year ended 31 December 2012: HK\$(178.2) million).

The total comprehensive income attributable to owners of the Company for the Year amounted to approximately HK\$(174.4) million (for the year ended 31 December 2012: HK\$(167.6) million).

Liquidity and Financial Resources

As at 31 December 2013, the Group has bank and cash balances of approximately HK\$74.6 million (as at 31 December 2012: HK\$200.4 million).

Final Dividend

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the Year (for the year ended 31 December 2012: HK\$Nil).

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.20 as at 31 December 2013 (as at 31 December 2012: 0.23).

Capital Structure

During the Year, the Company have not issue any new share.

Management Discussion and Analysis

Foreign Exchange Exposure

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Tajikistan Somoni ("TJS"), United States dollars and Renminbi ("RMB"). As at 31 December 2013, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Income Tax

Details of the Group's income tax credit/(expense) for the Year are set out in note 10 to the financial statements.

Human Resources

As at 31 December 2013, the Group had 157 (as at 31 December 2012: 112) staff in Hong Kong, China and Tajikistan. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the Year, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK\$26.0 million (for the year ended 31 December 2012: HK\$43.8 million) for the Year.

Acquisition and Disposal

Termination of Acquisition of coal trading business in Inner Mongolia — 86% equity interest in Farton Group Limited ("the Acquisition")

On 23 June 2013, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK\$50 million, which will be satisfied by the issue and allotment by the Company to the Vendor of the 250,000,000 Consideration Shares at HK\$0.2 each. In connection with the Acquisition, the Purchaser also agreed to inject an amount of HK\$50 million to Riseway for the Target Group's future operation. As certain conditions precedent under the Agreement cannot be fulfilled prior to the Long Stop Date, being 23 September 2013, the agreement was terminated accordingly.

Segment Report

The detailed segmental analysis are provided in note 37 to the financial statements.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013.

Litigation

As at 31 December 2013, the Group had no significant pending litigation.

Biography of Directors and Senior Management

Executive Directors

Mr. Chan Nap Kee, Joseph, aged 53, is the chairman and acting chief executive officer, member of remuneration committee and nomination and corporate governance committee of the Group. He was appointed as an executive director in September 2008. He received his master degree majoring in international marketing from the University of Strathclyde and a diploma in China Investment and Trade from Peking University.

Mr. Chan has close to 27 years of experience in commercial and investment banking, and asset management. From 1994 to now, Mr. Chan has been a founding partner of Oriental Patron Financial Group where he is also an executive director of Oriental Patron Asia Limited and Oriental Patron Securities Limited. Oriental Patron Asia Limited is the investment manager of OP Financial Investments Limited (Stock Code: 1140), a company listed on the Main Board of the Stock Exchange. Mr. Chan is also a non-executive director of Hainan Meilan International Airport Company Limited (Stock Code: 357), a company listed on the Main Board of the Stock Exchange since October 2007. He was appointed non-executive director of North Asia Strategic Holdings Limited (Stock Code: 8080), a company listed on the Growth Enterprise Market of the Stock Exchange, from February 2013.

He holds licenses respectively of Type 1 (dealing in securities), Type 6 (advising on corporate finance), and Type 9 (asset management) under the Securities and Futures Ordinance (cap. 571 of the Laws of Hong Kong).

Save as disclosed above, as at the date of this report, Mr. Chan did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Chan did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Chan was interested in 66,941,760 shares, representing approximately 2.56% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Chan did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Dr. Chow Pok Yu, Augustine, aged 61, was appointed as an executive director in November 2008. He is a director of Harmony Asset Limited (Stock Code: 0428), a company listed on the Stock Exchange. He is chairman of Harmony Asset Management Limited which is the investment manager of Harmony Asset Limited. He is also director of two overseas listed companies namely Celsion Corporation (AMEX: CLSN) and Medifocus Inc. (TSX Venture: MFS) respectively.

Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services, and specializes in mergers and acquisitions.

Dr. Chow holds a MSc from London Business School and PhD from University of South Australia. He also holds PhD and Engineering Doctorate from City University of Hong Kong.

Biography of Directors and Senior Management

Save as disclosed above, as at the date of this report, Dr. Chow did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Dr. Chow did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Dr. Chow did not hold any share of the Company and did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Yang Yongcheng, aged 44. He was appointed as an executive director in February 2009. He graduated from the Yikezhao League School of Finance (伊盟財經學校) in Inner Mongolia of the PRC and the China Central Radio & TV University, majoring in financial accounting. He holds an EMBA from the Zhongnan University of Economics and Law.

Mr. Yang was appointed as the chief of the finance division of Inner Mongolia Hangjinqi Materials Company (內蒙古杭錦旗物資公司) in September 1989; a manager of Eqianqi Coke-oven Plant of Inner Mongolia Yimei Group (內蒙古伊煤集團鄂前旗焦化廠) in January 2001; a deputy general manager of Inner Mongolia Mengxi Building Materials Company (內蒙古蒙西建材公司) in July 2003; the chairman of Inner Mongolia Mengxi Kaolin Co., Ltd. in August 2005; and the chairman and general manager of Inner Mongolia Mengxi Coal Limited (內蒙古蒙西煤炭有限公司) in January 2008. He has been serving as a director of the joint venture Inner Mongolia Mengxi Minerals Co., Limited since the joint venture was established in September 2008.

Mr. Yang has been involved in senior positions for corporate management for a long period of time, has profound knowledge of the human and economic development environment in the Mengxi region of Inner Mongolia of the PRC, and possesses extensive experience in corporate investment, product and market development as well as operation of minerals enterprises.

Save as disclosed above, as at the date of this report, Mr. Yang did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Yang did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Yang was interested in 100,000 shares, representing approximately 0.004% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Yang did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Biography of Directors and Senior Management

Independent Non-Executive Directors

Mr. Liew Swee Yeap, aged 50, is the chairman of audit committee and member of nomination and corporate governance committee of the Board.

Mr. Liew has over 20 years of experience in finance and general management and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong.

Save as disclosed above, as at the date of this report, Mr. Liew did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Liew did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Liew was interested in 540,000 shares, representing approximately 0.02% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Liew did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Siu Siu Ling, Robert, aged 61, is the chairman of nomination and corporate governance committee and member of audit committee. He is a sole proprietor of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an independent non-executive director of Incutech Investments Limited (Stock Code: 356), Finet Group Limited (Stock Code: 8317) and China Packaging Group Company Limited (Stock Code: 572), all of which are listed on the Hong Kong Stock Exchange. Mr. Siu was appointed as a director of MBMI Resources Inc. (TSX-V: MBR), a company listed on Toronto Stock Exchange from December 2012.

Mr. Siu holds a bachelor's degree in laws from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His main legal practice is in the field of commercial and corporate finance.

Save as disclosed above, as at the date of this report, Mr. Siu did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Siu did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Siu was interested in 540,000 shares, representing approximately 0.02% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Siu did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Biography of Directors and Senior Management

Dr. Wong Yun Kuen, aged 56, is the chairman of remuneration committee and member of audit committee. He received two B.S. degrees in Geology and Mathematics from University of Wyoming, and Master and Ph.D. degree in Geophysics from Harvard University, and was “Distinguished Visiting Scholar” in finance at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is an Adjunct Professor of Syracuse University, USA, and a member of Hong Kong Securities Institute and a life member of American Geophysical Union.

He is an executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China Sandi Holdings Limited, Climax International Company Limited, Kingston Financial Group Limited, Harmony Asset Limited, Guocang Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited, New Island Development Holdings Limited and Sincere Watch (Hong Kong) Limited.

Save as disclosed above, as at the date of this report, Dr. Wong did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Dr. Wong did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Dr. Wong was interested in 2,000,000 shares, representing approximately 0.08% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Dr. Wong did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Anderson Brian Ralph, aged 71, is the member of audit committee and remuneration committee. He holds a Bachelor of Science Degree in Metaliferous Mining Engineering from the Camborne School of Mines, the University of Exeter and a Master of Science Degree in Petroleum Reservoir Engineering from the University of London.

Mr. Anderson has more than 49 years of global experience (of which 32 years with Shell International) in the mining and energy resources industries.

During his tenure as a Chairman of Royal Dutch/Shell Group of Companies (“Shell”) in North East Asia, he was responsible for developing Shell’s future business, in particular through the formation of important strategic alliances with two of the major state-owned Chinese petroleum corporations, which have since led to multi-billion dollar investment commitments in the petroleum and petrochemicals sectors in China, including important new business opportunities in coal gasification.

Biography of Directors and Senior Management

Mr. Anderson's China experience also includes a 6-year involvement with the prestigious China Council for International Co-operation on the Environment and Development and which includes Ministerial and Vice-Ministerial level appointees from within the PRC government, and top-level international members from government and global multilateral organization and businesses. He represented the Shell's group of companies as a council member for 4 years, and has participated as a member of two taskforces involved with energy and sustainable development policy for China.

Mr. Anderson is a founding member and a director of Acura Limited, an energy marketing and consulting firm, founding member and Chairman of CleanCoalGas Limited, a firm focusing on clean coal project development, both registered in Hong Kong, and is the chairman and managing director of Anderson Energy (Hong Kong) Limited, an energy consulting firm advising corporate clients globally.

Save as disclosed above, as at the date of this report, Mr. Anderson did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Anderson did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Anderson did not hold any share of the Company, and did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Senior Management

All the executive directors of the Company are respectively responsible for various aspects of the business and operation of the Group. All executive directors are regarded as members of the senior management team of the Group.

Report of the Directors

The board ("Board") of directors ("Directors") of the Company is pleased to submit its report together with the audited consolidated financial statements ("Financial Statements") of the Company and its subsidiaries (collectively as "the Group") for the year ended 31 December 2013.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 33 to the Financial Statements.

An analysis of the Group's performance for the year ended 31 December 2013 by segments is set out in note 37 to the Financial Statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 36.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013.

Reserves

Movements in the reserves of the Group during the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2013 amounted to HK\$Nil (for the year ended 31 December 2012: HK\$Nil).

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 16 to the Financial Statements.

Share Capital

Particulars of the share capital of the Company are set out in note 29 to the Financial Statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2013 amounted to HK\$452,832,873 (as at 31 December 2012: HK\$501,383,947). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles") and no distribution shall be paid to shareholders of the Company ("Shareholders") out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

Five Years/Period Financial Summary

A summary of the published results and the assets and liabilities of the Group for each of the last five financial years/period is set out on page 4.

Report of the Directors

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 9,270,000 Shares of the Company at a total consideration of about HK\$1,203,667.

Pension Scheme

According to the legislation of Hong Kong relating to the Mandatory Provident Fund ("MPF"), with effect from 1 December 2000, the Group is required to participate in the MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HK\$1,250 for each eligible employee) as calculated under the MPF legislation.

The detailed information of the Group's pension scheme are set out in note 15 to the Financial Statements.

Shared-based Compensation Scheme

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors (including independent non-executive directors) and other employees of the Group.

