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HUSCOKE RESOURCES HOLDINGS LIMITED
和嘉資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**744,128**	601,670
Cost of sales		**(619,183)**	(505,744)
Gross profit		**124,945**	95,926
Other income and gains, net	*4*	**23,213**	29,623
Selling and distribution costs		**(71,089)**	(60,840)
Administrative expenses		**(39,146)**	(25,178)
Finance costs	*5*	**(586)**	(3,199)
Reversal of impairment on items of property, plant and equipment		**–**	99,222
Profit before tax	*6*	**37,337**	135,554
Income tax expense	*7*	**–**	(349)
Profit for the period		**37,337**	135,205

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss:			
Exchange differences on translation of foreign operation		**(117)**	7,234
Others comprehensive (loss)/income for the period, net of tax		**(117)**	7,234
Total comprehensive income for the period		**37,220**	142,439
Profit for the period attributable to:			
Owners of the parent		**30,230**	121,211
Non-controlling interests		**7,107**	13,994
		37,337	135,205
Total comprehensive income attributable to:			
Owners of the parent		**30,124**	127,847
Non-controlling interests		**7,096**	14,592
		37,220	142,439
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the period	*9*	**HK1.16 cents**	HK4.67 cents
Diluted			
– For profit for the period		**HK1.12 cents**	HK4.53 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**478,080**	495,154
Available-for-sale investments		**1,115**	1,115
Deferred tax asset		**12,698**	12,646
Prepayments		**1,778**	1,771
Total non-current assets		**493,671**	510,686
CURRENT ASSETS			
Inventories		**90,923**	54,744
Trade receivables	*11*	**191,593**	89,887
Amount due from the Non-controlling Shareholder	*12*	**287,092**	177,150
Prepayments, deposits and other receivables		**228,904**	214,404
Tax recoverable		**8**	8
Cash and bank balances		**56,060**	69,655
Total current assets		**854,580**	605,848
CURRENT LIABILITIES			
Trade payables	*13*	**201,360**	158,188
Other payables, accruals and deposits received	*14*	**628,847**	474,201
Total current liabilities		**830,207**	632,389
NET CURRENT ASSETS/(LIABILITIES)		**24,373**	(26,541)
TOTAL ASSETS LESS CURRENT LIABILITIES		**518,044**	484,145

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
At 30 June 2018

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Other payables and deferred income	**5,335**	8,455
Other borrowings	**18,188**	18,188
Deferred tax liability	**106**	106
Convertible bonds	**41,427**	41,427
Total non-current liabilities	**65,056**	68,176
NET ASSETS	**452,988**	415,969
EQUITY		
Equity attributable to the owners of the parent		
Share capital	**25,966**	25,966
Reserves	**381,090**	350,902
	407,056	376,868
Non-controlling interests	**45,932**	39,101
TOTAL EQUITY	**452,988**	415,969

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. Basic of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 (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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 2017 (the "**2017 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 28 August 2018.

Going Concern

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$124,945,000 (2017: HK$95,926,000) and a net profit of HK$37,337,000 (2017: HK$35,983,000 which excluding the reversal of impairment loss on items of property, plant and equipment) were recorded for the Reporting Period. As at 30 June 2018, the Group's net current assets were HK$24,373,000 (at 31 December 2017: net current liabilities HK$26,541,000). 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.

The financial statements are prepared on a going concern basis. The Group has a history of recent profitable operations and financial support, so it is reasonable to prepare financial statements 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 2017 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 2017 Annual Report.

Application of new and revised to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and revised to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and revised to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

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 and coal;

(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.

3. **Revenue and segment information** *(Continued)*

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 and sundry income, corporate administrative expenses, unallocated other operating income, unallocated finance costs and income tax expense are excluded from such measurement.

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

Segment revenue and results

For the six months ended 30 June 2018

	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	**13,507**	**92,107**	**638,514**	**–**	**744,128**
– intersegment sales	**–**	**156,808**	**–**	**(156,808)**	**–**
Other income	**–**	**22,763**	**–**	**–**	**22,763**
Total	**13,507**	**271,678**	**638,514**	**(156,808)**	**766,891**
Segment results	**175**	**17,171**	**59,978**	**(706)**	**76,618**
Interest income and sundry income					**451**
Corporate administrative expenses					**(39,146)**
Unallocated finance costs					**(586)**
Profit before tax					**37,337**
Income tax expense					**–**
Profit for the period					**37,337**

