HUSCOKE RESOURCES HOLDINGS LIMITED

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

Environment

Energy

Technology

Interim Report 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Xu Guang *(Chairman and Chief Executive Officer)*
Mr. Wong Siu Hung, Patrick (FHKIoD) *(General Manager)*

Non-Executive Director

Mr. Huang Man Yem

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Li Chi Chung

COMPANY SOLICITORS

In Hong Kong

Michael Li & Co.

In Bermuda

Appleby Spurling Hunter

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS (IN ALPHABETICAL ORDER)

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

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

Tricor Secretaries Limited
Level 22 Hopewell Centre
183 Queen's Road East
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In Bermuda

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HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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REGISTERED OFFICE

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22 Victoria Street
Hamilton HM12
Bermuda

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "Board") of directors (the "Directors") of Huscoke Resources Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Reporting Period") together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**601,670**	261,280
Cost of sales		**(505,744)**	(207,256)
Gross profit		**95,926**	54,024
Other income and gains	*4*	**29,623**	9,726
Selling and distribution costs		**(60,840)**	(335)
Administrative expenses		**(25,178)**	(26,676)
Finance costs	*5*	**(3,199)**	(315)
Other operating expenses		**—**	(19,397)
Reversal of impairment loss in respect of property, plant and equipment	*10*	**99,222**	—
Profit before tax	*6*	**135,554**	17,027
Income tax expense	*7*	**(349)**	(7,421)
Profit for the period		**135,205**	9,606

	Notes	For the six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Profit for the period attributable to:			
Owners of the parent		**121,211**	7,443
Non-controlling interests		**13,994**	2,163
		135,205	9,606
Earnings per share	9		
Basic		**HK4.67 cents**	HK0.62 cents
Diluted		**HK4.53 cents**	HK0.62 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**135,205**	9,606
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
— Exchange differences arising on translation of foreign operation	**7,234**	(4,026)
Total comprehensive income for the period	**142,439**	5,580
Total comprehensive income for the period attributable to:		
Owners of the parent	**127,847**	3,649
Non-controlling interests	**14,592**	1,931
	142,439	5,580

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	At 30 June 2017 (Unaudited) HK$'000	At 31 December 2016 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**495,274**	412,849
Available-for-sale investments		**1,099**	1,099
Total non-current assets		**496,373**	413,948
CURRENT ASSETS			
Inventories		**45,980**	55,120
Trade and bill receivables	12	**81,418**	61,027
Amount due from the Non-controlling Shareholder	13	**185,584**	168,483
Prepayments, deposits and other receivables	14	**276,282**	151,800
Tax recoverable		**6,746**	6,958
Cash and bank balances		**85,719**	97,931
Total current assets		**681,729**	541,319
CURRENT LIABILITIES			
Trade payables	15	**216,526**	247,162
Other payables, accruals and deposits received	16	**486,562**	372,586
Other borrowings	17	**19,813**	25,813
Convertible bonds	18	**39,787**	—
Tax payable		**209**	209
Total current liabilities		**762,897**	645,770
NET CURRENT LIABILITIES		**(81,168)**	(104,451)
TOTAL ASSETS LESS CURRENT LIABILITIES		**415,205**	309,497

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2017

	Notes	At 30 June 2017 (Unaudited) HK$'000	At 31 December 2016 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Deferred income	16	**5,161**	5,057
Convertible bonds	18	**—**	36,835
Total non-current liabilities		**5,161**	41,892
NET ASSETS		**410,044**	267,605
EQUITY			
Equity attributable to the owners of parent			
Share capital	19	**25,966**	24,036
Reserves		**346,491**	220,574
		372,457	244,610
Non-controlling interests		**37,587**	22,995
TOTAL EQUITY		**410,044**	267,605

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2017

		Attributable to owners of the parent												
		Issued share capital	Share premium	Contributed surplus	Special reserve	Other reserve	Share option reserve	Exchange fluctuation reserve	Capital redemption reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total
	Notes	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016		452,813	145,361	419,650	18,236	–	4,433	93,788	85	829,350	(1,962,574)	1,142	10,202	11,344
Profit for the period		–	–	–	–	–	–	–	–	–	7,443	7,443	2,163	9,606
Other comprehensive income for the period:														
Exchange differences on translation of foreign operation		–	–	–	–	–	–	(3,794)	–	–	–	(3,794)	(232)	(4,026)
Total comprehensive income for the period		–	–	–	–	–	–	(3,794)	–	–	7,443	3,649	1,931	5,580
Conversion of convertible bonds	*18*	49,000	–	230,300	–	–	–	–	–	(279,300)	–	–	–	–
Capital reorganisation	*19*	(491,777)	–	491,777	–	–	–	–	–	–	–	–	–	–
At 30 June 2016 (unaudited)		10,036	145,361	1,141,727	18,236	–	4,433	89,994	85	550,050	(1,955,131)	4,791	12,133	16,924
At 1 January 2017		**24,036**	**341,361**	**1,141,727**	**18,236**	**(9,788)**	**3,585**	**81,231**	**85**	**550,200**	**(1,906,063)**	**244,610**	**22,995**	**267,605**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**121,211**	**121,211**	**13,994**	**135,205**
Other comprehensive income for the period:														
Exchange differences on translation of foreign operation		**–**	**–**	**–**	**–**	**–**	**–**	**6,636**	**–**	**–**	**–**	**6,636**	**598**	**7,234**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**6,636**	**–**	**–**	**121,211**	**127,847**	**14,592**	**142,439**
Conversion of convertible bonds	*18*	**1,930**	**–**	**548,120**	**–**	**–**	**–**	**–**	**–**	**(550,050)**	**–**	**–**	**–**	**–**
Lapsed share options	*20*	**–**	**–**	**–**	**–**	**–**	**(1,076)**	**–**	**–**	**–**	**1,076**	**–**	**–**	**–**
At 30 June 2017 (unaudited)		**25,966**	**341,361**	**1,689,847**	**18,236**	**(9,788)**	**2,509**	**87,867**	**85**	**150**	**(1,783,776)**	**372,457**	**37,587**	**410,044**

