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 FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of Huscoke Resources Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 (the "Interim Period") with comparative figures for the corresponding period ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**261,280**	313,201
Cost of sales		**(207,256)**	(307,507)
Gross profit		**54,024**	5,694
Other income	*4*	**9,726**	86,699
Selling and distribution costs		**(335)**	(9,343)
Administrative expenses		**(26,676)**	(44,807)
Finance costs	*5*	**(315)**	(15,704)
Other operating expenses		**(19,397)**	2,817
Profit before tax	*6*	**17,027**	25,356
Income tax expense	*7*	**7,421**	—
Profit for the period		**9,606**	25,356

	Notes	For the six months ended 30 June **2016** **(Unaudited)** ***HK$'000***	2015 (Unaudited) *HK$'000*
Profit/(loss) for the period attributable to:			
Owners of the parent		**7,443**	28,304
Non-controlling interests		**2,163**	(2,948)
		9,606	25,356
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*8*		
Basic			
— For profit for the period		**HK0.62 cents**	HK2.37 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**9,606**	25,356
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss		
— Exchange differences arising on translation of foreign operation	**(4,026)**	—
Total comprehensive income for the period	**5,580**	25,356
Total comprehensive income/(loss) for the period attributable to:		
Owners of the parent	**3,649**	28,304
Non-controlling interests	**1,931**	(2,948)
	5,580	25,356

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	At 30 June 2016 (Unaudited) *HK$'000*	At 31 December 2015 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**443,219**	485,337
Available-for-sale investments		**3,439**	3,486
Total non-current assets		**446,658**	488,823
Current assets			
Inventories		**19,140**	28,455
Trade and bills receivables	*9*	**65,944**	48,223
Prepayments, deposits and other receivables		**62,285**	108,652
Amount due from the Non-controlling Shareholder	*10*	**274,965**	213,625
Tax recoverable		**—**	16,068
Cash and cash equivalents		**2,303**	1,439
Total current assets		**424,637**	416,462
Current liabilities			
Trade payables	*11*	**238,713**	221,138
Other payables, accruals and deposit received		**565,904**	599,176
Interest-bearing bank and other borrowings		**44,613**	23,426
Amount due to the Non-controlling shareholder	*10*	**—**	50,201
Tax payable	*10*	**5,141**	—
Total current liabilities		**854,371**	893,941
Net current liabilities		**(429,734)**	(477,479)
Total assets less current liabilities		**16,924**	11,344
Net assets		**16,924**	11,344
Equity			
Equity attributable to the owners of parent			
Issued share capital		**10,036**	452,813
Reserves		**(5,245)**	(451,671)
		4,791	1,142
Non-controlling interests		**12,133**	10,202
Total equity		**16,924**	11,344

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the "Listing Rules") on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance (Cap. 622).

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

The financial information relating to the year ended 31 December 2015 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was disclaimed in relation to the multiple uncertainty relating to going concern.

2. Significant accounting policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2016 below:

The Group has adopted the following revised HKFRSs for the first time in these interim condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*

Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to a number of HKFRSs	*Annual Improvements 2012-2014 Cycle*

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

3. Revenue

Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the 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 trading of coke segment — purchases and sales of coke;

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

(c) the coke production segment — processing of refined coal into coke for sales, and sales 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 and income tax are excluded from such measurement.

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

For the six months ended 30 June 2016

	Trading of coke *HK$'000*	Coal related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue					
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)
Gain before tax					17,027
Income tax expense					(7,421)
Gain for the period					9,606

For the six months ended 30 June 2015

	Trading of coke *HK$'000*	Coal related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue					
Segment revenue					
— external sales	—	48,021	265,180	—	313,201
— intersegment sales	—	240,772	—	(240,772)	—
Other income and gains	—	14,615	—	—	14,615
Total	—	303,408	265,180	(240,772)	327,816
Segment results	—	47,358	16,988	(50,562)	13,784
Interest income and sundry income					72,083
Corporate administrative expenses					(44,807)
Unallocated finance costs					(15,704)
Gain before tax					25,356
Income tax expense					—
Gain for the period					25,356

4. **Other income**

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**—**	1
Commission income	**1,036**	12
Government subsidies	**8,653**	14,615
Sundry income	**37**	625
Gain on disposal of Property	**—**	71,446
	9,726	86,699

5. Finance costs

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings, wholly repayable within one year	**315**	15,704
	315	15,704