Share Options Scheme

A share option scheme (the "Scheme") was adopted by the Shareholders by way of written resolutions passed on 9 December 2003. Details of the Scheme are as follows:

The principal purpose of the Scheme is to enable the Company to grant options to subscribe for Shares ("Options") to the following eligible persons as incentives or rewards for their contributions to the Group:

- (1) any full time employee or director of any member of the Group;
- (2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which the Options are offered to such part time employee; or
- (3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

Report of the Directors

There is no existing share options under the Scheme and any other share option schemes of the Company at the date of this annual report.

The total number of Shares issued and to be issued upon exercise of the Options granted to a participant ("Participant") (including both exercised or outstanding Options), being any eligible person who accepted the offer of any Option, under the Scheme in any 12-month period must not exceed 1% of the Shares in issue from time to time unless prior approval is obtained from the independent Shareholders of the Company in a general meeting. If a grant of Options to a substantial Shareholder of the Company (as defined in the Rules ("GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) or an independent non-executive director of the Company or any of their respective associates (as defined in the GEM Listing Rules) will result in the total number of the Shares issued and to be issued upon exercise of the Options granted or to be granted (including both exercised and outstanding Options) to such person in any 12-month period up to and including the proposed date of the grant exceeding 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the proposed date of such each grant, in excess of HK\$5 million, then the proposed grant of Options must be subject to Shareholders' approval in general meeting with all connected persons (as defined in the GEM Listing Rules) abstained from voting.

The Options may be exercised in accordance with the terms of the Scheme at any time during the option period. The Scheme does not require a minimum period for which the Options must be held or a performance target which must be achieved before any Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the Scheme, provided that it shall not exceed 10 years from the date on which the Option is deemed to be granted and accepted in accordance with the rules of the Scheme.

The Options will be offered for acceptance for a period of 28 days from the date on which the Options are offered to an eligible person. Upon acceptance of the Options, the eligible person shall pay HK\$1 to the Company as consideration for the grant.

The subscription price for each Share subject to and upon the exercise of the Options will be a price determined by the Board and notified to each Participant and shall be at least the highest of (i) the closing price of each Share on GEM as stated in the daily quotations sheet of Stock Exchange on the date of grant of the Options, which must be a business day; (ii) the average closing price of each Share on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the Option; and (iii) the nominal value of one Share.

The scheme will remain valid for a period of 10 years commencing from 9 December 2003 and was expired during the year.

From 1 January 2013 to the date of this report, due to resignation of employees and expiration of the Scheme, total 132,866,064 Options had forfeited and lapsed during the year under review.

Report of the Directors

Details of the Options granted under the Scheme during the year ended 31 December 2013 are as follows:

	Date of Grant	Exercise Period	No. of Options				
			Outstanding as at 31/12/2012	Grant during the Period	Exercise during the Period	Forfeited and lapsed during the Period (Note 2)	Outstanding as at 31/12/2013
Directors							
Chan Nap Kee, Joseph	9/2/2010	9/2/2010– 8/2/2013	20,056,750	—	—	(20,056,750)	—
	12/8/2011	12/8/2011– 9/12/2013	25,372,600	—	—	(25,372,600)	—
Yang Yongcheng	12/8/2011	12/8/2011– 9/12/2013	10,000,000	—	—	(10,000,000)	—
Liew Swee Yean	12/8/2011	12/8/2011– 9/12/2013	2,537,260	—	—	(2,537,260)	—
Siu Siu Ling, Robert	12/8/2011	12/8/2011– 9/12/2013	2,537,260	—	—	(2,537,260)	—
Wong Yun Kuen	12/8/2011	12/8/2011– 9/12/2013	2,537,260	—	—	(2,537,260)	—
Anderson Brian Ralph	12/8/2011	12/8/2011– 9/12/2013	2,537,260	—	—	(2,537,260)	—
		Sub-total	65,578,390	—	—	(65,578,390)	—
Employees in aggregate	12/8/2011	12/8/2011– 9/12/2013	10,000,000	—	—	(10,000,000)	—
	10/4/2012	10/4/2012– 9/12/2013	15,000,000	—	—	(15,000,000)	—
Other participants in aggregate	18/10/2010	18/10/2010– 17/10/2013	42,287,674	—	—	(42,287,674)	—
			<u>132,866,064</u>	<u>—</u>	<u>—</u>	<u>(132,866,064)</u>	<u>—</u>

Note: (1) These Options represent personal interest held by the relevant directors as beneficial owners.

(2) 132,866,064 Options forfeited and lapsed during the year under review.

Share Award Scheme

The Company adopted the Share Award Scheme on 10 May 2013 (the "Adoption Date"). The purpose of the Scheme is to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Unless terminated earlier by the Board, the Share Award Scheme operates for three years commencing on

Report of the Directors

the Adoption Date. The Committee shall not make any further award of Awarded Shares which will result in the aggregate nominal value of the Shares awarded under the Scheme exceeding ten per cent of the issued share capital of the Company at the time of such Award.

Please refer to the announcement of the Company dated 10 May 2013 for details of the Share Award Scheme.

During the year ended 31 December 2013, based on the Company's instructions, the trustee of the Share Award Scheme had purchased a total of 9,270,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$1,203,667.

During the year ended 31 December 2013, no shares were awarded to any employee or director of the Company under the Share Award Scheme.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Chan Nap Kee, Joseph (*Chairman and Acting Chief Executive Officer*)

Dr. Chow Pok Yu, Augustine

Mr. Yang Yongcheng

Independent Non-Executive Directors:

Mr. Liew Swee Yean

Mr. Siu Siu Ling, Robert

Dr. Wong Yun Kuen

Mr. Anderson Brian Ralph

According to Article 86 of the articles of association of the Company ("the Articles"), the directors shall have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the Board or, as an addition to the existing Board provided that the number of directors so appointed by the Board shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

During the year, in accordance with Article 86 of the Articles, no director will retire from office and shall then be eligible for re-election at that meeting.

According to Article 87 of the Articles, one-third of the directors for the time being (or, if the number of directors is not three (3) or a multiple of three (3), the number nearest to but not less than one-third), shall retire at each AGM by rotation, provided that every director shall be subject to retirement by rotation at least once every three (3) years. The retiring directors shall then be eligible for re-election at the AGM.

Report of the Directors

In accordance with Article 87 of the Articles, Mr. Liew Swee Yean, Dr. Wong Yun Kuen and Mr. Yang Yongcheng will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

According to Code provisions A.4.3 of Appendix 15 Corporate Governance Code and Corporate Governance Report of the GEM Listing, if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

As Dr. Wong Yun Kuen served for more than 9 years in year 2014, accordingly, his further appointment in 2014 should be subject to a separate resolution to be approved by shareholders, which will be attained by way of re-election at the AGM. Dr. Wong Yun Kuen offer himself for re-election at the AGM.

The Company has received from each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers each of the independent non-executive directors to be independent.

Directors' Service Contracts

The term of office for each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, is for a term of one year and may be extended for such period as agreed in writing by the directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as an independent non-executive director up to 7 November 2014, Mr. Siu Siu Ling Robert has been appointed as an independent non-executive director up to 31 December 2014, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2014, while Mr. Anderson Brian Ralph has been appointed as an independent non-executive director up to 22 January 2015. Save as disclosed above, none of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the directors' emoluments are set out in note 12 to the Financial Statements.

Directors' Remuneration

It is proposed that the Board be authorised to fix the directors' remuneration at the forthcoming AGM. The remuneration, including any bonus payments, housing allowance and share options, to be paid to the directors, are recommended by the remuneration committee of the Board ("Remuneration Committee") with reference to the directors' duties, responsibilities and performance and the results of the Group.

Report of the Directors

Directors' Interests in Contracts

There were no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director had a material interest, whether directly or indirectly, subsisting as at the end of the year or at any time during the year under review.

Directors' and Chief Executives' Interests And Short Positions in The Shares, Underlying Shares and Debentures of The Company or any Associated Corporations

As at 31 December 2013, the interests and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Number of Underlying Shares	Approximate percentage of the total issued Shares as at 31 December 2013
Chan Nap Kee, Joseph	Beneficial owner	66,941,760	—	2.56%
Yang Yongcheng	Beneficial owner	100,000	—	0.00%
Liew Swee Yean	Beneficial owner	540,000	—	0.02%
Siu Siu Ling, Robert	Beneficial owner	540,000	—	0.02%
Wong Yun Kuen	Beneficial owner	2,000,000	—	0.08%

Save as disclosed above, as at 31 December 2013, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is 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 any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

Report of the Directors

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

(a) As at 31 December 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Number underlying Shares (Note 3)	Total Interest	Approximate percentage of the total issued Shares as of at 31 December 2013
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	8.35%
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	8.35%
Oriental Patron Financial Group Limited ("OPFGL")	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	8.35%
Ottness Investments Limited ("OIL")	Interest of a controlled corporation	132,110,000	—	132,110,000 (Note 1)	5.05%
OP Financial Investments Limited ("OPFIL")	Interest of a controlled corporation	132,110,000	—	132,110,000 (Note 1)	5.05%
Profit Raider Investments Limited ("PRIL")	Beneficial owner	132,110,000	—	132,110,000 (Note 1)	5.05%

Notes:

1. OPFGL holds 218,490,000 Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

Of these 218,490,000 Shares, 86,380,000 Shares are held by Pacific Top Holding Limited ("PTHL"). PTHL is wholly owned by Oriental Patron Financial Services Group Limited ("OPFSG"), OPFSG is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSG are deemed to be interested in the interests held by PTHL under the SFO.

Report of the Directors

Of these 218,490,000 Shares, 132,110,000 Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 35.05% held by OIL. Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 December 2013, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

Management Contracts

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

Major Customers and Suppliers

The percentages of cost of sales and sales for the year attributable to the Group's major suppliers and customers are as follows:

Cost of sales	
— the largest supplier	29.47%
— five largest suppliers combined	77.72%
Sales	
— the largest customer	34.49%
— five largest customers combined	81.97%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

Compliance with the Code on Corporate Governance Practices

The Company has complied with most of the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2013. Details of compliance and deviation are set out in the Corporate Governance Report on pages 25 to 33.

Directors' Interest in Competing Business

None of the directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws in the Cayman Islands.

Report of the Directors

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 33 to the Financial Statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float in accordance with the GEM Listing Rules.

Events after the Reporting Period

Subsequent to the end of the reporting period, the Group does not have any significant subsequent events.

Auditors

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming AGM.

There is no change of auditors of the Company since its incorporation.

For and on behalf of the Board

Chan Nap Kee, Joseph

Chairman

Hong Kong, 26 March 2014

Corporate Governance Report

Corporate Governance Practices

The Board is committed to maintaining a high standard of corporate governance. The Board believes that sound and reasonable corporate practices are essential for the growth of the Group and for safeguarding and maximizing Shareholders interest.