Note: The contributed surplus represents the excess of the value of shares converted upon conversion of the 2008 Convertible Bonds (as defined in note 18 to the condensed consolidated interim financial statements) over the nominal amount of the ordinary shares issued pursuant to section 40(1) of the Bermuda Companies Act 1981.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from/(used in) operating activities	**47,329**	(21,535)
Net cash flows used in investing activities	**(59,421)**	(542)
Net cash flows (used in)/from financing activities	**(247)**	20,872
Net decrease in cash and cash equivalents	**(12,339)**	(1,205)
Cash and cash equivalents at 1 January	**97,931**	1,439
Effect of foreign currency rate changes, net	**127**	2,069
Cash and cash equivalents at 30 June	**85,719**	2,303
Analysis of the balances of cash and cash equivalent		
Cash and bank balances	**85,719**	2,303

1. Basic of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Statements do not include all of the information required for annual financial statements and thereby should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016 (the "2016 Annual Report").

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company and were approved for issue on 31 August 2017.

The financial information relating to the financial year ended 31 December 2016 that is included in the Interim Financial Statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. In the auditor's report dated 29 March 2017, the auditor expressed an unqualified opinion on those financial statements but included an emphasis of matter paragraph drawing attention to conditions which indicated the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

At 30 June 2017, the Group's net current liabilities were HK$81,168,000 (at 31 December 2016: HK$104,451,000). The Group is dependent upon the financial support from the controlling shareholder and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments.

The Directors have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months and to meet its obligations, as and when they fall due, having regard to the following during and subsequent to the Reporting Period:

(a) The management has used the best endeavour in improving the Group's operating performance to attain positive operating cash flow. The Group's operation has gradually recovered in light of an improved market demand for coke production in the PRC during the Reporting Period. A gross profit of HK$95,926,000 (2016: HK$54,024,000) and a net profit excluding the reversal of impairment loss in respect of property, plant and equipment of HK$35,983,000 (2016: HK$9,606,000) were recorded for the Reporting Period. The Directors of the Company believe that the recovery momentum will continue and the operation will contribute positive cash inflows to the Group in the foreseeable future.

1. **Basic of preparation** *(continued)*

(b) On 15 March 2017, the Group secured agreements with the lenders of other borrowings and certain creditors to waive a total amount of HK$7,132,000, comprising a total principal amount of other borrowings of HK$6,000,000; accrued interests of HK$632,000; and other payables of HK$500,000. One of the lenders has agreed to waive interest charged on the loan balance from 1 January 2017 onwards. It was further agreed that a portion of the remaining balance of other borrowings and payables to these creditors of HK$4,417,000 is to be settled by cash; while another portion of HK$18,538,000 is to be settled by cash or by issue of new shares or securities of the Company on or before 1 July 2017 subject to further agreement among the parties.

(c) Further to note (b) above, on 27 July 2017, the Group secured a supplementary agreement with each of the lenders of other borrowings and certain creditors to extend the settlement deadline to 31 December 2017. Up to the date of this report, no agreement in relation to any issue of new shares or securities has been entered into. The Group is negotiating with these lenders and creditors on details of the settlement arrangement. In the opinion of the Directors, the conclusion of the arrangement is forthcoming.

(d) The convertible bonds of HK$39,787,000, which mature in May 2018, were reclassified from the non-current liabilities to the current liabilities as at 30 June 2017. If the reclassification effect was excluded, the net current liabilities could be further improved from HK$81,168,000 to HK$41,381,000 as at 30 June 2017.

Consequently, the Interim Financial Statements have been prepared on a going concern basis.

2. **Significant Accounting Policies**

The accounting policies used in preparing the Interim Financial Statements are consistent with those used in the Group's 2016 Annual Report, except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "new and revised HKFRSs") issued by HKICPA which have become effective in this Reporting Period as detailed in note 2 of the 2016 Annual Report. The adoption of such new and revised HKFRSs has no material impact on the accounting policies in the Group's Interim Financial Statements for the Reporting Period.

3. Revenue and segment information

The Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the Reporting Period.

Business segments

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

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

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

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

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

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

3. Revenue and segment information *(continued)*

Segment revenue and results

For the six months ended 30 June 2017

	Coke Trading (Unaudited) *HK$'000*	Coal-related ancillary (Unaudited) *HK$'000*	Coke Production (Unaudited) *HK$'000*	Eliminations (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue					
— external sales	—	47,752	553,918	—	601,670
— intersegment sales	—	129,630	—	(129,630)	—
Other income	—	22,463	—	—	22,463
Total	—	199,845	553,918	(129,630)	624,133
Segment results	—	13,353	44,779	(583)	57,549
Interest income and sundry income					7,160
Corporate administrative expenses					(25,178)
Unallocated finance costs					(3,199)
Reversal of impairment loss in respect of property, plant and equipment					99,222
Profit before tax					135,554
Income tax expense					(349)
Profit for the period					135,205

3. Revenue and segment information *(continued)*

Segment revenue and results *(continued)*
For the six months ended 30 June 2016

	Coke Trading (Unaudited) *HK$'000*	Coal-related ancillary (Unaudited) *HK$'000*	Coke production (Unaudited) *HK$'000*	Eliminations (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue					
— external sales	—	46,825	214,455	—	261,280
— intersegment sales	—	78,779	—	(78,779)	—
Other income	1,036	8,653	—	—	9,689
Total	1,036	134,257	214,455	(78,779)	270,969
Segment results	1,036	27,977	14,968	—	43,981
Interest income and sundry income					37
Corporate administrative expenses					(26,676)
Unallocated finance costs					(315)
Profit before tax					17,027
Income tax expense					(7,421)
Profit for the period					9,606

4. Other income and gains

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**8**	—
Commission income	**—**	1,036
Government subsidies	**22,463**	8,653
Gain on debt restructuring	**7,132**	—
Sundry income	**20**	37
	29,623	9,726

5. Finance costs

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings repayable within five years	**247**	315
Interest expenses on convertible bonds repayable within five years	**2,952**	—
	3,199	315

6. Profit before tax

Profit before tax has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**505,744**	207,256
Depreciation	**30,583**	33,007
Operating lease payments in respect of leasehold interests in land and rented properties	**1,302**	617
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**28,614**	24,209
Pension scheme contributions	**110**	55
	28,724	24,264
Reversal of impairment loss in respect of property, plant and equipment	**(99,222)**	—

7. Income tax expense

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	—
Current — Elsewhere	**349**	7,421
	349	7,421

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2017 as there is no assessable profit for the Reporting Periods.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

8. Dividend

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

9. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the Reporting Period.