3. **Revenue and segment information** *(Continued)*

Segment revenue and results *(Continued)*

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 on items of property, plant and equipment					99,222
Profit before tax					135,554
Income tax expense					(349)
Profit for the period					135,205

4. Other income and gains

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**5**	8
Government subsidies	**22,763**	22,463
Gain on debt restructuring	**–**	7,132
Sundry income	**445**	20
	23,213	29,623

5. Finance costs

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings repayable within five years	**49**	247
Interest expenses on convertible bonds repayable within five years	**537**	2,952
	586	3,199

6. Profit before tax

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**619,183**	505,744
Depreciation	**25,232**	30,583
Operating lease payments in respect of leasehold interests in land and rented properties	**1,648**	1,302
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**38,803**	28,614
Pension scheme contributions	**235**	110
Reversal of impairment on items of property, plant and equipment	**–**	(99,222)

7. Income tax expense

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Elsewhere	**–**	349
	–	349

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2017 and 2018 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 2018 (2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**30,230**	121,211
Weighted average number of ordinary shares in issue	**2,596,625,258**	2,596,625,258
Basic earnings per share	**HK1.16 cents**	HK4.67 cents

(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	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**30,230**	121,211
Add: Interest expense on convertible bonds *(HK$'000)*	**537**	2,952
Profit attributable to equity holders of the Company for diluted earnings per share *(HK$'000)*	**30,367**	124,163
Weighted average number of ordinary shares in issue	**2,596,625,258**	2,596,625,258
Adjustments for convertible bonds	**144,256,976**	144,256,976
Weighted average number of ordinary shares for diluted earnings per share	**2,740,882,234**	2,740,882,234
Diluted earnings per share	**HK1.12 cents**	HK4.53 cents

10. Property, plant and equipment

	Land and building HK$'000	Leasehold improvements HK$'000	Furnaces and infrastructure HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 January 2018	369,372	1,653	485,726	568,038	73,595	360	47,879	1,546,623
Additions	–	–	–	216	701	329	4,192	5,438
Exchange realignment	1,533	–	2,016	2,351	(3,426)	3,700	137	6,311
At 30 June 2018	370,905	1,653	487,742	570,605	70,870	4,389	52,208	1,558,372
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2018	120,613	451	363,772	452,525	71,761	58	42,289	1,051,469
Provided for the period	4,307	275	10,011	9,276	169	71	1,123	25,232
Exchange realignment	366	–	1,198	1,589	(3,377)	3,669	146	3,591
At 30 June 2018	125,286	726	374,981	463,390	68,553	3,798	43,558	1,080,292
NET CARRYING AMOUNTS								
At 30 June 2018	245,619	927	112,761	107,215	2,317	591	8,650	478,080
At 31 December 2017	248,759	1,202	121,954	115,513	1,834	302	5,590	495,154

11. Trade receivables

	At 30 June 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Trade receivables	**490,999**	281,906
Impairment	**(55,157)**	(54,929)
	435,842	226,977
Trade receivables from related companies	**43,247**	40,462
Impairment	**(404)**	(402)
	42,843	40,060
	478,685	267,037
Less: Trade receivables due from the Non-controlling Shareholder *(Note 12)*	**(287,092)**	(177,150)
	191,593	89,887

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 2018, approximately 60% (31 December 2017: 66%) 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 12). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

11. Trade receivables *(Continued)*

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 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Within 3 months	**111,956**	25,735
3 to 4 months	**4,742**	1,179
Over 4 months	**361,987**	240,123
	478,685	267,037

12. Amount due from the Non-controlling Shareholder

	Notes	**At 30 June 2018 (Unaudited)** *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 11)*	(i)	**287,092**	177,150
Other receivables from the Non-controlling Shareholder	(ii)	**145,971**	156,385

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2017: 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.

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

13. Trade payables

	At 30 June 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Trade payables due to other parties	**200,174**	152,959
Trade payables due to related companies	**1,186**	5,229
	201,360	158,188

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 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Within 3 months	**86,680**	50,185
3 to 4 months	**564**	4,218
Over 4 months	**114,116**	103,785
	201,360	158,188

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.