6. Profit before tax

Profit before tax has been arrived at after charging:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**33,007**	54,459
Gain on disposal of Property	**—**	71,446

7. Income tax expense

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	—
Current — Elsewhere	**7.421**	—
	7,421	—

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2015 and 2016 as there is no assessable profit for the 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. Earnings/(Loss) per share attributable to owners of the parent

The calculation of the basic earning per share amount is based on the gain for the period attributable to owners of the parent of HK$7,443,000 (2015: HK$28,304,000), and the weighted average number of ordinary shares of 1,196,625,258 (2015: 1,196,625,258) in issue during the period, as adjusted to reflect the full conversion of the 2008 Convertible Bonds for ordinary shares of the Company during the period and the share consolidation on 11 May 2016, the shareholders of the Company approved the consolidation of every five issued and unissued shares of per value HK$0.10 each in share capital of the Company into one consolidated share of par value HK$0.50 each in the special general meeting held on that date.

The 2008 Convertible Bonds shall be converted automatically into new shares of the Company at the date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of the basic and diluted earning per share amounts.

Diluted earnings per share for both periods are not shown as there are no potential ordinary shares subsist during both of the periods presented. The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options nor the conversion of the convertible bonds as the exercise price of those options and the conversion prices of those convertible bonds are higher than the average market price for shares for the period. Moreover, the impact of those share options and convertible bonds outstanding had an anti-dilutive effect on the basic earning per share amounts presented.

9. Trade and bills receivables

	Group	
	At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**350,955**	271,976
Trade receivables from related companies	**40,176**	40,094
Impairment	**(50,222)**	(50,222)
	340,909	261,848
Less: Trade receivables due from the Non-controlling Shareholder	**(274,965)**	(213,625)
	65,944	48,223

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The Directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 30 June 2016, approximately 81% (31 December 2015: 82%) 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 10). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The carrying amounts of trade 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:

	Group	
	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Within 3 months	**113,140**	78,418
3 to 4 months	**40,418**	30,890
Over 4 months	**187,351**	152,540
	340,909	261,848

10. Amount due from/(to) Xiaoyi City Jinyan Electrical Coal Chemical Engineering Co. Ltd ("Non-controlling Shareholder")

		Group	
	Notes	**At 30 June 2016 (Unaudited)** ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 9)*	*(i), (iv)*	**274,965**	213,625
Other receivables from the Non-controlling Shareholder	*(ii), (iv)*	**2,992**	91,525
Amount due to the Non-controlling Shareholder	*(iii)*	**—**	(50,201)

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2015: 120 days), which are similar to those granted to major trading customers of the Group.

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

(iii) The balances represent advances from the Non-controlling Shareholder. The balances are unsecured, noninterest-bearing and not repayable on or before 1 July 2016. On 10 March 2016, the Group entered into a repayment agreement with the Non-controlling Shareholder which agreed not to demand for repayment of the amount due to it on or before 30 June 2017. On 23 June 2016, the Group entered into a settlement agreement with the Non-controlling Shareholder which agreed to settle the receivable from the Non-controlling Shareholder with the amount due to the Non-controlling Shareholder, thus full amount due to the Non-controlling shareholder had been offsetted as at 30 June 2016.

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

Furthermore, an asset pledge agreement was provided by the Non-controlling Shareholder on 29 February 2016 whereby certain property, plant and equipment with a value of HK$1,347 million were pledged to the Group to secure the repayment of the amount of HK$305,150,000 due from the Non-controlling Shareholder as at 31 December 2015 and the amount of HK$40,094,000 due from, and prepayments of HK$3,582,000 made to, affiliates of the Non-controlling Shareholder as at 31 December 2015.

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

11. Trade payables

	Group	
	At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Trade payables due to other parties	**238,713**	221,138
	238,713	221,138

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

	Group	
	At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	HK$'000	*HK$'000*
Within 3 months	**69,407**	40,599
3 to 4 months	**3,726**	12,982
Over 4 months	**165,580**	167,557
	238,713	221,138

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

The carrying amounts of trade payables approximate their fair values.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2016 (2015: Nil).

FINANCIAL HIGHLIGHT

For the six months ended 30 June 2016, Huscoke Resources Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded revenue of approximately HK$261,280,000 (2015: HK$313,201,000), representing a decrease of around 16.5% compared to that of 2015. The gross profit margin has improved from 1.8% to 20.7%.