The Company has adopted the code provisions ("Code Provision") set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules. The Company has complied with all applicable code provisions in the CG code throughout the FY2013, except for the following deviations:

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Since 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1. As the Company is developing its business in energy and resources sector and has recently acquired coal mining assets outside China, the Remuneration Committee is searching for the right person to take up the role of Chief Executive Officer to carry out the strategic plans and policies as established by the board of directors. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

The Code Provision A.5.6 stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. The Nomination and Corporate Governance Committee of the Company (the "Nomination Committee") would review the board composition from time to time and it considered that the board diversity is in place and therefore written policy is not required. Due to the amendment of the Listing Rules effective 1 September 2013, a board diversity policy (the "Board Diversity Policy") has been adopted in December 2013. The Board Diversity would be considered from a number of aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender.

Under Code Provision A6.7, independent non-executive directors and other non-executive directors should attend general meetings. Due to other commitment, Mr. Anderson Brian Ralph was unable to attend the annual general meeting of the Company held on 28 June 2013.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year. The Company has also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

The Board of Directors

Composition of the Board of Directors (the "Board")

As at 31 December 2013, the Board comprised seven directors, including three executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Chow Pok Yu Augustine and Mr. Yang Yongcheng and four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Mr. Chan Nap Kee Joseph is the chairman and the acting chief executive officer of the Board. One of the independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the directors are set out on pages 10 to 13 of this annual report.

Corporate Governance Report

Each of the independent non-executive directors has entered into a service contract with the Company for a term of one year, which may be extended for such period as agreed in writing between the director concerned and the Company.

There is no financial, business, family or other material or relevant relationship among the directors.

Independent Non-Executive Directors

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the independent non-executive directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and still considers that they are independent.

Role and Function of the Board

The principal role of the Board is to formulate the operational strategies and establish an internal control system together with a high standard of corporate governance to ensure proper management of the Group. The daily operational matters of the Group are delegated by the Board to the management.

Board Meetings

Seven regular Board meetings were held during the year ended 31 December 2013. The Board meetings involved the active participation of the directors either in person or through other electronic means of communication.

At least 14 days notice has been given to all directors of each of the Board meetings.

Attendance of each of the directors at Board meetings during the year ended 31 December 2013 is set out as follows:

Number of Board Meetings

Executive Directors:

Mr. Chan Nap Kee, Joseph (<i>Chairman and Acting Chief Executive Officer</i>)	7/7	100%
Dr. Chow Pok Yu, Augustine	7/7	100%
Mr. Yang Yongcheng	6/7	85.71%

Independent Non-Executive Directors:

Mr. Liew Swee Yean	7/7	100%
Mr. Siu Siu Ling, Robert	7/7	100%
Dr. Wong Yun Kuen	6/7	85.71%
Mr. Anderson Brian Ralph	5/7	71.43%
Average attendance rate		91.83%

Internal Control

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 December 2013, the Board had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial,

Corporate Governance Report

operational and compliance controls and risk management functions of the Group. The board also consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programme and budget.

Company Secretaries

All Directors have access to the advice and services to the Joint Company Secretaries, Mr. Leung Lit For and Miss Young Helen, both full time employees of the Company. Both Mr. Leung and Miss Young have confirmed that they have taken no less than 15 hours of the relevant professional training for the year ended 31 December 2013 in compliance with Rule 5.15 of the GEM Listing Rules.

Chairman and Chief Executive Officer

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

From 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1.

Remuneration Committee

Composition of the Remuneration Committee

The Company established the Remuneration Committee in March 2006. On 30 March 2012, for more effective functioning of the board, there was a redesignation of Director's role and function in order to comply with the amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited effective on 1 April 2012.

The current Remuneration Committee comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the Remuneration Committee.

Role and Function of the Remuneration Committee

In order to comply with amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the Remuneration Committee were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

The primary duties of the Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

Remuneration Policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating directors and employees in the continued pursuit of the Company's goal and objectives, the Company has adopted a share award scheme under which the Company may award Company's shares purchased to the directors/employees of the Company as award.

Corporate Governance Report

Remuneration Committee Meetings

The Remuneration Committee has held three meetings during the year ended 31 December 2013. During the meetings, the Remuneration Committee had reviewed and approved the increment in salary, housing allowance, bonus payment and share options for the executive directors and the senior management by way of resolutions passed by all committee members. However, the executive directors did not participate in determining their own remuneration.

During the year under review, the Remuneration Committee had undertaken the following duties:

- (i) approved the salary, housing allowance and bonus payment for an executive director and the senior management of the Company; and
- (ii) administered the share award scheme of the Company.

Attendance of each of the directors at the Remuneration Committee meetings for the year ended 31 December 2013 is set out as follows:

Number of Remuneration Committee Meetings	3	
Dr. Wong Yun Kuen (<i>Committee Chairman</i>)	3/3	100%
Mr. Chan Nap Kee, Joseph	3/3	100%
Mr. Anderson Brian Ralph	2/3	66.67%
Average attendance rate	88.89%	

Nomination and Corporate Governance Committee

On 30 March 2012, the Company established a Nomination and Corporate Governance Committee ("NC") with written terms of reference which deals clearly with its authorities and duties. The NC comprises three members, namely Mr. Siu Siu Ling (chairman of NC), Mr. Liew Swee Yean and Mr. Chan Nap Kee Joseph.

The primary duties of the NC is to make recommendations to the Board on appointment or reappointment of Directors, and to develop and review Group's policies and practices on corporate governance and to make recommendations to the Board.

Written terms of reference were adopted in compliance with the GEM Listing Rules, and is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

Below is the summary of the Board Diversity Policy:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

Corporate Governance Report

The Nomination Committee will report annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. It will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Attendance of each of the directors at the Nomination and Corporate Governance Committee meetings for the year ended 31 December 2013 is set out as follows:

Number of Nomination and Corporate Governance Committee Meetings	1	
Mr. Siu Siu Ling, Robert (<i>Committee Chairman</i>)	2/2	100%
Mr. Chan Nap Kee, Joseph	2/2	100%
Mr. Liew Swee Yean	2/2	100%
Average attendance rate		100%

Auditors' Remuneration

For the year ended 31 December 2013, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK\$2,590,000 and HK\$33,000 respectively.

Preparation of Accounts

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flows for the year under review. In preparing the accounts for the year ended 31 December 2013, the directors have approved adoption of all the applicable standards and interpretations of International Financial Reporting Standards ("IFRSs").

The quarterly, interim and annual results of the Company are announced in a timely manner after the end of the relevant periods.

Audit Committee

Composition of the Audit Committee

The Company established the audit committee ("Audit Committee") on 9 December 2003.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, and Mr. Liew Swee Yean is the chairman of the Audit Committee.

During the year under review, the audit committee held four meetings to review and supervise the financial reporting process. The results for the year have been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Corporate Governance Report

Role and Function of the Audit Committee

In order to comply with amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the Audit Committee were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

The Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

Audit Committee Meetings

During the year ended 31 December 2013, the Audit Committee has held four meetings to review and supervise the financial reporting process and Audit Committee has reviewed the quarterly, interim and annual results and system of internal controls. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

Attendance of each of the independent non-executive directors at the Audit Committee meetings during the year ended 31 December 2013 is set out as follows:

Number of Audit Committee Meetings	4	
Mr. Liew Swee Yean (<i>Committee Chairman</i>)	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Anderson Brian Ralph	3/4	75%
Average attendance rate		93.75%

During the year under review, the Audit Committee had undertaken the following duties:

- (i) made recommendations to the Board on the appointment, reappointment or removal of the external auditors (the "Auditors") and approved the audit fees and terms of engagement of the Auditors, or any questions of resignation or dismissal of the Auditors;
- (ii) reviewed the quarterly, interim and annual financial statements prior to recommending them to the Board for approval;
- (iii) reviewed the Auditors' management letter and the management's response thereto, and to ensure that recommendations made by the Auditors are carried out;

Corporate Governance Report

- (iv) reviewed the operation and effectiveness of the Company's financial control, internal control and risk management systems;
- (v) reviewed the appropriateness of reporting and accounting policies and disclosure practices; and
- (vi) reviewed the work of the Internal Audit Department, ensuring coordination between the Internal Audit Department and the Auditors, and reviewing and monitoring the effectiveness of the internal audit function.

During the year under review, the Board, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalize the annual review of internal control system, the Audit Committee made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The Audit Committee concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct noncompliance.

The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls as set forth in the CG Code for the year ended 31 December 2013.

The Group's financial statements for the year ended 31 December 2013 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

Continuous Professional Development for Directors, Senior Management and Staff

The Directors, senior management and staff are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors, senior management and staff to enroll in a wide range of professional development courses and seminars organised by professional bodies in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

Corporate Governance Report

According to the records maintained by the Company, the current Directors received the following training during the year ended 31 December 2013:

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Chan Nap Kee Joseph, Chairman and Acting Chief Executive Officer	Disclosure of Inside Information (29 January 2013)	Stephenson Harwood	1 hour
	Enterprise Risk Management Seminar (11 April 2013)	Weld Asia Associates	2 hours
	PES: An Innovative Approach to Process Control Systems (and Energy Management) for Mining (15 May 2013)	Schneider Electric	1 hour
	HKSI roundtable Luncheon Series — Connecting the Dots for HKEx's Strategic Plan (23 May 2013)	Hong Kong Securities and Investment Institute	1 hour
	Alternative Options for Onshore RMB (6 June 2013)	The Corporate Treasurer and Goldman Sachs Asset Management	1 hour
	Director's and Senior Management Professional Training on Legal aspects (29 August 2013)	Hainan Meilan International Airport Company Limited	8 hours
	Risk & Regulatory Reforms — Impact on Institutional Investors (10 September 2013)	Northern Trust	1 hour
	Listing Compliance Update (26 September 2013)	The Stock Exchange of Hong Kong Limited	1 hour
	Total		
Dr. Chow Pok Yu, Augustine, Executive Director	"Corporate Failure — Lessons Learned" (13 May 2013)	Hong Kong Securities and Investment Institute	3 hours
	Regulation of Leveraged Foreign Exchange Trading (27, 29 May 2013)		5 hours
	Portfolio Performance Evaluation (28 May 2013)		3 hours
	Guide to Investment in New Ventures (14 August, 13 November 2013)	Harmony Asset Limited	5 hours
	Total		
Mr. Yang Yongcheng, Executive Director	Workshop on Quality Control (7 August 2013)	Hong Kong Institute of Certified Public Accountants	4 hours
	China Tax Update (6 November 2013)		3 hours
	Total		7 hours
Mr. Liew Swee Yean, Independent non- executive director	Executive Programme for Accountants — Independent Non-Executive Directors — Practices for Accountants (5, 16, 30 October 2013)	Hong Kong Institute of Certified Public Accountants	12 hours
	Corporate Governance & Regulatory Updates (26 November 2013)	Tricor Services Limited	3 hours
	Total		15 hours

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Wong Yun Kuen, Independent non-executive director	Annual Corporate and Regulatory Update 2013	The Hong Kong Institute of Chartered Secretaries	7 hours
	Guide to Investment in New Ventures (14 August, 13 November 2013)	Harmony Asset Limited	5 hour
	Deloitte INED Series: Accounting and auditing update for a smooth year-end financial reporting process (19 November 2013)	Deloitte Touche Tohmatsu	1 hour
	Derivative Instruments (14 August 2013)	Act as trainer for Harmony Asset Limited	2 hours
	Total		15 hours
Mr. Siu Siu Ling Robert, Independent non- executive director	Civil Justice Reform Training Programme — Specialised Session Module 1: Case Management Module 2: Originating Process and Pleadings (13 March 2013) Module 4: Evidence, Trial & Appeals Module 5: Costs (22 April, 18 September 2013)	The Law Society of Hong Kong	3 hours
	Integrity and Quality Building Management (16 March 2013)		5 hours
	Professional Conduct 2013 (17 April 2013)		2 hours
	Legislative Council's Control over the Making of Subsidiary Legislation (27 April 2013)		1 hour
	The Roles and Functions of the Major Government and Quasi-Statutory Mediation Organizations in Hong Kong (20 June 2013)		2 hours
			1 hour
	Total		14 hours
Mr. Anderson Brian Ralph, Independent non-executive director	The Essence of Appreciative Leadership for a Thriving Workplace (23 October 2013)	Hong Kong Institute of Certified Public Accountants	3 hours
	Total		3 hours

Directors' Responsibility for the Financial Statements

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

The statement by the Auditors of the Company about their reporting responsibilities is set out on page 34 of this report.