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**121,211**	7,443
Weighted average number of ordinary shares in issue	**2,596,625,258**	1,196,625,258
Basic earnings per share	**HK 4.67 cents**	HK 0.62 cents

9. Earnings per share *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised of convertible bonds.

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**121,211**	7,443
Add: Interest expense on convertible bonds *(HK$'000)*	**2,952**	—
Profit attributable to equity holders of the Company for diluted earnings per share *(HK$'000)*	**124,163**	7,443
Weighted average number of ordinary shares in issue	**2,596,625,258**	1,196,625,258
Adjustments for convertible bonds	**144,256,976**	—
Weighted average number of ordinary shares for diluted earnings per share	**2,740,882,234**	1,196,625,258
Diluted earnings per share	**HK 4.53 cents**	HK 0.62 cents

10. Property, plant and equipment

	Land and Buildings HK$'000	Furnaces and infrastructure HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 January 2017	351,586	462,339	524,451	69,370	—	842	45,484	1,454,072
Additions	—	89	327	281	1,910	114	1,506	4,227
Write-off	—	—	—	(3,670)	—	—	—	(3,670)
Exchange realignment	7,212	9,455	10,763	1,366	—	—	909	29,705
At 30 June 2017	358,798	471,883	535,541	67,347	1,910	956	47,899	1,484,334
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2017	112,149	415,278	404,381	68,218	—	786	40,411	1,041,223
Provided for the period	3,547	8,871	16,419	199	505	2	1,040	30,583
Reversal of impairment loss	—	(99,222)	—	—	—	—	—	(99,222)
Write-off	—	—	—	(3,643)	—	—	—	(3,643)
Exchange realignment	2,357	7,039	8,558	1,344	—	1	820	20,119
At 30 June 2017	118,053	331,966	429,358	66,118	505	789	42,271	989,060
NET CARRYING AMOUNTS								
At 30 June 2017	240,745	139,917	106,183	1,229	1,405	167	5,628	495,274
At 31 December 2016	239,437	47,061	120,070	1,152	—	56	5,073	412,849

11. Impairment test on property, plant and equipment

For the purpose of impairment testing, property, plant and equipment have been allocated to two cash-generating units, being the coal-related ancillary segment and coke production segment. The carrying amounts of property, plant and equipment as at 30 June 2017 and 31 December 2016 allocated to these units are as follows:

	At 30 June 2017 (Unaudited) ***HK$'000***	At 31 December 2016 (Audited) *HK$'000*
Coal-related ancillary segment	**343,359**	361,280
Coke production segment	**99,222**	—
Unallocated	**52,693**	51,569
	495,274	412,849

Coal-related ancillary cash-generating unit

The recoverable amounts of the coal-related ancillary cash-generating unit as at 30 June 2017 and 31 December 2016 were determined based on a value in use calculation using cash flow projections based on financial budgets covering a 11.5-year period (2016: 12-year period) which is assessed and approved by senior management with reference to the physical conditions of property, plant and equipment at the current status and the expected obsolescence and retirement based on prior year experience. The discount rate applied to the cash flow projections was 14.1% (2016: 14.1%).

Key assumptions were used in the value in use calculation of the coal-related ancillary cash-generating unit as at 30 June 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

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

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

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

11. Impairment test on property, plant and equipment *(continued)*

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

Based on the results from the discounted cash flows, the recoverable amounts of the coal-related ancillary segment as at 30 June 2017 and 31 December 2016 were approximately HK$507,507,000 and HK$556,225,000 respectively. The directors were of the view that no additional impairment was required for items of property, plant and equipment in the coal-related ancillary segment as at 30 June 2017 and 31 December 2016.

Coke production cash-generating unit

The recoverable amounts of the coke production cash-generating unit as at 30 June 2017 and 31 December 2016 were determined based on a value in use calculation using cash flow projections based on financial budgets covering a 8.5-year period (2016: 9-year period) which is assessed and approved by senior management with reference to the physical conditions of property, plant and equipment at the current status and the expected obsolescence and retirement based on prior year experience. The discount rate applied to the cash flow projections was 14.1% (2016: 14.1%).

Key assumptions were used in the value in use calculation of the coke production cash-generating unit as at 30 June 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Budgeted manufacturing capacity utilisation rate — The rate is determined on the basis of the average actual utilisation rate achieved in prior years, stabilized within the manufacturing facility's designed capacity level for expected revival and improvement in market.

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

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

Based on the results from the discounted cash flows, the recoverable amounts of the coke production segment as at 30 June 2017 and 31 December 2016 were approximately HK$99,222,000 and HK$21,528,000 respectively. The directors noticed that the recoverable amount as at 31 December 2016 was already slightly higher than the carrying value at the time due to the coal market recovery in 2016. However, the directors preferred to observe the recovery trend for a while and did not reverse the previously impaired value of the segment as the market rebounded for around six months only since the second half 2016.

11. Impairment test on property, plant and equipment *(continued)*

Coke production cash-generating unit *(Continued)*

For the first half 2017, China reported economic growth data that topped market expectations. It eased concerns of economic slowdown and resulted in increase in domestic infrastructure spending and steel demand. The growing steel production and consumption in turn boosted the demand for metallurgical coke, which provided a solid foundation for the metallurgical coke price staying strong. The directors were of the view that the coal market upward trend will be sustainable and solid. The previous unfavorable market conditions that led to impairment of coke production segment were no longer applicable to the current circumstance. The growth in revenue and the remarkable improvement in profitability of the Group is a solid support to the directors' point of view. As a result, the directors believed that a reversal of impairment loss in respect of coke production segment equivalent to the recoverable amount of HK$99,222,000 as at 30 June 2017 fairly reflected the current market value of the segment.