The Group recorded a consolidated net profit of approximately HK$9,606,000 (2015: HK$25,356,000), representing a decrease of around 62.1% compared to that of 2015. The decrease was mainly due to the net-off effect of (i) the waiver of the 13% per annum of interest from the deposit from Kailuan (Hong Kong) International Co. Ltd (“Kailuan”) of HK$120,000,000 from 1 January 2016 and thereafter, the interest expense for the deposit was HK$13,073,000 in the six months ended 30 June 2015 (please refer to the Company’s announcement dated 13 April 2016 for reference); (ii) the increase in the price of coke from around RMB700/tonne in April 2016 to around RMB900/tonne in June 2016 (www.steelhome.cn) which leads to an increase in gross profit in the second quarter of the review period; the one time gain in the sale of our office property (approximately HK$71,446,000 after deducting the disposal expenses and its carrying amount) recorded in the six months ended 30 June 2015.

BUSINESS REVIEW

The coke market continued to be sluggish in early 2016, however, there are signs of recoveries since the second quarter 2016.

China’s economy entered an era of slow growth in recent years. With prolonged tightening policies on the property market, the demand of steel remained low in the recent years and which led to the low price of our major product, coke, an ingredient in steel making process. Moreover, the worldwide commodity products price remained at low level for those years. While after the prolonged period of low price, there were some rebound in the market since the second quarter of this year. However, whether the market can maintain its momentum is still not clear.

Coke trading segment

To continue the Group's effort in exploring business opportunities in coke trading segment and also the establishment of long-term business corporation relationship with Kailuan, the Group established a Hong Kong company, Herong Resources Limited ("Herong"), with Rontac Resources Company Limited ("Rontac") on 20 May 2015. The shareholding percentages of the Group and Rontac in Herong were 51% and 49%, respectively. Kailuan is 40% owned by Rontac. This company engages in coke and coal trading business and commenced operation in the second half of 2015. This company earned agency fee of coal and coke trading of HK$405,000 in the second half year of 2015 and HK$1,036,000 (2015: HK$Nil) in the 6 months ended 30 June 2016. It is expected to commence direct trading business in the second half year of 2016.

For the domestic coke market, due to that the unfavorable local market condition did not change and thus the coke trading business has continue to be been frozen in this review period. As such, the Group did not record any domestic coke trading revenue in this review period (2015: Nil).

Coal-related ancillary segment

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

The PRC Governmental consolidation work of coal mines in the Shanxi Province since March 2011 had almost completed, many small coal mines had been closed down and replaced by large coal mines which usually have their own coal washing plants. Thus the Group needed to purchase more refined coal rather than raw coal for its coke production. This reduced the utilities of our coal washing plant, thus the activities of our coal-related ancillary segment decreased, and led to reduction of internal sales contributed by this segment from HK$240,772,000 to HK$78,779,000, representing 67.3% decrease.

Moreover, the external sales from the coal-related ancillary segment slightly decreased from HK$48,021,000 in the first half of 2015 to HK$46,825,000 in the first half of 2016, representing 2.5% decrease.

With the decrease in utilities of the coal washing plants, the high overhead of this segment had resulted in the decrease of profit from HK$47,358,000 in first half year of 2015 to HK$27,977,000 in the current review period.

Coke production segment

The coke production segment recorded reduction in revenue from HK$265,180,000 in the first half of 2015 to HK$214,455,000 in the first half of 2016, representing approximately 19.1% decrease.

Although the sluggish coke market condition continued, the Group benefited from the coke price increase. According to public information, the coke price increased from around RMB700/tonne in April 2016 to around RMB900/tonne in June 2016 (www.steelhome.cn). This leads to gross profit increase for this segment and the Group recorded HK$14,968,000 segment profit for the current review period, as compared to segment lost of HK$50,562,000 for the first half year of 2015, after deduction of a HK$13,927,000 provision (2015: Nil) for a litigation against the Group regarding a HK$50,000,000 coke prepayment. Please refer to the Company's announcements dated 23 May 2016 and 5 July 2016 for details of this litigation case.

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

On 27 November 2015, the Company and an independent third party ("Subscriber") entered into a subscription agreement (as supplemented by the Supplemental Agreement dated 15 December 2015) ("Subscription Agreement"), pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by the Subscriber) conditionally agreed to subscribe for, an aggregate of 1,400,000,000 subscription shares ("Subscription Shares") at the price of HK$0.15 ("Subscription Price") per Subscription Share for a total cash consideration of HK$210,000,000 ("Subscription").