Independent Auditor's Report



TO THE SHAREHOLDERS OF KAISUN ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 88, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances,

Independent Auditor's Report

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

26 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Note	2013 HK\$	2012 HK\$
Turnover	7	266,187,630	583,154,262
Cost of goods sold		(299,402,403)	(628,869,504)
Gross loss		(33,214,773)	(45,715,242)
Other income	8	44,923,570	12,527,062
Administrative and other operating expenses		(135,212,427)	(111,030,998)
Loss from operations		(123,503,630)	(144,219,178)
Finance costs	9	(3,885,965)	(33,136,501)
Impairment loss on intangible assets	18	(73,447,274)	—
Loss before tax		(200,836,869)	(177,355,679)
Income tax credit/(expense)	10	3,821,050	(827,965)
Loss for the year	11	(197,015,819)	(178,183,644)
Attributable to:			
Owners of the Company		(167,935,709)	(174,200,826)
Non-controlling interests		(29,080,110)	(3,982,818)
		(197,015,819)	(178,183,644)
Loss per share (cents)			
Basic	14	(6.42)	(6.66)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 HK\$	2012 HK\$
Loss for the year	(197,015,819)	(178,183,644)
Other comprehensive income for the year, net of tax		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(6,450,719)</u>	<u>3,614,907</u>
Total comprehensive income for the year	<u>(203,466,538)</u>	<u>(174,568,737)</u>
Attributable to:		
Owners of the Company	(174,396,941)	(167,594,346)
Non-controlling interests	<u>(29,069,597)</u>	<u>(6,974,391)</u>
	<u>(203,466,538)</u>	<u>(174,568,737)</u>

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK\$	2012 HK\$
Non-current assets			
Fixed assets	16	36,881,924	57,099,142
Goodwill	17	—	—
Intangible assets	18	59,170,432	145,890,652
Available-for-sale financial assets	19	70,814	70,837
		<u>96,123,170</u>	<u>203,060,631</u>
Current assets			
Inventories	20	2,750,581	3,515,189
Trade receivables	21	74,894,114	62,853,534
Deposits, prepayments and other receivables	22	349,808,353	407,103,834
Financial assets at fair value through profit or loss	23	—	7,889,661
Bank and cash balances	24	74,600,238	200,449,448
		<u>502,053,286</u>	<u>681,811,666</u>
Current liabilities			
Trade payables	25	16,560,429	23,014,397
Other payables and accruals	26	67,305,436	20,034,768
Current tax liabilities		1,143,975	827,965
		<u>85,009,840</u>	<u>43,877,130</u>
Net current assets		<u>417,043,446</u>	<u>637,934,536</u>
Total assets less current liabilities		<u>513,166,616</u>	<u>840,995,167</u>
Non-current liabilities			
Convertible bonds	27	—	119,915,250
Deferred tax liabilities	28	34,261,182	38,957,118
		<u>34,261,182</u>	<u>158,872,368</u>
NET ASSETS		<u>478,905,434</u>	<u>682,122,799</u>

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK\$	2012 HK\$
Capital and reserves			
Share capital	29	26,170,057	26,170,057
Reserves	31	451,629,206	627,593,917
Equity attributable to owners of the Company		477,799,263	653,763,974
Non-controlling interests		1,106,171	28,358,825
TOTAL EQUITY		478,905,434	682,122,799

Approved by the Board of Directors on 26 March 2014.

Chan Nap Kee, Joseph
Director

Dr. Chow Pok Yu, Augustine
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital	Shares held under share award scheme	Share premium	Foreign currency translation reserve	Share-based payment reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2012	26,120,057	—	1,175,425,202	(8,561,231)	29,493,943	103,801,327	(504,400,085)	821,879,213	35,333,216	857,212,429
Total comprehensive income for the year	—	—	—	6,606,480	—	—	(174,200,826)	(167,594,346)	(6,974,391)	(174,568,737)
Share-based payments	—	—	—	—	949,000	—	—	949,000	—	949,000
Share options forfeited	—	—	—	—	(5,121,586)	—	5,121,586	—	—	—
Redemption of replacement convertible bonds	—	—	—	—	—	(2,544,893)	—	(2,544,893)	—	(2,544,893)
Issue of shares on exercise of share options (note 29)	50,000	—	1,392,821	—	(367,821)	—	—	1,075,000	—	1,075,000
Changes in equity for the year	50,000	—	1,392,821	6,606,480	(4,540,407)	(2,544,893)	(169,079,240)	(168,115,239)	(6,974,391)	(175,089,630)
At 31 December 2012 and 1 January 2013	26,170,057	—	1,176,818,023	(1,954,751)	24,953,536	101,256,434	(673,479,325)	653,763,974	28,358,825	682,122,799
Total comprehensive income for the year	—	—	—	(6,461,232)	—	—	(167,935,709)	(174,396,941)	(29,069,597)	(203,466,538)
Capital injection in a subsidiary	—	—	—	—	—	—	—	—	1,816,943	1,816,943
Share options forfeited and lapsed	—	—	—	—	(24,953,536)	—	24,953,536	—	—	—
Redemption of replacement convertible bonds	—	—	—	—	—	(364,103)	—	(364,103)	—	(364,103)
Purchase of shares held under the share award scheme (note 32)	—	(1,203,667)	—	—	—	—	—	(1,203,667)	—	(1,203,667)
Transfer	—	—	—	—	—	(100,892,331)	100,892,331	—	—	—
Changes in equity for the year	—	(1,203,667)	—	(6,461,232)	(24,953,536)	(101,256,434)	(42,089,842)	(175,964,711)	(27,252,654)	(203,217,365)
At 31 December 2013	26,170,057	(1,203,667)	1,176,818,023	(8,415,983)	—	—	(715,569,167)	477,799,263	1,106,171	478,905,434

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(200,836,869)	(177,355,679)
Adjustments for:		
Depreciation	11,885,131	11,710,589
Amortisation of intangible assets	13,435,236	13,415,671
Allowance for trade receivables	1,534,806	179,722
Allowance for deposits paid	39,000,000	—
Bad debts written off	6,700,000	—
Impairment of intangible assets	73,447,274	—
Fair value loss on financial assets at fair value through profit or loss	447,735	621,496
Loss on disposal of financial assets at fair value through profit or loss	41,326	5,341
Loss on disposal of fixed assets	4,094,081	44,972
Write off of obsolete inventories	123,436	1,395,422
Write off of fixed assets	6,288,207	94,356
Equity-settled share-based payments	—	949,000
Finance costs	3,885,965	33,136,501
Interest income	(2,030,150)	(2,254,725)
Operating loss before working capital changes	(41,983,822)	(118,057,334)
Decrease in inventories	641,172	98,745
Increase in trade receivables	(15,275,386)	(62,899,275)
Decrease in deposits, prepayments and other receivables	13,295,481	292,746,720
(Decrease)/increase in trade payables	(6,453,968)	23,014,397
Increase in other payables and accruals	47,270,668	3,712,292
Cash (used in)/generated from operations	(2,505,855)	138,615,545
Interest paid	—	(339,016)
Income tax paid	(555,688)	—
Net cash (used in)/generated from operating activities	(3,061,543)	138,276,529

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK\$	2012 HK\$
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,030,150	2,254,725
Purchases of fixed assets	(3,099,850)	(45,601,912)
Additions of intangible assets	—	(132,112)
Proceeds from disposal of fixed assets	1,261,509	2,345,839
Purchases of financial assets at fair value through profit or loss	—	(13,409,848)
Net proceeds from disposal of financial assets at fair value through profit or loss	7,400,600	6,448,691
Net cash generated from/(used in) investing activities	7,592,409	(48,094,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on redemption of replacement convertible bonds	(124,165,318)	(121,880,606)
Proceeds from shares issued on exercise of share options	—	1,075,000
Capital injection by non-controlling interests to a subsidiary	1,816,943	—
Payment on share award scheme	(1,203,667)	—
Repayment of amount due to a former owner of a subsidiary	—	(67,968,035)
Net cash used in financing activities	(123,552,042)	(188,773,641)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(119,021,176)	(98,591,729)
Effect of foreign exchange rate changes	(6,828,034)	4,194,295
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	200,449,448	294,846,882
CASH AND CASH EQUIVALENTS AT END OF YEAR	74,600,238	200,449,448
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	74,600,238	200,449,448

Notes to the Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 21/F., Chun Wo Commercial Centre, 23–29 Wing Wo Street, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

(a) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of IFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. IFRS 12 has been applied retrospectively.

Notes to the Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

(c) IFRS 13 “Fair Value Measurement”

IFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. IFRS 13 has been applied prospectively.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvements with the entity and has the ability to affect those returns through power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by the other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and goodwill (Continued)

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (s) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates appropriate to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2%–4.5%
Leasehold improvements	20%–30%
Plant and machinery	9%–20%
Office equipment	15%–25%
Furniture and fixtures	10%–20%
Motor vehicles	10%–30%

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leases

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at the end of each reporting period.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Dividend, foreign exchange gain/loss and interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial liabilities and equity instruments (Continued)

Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(o) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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).

(s) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Impairment of assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Notes to the Financial Statements

For the year ended 31 December 2013

4. KEY SOURCES OF 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 discussed below.

Fixed assets and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intangible assets at the end of the reporting period was HK\$59,170,432 after impairment losses of HK\$73,447,274 was recognised during 2013. Details of the impairment losses calculation are provided in note 18 to financial statements.

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Notes to the Financial Statements

For the year ended 31 December 2013

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$, United States dollars ("US\$"), Renminbi ("RMB") and Tajikistan Somoni ("TJS"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2013, if the HK\$ had weakened 0.5 per cent against the US\$ with all other variables held constant, consolidated loss after tax for the year would have been HK\$244,743 (2012: HK\$2,130,455) lower, arising mainly as a result of the foreign exchange gain on other receivables denominated in US\$. If the HK\$ had strengthened 0.5 per cent against the US\$ with all other variables held constant, consolidated loss after tax for the year would have been HK\$244,743 (2012: HK\$2,130,455) higher, arising mainly as a result of the foreign exchange loss on other receivables denominated in US\$.