12. Trade and bill receivables

	Group	
	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
	HK$'000	*HK$'000*
Bills receivable	**1,262**	—
Trade receivable	**277,720**	243,703
Trade receivables from related companies	**41,358**	38,073
Impairment	**(53,338)**	(52,266)
	267,002	229,510
Less: Trade receivables due from the Non-controlling Shareholder	**(185,584)**	(168,483)
	81,418	61,027

Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The Directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 30 June 2017, approximately 70% (31 December 2016: 73%) of the Group's trade receivables was due from one customer, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances due from customers other than the Non-controlling Shareholder (Note 13). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

12. Trade and bill receivables *(continued)*

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

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

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Within 3 months	**219,840**	19,945
3 to 4 months	**5,735**	2,712
Over 4 months	**41,427**	206,853
	267,002	229,510

13. Amount due from the Non-controlling Shareholder

	Notes	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 12)*	*(i), (iii)*	**185,584**	168,483
Other receivables from the Non-controlling Shareholder	*(ii), (iii)*	**192,984**	107,756

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2016: 120 days), which are similar to those granted to major trading customers of the Group.

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

13. Amount due from the Non-controlling Shareholder *(continued)*

Note: (continued)

(iii) With respect to items mentioned in notes (i) and (ii), the Group and the Non-controlling Shareholder entered into a repayment agreement on 28 February 2016, pursuant to which the Non-controlling Shareholder committed to repay the balances due to the Group by monthly instalments of RMB50,000,000 from October 2016 onwards after its new coking plant started operation, and that the entire amount would be settled within 12 months.

Furthermore, an asset pledge agreement was provided by the Non-controlling Shareholder on 29 February 2016 whereby certain property, plant and equipment with a value of HK$1,347,000,000 as at 29 February 2016, were pledged to the Group to secure the repayment of the balances due from the Non-controlling Shareholder and an aggregate amount due from affiliates of the Non-controlling Shareholder.

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

Due to strategic changes of the corporate plan, the Non-controlling Shareholder transferred the ownership of the pledged property, plant and equipment to an affiliate of the Non-controlling Shareholder. In June 2017, the Group, Non-controlling Shareholder and the affiliate of the Non-controlling Shareholder entered into a new asset pledge agreement to replace the original asset pledge agreement signed in March 2017. Pursuant to the new asset pledge agreement, the affiliate of the Non-controlling Shareholder agrees to pledge the property, plant and equipment, which were transferred from the Non-controlling Shareholder, to the Group to cover the same trade and other receivables due from the Non-controlling Shareholder of HK$276,239,000 and an aggregate amount due from affiliates of the Non-controlling Shareholder of HK$40,321,000 at 31 December 2016.

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

14. Prepayments, deposits and other receivables

	Note	At 30 June 2017 (Unaudited) HK$'000	At 31 December 2016 (Audited) HK$'000
Other receivables due from the Non-controlling Shareholder	*13*	**192,984**	107,756
Prepayments and other receivables due from a related company		**1,710**	2,248
Prepayments, deposits and other receivables due from other parties	*(i)*	**100,451**	60,280
		295,145	170,284
Impairment	*(ii)*	**(18,863)**	(18,484)
		276,282	151,800

Note:

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

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

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

	HK$'000
At 1 January 2016	7,587
Impairment loss recognised	12,206
Impairment loss reversed	(409)
Exchange realignment	(900)
At 31 December 2016	18,484
Exchange realignment	379
At 30 June 2017	**18,863**

14. Prepayments, deposits and other receivables *(continued)*

Included in the above are provisions for individually impaired prepayments of HK$18,863,000 (2016:18,484,000) with carrying amounts before provision of HK$23,926,000 (2016: HK$20,681,000). The individually impaired prepayments mainly relate to the portions of prepayments made to suppliers which are in default in delivery of purchases or services and were not expected to be recovered.

The financial assets included in the above balances that were neither past due nor impaired relate to receivables for which there was no recent history of default.

15. Trade payables

	At 30 June 2017 (Unaudited) ***HK$'000***	At 31 December 2016 (Audited) *HK$'000*
Trade payables due to other parties	**211,562**	239,475
Trade payables due to related companies	**4,964**	7,687
	216,526	247,162

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

	At 30 June 2017 (Unaudited) ***HK$'000***	At 31 December 2016 (Audited) *HK$'000*
Within 3 months	**54,615**	70,940
3 to 4 months	**6,241**	5,792
Over 4 months	**155,670**	170,430
	216,526	247,162

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

The carrying amounts of trade payables approximate their fair values.

16. Other payables, accruals and deposit received, and deferred income

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Other payables and accrued charges	**271,662**	263,904
Advances received from customers and deferred income	**220,061**	113,739
	491,723	377,643
Less: Current portion	**(486,562)**	(372,586)
Non-currenrt portion — deferred income	**5,161**	5,057

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

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

17. Other borrowings

	At 30 June 2017			At 31 December 2016		
	Effective contractual interest rate	**Maturity**	***HK$'000***	Effective contractual interest rate	Maturity	*HK$'000*
Current						
Unsecured other borrowing *(note a)*	**—**	**2017**	**13,487**	—	2017	19,487
Unsecured other borrowing *(note b)*	**—**	**2017**	**6,326**	10%	2017	6,326
			19,813			25,813
Analysed into:						
Other borrowings repayable						
Within one year or on demand			**19,813**			25,813

17. **Other borrowings** *(continued)*

Other than an amount of HK$6,326,000 (2016: HK$6,326,000) which is denominated in United States dollars ("USD"), all other borrowings are denominated in HK$. The carrying values of other borrowings approximate their fair values.