The Subscription Shares represent approximately (i) 154.59% of the adjusted share capital of the Company after the Capital Reorganisation, detailed below, became effective; and (ii) 60.72% of the issued share capital of the Company after the Capital Reorganisation become effective and as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

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

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

The Subscriber had applied to and the SFC had granted the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares on 9 May 2016. Moreover, the subscription of new shares under the specific mandate had been approved by the shareholders other than (i) the Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them; and (ii) those who are involved in or interested in the subscription and/or the Whitewash Waiver by way of a poll (the "Independent Shareholders"), at the special general meeting ("SGM") of the Company held on 11 May 2016.

The Subscription Shares shall be allotted and issued pursuant to the specific mandate proposed to be granted to the Directors at the SGM.

Pursuant to the Subscription Agreement, if any of the conditions precedent under the Subscription Agreement has not been fulfilled on or before 31 May 2016 (the "Long Stop Date"), the Subscription Agreement will be terminated. As it is expected that additional time is required for the satisfaction of the conditions precedent of the Subscription Agreement in particular the due diligence exercise in respect of the Company's assets, debts, operation and affairs of the Company, after arm's length negotiations, on 23 May 2016 and 30 August 2016 the Company and the Subscriber entered into extension letters for the extension of the Long Stop Date from 31 May 2016 to 31 August 2016 and from 31 August 2016 to 30 September 2016, respectively (or such other date as the parties to the Subscription Agreement may agree in writing).

Further details of the Subscription and application for Whitewash Waiver are set out in the Company's announcements dated 15 December 2015, 5 January 2016, 24 March 2016, 15 April 2016, 11 May 2016, 23 May 2016 and 30 August 2016 and circular dated 15 April 2016.

CAPITAL REORGANISATION

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

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

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

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

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

The Capital Reorganisation had been approved by the Independent Shareholders by way of a poll at the special general meeting of the Company held on 11 May 2016.

Immediately after the Capital Reorganisation becoming effective, the Company's issued and paid-up share capital was approximately HK$9,056,252.58 comprising approximately 905,625,258 new shares of par value HK$0.01 each.

Further details of the Capital Reorganisation are set out in the Company's announcements dated 15 December 2015, 5 January 2016, 24 March 2016, 15 April 2016 and 11 May 2016 and circular dated 15 April 2016.

ANNUAL COKE SALES AND PURCHASE AGREEMENT AND CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN

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

Pursuant to the Annual Coke S&P Agreement, Kailuan placed a deposit in the amount of HK$220,000,000 (the "Kailuan Deposit") to the Company which was secured by, among others, a pledge of an aggregate of 1,157,000,000 Shares (as to 657,000,000 Shares owned by Mr. Wu and as to 500,000,000 Shares held by certain other Shareholders).

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

As at 31 December 2015, the Group was in default of repayment of the unpaid balance of the Kailuan Deposit under the Annual Coke S&P Agreement of HK$120,000,000 (the "Remaining Deposit") and the accrued compensations and interests and default liquidated damages (the "Compensations and Interests") of approximately HK$43,277,000 (collectively, the "Kailuan Loan").

On 10 March 2016, the Company and Kailuan entered into a supplemental agreement with regard to the Kailuan Deposit, pursuant to which Kailuan agreed not to demand repayment of the Compensations and Interest of HK$43,277,000 before 30 June 2017.

In connection with the above matters, on 13 April 2016, the Company entered into a subscription agreement (the "CB Subscription Agreement") with Kailuan and pursuant to which, the Company (as the issuer) has conditionally agreed to issue and Kailuan (as the subscriber) has conditionally agreed to subscribe for the convertible bonds of the Company (the "CB"), the principal amount of which will be equivalent to the amount of the Compensations and Interests accrued up to 31 December 2015 (the "CB Subscription"). The CB will have the right to convert into 721,284,884 new Shares (the "Conversion Shares") of HK$0.1 each (assuming that the Capital Reorganisation, detailed above, not having become effective). Pursuant to the CB Subscription Agreement, subject to the completion of the CB Issue, the amount of Compensations and Interests accrued from 1 January 2016 and thereafter will also be waived. In accordance with the terms of the CB Subscription Agreement, no provision for the Compensation and Interest had been provided for by the Group in the current review period (2015: HK$13,073,000).

The Conversion Shares upon conversion of the CB will be allotted and issued under the General Mandate. The net proceeds from the CB Issue will be used to settle the full amount of the Compensations and Interests in the amount of HK$43,277,000 as at 31 December 2015.

Furthermore, the Remaining Deposit will be fully settled from the proceeds of the Subscription, detailed above.