At 31 December 2013, if the HK\$ had weakened 0.5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$656,819 (2012: HK\$821,889) lower, arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in RMB. If the HK\$ had strengthened 0.5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$656,819 (2012: HK\$821,889) higher, arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in RMB.

(b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables and deposits placed with suppliers included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. As at 31 December 2013, the Group's largest trade receivables represent approximately 50% (2012: 58%) of the total trade receivables. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

Notes to the Financial Statements

For the year ended 31 December 2013

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$
At 31 December 2013				
Trade payables	16,560,429	—	—	—
Other payables and accruals	17,974,336	—	—	—
At 31 December 2012				
Trade payables	23,014,397	—	—	—
Other payables and accruals	20,034,768	—	—	—
Convertible bonds	128,182,923	—	—	—

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2013, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK\$123,298 (2012: HK\$243,859) higher, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK\$616,489 (2012: HK\$1,219,297) lower, arising mainly as a result of higher interest income on bank deposits.

(e) Categories of financial instruments at 31 December 2013

	2013 HK\$	2012 HK\$
Financial assets		
Financial assets at fair value through profit or loss designated as such upon initial recognition	—	7,889,661
Available-for-sale financial assets	70,814	70,837
Loans and receivables (including cash and cash equivalents)	499,302,705	670,406,816
Financial liabilities		
Financial liabilities at amortised cost	34,534,765	162,964,415

Notes to the Financial Statements

For the year ended 31 December 2013

5. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the input to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfer out of any of the three levels as of the date of the event or change in circumstances that ceased the transfer.

Disclosures of level in fair value hierarchy at 31 December 2013:

Description	Fair value measurement using:			Total 2013 HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Recurring fair value measurement:				
Financial assets at fair value through profit or loss	—	—	—	—
Total recurring fair value measurements	—	—	—	—

Description	Fair value measurement using:			Total 2012 HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Recurring fair value measurement:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	4,312,280	—	—	4,312,280
Listed securities in Canada	3,577,381	—	—	3,577,381
Total recurring fair value measurements	7,889,661	—	—	7,889,661

Notes to the Financial Statements

For the year ended 31 December 2013

7. TURNOVER

	2013 HK\$	2012 HK\$
Sales of goods		
— Production and exploitation of coal	30,969,363	24,364,030
— Provision of supply chain management services for mineral business	<u>235,218,267</u>	<u>558,790,232</u>
	<u>266,187,630</u>	<u>583,154,262</u>

8. OTHER INCOME

	2013 HK\$	2012 HK\$
Interest income	2,030,150	2,254,725
Net exchange gain	23,695,342	5,125,783
Compensation received	19,101,575	1,170,000
Discount on early settlement of amount due to a former owner of a subsidiary	—	3,885,459
Sundry income	<u>96,503</u>	<u>91,095</u>
	<u>44,923,570</u>	<u>12,527,062</u>

9. FINANCE COSTS

	2013 HK\$	2012 HK\$
Interest on convertible bonds	3,885,965	28,533,035
Interest on loan from a former owner of a subsidiary	—	339,016
Settlement expenses for redemption of replacement convertible bonds	<u>—</u>	<u>4,264,450</u>
	<u>3,885,965</u>	<u>33,136,501</u>

Notes to the Financial Statements

For the year ended 31 December 2013

10. INCOME TAX (CREDIT)/EXPENSE

	2013 HK\$	2012 HK\$
Current tax — Hong Kong profits tax		
Provision for the year	—	242,294
Underprovision for prior year	9,093	—
Tax reduction	(10,000)	—
Current tax — Overseas		
Provision for the year	872,605	585,671
Deferred tax (note 28)	(4,692,748)	—
	<u>(3,821,050)</u>	<u>827,965</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 31 December 2012 was calculated at 16.5% based on the assessable profit for that year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), the tax rate applicable to the subsidiaries in the PRC was 25% (2012: 25%).

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2013 HK\$	2012 HK\$
Loss before tax	<u>(200,836,869)</u>	<u>(177,355,679)</u>
Tax at the domestic income tax rate of 16.5%	(33,138,083)	(29,263,687)
Tax effect of income that is not taxable	(2,897,942)	(91,961,565)
Tax effect of expenses that are not deductible	28,145,053	118,523,643
Tax effect of tax loss not recognised	8,087,661	3,601,998
Temporary difference not recognised	24,401	—
Overprovision for current year	(73,197)	—
Tax reduction	(10,000)	—
Tax effect of utilisation of tax loss not previously recognised	(35,443)	(229,654)
Under provision for prior year	9,093	—
Effect of different tax rates of subsidiaries operating in other jurisdiction	760,155	157,230
Deferred tax	<u>(4,692,748)</u>	<u>—</u>
Income tax (credit)/expense	<u>(3,821,050)</u>	<u>827,965</u>

Notes to the Financial Statements

For the year ended 31 December 2013

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2013 HK\$	2012 HK\$
Auditor's remuneration		
Current	2,504,793	2,630,000
Under-provision for prior year	90,000	200,000
	2,594,793	2,830,000
Cost of inventories sold of supply chain management services for mineral business	221,322,501	545,421,344
Depreciation	11,885,131	11,710,589
Allowance of trade receivables	1,534,806	179,722
Allowance for deposits paid	39,000,000	—
Bad debts written off	6,700,000	—
Amortisation of intangible assets	13,435,236	13,415,671
Fair value loss on financial assets at fair value through profit or loss (designated upon initial recognition)	447,735	621,496
Write off of fixed assets	6,288,207	94,356
Write off of obsolete inventories	123,436	1,395,422
Loss on disposal of financial assets at fair value through profit or loss	41,326	5,341
Loss on disposal of fixed assets	4,094,081	44,972
Operating lease rentals in respect of land and buildings	2,642,423	889,200
Staff costs (including directors' emoluments (note 12))		
Basic salaries, bonuses, allowances and benefits in kind	25,748,299	42,648,127
Equity-settled share-based payments	—	949,000
Retirement benefits scheme contributions	216,644	172,260
Net exchange gain	(23,695,342)	(5,125,783)

Notes to the Financial Statements

For the year ended 31 December 2013

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

Name of director	Salaries, allowances and benefits in kind		Discretionary bonus	Retirement benefits scheme contributions	Total emoluments
	Fees	benefits in kind			
	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Executive directors</i>					
CHAN Nap Kee, Joseph	—	2,620,551	1,500,000	15,000	4,135,551
Dr. CHOW Pok Yu, Augustine	—	1,400,000	1,500,000	15,000	2,915,000
YANG Yongcheng	—	820,383	—	—	820,383
<i>Independent non-executive directors</i>					
LIEW Swee Yean	108,000	—	—	—	108,000
SIU Siu Ling, Robert	108,000	—	—	—	108,000
Dr. WONG Yun Kuen	108,000	—	—	—	108,000
ANDERSON Brian Ralph	108,000	—	—	—	108,000
Total for the year ended 31 December 2013	<u>432,000</u>	<u>4,840,934</u>	<u>3,000,000</u>	<u>30,000</u>	<u>8,302,934</u>

Name of director	Salaries, allowances and benefits in kind		Discretionary bonus	Retirement benefits scheme contributions	Total emoluments
	Fees	benefits in kind			
	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Executive directors</i>					
CHAN Nap Kee, Joseph	—	2,019,690	3,000,000	9,750	5,029,440
Dr. CHOW Pok Yu, Augustine	—	1,400,000	—	9,750	1,409,750
YANG Yongcheng	—	798,885	—	13,750	812,635
LI Hong (resigned on 25 September 2012)	—	1,124,125	—	11,000	1,135,125
<i>Independent non-executive directors</i>					
LIEW Swee Yean	82,500	—	—	—	82,500
SIU Siu Ling, Robert	82,500	—	—	—	82,500
Dr. WONG Yun Kuen	82,500	—	—	—	82,500
ANDERSON Brian Ralph	82,500	—	—	—	82,500
Total for the year ended 31 December 2012	<u>330,000</u>	<u>5,342,700</u>	<u>3,000,000</u>	<u>44,250</u>	<u>8,716,950</u>

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

Nil (2012: Nil) options were granted to directors under the share option scheme during the year.

Notes to the Financial Statements

For the year ended 31 December 2013

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2012: three) individuals are set out below:

	2013 HK\$	2012 HK\$
Basic salaries, bonuses, allowances and benefits in kind	4,555,000	14,757,808
Retirement benefits scheme contributions	30,000	27,000
	<u>4,585,000</u>	<u>14,784,808</u>

The emoluments of five highest paid individuals (including directors) fell within the following bands:

	2013 HK\$	2012 HK\$
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	—	1
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$5,000,001 to HK\$5,500,000	—	1
HK\$7,500,001 to HK\$8,000,000	—	1
	<u>5</u>	<u>5</u>

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: HK\$Nil).

13. DIVIDEND

No dividend has been paid or declared by the Company during the year (2012: HK\$Nil).

Notes to the Financial Statements

For the year ended 31 December 2013

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2013 HK\$	2012 HK\$
Loss for the purpose of calculating basic loss per share	<u>(167,935,709)</u>	<u>(174,200,826)</u>
Number of shares		
Issued ordinary shares at beginning of the year	2,617,005,700	2,612,005,700
Effect of exercise of options	—	4,262,295
Effect of shares held for share award scheme	<u>(1,525,205)</u>	—
Weighted average number of ordinary shares in issue less share held for share award scheme for the purpose of calculating basic loss per share	<u>2,615,480,495</u>	<u>2,616,267,995</u>

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2013.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,250 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

Notes to the Financial Statements

For the year ended 31 December 2013

16. FIXED ASSETS

	Buildings HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Total HK\$
Cost							
At 1 January 2012	10,280,161	27,900	20,811,853	1,302,003	19,660	686,753	33,128,330
Additions	10,878,700	577,160	27,336,820	1,639,260	—	5,169,972	45,601,912
Disposals	—	—	(2,020,870)	—	—	(464,419)	(2,485,289)
Written off	—	—	(48,777)	(154,348)	—	(290,644)	(493,769)
Exchange differences	4,403	—	(152,670)	(7,194)	—	(5,781)	(161,242)
At 31 December 2012 and 1 January 2013	21,163,264	605,060	45,926,356	2,779,721	19,660	5,095,881	75,589,942
Additions	657,187	298,869	974,298	334,738	7,329	827,429	3,099,850
Disposals	—	—	(5,586,256)	—	—	(2,042,485)	(7,628,741)
Written off	(33,359)	—	(10,852,942)	(1,375,580)	—	—	(12,261,881)
Exchange differences	173,702	4,600	1,164	3,911	(15)	17,662	201,024
At 31 December 2013	21,960,794	908,529	30,462,620	1,742,790	26,974	3,898,487	59,000,194
Accumulated depreciation and impairment losses							
At 1 January 2012	2,383,110	19,181	4,742,825	231,534	13,506	32,612	7,422,768
Charges for the year	1,362,048	151,265	8,876,780	467,167	4,248	849,081	11,710,589
Disposals	—	—	(89,913)	—	—	(11,610)	(101,523)
Written off	—	—	(40,263)	(68,506)	—	(290,644)	(399,413)
Exchange differences	(43,482)	—	(99,181)	(409)	—	1,451	(141,621)
At 31 December 2012 and 1 January 2013	3,701,676	170,446	13,390,248	629,786	17,754	580,890	18,490,800
Charges for the year	2,894,965	154,412	7,119,222	596,691	—	1,119,841	11,885,131
Disposals	—	—	(1,724,318)	—	—	(548,833)	(2,273,151)
Written off	(9,007)	—	(5,510,010)	(454,657)	—	—	(5,973,674)
Exchange differences	14,276	129	(36,729)	7,561	2,658	1,269	(10,836)
At 31 December 2013	6,601,910	324,987	13,238,413	779,381	20,412	1,153,167	22,118,270
Carrying amount							
At 31 December 2013	15,358,884	583,542	17,224,207	963,409	6,562	2,745,320	36,881,924
At 31 December 2012	17,461,588	434,614	32,536,108	2,149,935	1,906	4,514,991	57,099,142