During the Reporting Period and subsequent to the period end, the Group has been negotiating with lenders and certain creditors of the Group to restructure the Group's indebtedness. Details are set out below:

(a) On 15 March 2017, the Group secured agreements with lenders of other borrowings and certain creditors to waive a total amount of HK$7,132,000 comprising principal amounts of other borrowings of HK$6,000,000, accrued interests of HK$632,000, and other payables of HK$500,000. One of the lenders has agreed to waive the interest charged on the loan balance from 1 January 2017 onwards. It was further agreed that the remaining balances of other borrowings and other payables after the waiver of HK$22,955,000 are to be settled partly by cash of HK$4,417,000 with the remaining balances to be settled by cash or by issue of new shares or securities of the Company on or before 1 July 2017 subject to further agreement among the parties.

(b) On 27 July 2017, the Group secured a supplementary agreement with each of the lenders of other borrowings and certain creditors to extend the settlement deadline to 31 December 2017. Up to the date of this report, no agreement in relation to any issue of new shares or securities has been entered into. The Group is negotiating with these lenders and creditors on details of the settlement arrangement. In the opinion of the Directors, the conclusion of the arrangement is forthcoming.

A gain on debt restructuring of HK$7,132,000 was recognised in the profit or loss for the Reporting Period.

18. Convertible Bonds

(A) 2016 Convertible Bonds

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

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

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

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

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

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

18. Convertible Bonds *(continued)*

(A) 2016 Convertible Bonds (continued)

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

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

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

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

The fair values of the liability component of the 2016 Convertible Bonds at the issue date and the Amendment Date were estimated using an equivalent market interest rate for a similar note without a conversion option. The respective residual amounts are assigned as the equity components and included in the convertible bonds reserve. At 30 June 2017, the fair values of the liability component and the equity component were determined at HK$39,787,000 and HK$150,000, respectively. The interest expense HK$2,952,000 was recognised in the consolidated profit or loss.

18. Convertible Bonds *(continued)*

(A) 2016 Convertible Bonds (continued)

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

An analysis of the liability and equity components of the 2016 Convertible Bonds on the issue date and the movements during the period ended 30 June 2017 is as follows:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
On date of issue at 2 November 2016	38,190	150	38,340
Interest expense for the year	948	—	948
Gain arising from amendment to the 2016 Convertible Bonds	(2,303)	—	(2,303)
At 31 December 2016	36,835	150	36,985
Interest expense for the period	2,952	—	2,952
At 30 June 2017	39,787	150	39,937

The Company issued two tranches of zero coupon convertible bonds, each with a principal amount of HK$1,100,000,000, to Mr. Wu Jixian on 16 May 2008 (the "Tranche 1 Bonds") and on 31 October 2008 (the "Tranche 2 Bonds") (collectively, the "2008 Convertible Bonds"), with maturity dates on the fifth anniversary of the respective dates of issue, as the partial settlement for the acquisitions of Pride Eagle Investment Limited and Joy Wisdom International Limited, respectively. On 31 July 2013, a supplemental deed was entered into to extend the maturity date of the Tranche 2 Bonds to 31 October 2018.

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

18. Convertible Bonds *(continued)*

(B) 2008 Convertible Bonds

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

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

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

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

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

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

18. Convertible Bonds *(continued)*

(B) 2008 Convertible Bonds *(continued)*

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

On 20 January 2017, the Tranche 2 Bonds with an aggregate carrying amount of HK$550,050,000 and a principal amount of HK$386,000,000 were converted into 193,000,000 shares of the Company, HK$1,930,000 and HK$548,120,000 were transferred from the convertible bonds reserve to share capital and the contributed surplus, respectively.

19. Share Capital

	At 30 June 2017 (Unaudited) ***HK$'000***	At 31 December 2016 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (2016: 20,000,000,000) ordinary shares of HK$0.01 each (2016: HK$0.01 each)	**200,000**	200,000
Issued and fully paid:		
2,596,625,258 (2016: 2,403,625,258) ordinary shares	**25,966**	24,036

19. Share Capital *(continued)*

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

	Note	Number of shares in issue	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2016		4,528,126,292	452,813	145,361	598,174
Issue of shares upon conversion of 2008 Convertible Bonds		490,000,000	49,000	—	49,000
Capital Reorganisation		(4,014,501,034)	(491,777)	—	(491,777)
At 30 June 2016		1,003,625,258	10,036	145,361	155,397
Share Subscription	*(i)*	1,400,000,000	14,000	196,000	210,000
At 31 December 2016 and 1 January 2017		2,403,625,258	24,036	341,361	365,397
Issue of shares upon conversion of 2008 Convertible Bonds	*(ii)*	193,000,000	1,930	—	1,930
At 30 June 2017		**2,596,625,258**	**25,966**	**341,361**	**367,327**

Note:

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

(ii) On 20 January 2017, 193,000,000 ordinary shares of the Company of HK$0.01 each were issued at a conversion price of HK$0.4 per share upon conversion of the 2008 Convertible Bonds for a total amount of HK$77,200,000.

20. Share option scheme

2013 Scheme

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

	2017	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*
At 1 January	**0.66**	**14,160**
Cancelled during the period#	**0.66**	**(3,760)**
At 30 June	**0.66**	**10,400**

	2016	
	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	0.132	71,800
Lapsed during the year##	0.66	(200)
Adjustment arising from the share consolidation	—	(57,440)
At 31 December	0.66	14,160

During the period ended 30 June 2017, 3,760,000 share options cancelled upon the cessation of employment of participants in accordance with terms of the 2013 Scheme.

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

20. Share option scheme *(continued)*

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

30 June 2017

Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
10,400	0.66	06-09-14 to 05-09-19
10,400		

31 December 2016

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

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

20. Share option scheme *(continued)*

2002 Scheme

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

	2017	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***
At 1 January	**0.8**	**1,340**
Lapsed during the period###	**0.8**	**(1,340)**
At 30 June	**—**	**—**

	2016	
	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	0.273	13,200
Lapsed during the year###	0.4	(6,260)
Adjustment arising from the Share Consolidation	—	(5,600)
At 31 December	0.8	1,340

During the period ended 30 June 2017, 1,340,000 (31 December 2016: 6,200,000) share options lapsed at the end of the exercise period in accordance with terms of the 2002 Scheme and 60,000 share options lapsed upon the cessation of employment of a participant during the year ended 31 December 2016.