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

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

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

The CB issue is conditioned, among others, the completion of the Subscription, detailed above, including but not limited to, the Capital Reorganisation becoming effective and the repayment of the unpaid balance of the Kailuan Deposit under the Annual Coke S&P Agreement.

Pursuant to the CB Subscription Agreement, if any of the conditions precedent under the CB Subscription Agreement had not been fulfilled on or before 4:00 p.m. on 31 May 2016 (the "CB Long Stop Date"), the CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof. Given that completion of the transactions contemplated under the Subscription Agreement is one of the conditions precedent to the CB Subscription Agreement and the Long Stop Date of the Subscription Agreement was extended from 31 May 2016 to 31 August 2016 and from 31 August 2016 to 30 September 2016, the parties to the CB Subscription Agreement entered into extension letters on 31 May 2016 and 30 August 2016 for the extension of the CB Long Stop Date from 31 May 2016 to 31 August 2016 and from 31 August 2016 to 30 September 2016, respectively (or such other date as the parties to the CB Subscription Agreement may agree in writing).

As at 30 June 2016, the balance of the Kailuan Deposit and the Compensation and Interests were HK$120,000,000 (2015: HK$120,000,000) and HK$43,277,000 (31 December 2015: HK$43,277,000), respectively.

The Kailuan Deposit was secured by the following:

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

For further details, please refer to the announcements issued by the Company (i) dated 23 May 2013, 27 March 2014, 23 May 2014, 10 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015, 18 March 2015, 26 March 2015 and 29 May 2015, 29 July 2015 in relation to, among others, the Annual Coke S&P Agreement, (ii) dated 15 December 2015 in relation to, among others, the Subscription Agreement dated 27 November 2015 (and as supplemented by a supplemental agreement dated 15 December 2015); (iii) dated 13 April 2016 in relation to the CB Issue and dated 23 May 2016 and 31 August 2016 in relation to the extension of Long Stop Date of the Subscription Agreement and (iv) dated 31 May 2016 and 31 August 2016 in relation to the extension of Long Stop Date of the CB Subscription Agreement.

CHARGES OVER ASSETS

The Group had no pledged assets, including pledged deposit, as at 30 June 2016 (31 December 2015: Nil).

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

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

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

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

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

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables, accruals and other borrowings, an amount due to the Non-controlling Shareholder, net of cash and bank balances. Capital includes the convertible bonds issued in 2008 and equity attributable to owners of the parent. The gearing ratios as at 30 June 2016 was 100% (31 December 2015: 100%).

As at 30 June 2016, the equity attributable to owners of the parent amounted to HK$4,791,000 (31 December 2015: HK$1,142,000). Taking into account of shares issued upon full conversion of convertible bonds issued in 2008, the equity attributable to owners of the Company per share was approximately HK$0.00 per share (31 December 2015: HK$0.00 per share).

TREASURY POLICES

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.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$429,734,000 (31 December 2015: HK$477,479,000) and 0.50 (31 December 2015: 0.47), respectively as at 30 June 2016, which include other borrowings of HK$44,613,000 (31 December 2015: HK$23,426,000). The increase in the net current liability position is mainly due to the increase in other borrowings, which include a loan of HK$19,000,000 from Mr. Wu, the substantial shareholder of the Group, on 11 May 2016.

As at 30 June 2016, the Group's cash and bank balances amounted to HK$2,303,000 (31 December 2015: HK$1,439,000) and total other borrowings amounting to HK$44,613,000 (31 December 2015: HK$23,426,000).

As of 30 June 2016 and 31 December 2015, the Group has no bills payable.

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As set out in the Independent Auditors' Report to the consolidated financial statements for the year ended 31 December 2015, the Auditors of the Group had issued a disclaimer of opinion in relation to the multiple uncertainties relating to the going concern of the Group. Please refer to the said disclaimer and the audited financial statements for the year ended 31 December 2015 for details.

During the review period, the directors were endeavoring in maintaining the Group as a going concern and improving the Group's liquidity and cash flows to sustain the Group as a going concern, the Group is taking the following measures:

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

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

    Please refer to the above sections for details of the Subscription.

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

In connection with the above matters, on 13 April 2016, the Company entered into a CB Subscription Agreement with Kailuan and pursuant to which, the Company has conditionally agreed to issue and Kailuan has conditionally agreed to subscribe for the convertible bonds of the Company, the principal amount of which will be equivalent to the amount of the Compensations and Interests accrued up to 31 December 2015. Pursuant to the CB Subscription Agreement, subject to the completion of the CB Issue, the amount of Compensations and Interests accrued from 1 January 2016 and thereafter will also be waived. Please refer to the above sections for details of the CB Subscription Agreement.