Notes to the Financial Statements

For the year ended 31 December 2013

17. GOODWILL

	HK\$
Cost	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	<u>115,955,924</u>
Accumulated impairment losses	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	<u>115,955,924</u>
Carrying amount	
At 31 December 2013	<u>—</u>
At 31 December 2012	<u>—</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2013 HK\$
Production and exploitation of coal and coal processing in the Republic of Tajikistan ("Tajikistan"): Saddleback Mining Limited	<u>115,955,924</u>

The recoverable amounts of the CGUs are determined from their value in use discount cash flow method. The key assumptions for the discount cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

Notes to the Financial Statements

For the year ended 31 December 2013

18. INTANGIBLE ASSETS

	Mining rights HK\$
Cost	
At 1 January 2012	198,736,917
Additions	132,112
Exchange differences	<u>(970,328)</u>
At 31 December 2012 and 1 January 2013	197,898,701
Exchange differences	<u>(32,339)</u>
At 31 December 2013	<u>197,866,362</u>
Accumulated amortisation and impairment losses	
At 1 January 2012	38,806,258
Amortisation for the year	13,415,671
Exchange differences	<u>(213,880)</u>
At 31 December 2012 and 1 January 2013	52,008,049
Amortisation for the year	13,435,236
Impairment for the year	73,447,274
Exchange differences	<u>(194,629)</u>
At 31 December 2013	<u>138,695,930</u>
Carrying amount	
At 31 December 2013	<u>59,170,432</u>
At 31 December 2012	<u>145,890,652</u>

At 31 December 2013 and 31 December 2012, the Group's mining rights are the rights obtained by the Group for production and exploitation of three coal mines located in Tajikistan. The major content of the coal mine is anthracite and bituminous coal. The terms of the mining rights of these coal mines are from August 1997 to September 2018. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

The Group carried out reviews of the recoverable amount of its mining rights in 2013, having regard to the change in market condition. These assets are used in the Group's Exploitation of coal and coal processing segment. The review led to the recognition of an impairment loss of HK\$73,447,274 for mining rights that have been recognised in profit or loss. The recoverable amount of the mining rights has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 21.7% to 23.3%. The discount rate used when the recoverable amount of these assets was previously estimated in 2012 was 22.05%.

Notes to the Financial Statements

For the year ended 31 December 2013

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 HK\$	2012 HK\$
Unlisted equity securities, at cost	<u>70,814</u>	<u>70,837</u>

Unlisted equity securities with carrying amount of HK\$70,814 (2012: HK\$70,837) was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

20. INVENTORIES

	2013 HK\$	2012 HK\$
Raw materials, consumable goods and spare parts	2,307,263	3,515,189
Work in progress	217,910	—
Coal	<u>225,408</u>	—
	<u>2,750,581</u>	<u>3,515,189</u>

21. TRADE RECEIVABLES

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers.

An ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2013 HK\$	2012 HK\$
0–30 days	23,842,094	60,342,951
31–60 days	14,241,373	—
61–90 days	6,790,942	2,308,042
Over 90 days	<u>30,019,705</u>	<u>202,541</u>
	<u>74,894,114</u>	<u>62,853,534</u>

As at 31 December 2013, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$1,560,625 (2012: HK\$208,824).

Notes to the Financial Statements

For the year ended 31 December 2013

21. TRADE RECEIVABLES (Continued)

Reconciliation of allowance of trade receivables:

	2013 HK\$	2012 HK\$
At 1 January	208,824	29,102
Allowance for the year	1,534,806	179,722
Written off	(180,031)	—
Exchange differences	(2,974)	—
At 31 December	<u>1,560,625</u>	<u>208,824</u>

As of 31 December 2013, trade receivables of HK\$30,558,218 (2012: HK\$2,510,584) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2013 HK\$	2012 HK\$
Up to 3 months	960,154	218,043
Over 3 months	29,598,064	2,292,541
	<u>30,558,218</u>	<u>2,510,584</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2013 HK\$	2012 HK\$
HK\$	28,680,388	38,608,775
RMB	37,111,511	710,112
US\$	—	23,114,064
TJS	9,102,215	420,583
	<u>74,894,114</u>	<u>62,853,534</u>

Notes to the Financial Statements

For the year ended 31 December 2013

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2013 HK\$	2012 HK\$
Deposits placed with a securities broker	53,922,347	56,219,818
Deposits placed with suppliers	269,629,627	335,935,940
Utilities and other deposits	324,013	361,457
Prepayments	1,461,543	4,720,962
Transportation fee receivables	19,635,210	—
Other receivables	4,835,613	9,865,657
	<u>349,808,353</u>	<u>407,103,834</u>

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 HK\$	2012 HK\$
Equity securities, at fair value		
Listed in Hong Kong	—	4,312,280
Listed outside Hong Kong	—	3,577,381
	<u>—</u>	<u>7,889,661</u>

The carrying amounts of the above financial assets are designated as fair value through profit or loss on initial recognition and analysed as current assets.

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed securities are based on current bid prices.

24. BANK AND CASH BALANCES

As at 31 December 2013, the bank and cash balances of the Group denominated in RMB amounted to HK\$1,818,373 (2012: HK\$109,603,697).

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to the Financial Statements

For the year ended 31 December 2013

25. TRADE PAYABLES

An ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2013 HK\$	2012 HK\$
0–30 days	14,612,672	23,014,397
31–60 days	1,935,442	—
181–365 days	12,315	—
	<u>16,560,429</u>	<u>23,014,397</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2013 HK\$	2012 HK\$
RMB	12,901,503	—
US\$	—	23,014,397
TJS	3,658,926	—
	<u>16,560,429</u>	<u>23,014,397</u>

26. OTHER PAYABLES AND ACCRUALS

	2013 HK\$	2012 HK\$
Accruals	10,845,614	15,423,566
Other payables	7,128,722	4,611,202
Deposit received for potential disposal of subsidiaries	49,331,100	—
	<u>67,305,436</u>	<u>20,034,768</u>

Notes to the Financial Statements

For the year ended 31 December 2013

27. CONVERTIBLE BONDS

On 10 June 2008 the Group issued convertible bonds ("Bonds") with a nominal value of HK\$770,000,000 comprising 770 Bonds of HK\$1,000,000 each.

The Bonds mature on the fifth anniversary from the date of issue of the Bonds (the "Maturity Date"). Under the conditions of the Bonds, each Bond may be converted into a maximum of 1,000,000 new shares (each a "New Share") of the Company ("Conversion Cap"), subject to increase and adjustment in the manner stipulated in the conditions. If upon conversion of the Bond, the number of New Shares required to be issued by the Company would exceed the Conversion Cap, the Bond shall be converted only up to the Conversion Cap, and the unconverted amount of the Bond shall be redeemed by the Company in cash equal to 120% of the unconverted principal amount together with accrued interest ("Conversion Cap Payment"). Subject to the aforesaid, the bondholders have the right to convert the Bonds at any time prior to the Maturity Date into New Shares on and subject to the terms and conditions of the Bonds at the lower of either (a) HK\$1.30 per New Share; or (b) 100% of the average of the three lowest closing prices for a share of the Company on the Stock Exchange, or if trading in the shares of the Company is suspended and there is no closing price at the Stock Exchange on a relevant day, the last traded price reported per share on such day, during the 20 trading days period prior to the date of issue of the conversion notice (the "Variable Conversion Price") save that the lowest Variable Conversion Price shall not be less than the nominal value of the shares of the Company (the "Conversion Price"); provided that no conversion right may be exercised, to the extent that following such exercise, a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in The Code on Takeovers and Mergers and Share Repurchases ("Takeovers Code") issued by the Securities and Futures Commission of Hong Kong as being the level for triggering a mandatory general offer). Subject to the Conversion Cap, the aggregate principal amount of the Bonds together with the accrued interest shall be automatically converted to New Shares on the Maturity Date at the then prevailing Conversion Price unless such conversion will result in a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer). Interest of 1 per cent per annum is payable at the time of conversion and redemption of the Bonds. The Company is entitled to cancel and to redeem all the Bonds in whole at any point in time after the third anniversary of the date of issue of the Bonds prior to the Maturity Date at 135% of their principal amount together with accrued interest. Further details of the Bonds are set out in the circular of the Company dated 30 April 2008.

On 20 July 2009 the Company entered an agreement for variation of the terms and conditions of the Bonds ("Variation Agreement") with the bondholders. Under the Variation Agreement, the Company and the bondholders agreed that the conditions of the Bonds be amended in the following manner:

- (1) If upon the conversion of the Bonds, Conversion Cap will be exceeded, the Company will be required to issue a convertible bond ("Replacement Bonds") to the converting bondholder in principal amount equal to the Conversion Cap Payment in satisfaction of its obligation to make the Conversion Cap Payment in cash. The Replacement Bonds shall be convertible into ordinary shares of the Company ("Shares") at a fixed conversion price on and subject to the terms and conditions agreed by the Company and the bondholders under the Variation Agreement;

Notes to the Financial Statements

For the year ended 31 December 2013

27. CONVERTIBLE BONDS (Continued)

- (2) The Company shall have no right to require the early cancellation or redemption of any of the Bonds prior to the Maturity Date;
- (3) The conversion price of the Bonds shall not be less than the floor price of HK\$0.20 per Share (subject to adjustment if there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification); and
- (4) Further amendments of editorial nature that are ancillary or consequential to the above, as stipulated in the Variation Agreement.

Further details of the Variation Agreement and Replacement Bonds are set out in the circular of the Company dated 17 August 2009.