20. Share option scheme *(continued)*

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

30 June 2017

Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
—	0.8	06-01-12 to 05-01-17
—		

31 December 2016

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
1,340	0.8	06-01-12 to 05-01-17
1,340		

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

21. Related party transactions

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

	Notes	For the six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
With the Non-controlling Shareholder:			
Sales of refined coal and electricity	*(i)*	—	231
Sales of coke	*(i)*	—	180,800
Sales of by-products	*(i)*	—	10,909
Rental expenses	*(ii)*	**573**	591
With a related company which is a subsidiary of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**1,342**	762
With related companies which are associates of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**1,316**	983
With a related company which is held by a close family member of the beneficial owner of the Non-controlling Shareholder:			
Purchase of refined coal	*(i)*	**8,234**	—

21. Related party transactions *(continued)*

(a) *(continued)*

Notes:

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

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

(b) Outstanding balances with related parties

(i) Balances with the Non-controlling Shareholder at the end of the reporting period are set out in note 13 to the financial statements.

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

	At 30 June 2017	At 31 December 2016
	HK$'000	*HK$'000*
Trade receivables from related companies	**41,358**	38,073
Prepayments, deposits, and other receivables from related companies	**1,710**	2,248
	43,068	40,321

22. Financial instruments by category

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

30 June 2017
Financial assets

	Loans and receivables *HK$'000*	Available-for-sale financial asset *HK$'000*	Total *HK$'000*
Available-for-sale investment	—	1,099	1,099
Trade receivables	81,418	—	81,418
Amount due from the Non-controlling Shareholder	185,584	—	185,584
Financial assets included in prepayments, deposits and other receivables	205,522	—	205,522
Cash and bank balances	85,719	—	85,719
	558,243	1,099	559,342

30 June 2017
Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	216,526
Financial liabilities included in other payables, accruals and deposits received	224,011
Other borrowings	19,813
Convertible bonds	39,787
	500,137

22. Financial instruments by category *(continued)*

31 December 2016
Financial assets

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

31 December 2016
Financial liabilities

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

23. Fair value and fair value hierarchy of financial instruments

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2017	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investment	**1,099**	**—**	**—**	**1,099**

As at 31 December 2016	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	1,099	—	—	1,099

During the Reporting Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 December 2016: Nil).

24. Litigations

(a) On 29 April 2015, 天津富迪特實業有限公司 (Tianjin Fudite Company Limited) ("Tianjin Fudite") issued a writ of summons against (i) 金岩和嘉 and (ii) the Non-controlling Shareholder in relation to an alleged breach of repayment by 金岩和嘉 pursuant to a repayment agreement entered into among Tianjin Fudite as the creditor, 金岩和嘉 as the debtor and the Noncontrolling Shareholder as the guarantor on 12 February 2015. According to the writ of summons, Tianjin Fudite claimed against 金岩和嘉 and the Non-controlling Shareholder for a total sum of RMB13,401,000 (equivalent to HK$16,654,000), comprising the outstanding trade payables of RMB12,729,000 (equivalent to HK$15,819,000) plus interest from the default payment of RMB672,000 (equivalent to HK$835,000). Objection and appeals over jurisdiction to handle the case were filed by 金岩和嘉 and were rejected by the relevant courts in June and August 2015, respectively.

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

(b) On 25 September 2015, 杭州熱聯集團股份有限公司 (Hangzhou Relian Group Holding Limited) ("Hangzhou Relian") issued a writ of summons against (i) 張家港保稅區康輝國際貿易有限公司 (Zhangjiagang Kanghui International Trading Limited) ("Kanghui International") and (ii) 金岩和嘉 in relation to an alleged breach by Kanghui International of an agency agreement (as amended and supplemented by the supplemental agreement dated 5 May 2014) (the "Agency Agreements") entered into on 30 December 2013 among Hangzhou Relian as the agent, Kanghui International as the principal and 金岩和嘉 as the supplier and guarantor in relation to the supply of coke by 金岩和嘉 to Kanghui International through Hangzhou Relian. According to the writ of summons, Hangzhou Relian claimed against Kanghui International and 金岩和嘉, for a sum of RMB4,318,000 (equivalent to HK$5,366,000), being the outstanding sum payable by Kanghui International to Hangzhou Relian under the Agency Agreements. The case was still outstanding as at the end of the Reporting Period. In the opinion of the directors, appropriate provisions have been made to the above in the financial statements for the Reporting Period and year ended 31 December 2016.

24. Litigations *(continued)*

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

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

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

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

Business Overview

In the first half year of 2017, the Chinese coal and coke market extended the amazing revival trend in 2016 and kept maintaining stable. The average price of metallurgical coke, our Group's major product and a key input for the production of steel, stayed steady at a multi-year high level, backing by robust demand for steel and fading concerns that the coal supply will increase.

Chinese steel manufacturers boosted its production output to address increased infrastructure spending amid the country's stronger than expected GDP growth at 6.9% for the first two quarters in 2017. The strong demand in steel market was the main driver of metallurgical coke demand and led to a strong support to its market price.

Slashing excess coal capacity was still the main theme of the supply-side structure reform and at the top of the Chinese government's agenda. Meanwhile, the Chinese government continued to tighten its environmental supervision of coking plants by increasing the frequency of field inspections and enforcing stronger emission standards. The government policies intervention limited the coking coal supply and upheld the raw material cost for coke production.

Prospects

Locking forward, in the second half year of 2017, the Group will concentrate on its corporate annual targets, strengthen its existing coal industry value chain, enhance cost management, and strengthen risk control. China's economy grew faster than expected based on the economic data for the first half year of 2017. The huge push in domestic infrastructure spending which is already underway is expected to further pick up and increase the steel production need. It will certainly result in growing demand for metallurgical coke. The Group is well prepared to take benefit of the current coal market recovery with proper plans of production. The Group expects that the current metallurgical coke price would sustain with chances of further moving upward in an uptick market demand.