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

	At 30 June 2018 (Unaudited) *HK$'000*	At 31 December 2017 (Audited) *HK$'000*
Other payables and accrued charges	**328,390**	278,235
Advances received from customers and deferred income	**305,792**	204,421
	634,182	482,656
Less: Current portion	**(628,847)**	(474,201)
Non-current portion - deferred income	**5,335**	8,455

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

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

BUSINESS OVERVIEW

In the first half year of 2018, China's coal and coke market showed a stagnation and a rise. The coke market is environmentally restricted and the price to be slightly waved. The Group's main products and steelmaking main materials - metallurgical coke, overall sales and gross profits, compared with the same period last year (excluding reversal of impairment on items of property, plant and equipment), growth of 23.7% and 30.2%. In terms of market demand, the national crude steel output increased by nearly 5.4% year-on-year. According to the current production trend, it is estimated that the national crude steel output in 2018 is close to the 900 million-ton mark, an increase of about 6% over the previous year.

According to the statistics of the National Bureau of Statistics, the gross domestic product in the first half of 2018 increased by 6.8% year-on-year. The national economy continued to develop in a stable manner. The structural investment was further increased, the quality and efficiency were improved, and the economy was moving towards high quality. It is expected that China's steel plants will have certain support for the demand and price of metallurgical coke due to the relatively stable demand for infrastructure.

PROSPECTS

Looking forward to the second half of 2018, the Group will focus on market changes, gradually improve the equipment for environmental protection policies, strive to achieve annual business objectives, strictly control production costs, and strengthen risk monitoring. In the second quarter of 2018, the coke price after the strong rebound of coke has been topped. Although the steel price has a downward trend, but attributable to the government continues to increase its financial fund investment and expand its infrastructure, steel demand and prices have certain support. Coupled with the national economy and the market demand, the Group expects the coking coal business performance to continue to grow in the second half of the year.

The environmental emission requirements are stricter year by year. The relevant departments have made relevant requirements for the production process and the raw materials storage, and required the coke enterprises to equip the coke dry quenching equipment and the top coal grid of the coal mining yard. These two items make the Group need to make further investment in environmental structure. The investment will be increased in the second half of the year, so the cost of coking is still high.

After the emergence of the Internet, the media form has changed from electronic media to the digital age, and information began to spread rapidly. In the past few years, the rapid growth of e-commerce and new consumption patterns in the market brought great business opportunities to the market. Through the investment with EDB (as defined herein) on 20 July 2018, the Group actively and continually explores new business opportunities for the shareholders, and diversified its business and launched the Group's new profit growth point.

MAJOR EVENTS

On 4 June 2018, the Group entered into a conditional cash subscription of a 3-year convertible bonds with principal amount of HK$80,000,000 bearing an annual interest rate at 3.95%, and the initial conversion price is HK$0.38 (the "**2018 Convertible Bonds**") with ADIB Holdings Limited, a wholly-owned subsidiary of the Asia Development & Investment Bank Limited. If the 2018 Convertible Bonds are fully converted into conversion shares, the 210,526,315 conversion shares account for approximately 8.11% of the entire existing issued share capital of the Company, and approximately 7.5% of the enlarged issued share capital of the Company immediately after the allotment and issue of the conversion shares. The net proceeds from the subscription of approximately HK$78,500,000 will be used for the general working capital and investment funding of the Group. The subscriber informed the Company that it is in process arranging the subscription, as at the date of this announcement, the above transaction is being gradually implemented in accordance with the terms of the agreement and has not yet been completed and it is expected that the completion will take place by end of August 2018.

On 25 June 2018, the Group and Shanxi Jinyan Energy Technology Company Limited (山西金岩能源科技有限公司) and Shanxi Jinyan Fine Chemical Company Limited (山西金岩精細化工有限公司) (collectively, the "**Project Companies**") enter into a non-legally binding letter of intent whereby the Company may invest directly or via a fund structure to the Project Companies through acquisition or subscription of a portion of their share capital. The Project Companies are committed to a coke project and a chemical project respectively (the "**Projects**") and where both are located in Xiaoyi City, Shanxi Province of the People's Republic of China. The total production capacity of the Projects are 5 million tons of coke per year, 1 million tons of ethylene glycol per year and 550 million cubic meters of liquefied natural gas per year. The Group has been actively exploring cooperation opportunities for its existing principal businesses, by integrating upstream and downstream resources in the coal industry, it may achieve synergies and benefits its coke production business and create more value to reward the support of shareholders and stakeholders. As at the date of this announcement, the terms of the definitive agreement have not been finalized. The Company will make further announcement in due course.