The maturity date of the Replacement Bonds is same as the Bonds. The bondholders have the right to convert at any time from issue date up to Maturity Date into Shares at a fixed conversion price at HK\$0.70 per Share. The outstanding principal amount of the Replacement Bonds together with the accrued interest (if not paid by cash on redemption at maturity or upon acceleration) shall be automatically converted to Shares upon Maturity Date unless such conversion will result a holder of the Replacement Bonds and parties acting in concert with it, taken together, will directly or indirectly control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or the public float of the shares of the Company will fall below the minimum public float requirements stipulated under the GEM Listing Rules. Interest of 3.75 per cent per annum (compounded annually) is payable (i) in conversion shares on conversion; or (ii) in cash at maturity. The Company has no right to require the early cancellation or redemption of any of the Replacement Bonds prior to the Maturity Date.

On 30 August 2012 the Company entered a Deed of Variation ("Deed") with the bondholders whereby the Company and the bondholders agreed that the terms and conditions of the Replacement Bonds as currently in force shall be amended so that the Company shall be entitled to cancel and to redeem in cash all the Replacement Bonds at any point in time prior to the Maturity Date at a redemption amount equal to the principal amount of the Replacement Bonds then outstanding together with the interest accrued thereon on the condition that a Bondholder or Bondholders together (or represented by proxy) holding not less than 51% of the aggregate principal amount of the Replacement Bonds then outstanding approve(s) such early redemption in writing or in a Bondholders' meeting. No redemption premium shall be payable by the Company.

	2013 HK\$	2012 HK\$
Beginning of the year	119,915,250	206,453,478
Interest charged	3,885,965	28,533,035
Early repayment of the Replacement Bonds during the year	<u>(123,801,215)</u>	<u>(115,071,263)</u>
Liability component at the end of the year	<u>—</u>	<u>119,915,250</u>

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27. CONVERTIBLE BONDS (Continued)

The interest charged for the year is calculated by applying an average effective interest rate of 12.69 per cent to the liability component for the year.

The directors estimate the fair value of the liability component of the Replacement Bonds at 31 December 2013 to be approximately HK\$Nil (2012: HK\$113,245,000). This fair value has been calculated by discounting the future cash flows at the market rate.

28. DEFERRED TAX

The following are the major deferred tax (liabilities) and assets recognised by the Group.

	Fair value adjustment of mining rights HK\$	Fair value adjustment of fixed assets HK\$	Total HK\$
At 1 January 2012	(39,694,186)	552,437	(39,141,749)
Exchange differences	<u>187,237</u>	<u>(2,606)</u>	<u>184,631</u>
At 31 December 2012 and 1 January 2013	(39,506,949)	549,831	(38,957,118)
Credit to profit or loss for the year (note 10)	4,692,748	—	4,692,748
Exchange differences	<u>3,368</u>	<u>(180)</u>	<u>3,188</u>
At 31 December 2013	<u>(34,810,833)</u>	<u>549,651</u>	<u>(34,261,182)</u>

At the end of the reporting period the Group has unused tax losses of HK\$32,371,607 (2012: HK\$32,566,213) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK\$32,371,607 (2012: HK\$32,566,213) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$5,835,937, HK\$21,588,506 and HK\$4,947,164 that will expire in 2014, 2015 and 2016 (2012: HK\$5,133,327, HK\$5,837,734 and HK\$21,595,152 that will expire in 2013, 2014 and 2015) respectively. Other tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	<u>10,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2012	2,612,005,700	26,120,057
Issue of shares in exercise of share options (note)	<u>5,000,000</u>	<u>50,000</u>
At 31 December 2012, 1 January 2013 and 31 December 2013	<u>2,617,005,700</u>	<u>26,170,057</u>

Notes to the Financial Statements

For the year ended 31 December 2013

29. SHARE CAPITAL (Continued)

Note:

During the year ended 31 December 2012, 5,000,000 Shares were issued in relation to share options exercised by the employees, executives, officers, directors, business consultants of the Company and the Company's subsidiaries under the share option scheme of the Company at HK\$0.215 for a total cash consideration of HK\$1,075,000. The excess of the subscription consideration received over the nominal values issued, amounted to HK\$1,025,000, was credited to the share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves).

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the Shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2013, 89.0% (2012: 90.7%) of the shares were in public hands.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK\$	2012 HK\$
Fixed assets	1,483	13,029
Investments in subsidiaries	866	1,622
Prepayments and other receivables	55,139,907	57,772,984
Amounts due from subsidiaries	429,936,046	715,852,916
Bank and cash balances	584,422	5,683,777
Accruals	(2,506,169)	(5,645,057)
Amounts due to subsidiaries	(5,357,292)	(47)
Convertible bonds	—	(119,915,250)
NET ASSETS	477,799,263	653,763,974
Share capital	26,170,057	26,170,057
Reserves (note 31(b))	451,629,206	627,593,917
TOTAL EQUITY	477,799,263	653,763,974

Notes to the Financial Statements

For the year ended 31 December 2013

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium (note c(i)) HK\$	Shares held under share award scheme HK\$	Share-based payment reserve (note c(iii)) HK\$	Convertible bonds reserve (note 3(f)) HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2012	1,175,425,202	—	29,493,943	103,801,327	(477,628,100)	831,092,372
Loss for the year	—	—	—	—	(202,927,562)	(202,927,562)
Share-based payments	—	—	949,000	—	—	949,000
Share options forfeited	—	—	(5,121,586)	—	5,121,586	—
Redemption of Replacement Bonds	—	—	—	(2,544,893)	—	(2,544,893)
Issue of shares on exercise of share options	1,392,821	—	(367,821)	—	—	1,025,000
At 31 December 2012 and 1 January 2013	1,176,818,023	—	24,953,536	101,256,434	(675,434,076)	627,593,917
Loss for the year	—	—	—	—	(174,396,941)	(174,396,941)
Share options forfeited and lapsed	—	—	(24,953,536)	—	24,953,536	—
Redemption of Replacement Bonds	—	—	—	(364,103)	—	(364,103)
Purchase of shares held under the share award scheme	—	(1,203,667)	—	—	—	(1,203,667)
Transfer	—	—	—	(100,892,331)	100,892,331	—
At 31 December 2013	1,176,818,023	(1,203,667)	—	—	(723,985,150)	(451,629,206)

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(c) to the financial statements.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(o) to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

32. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 9 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is 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.

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 or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

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

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

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise price HK\$
2009B	8 January 2009	8 January 2009–7 January 2012	0.394
2010A	11 August 2009	11 August 2009–10 August 2012	0.762
2010B	18 November 2009	18 November 2009–17 November 2012	1.184
2010C	9 February 2010	9 February 2010–8 February 2013	1.078
2010D	18 October 2010	18 October 2010–17 October 2013	0.560
2011	12 August 2011	12 August 2011–9 December 2013	0.215
2012	10 April 2012	10 April 2012–9 December 2013	0.234

Notes to the Financial Statements

For the year ended 31 December 2013

32. SHARE-BASED PAYMENTS (Continued)**Equity-settled share option scheme (Continued)**

If the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2013		2012	
	Number of share options '000	Weighted average exercise price HK\$	Number of share options '000	Weighted average exercise price HK\$
Outstanding at the beginning of the year	132,867	0.49	142,042	0.50
Granted during the year	—	N/A	15,000	0.23
Exercised during the year	—	N/A	(5,000)	0.22
Forfeited during the year	(10,000)	0.22	(19,175)	0.45
Lapsed during the year	(122,867)	0.48	—	N/A
Outstanding at the end of the year	—	N/A	132,867	0.49
Exercisable at the end of the year	—	N/A	132,867	0.49

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2012 was HK\$0.27. The options outstanding at 31 December 2012 have a weighted average remaining contractual life of 0.8 year and the exercise prices ranged from HK\$0.215 to HK\$1.184. For the year ended 31 December 2012, options were granted on 10 April 2012. The estimated fair values of the options on that date is HK\$949,000.

The fair value was calculated using the Trinomial model. The inputs into the model were as follows:

	2012
Valuation model	Trinomial model
Weighted average share price	HK\$0.233
Weighted average exercise price	HK\$0.234
Expected volatility	54.616%
Expected life	1.66 years
Risk free rate	0.202%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over 1.66 years for 2012. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Notes to the Financial Statements

For the year ended 31 December 2013

32. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

Share award scheme

On 10 May 2013, the Company adopted a share award scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including without limitation any directors) of any members of the Group (the "Selected Employees") pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The purpose of the Share Award Scheme are (i) to recognise the contributions by certain employees of any members of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 3 years from that date.

The remuneration committee of the Company for the time being, or any other sub-committee of the board of directors of the Company delegated with the power and authority to administer the Share Award Scheme ("the Committee") may from time to time cause to be paid cash or made available to the trustee of the Share Award Scheme (the "Trustee") by way of settlement or otherwise contributed by the Group to the Trust as determined by the Committee from time to time for purchase of the shares of the Company and other purposes set out in the Share Award Scheme and the trust deed entered into between the Company and the Trustee (the "Trust Deed"). The Committee from time to time instruct the Trustee in writing to purchase the shares of the Company on the Stock Exchange. Once purchased, the shares of the Company are to be held by the Trustee for the benefit of the employees under the Trust on and subject to the terms and conditions of the Share Award Scheme and the Trust Deed.

The grant of Award Shares (the "Award") to any Selected Employee is at no consideration. Where the Award is proposed to be made to any Selected Employee who is a director of the Company (including an independent non-executive director of the Company), such grant must first be approved by all members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee of the Company, by all of the other members of the remuneration committee of the Company.

Upon the Award grant to any Selected Employee, a notice will be sent to such Selected Employee (the "Grant Notice") with a copy thereof to the Trustee, setting out the number of the Awarded Shares so granted and the conditions (if any) upon which such Awarded Shares were granted. The number of Awarded Shares specified in the Grant Notice shall, subject to acceptance by the relevant Selected Employee constitute the definitive number of Awarded Shares being granted to him. Upon receipt the Grant Notice, the Selected Employee shall confirm acceptance of the Awarded Shares being granted to him by signing and returning the acceptance form attached to the Grant Notice, together with the certified copies of the identity verification documents of the Selected Employees, within 10 business days after the date of the Grant Notice (the "Acceptance Period").

Notes to the Financial Statements

For the year ended 31 December 2013

32. SHARE-BASED PAYMENTS (Continued)

Share award scheme (Continued)

The Awarded Shares shall only be vested on the Selected Employee at the end of the vesting period (if any) and on the proposed date on which the Awarded Shares are transferred by the Trustee to the Selected Employee (the "Vesting Date"). Subject to the terms and conditions of the Share Award Scheme, including the fulfillment of all vesting conditions to the vesting of the Awarded Shares on such Selected Employee as specified in the Grant Notice (if any) and the receipt of the acceptance form attached to the Grant Notice and the certified copies of the identity verification documents of the Selected Employee before the expiry of the Acceptance Period and not later than 15 business days before the proposed Vesting Date, the Company shall procure the Trustee to cause the Awarded Shares to be transferred to and such rights on the Awarded Shares be vested in such Selected Employee on the Vesting Date. The Selected Employee shall not have any interest or rights (including the right receive dividends) in the Awarded Shares prior the Vesting Date.