Prospects *(continued)*

In a globalised economy, the Group cannot completely insulated from the external uncertainties and disruptions across other economies in the world. The presence of a diversified business portfolio is the best option in controlling the threat elements to precipitate and to impact on our operations. Hence, the Group will continue to search for new and profitable business opportunities which are related to the Group's current operations, and explore investment opportunities with sustainable and steady return to the shareholders of the Company.

Financial Review

I. Consolidated Operating Results

Revenue

For the Reporting Period, the Group recorded total revenue of approximately HK$601,670,000 (2016: HK$261,280,000), representing an increase of approximately HK$340,390,000 or 130%. The increase was mainly due to the increase in average selling price of the Group's major product — metallurgical coke.

Gross profit and gross profit margin

For the Reporting Period, the Group recorded gross profit of approximately HK$95,926,000 (2016: HK$54,024,000), representing an increase of approximately HK$41,902,000 or 78%. In respect of the overall gross profit margin, it dropped from 20.7% for the six months ended 30 June 2016 to 15.9% for the Reporting Period.

Financial Review *(continued)*

I. Consolidated Operating Results *(continued)*

Gross profit and gross profit margin (continued)

The decline in the overall gross profit margin was mainly due to the gross loss in other products such as power and heat generation, which partially offset the coke production segment's gross profit. Indeed, the coke production segment's gross profit margin increased from 19.9% for the six months ended 30 June 2016 to 23.1% for the Reporting Period as the average selling price of metallurgical coke surged notably. However, the huge rise in raw coal price due to the market recovery also hit the profitability of the Group's other products such as power and heat generation, whereas the other products reported a combined gross loss margin of 21.5% (2016: gross profit margin of 24.9%) for the Reporting Period.

II. Operating Results of Segments

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

1. Coke trading segment

The Group continued to explore business opportunities in coke trading business. During the Reporting Period, the Group decided to focus its resources on other segments and hold the coke trading agency service temporarily. Therefore, the Group did not derive agency fee income from this segment for the Reporting Period (2016: HK$1,036,000).

Financial Review *(continued)*

II. *Operating Results of Segments* (continued)

2. *Coal-related ancillary segment*

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

The external sales mainly represented the revenue from sales of power and heat energy to the community in the Xiaoyi City, Shanxi Province, China. For the Reporting Period, the external sales amounted to HK$47,752,000 (2016: HK$46,825,000), representing almost the same level as that of the corresponding period last year.

The raw coal prices soared largely in 2017 following the coal market recovery trend and it led to a significant increase in production cost in this segment. Therefore, the segment result dropped from approximately HK$27,977,000 for the six months ended 30 June 2016 to approximately HK$13,353,000 for the Reporting Period.

3. *Coke production segment*

For the Reporting Period, the coke production segment's revenue increased from approximately HK$214,455,000 for the six months ended 30 June 2016 to approximately HK$553,918,000, representing an increase of 158%. The segment result increased from approximately HK$14,968,000 for the six months ended 30 June 2016 to approximately HK$44,779,000, representing an increase of 199%. This was mainly due to the significant increase in average selling price of metallurgical coke during the Reporting Period.

Financial Review *(continued)*

III. Selling and Distribution Costs

For the Reporting Period, the Group's selling and distribution costs increased remarkably from approximately HK$335,000 for the six months ended 30 June 2016 to approximately HK$60,840,000. The huge jump was owing to the change of metallurgical coke delivery term, which the Group was the contract party to pay for the logistics cost, during the Reporting Period.

IV. Administrative Expenses

The Group's administrative expenses amounted to approximately HK$25,178,000 for the Reporting Period, while it was approximately HK$26,676,000 for the six months ended 30 June 2016. The Group managed to control the administrative expenses even lower than that of the corresponding period last year under the leadership of the new management team.

V. Finance Costs

For the Reporting Period, the finance costs increased from approximately HK$315,000 for the six months ended 30 June 2016 to approximately HK$3,199,000. The increase was mainly due to the interest expenses in relation to the convertible bonds issued in November 2016.

VI. Reversal of Impairment Loss in respect of Property, Plant and Equipment

The reversal of impairment loss in respect of property, plant and equipment amounted to approximately HK$99,222,000 (2016: Nil), arising from the increase in fair value of coke production segment. The increase in fair value of coke production segment was mainly due to the solid revival trend of China's coal market and the expectation that the current metallurgical coke price would sustain with chances of further moving upward in an uptick market demand. More details regarding reversal of impairment loss in respect of property, plant and equipment are set out in note 11 to the condensed consolidated interim financial statements.

Financial Review *(continued)*

VII. Profit for the period

For the Reporting Period, the Group's profit for the period increased from approximately HK$9,606,000 for the six months ended 30 June 2016 to approximately HK$135,205,000. The huge jump in profit for period was mainly due to the sharp increase in average selling price of metallurgical coke and the reversal of impairment loss in respect of property, plant and equipment during the Reporting Period.

Charges Over Assets

The Group had no pledged assets, including pledged deposit, as at 30 June 2017 (31 December 2016: Nil).

Capital Structure and Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period as compare with the year ended 31 December 2016.

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

Capital Structure and Capital Management *(continued)*

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

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, other borrowings, convertible bonds, net of cash and bank balances. Capital includes the convertible bonds issued in 2008 and equity attributable to owners of the parent. The gearing ratios as at 30 June 2017 was 65% (31 December 2016: 71%).

As at 30 June 2017, the equity attributable to owners of the parent amounted to HK$372,457,000 (31 December 2016: HK$244,610,000). The equity attributable to owners of the Company per share was approximately HK$0.14 per share (31 December 2016: HK$0.10 per share).

Liquidity and Financial Resources

Net current liabilities and current ratio were HK$81,168,000 (31 December 2016: HK$104,451,000) and 0.89 (31 December 2016: 0.84), respectively as at 30 June 2017.