In addition, on 20 July 2018, the Group entered into a subscription agreement with EDB Holdings Limited ("**EDB**") and an sales and purchase agreement with its original shareholder. Upon completion of this transaction, the Group will hold approximately 20.5% of the enlarged share capital of EDB. EDB's main product is "E-store", an e-commerce resource operation management software, including multi-platform, multi-store online to office, system integration, distribution retail and smart warehousing solutions. With the new consumption pattern in the Chinese market, E-store has made the e-commerce service management more perfect through the application of the cloud enterprise resources planning solution, which is the rigid demand of the market. As at the date of this announcement, the above transaction is being gradually implemented in accordance with the terms of the agreement and has not yet been completed and it is expected that completion will take place by end of September 2018.

Financial Review

I. Consolidated Operating Results

Revenue

For the Reporting Period, the Group recorded total revenue of approximately HK$744,128,000 (2017: HK$601,670,000), representing an increase of approximately HK$142,458,000 or 23.7%. The increase was mainly due to the increase in average selling price of the Group's major product — metallurgical coke and the appreciation of the renminbi against the Hong Kong dollar.

Gross profit and gross profit margin

For the Reporting Period, the Group recorded gross profit of approximately HK$124,945,000 (2017: HK$95,926,000), representing an increase of approximately HK$29,019,000 or 30%. The overall gross profit margin, increased from 15.9% for the six months ended 30 June 2017 to 16.8% for the Reporting Period.

The increase in gross profit margin was mainly attributable to the decrease in gross loss margin of other products (such as power generation and heat generation). The average gross profit margin of metallurgical coke remained stable and production costs were stable at around 23%. The total gross loss margin of other products was 14% (2017: gross loss margin of 22%) during 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 the coke trading business. During the reporting period, the Group generated revenue of HK$13,507,000 in this segment (2017: Nil). The Group will continue to explore the direct coal and coke trading business opportunity in the future.

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$92,107,000 (2017: HK$47,752,000).

The segment results increased from approximately HK$13,353,000 as at 30 June 2017 to approximately HK$17,171,000 during the reporting period.

3. *Coke production segment*

For the Reporting Period, the coke production segment's revenue increased from approximately HK$553,918,000 for the six months ended 30 June 2017 to approximately HK$638,514,000 representing an increase of 15.2%. The segment result increased from approximately HK$44,779,000 for the six months ended 30 June 2017 to approximately HK$59,978,000, representing an increase of 33.9%. This was mainly due to the significant increase in average selling price of metallurgical coke during the Reporting Period.

III. Selling and Distribution Costs

During the Reporting Period, the Group's sales and distribution costs increased significantly from approximately HK$60,840,000 for the six months ended 30 June 2017 to approximately HK$71,089,000. The sales and distribution costs were mainly freight costs, compared with the ratio to Sales around 9.6% (2017: 10.1%). The two reporting period ratio were similar and there were no major changes.

IV. Administrative Expenses

The Group's management expenses were approximately HK$39,146,000 (2017: HK$25,178,000) for the six months ended 30 June 2018. The main reason is to cope with the development of the Group in the investment field, and to strengthen the management team allocation and the professional consulting fees of investment projects increased.

V. Finance Costs

For the Reporting Period, the finance costs were approximately HK$586,000 and approximately HK$3,199,000 for the six months ended 30 June 2017. The decrease was mainly due to the provision for impairment of convertible bonds approximately HK$2,416,000 during the same period last year.

VI. Reversal of Impairment Loss on items of Property, Plant and Equipment

For the Reporting period, there was no reversal of impairment on items of the property, plant and equipment (2017: approximately HK$99,222,000).

VII. Profit for the period

For the Reporting Period, the Group recorded a profit of approximately HK$37,337,000 (2017: HK$135,205,000). Excluding the reversal for the impairment loss of the property, plant and equipment of the non-cash items for the same period last year, which was approximately HK$99,222,000, the profit ratio during the two periods was similar and there were no major changes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

There was no significant investment, material acquisition or disposal of the Group for the six months ended 30 June 2018.

CHARGES OVER ASSETS

The Group had no pledged assets, including pledged deposit as at 30 June 2018 (31 December 2017: 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 2017.

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.

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 2016 and equity attributable to owners of the parent. The gearing ratios as at 30 June 2018 was 66% (31 December 2017: 65%).

As at 30 June 2018, the equity attributable to owners of the parent amounted to HK$407,056,000 (31 December 2017: HK$376,868,000). The equity attributable to owners of the Company per share was approximately HK$0.16 per share for the Reporting Period (31 December 2017: HK$0.15 per share).