No further award of Awarded Shares will make which will result in the aggregate nominal value of the shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company at the time of such award. The maximum aggregate nominal value of Awarded Shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 2% of the issued share capital of the Company as at the time of such award.

No Awarded Shares was awarded during the year ended 31 December 2013 (2012: Nil).

Movements of shares held under the Share Award Scheme during the year are as follows:

	2013	
	Number of share	Amount HK\$
At 1 January	—	—
Purchased during the year	<u>9,270,000</u>	<u>1,203,667</u>
At 31 December	<u>9,270,000</u>	<u>1,203,667</u>

Notes to the Financial Statements

For the year ended 31 December 2013

33. SUBSIDIARIES

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

Name	Place of incorporation/ registration and operation	Issued and paid up capital/chartered fund	Attributable equity interest	Principal activities
Directly held				
Coastal Kingfold Finance Limited	British Virgin Islands	US\$1 Ordinary	100%	In voluntary winding up
Kaisun Energy Corporation	British West Indies	US\$1 Ordinary	100%	Investment holding
Kaisun Energy Management Ltd	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Main Logic International Ltd	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Active Million Holdings Limited [#]	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Better Business International Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
First Progressive Asia Limited	British Virgin Islands	US\$100 Ordinary	100%	Investment holding
Alpha Vision Energy Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Union Peace Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Kingdom Expo Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Bigrich Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Longfield Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
First Concept Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Indirectly held				
West Glory Development Limited [*]	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Imare Company Limited	British Virgin Islands	US\$50,000 Ordinary	100%	In voluntary winding up
Saddleback Mining Limited [*]	United Kingdom	GBP100 Ordinary	100%	Investment holding
Kaisun Mining Corporation LLC [*]	Tajikistan	TJS70,000	100%	Investment holding and exploitation of coal and coal processing
Kaisun Energy Trading Limited	Hong Kong	HK\$10,000 Ordinary	100%	Provision of supply chain management services
Wealth Platinum Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Essential Win Limited [*]	British Virgin Islands	US\$1 Ordinary	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2013

33. SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Issued and paid up capital/chartered fund	Attributable equity interest	Principal activities
Indirectly held (Continued)				
Sangghalt LLC	Tajikistan	TJS109,800	95.63%	Production and exploitation of coal and coal processing
Vuromun LLC	Tajikistan	TJS105,263	95%	Production and exploitation of coal and coal processing
Kamarob LLC*	Tajikistan	TJS4,500,000 (TJS2,000,000 paid-up)	52%	Production and exploitation of coal and coal processing
Rovat LLC	Tajikistan	TJS1,600	100%	Production and exploitation of coal
Gold Fortress Group Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Anway Enterprises Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Goodstar Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
喀什凱順國際貿易有限公司	PRC	Paid up capital RMB2,000,000	100%	Not yet commence business
新疆凱運國際貿易有限公司	PRC	Paid up capital RMB10,000,000	100%	Provision of supply chain management services
深圳凱順鴻欣貿易有限公司	PRC	Paid up capital RMB500,000	100%	Provision of supply chain management services
滕州凱源實業有限公司	PRC	Registered capital HK\$20,000,000 (Paid up capital HK\$6,016,943)	70%	Not yet commence business
Kingdom Equipment LLC	Tajikistan	TJS50,000	100%	Leasing of equipment
Union Management LLC	Tajikistan	TJS50,000	100%	Provision of management services
Kaisun Energy Logistic Limited	Hong Kong	HK\$10,000	100%	Not yet commence business
Kaisun Energy Equipment Limited	Hong Kong	HK\$10,000	100%	Investment holding
Kaisun Energy Kaiyun Limited	Hong Kong	HK\$12,000,000	100%	Not yet commence business

* On 19 December 2012, the Group entered into a conditional sale and purchase agreement ("Conditional Agreement") with an independent third party ("Buyer") to sale the entire equity interests of a group of subsidiaries. According to the Conditional Agreement, the completion of the Conditional Agreement shall be conditional upon fulfillment of the certain terms and conditions. If the conditions precedent have not been fulfilled or waived on or before 5 p.m. on 31 December 2013 ("Long Stop Date"), the Agreement shall automatically terminate. On 18 October 2013, the Group and the Buyer entered a supplementary letter to extend the Long Stop Date from 31 December 2013 to 30 June 2015 or such later date as the Group and the Buyer may agree in writing due to additional time is required for the fulfillment of certain conditions precedent under the Conditional Agreement.

According to the Conditional Agreement, a charge of the entire issued capital of Active Million Holdings Limited has been created in favour of the Buyer as security for the Group's contingent obligations as set out in the Conditional Agreement upon its termination to refund the deposit to the Buyer subject to and in accordance with the terms of the Conditional Agreement.

Notes to the Financial Statements

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33. SUBSIDIARIES (Continued)

The following table shows information of subsidiaries that have non-controlling interests (“NCI”) material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Kamarob LLC	
	Tajikistan/Tajikistan	
Principal place of business/country of incorporation	2013	2012
% of ownership interests/voting rights held by NCI	48%	48%
	HK\$	HK\$
At 31 December:		
Non-current assets	8,476,074	9,890,278
Current assets	1,467,252	5,121,481
Non-current liabilities	—	—
Current liabilities	(22,275,765)	(21,825,839)
Net liabilities	(12,332,439)	(6,814,080)
Accumulated NCI	(611,283)	27,926,902
Year ended 31 December:		
Revenue	2,294,409	7,084,885
Loss	(5,547,487)	(3,389,753)
Total comprehensive income	(5,499,487)	(3,389,753)
Loss allocated to NCI	(28,587,451)	(4,027,490)
Dividends paid to NCI	—	—
Net cash (used in)/generated from operating activities	(3,648,916)	4,306,453
Net cash used in investing activities	—	(628,612)
Net cash generated from financing activities	—	—
Net (decrease)/increase in cash and cash equivalents	(3,648,916)	3,677,841

As at 31 December 2013, the bank and cash balances of the Group’ subsidiaries in the PRC denominated in RMB amounted to HK\$1,267,820 (2012: HK\$108,216,207). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to the Financial Statements

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34. CONTINGENT LIABILITIES

At 31 December 2013, the Group did not have any significant contingent liabilities (2012: HK\$Nil).

35. LEASE COMMITMENTS

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013 HK\$	2012 HK\$
Within one year	817,141	324,817
In the second to fifth years inclusive	384,241	—
	<u>1,201,382</u>	<u>324,817</u>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

36. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year.

	2013 HK\$	2012 HK\$
Interest on Replacement Bonds charged by Pacific Top Holding Limited and Profit Raider Investments Limited	<u>3,885,965</u>	<u>28,533,035</u>

Pacific Top Holding Limited and Profit Raider Investments Limited are shareholders of the Company and are beneficially owned by ZHANG Gaobo and ZHANG Zhi Ping.

37. SEGMENT INFORMATION

The Group has two reportable segments which are production and exploitation of coal in Tajikistan and provision of supply chain management services for mineral business for the year.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include dividend income and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible bonds and derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

Notes to the Financial Statements

For the year ended 31 December 2013

37. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss, assets and liabilities:

	Provision of supply chain management services for mineral business HK\$	Production and exploitation of coal in Tajikistan HK\$	Total HK\$
Year ended 31 December 2013			
Revenue from external customers	235,218,267	30,969,363	266,187,630
Segment loss	(33,113,567)	(58,374,945)	(91,488,512)
Interest revenue	50,168	—	50,168
Depreciation and amortisation	1,495,864	23,608,909	25,104,773
Income tax expense	580,654	291,044	871,698
Additions to segment non-current assets	9,000	1,375,356	1,384,356
As at 31 December 2013			
Segment assets	374,224,482	168,148,413	542,372,895
Segment liabilities	14,278,204	11,362,569	25,640,773
	Provision of supply chain management services for mineral business HK\$	Production and exploitation of coal in Tajikistan HK\$	Total HK\$
Year ended 31 December 2012			
Revenue from external customers	558,790,232	24,364,030	583,154,262
Segment profit/(loss)	1,509,348	(52,341,265)	(50,831,917)
Interest revenue	2,309	—	2,309
Depreciation and amortisation	189,998	24,739,188	24,929,186
Income tax expense	242,294	585,671	827,965
Additions to segment non-current assets	759,990	39,541,879	40,301,869
As at 31 December 2012			
Segment assets	454,730,099	191,726,116	646,456,215
Segment liabilities	26,108,668	4,954,579	31,063,247

Notes to the Financial Statements

For the year ended 31 December 2013

37. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2013 HK\$	2012 HK\$
Revenue		
Total revenue of reportable segments	<u>266,187,630</u>	<u>583,154,262</u>
Consolidated revenue	<u><u>266,187,630</u></u>	<u><u>583,154,262</u></u>
Profit or loss		
Total profit or loss of reportable segments	<u>(91,488,512)</u>	(50,831,917)
Impairment loss on intangible assets	<u>(73,447,274)</u>	—
Deferred tax	<u>4,692,748</u>	—
Unallocated corporate income	<u>21,582,584</u>	5,828,824
Unallocated corporate expense	<u>(58,355,365)</u>	<u>(133,180,551)</u>
Consolidated loss for the year	<u><u>(197,015,819)</u></u>	<u><u>(178,183,644)</u></u>
Assets		
Total assets of reportable segments	<u>542,372,895</u>	646,456,215
Available-for-sale financial assets	<u>70,814</u>	70,837
Financial assets at fair value through profit or loss	<u>—</u>	7,889,661
Unallocated corporate assets	<u>55,732,747</u>	<u>230,455,584</u>
Consolidated total assets	<u><u>598,176,456</u></u>	<u><u>884,872,297</u></u>
Liabilities		
Total liabilities of reportable segments	<u>25,640,773</u>	31,063,247
Convertible bonds	<u>—</u>	119,915,250
Deferred tax liabilities	<u>34,261,182</u>	38,957,118
Unallocated corporate liabilities	<u>59,369,067</u>	<u>12,813,883</u>
Consolidated total liabilities	<u><u>119,271,022</u></u>	<u><u>202,749,498</u></u>

Notes to the Financial Statements

For the year ended 31 December 2013

37. SEGMENT INFORMATION (Continued)

Geographical information:

Revenue

	2013 HK\$	2012 HK\$
Tajikistan	30,969,363	24,364,030
Hong Kong	—	307,347,016
The PRC except Hong Kong	162,345,790	103,986,672
Brunei	72,872,477	147,456,544
Consolidated total	<u>266,187,630</u>	<u>583,154,262</u>

Non-current assets

	2013 HK\$	2012 HK\$
Hong Kong	389,353	583,022
Tajikistan	88,726,813	195,952,257
The PRC except Hong Kong	7,007,004	6,525,352
Consolidated total	<u>96,123,170</u>	<u>203,060,631</u>

In presenting the geographical information, revenue is based on the locations of the customers.

	2013 HK\$	2012 HK\$
Provision of supply chain management services for mineral business		
Customer a	—	234,309,466
Customer b	50,904,060	89,088,512
Customer c	—	73,037,550
Customer d	91,799,184	24,710,112
Customer e	<u>39,308,160</u>	<u>63,893,760</u>

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014.