As at 30 June 2017, the Group's cash and bank balances amounted to HK$85,719,000 (31 December 2016: HK$97,931,000). The total other borrowings and convertible bonds amounting to HK$19,813,000 (31 December 2016: HK$25,813,000) and HK$39,787,000 (31 December 2016: HK$36,835,000) respectively.

As of 30 June 2017 and 31 December 2016, the Group has no bills payable.

Interest Rate Risk

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

Interest Rate Risk *(continued)*

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

Foreign Currency Risk

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

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

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (31 December 2016: Nil).

Treasury Policies

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

Employees and Remuneration

As at 30 June 2017, the Group had approximately 1,390 employees (December 2016: approximately 1,500 employees). Less than 15 staffs are stationed in Hong Kong and the rest are senior management and workers in Mainland China. The Group's staff costs amounted to approximately HK$28,724,000 for the six months ended 30 June 2017 and approximately HK$24,264,000 was recorded in the corresponding period of 2016.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivated individual performance. Up to the date of this report, there are 10,400,000 share options outstanding under the share option scheme.

The Company is committed to achieve and maintain high standards of corporate governance best suits the needs and interests of the Group to safeguard the interest of shareholders and enhance the stakeholders value. The Company has adopted corporate governance principles emphasize a quality Board, effective risk management and internal control systems, transparency and accountability to all shareholders.

I. Compliance with the Corporate Governance Code

Save and except as disclosed below, the Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") for the six months ended 30 June 2017.

Code Provision A.2.1

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhao Xu Guang is the Chairman of the Board and also serves as Chief Executive Officer. The Board believes that the present arrangement provides the Company with strong and consistent leadership and facilitates the implementation and execution of the business strategies, and thus achieves the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company has established a strong corporate governance structure in place to ensure effective management. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

II. Compliance with The Model Code

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

III. Disclosure of Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company during the six months ended 30 June 2017 and up to the latest practicable date are set out below:

Directors	Details of Changes
Mr. Zhao Xu Guang	Appointed as Chief Executive Officer of the Company on 2 May 2017.
Mr. Li Baoqi	Retired from Non-Executive Director of the Company on 2 June 2017.
Mr. Wong Siu Hung, Patrick	Obtained Fellow Membership of the Hong Kong Institute of Directors on 1 April 2017.

IV. Interests of Directors and Chief Executives

As at 30 June 2017, the interests and short positions of the Directors and the chief executive and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code, were as follows:

Long positions in the Shares

Name of Directors	*Notes*	Nature of Interest	Number of Shares held	Percentage of the Company's existing issued share capital (%)
Zhao Xu Guang	*(a)*	Interest of controlled corporation	1,400,000,000	53.92
To Wing Tim Paddy	*(b)*	Beneficial owner and Interest of spouse	232,000	0.01

IV. Interests of Directors and Chief Executives *(continued)*

Notes:

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

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

Save as disclosed above, as at 30 June 2017, none of the Directors nor the chief executives of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the registered referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

As at 30 June 2017, save as disclosed on note 19 Share Options Schemes, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Reporting Period.

V. Interests of Substantial Shareholders

As at 30 June 2017, the interests and short positions of each person, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Long positions in the Shares

Name of Shareholder	Nature of Interest	Number of Shares held	Percentage of the Company's existing issued share capital (%)
Shun Wang Investments Limited	Beneficial owner *(Note)*	1,400,000,000	53.92
Zhao Xu Guang	Interest of controlled corporation *(Note)*	1,400,000,000	53.92
Wu Ying	Beneficial owner	131,400,000	5.06

Note: These shares are owned by Shun Wang Investments Limited, a company incorporated in British Virgin Islands with limited liability. The shares of Shun Wang Investments Limited are wholly owned by Mr. Zhao Xu Guang, the Chairman and Chief Executive Director.

V. Interests of Substantial Shareholders *(continued)*

Long positions in the underlying Shares

Name of Shareholder	Nature of Interest	Number of underlying Shares held	Percentage of the Company's existing issued share capital (%)
Kailuan	Beneficial owner *(Note a)*	144,256,976	5.56
Kailuan (Group) Limited	Interest in controlled corporation *(Note b)*	144,256,976	5.56
Kailuan (Hong Kong) Co., Limited	Interest in controlled corporation *(Note b)*	144,256,976	5.56
Rontac Investment Company Limited	Interest in controlled corporation *(Note b)*	144,256,976	5.56
Rontac Resources Company Limited	Interest in controlled corporation *(Note b)*	144,256,976	5.56

V. Interests of Substantial Shareholders *(continued)*

Long positions in the underlying Shares (continued)

Notes:

(a) As at 30 June 2017, Kailuan held the 2016 Convertible Bonds in the aggregate principal amount of HK$43,277,000. Kailuan is entitled to subscribe for 144,256,976 Shares.

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

Save as disclosed above, as at 30 June 2017, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

VI. Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange, any other stock exchange, by private arrangement or by general offer.

VII. Audit Committee

The Audit Committee is composed of three independent non-executive Directors namely, Mr. Lau Ka Ho, Mr. To Wing Tim, Paddy, Mr. Lam Hoy Lee, Laurie and one non-executive Director, Mr. Huang Man Yem. The Audit Committee has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. The unaudited condensed consolidated interim results of the Group for the Reporting Period have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim report for the Reporting Period is published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the official website of the Company (www.huscoke.com) for corporate communication.

The Company makes every effort to ensure consistency between the Chinese and English versions of this corporate communication. In the event of any inconsistency, however, the English version shall prevail.

In support of environmental protection, shareholders are encouraged to elect to receive shareholder documents electronically. You may at any time send written notice to the Company's Hong Kong branch share registrar or via email at huscoke704-ecom@hk.tricorglobal.com specifying your name, address and request to change your choice of language or means of receipt of all corporate communication documents in future.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Zhao Xu Guang and Mr. Wong Siu Hung, Patrick, the non-executive Director of the Company is Mr. Huang Man Yem, the independent non-executive Directors of the Company are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.

APPRECIATION

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

Zhao Xu Guang
Chairman

Hong Kong, 31 August 2017