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were HK$24,373,000 (31 December 2017: net current liabilities HK$26,541,000) and 1.03 (31 December 2017: 0.96), respectively as at 30 June 2018.

As at 30 June 2018, the Group's cash and bank balances amounted to HK$56,060,000 (31 December 2017: HK$69,655,000). The total other borrowings and convertible bonds amounting to HK$18,188,000 (31 December 2017: HK$18,188,000) and HK$41,427,000 (31 December 2017: HK$41,427,000) respectively.

As of 30 June 2018 and 31 December 2017, 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.

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 2018, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (31 December 2017: 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 2018, the Group had approximately 1,400 employees (31 December 2017: approximately 1,500 employees). Less than 20 staff 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$39,038,000 for the Reporting Period and approximately HK$28,724,000 was recorded in the corresponding period of 2017.

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 announcement, there are 10,400,000 share options outstanding under the share option scheme.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Lau Ka Ho who also acts as Chairman of the committee, Mr. To Wing Tim, Paddy and Mr. Lam Hoy Lee, Laurie, and one Non-Executive Director, Mr. Huang Man Yem.

The unaudited condensed consolidated interim results of the Group for the Reporting Period have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE CODE

Save and except as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Listing Rules for the Reporting Period.

Code Provision A.2.1

Code provision A.2.1 of CG Code 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 since 2 May 2017. The deviation is noted by the Board and the Directors consider the dual role is essential as Mr. Zhao provides the Company with strong and consistent leadership and facilitates the implementation and execution of the business strategies while the Group re-build and develop its business with his leadership in Board, and thus achieves the Company's objectives efficiently and effectively in response to the changing environment. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Code Provision D.1.4

Pursuant to code provision D.1.4, issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As disclosed and explained in respective appointment announcement published, there are no service contract nor letter of appointment of directors. This constitutes a deviation from code provision D.1.4 of the CG Code. The Board will nevertheless review the need to have the formal letter and service contract from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 "**Model Code**").

Having made specific enquiry of the Directors of the Company, all Directors of the Company confirmed that they had complied with the required standard as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Investment in EDB Holding Limited

On 20 July 2018, the Group entered into (1) a conditional sales and purchase agreement whereby the Company as purchaser, Massive Light Limited as vendor and Mr. Chen Tao as guarantor in relation to the sale and purchase of 12,910,978 ordinary shares in the issued share capital of EDB (as defined herein), represent approximately 10% of the enlarged issued share capital of EDB as a result, for a consideration of HK$38,300,223 (equivalent to RMB33,017,433), by procuring the Company to allot and issue 129,831,263 consideration shares to the vendor at the issue price of HK$0.295 per consideration share; and (2) a conditional subscription agreement whereby the Company as subscriber and EDB as issuer and Mr. Chen Tao and a company incorporated in the British Virgin Islands with limited liability as guarantors in respect of the subscription of 13,556,527 new ordinary shares to be allotted and issued by EDB, represent approximately 10.5% of its enlarged issued share capital of EDB, for a total cash consideration of RMB60,000,000 (or its US$ equivalence). Upon the completion of the transactions abovementioned, the Group will hold 26,467,505 Shares of EDB, representing approximately 20.5% of its enlarged issued share capital, for a consideration of RMB93,017,433. As at the date of this announcement, the above transaction is being gradually implemented accordance with the terms of the agreement and has been yet been completed and it is expected that completion will take place by end of September 2018.

Issue of 2018 Convertible Bonds

Pursuant to the subscription agreement entered into between the Company as the issuer and ADIB Holdings Limited as the subscriber on 4 June 2018, the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the 2018 Convertible Bonds (as defined herein). The subscriber informed the Company that it is in process arranging the subscription, as at the date of this announcement, the above transaction is being gradually implemented in accordance with the terms of the agreement and has not yet been completed and it is expected that completion will take place by end of August 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2018 INTERIM REPORT

This interim results announcement is published on the HKExnews website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.huscoke.com).

The 2018 interim report of the Company will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

In response to environmental protection, Shareholders are encouraged to elect to receive Shareholders documents electronically. You may at any time send written notice to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong specifying your name, address and request to change your choice of language or means of receipt of all Shareholders documents from now on.

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.

By Order of the Board
Huscoke Resources Holdings Limited
Li Baoqi
Executive Director

Hong Kong, 28 August 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Zhao Xu Guang and Mr. Li Baoqi, the non-executive Directors of the Company are Mr. Wong Siu Hung, Patrick and 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.