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

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

On 23 June 2016, the Group entered into a settlement agreement with the Non-controlling Shareholder which agreed to settle the receivable from the Non-controlling Shareholder with the amount due to the Non-controlling Shareholder.

(v) In May 2015, a 51% owned subsidiary of the Group, Herong Resources Limited ("Herong"), was incorporated in Hong Kong. The remaining 49% interest is owned by Rontac Resources Holdings Limited which holds a 40% equity interest in Kailuan. The principal activity of Herong is trading of coal and coke, and related products. During the review period, commission income from coal and coke trading of HK$1,036,000 was recorded by Herong. It is contemplated that the Group and Kailuan will enter into a cooperation arrangement which will result in a significant increase in trading activities carried out by Herong. The Directors are of the opinion that such trading activities will contribute positive cash flows to the Group.

(vi) On 11 May 2016, the Group obtained a loan of HK$19,000,000 from Mr. Wu at 1% interest rate per annum and repayable on 31 December 2016. The loan is to be used as working capital of the Group.

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

The directors will continue to carefully monitor and attempt to improve the Group's liquidity and financial position, however, since the market condition is still difficult and is not expected to be recovered quickly in the foreseeable future, thus certain uncertainties relating to the going concern of the Group still exists.

INTEREST RATE RISK

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

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

FOREIGN CURRENCY RISK

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

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

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (31 December 2015: HK$Nil).

EMPLOYEES AND REMUNERATION

As at 30 June 2016, the Group had approximately 1,471 employees (31 December 2015: approximately 1,600 employees). Less than 10 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$ 24,209,000 for the period ended 30 June 2016 and approximately HK$29,803,000 was recorded in the corresponding period of 2015.

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 15,760,000 share options outstanding under the share option scheme.

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years, although there are some signs of recovery in the second quarter this year, whether the market will recover is still unclear. The environmental policies and excess capacity constraints will be the major factors affecting the development coke industry players in the future.

Excess capacity had been a serious problem for many industries in China, including the steel industry and coke industry, and this is still the main problem faced by the market players in those industries. Environmental focus restricting the coke production quantities is a support to the coke price, but the weak market demand is still making the industry not able to enter into a more balanced supply and demand cycle. Overall, the coke market will still continue a weak trend.

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

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

Furthermore, the management had been spending a lot of effort on the attempt to restart the Group's export trading business. The Group established Herong Resources Limited ("Herong") with Rontac Herong and Herong is to be engaged in coke and coal trading business and it commenced business in the second half of 2015. It is expected this company will start its direct coal/coke trading business soon.

In September 2010, the Group has signed an non-legal binding memorandum of understandings ("MOU") with the Non-Controlling Shareholder. This MOU mainly related to the proposed cooperation with the Non-Controlling Shareholder for the construction of a new coking plant with annual capacity of 2 million tonnes. Up to the date of this announcement, the Group has invested around RMB2,000,000 in this project and there is no additional commitment for the Group at this stage. The construction works of the new plant has started in 2011 and expect to be finished in 2015 or early 2016. It was wholly financed by the Non-Controlling Shareholder. The Group will assess the financial abilities and the prospects of the industry after the coking plant commence production and consider if the Group will join the project or not.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors namely Lam Hoy Lee, Laurie, To Wing Tim, Paddy and Lau Ka Ho. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. It has reviewed the interim financial statements for the six months ended 30 June 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2016 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors and the non-executive Director should attend the general meetings of the Company. However, due to other business commitment, Mr. Lam Hoy Lee, Laune (independent non-executive Director), and Mr. Lau Ka Ho (independent non-executive Director) did not attend the special general meeting held on 11 May 2016 and Mr. To Wing Tim, Paddy (independent non-executive Director) did not attend the annual general meeting held on 1 June 2016. Despite the fact that the mentioned Directors were not able to attend those general meetings, all directors were fully aware of the matters discussed and the corresponding resolutions through discussions among themselves.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all directors confirmed that they had complied with the required standard as set out in the Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.huscoke.com).

The 2016 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors of the Company is Mr. Li Baoqi and the independent non-Executive Directors of the Company are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.

By Order of the Board
Li Baoqi
Chief Executive Officer

Hong Kong, 31 August 2016