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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Huscoke Resources Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

- (I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
- (II) APPLICATION FOR WHITELASH WAIVER;
- (III) CAPITAL REORGANISATION;
- (IV) CHANGE IN BOARD LOT SIZE;
- (V) APPOINTMENT OF EXECUTIVE DIRECTORS; AND
- (VI) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

VEDA | CAPITAL
智略資本

**Joint Independent Financial Advisers to
the Independent Board Committee and the Independent Shareholders**

Opus Capital Limited
創富融資有限公司

AmCap
Ample Capital Limited
豐盛融資有限公司

A letter from the Board is set out on pages 9 to 35 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter from the Joint Independent Financial Advisers containing its recommendation and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 68 of this circular.

A notice convening the SGM to be held at 39/F, L'hotel, 18 King's Road, Causeway Bay, Hong Kong on Wednesday, 11 May 2016 at 10 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

15 April 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms have the meanings set out below:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Ample Capital”	Ample Capital Limited, a corporation licensed under the SFO to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, one of the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in respect of, among others, the Subscription and the Whitewash Waiver
“Announcement”	the announcement of the Company dated 15 December 2015
“Annual Coke S&P Agreement”	an agreement dated 22 May 2013 made between the Company, Kailuan and Mr. Wu Jixian, a non-executive Director in respect of the supply of coke
“Appointment”	the appointment of such other Director(s) as nominated by the Subscriber which shall be effective from the Subscription Completion
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday, Sunday, or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company as amended, supplemented or modified from time to time
“Convertible Bonds”	the zero coupon convertible bonds due 31 October 2018 issued by the Company dated 31 October 2008 and extended on 31 July 2013 with an outstanding principal amount of HK\$582,000,000 as at the Latest Practicable Date

DEFINITIONS

“Company”	Huscoke Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 704)
“Capital Reduction”	has the meaning given to it under the section headed “Proposed Capital Reorganisation” in the Letter from the Board of this circular
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction, the Capital Increase and the credit to contributed surplus account
“Change in Board Lot Size”	the proposed change in board lot size of the Company’s securities for trading on the Stock Exchange from 2,000 Shares to 10,000 New Shares upon Capital Reorganisation becoming effective
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling shareholder”	has the meaning given to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property in respect of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 10 September 2014 entered into between a wholly-owned subsidiary of the Company as the vendor and Guarded Success Limited, an independent purchaser in respect of the Disposal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim Paddy, to advise the Independent Shareholders in respect of, among other things, the Subscription and the Whitewash Waiver
“Independent Shareholders”	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
“Issued Share Capital Reduction”	has the meaning given to it under the section headed “Proposed Capital Reorganisation” in the Letter from the Board of this circular
“Joint Independent Financial Advisers”	Opus Capital and Ample Capital
“Kailuan”	Kailuan (Hong Kong) International Co. Ltd., a company incorporated in March 2010 with limited liability and the holder of security interest in approximately 25.55% of the issued Shares with no voting rights as part of the security for the Deposit placed by Kailuan pursuant to the Annual Coke S&P Agreement as at the Latest Practicable Date
“Latest Practicable Date”	13 April 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Last Trading Day”	27 November 2015, being the last full trading day for the Shares prior to the date of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	31 May 2016, or such other date as may be agreed between the Company and the Subscriber in writing
“Mr. Zhao”	the sole beneficial owner and director of the Subscriber
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“Options”	an aggregate of 78,800,000 outstanding options granted under the share option scheme of the Company adopted on 31 May 2002 and 28 March 2013
“Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, one of the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in respect of, among others, the Subscription and the Whitewash Waiver
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	the Group’s disposed land and building situated in Hong Kong in respect of the Disposal Agreement
“Registrar”	Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing 15 June 2015, being the date falling 6 months before the date of the Announcement, up to and including the Latest Practicable Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, the Whitewash Waiver, the Capital Reorganisation and the Appointment
“Share Consolidation”	the proposed consolidation of every 5 issued and unissued shares of par value of HK\$0.10 each in the share capital of the Company into 1 Consolidated Share of par value of HK\$0.50 each
“Shareholder(s)”	holder(s) of the Share(s) or the New Share(s), as the case may be
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Shun Wang Investments Limited (順旺投資有限公司), a company incorporated in British Virgin Islands with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by the Subscriber) pursuant to the Subscription Agreement (as supplemented by the Supplemental Agreement)
“Subscription Agreement”	the subscription agreement dated 27 November 2015 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement (as supplemented by the Supplemental Agreement)
“Subscription Price”	HK\$0.15 per Subscription Share had the Capital Reorganisation become effective

DEFINITIONS

“Subscription Share(s)”	1,400,000,000 New Shares to be issued by the Company to the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by the Subscriber) pursuant to the Subscription
“Supplemental Agreement”	the supplemental agreement dated 15 December 2015 entered into between the Company and the Subscriber to amend certain terms of the Subscription Agreement
“Supplemental Announcements”	the announcements of the Company dated 23 December 2015, 24 December 2015 and 5 January 2016
“Takeovers Code”	The Code on Takeovers and Mergers issued by SFC
“US\$”	United States dollar, the lawful currency of the United States
“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber to make a general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement (as supplemented by the Supplemental Agreement)
“%”	percent

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Change in Board Lot Size set out below is indicative only and may be subject to change. Further announcement(s) will be made by the Company as and when appropriate.

Events **2016**

Latest date and time of lodgment of form
of proxy for the SGM 10:00 a.m. on Monday,
9 May

Date and time of the SGM 10:00 a.m. on Wednesday,
11 May

Publication of the announcement of the results of the SGM. Wednesday, 11 May

The following events are conditional on the approval of Capital Reorganisation at the SGM.

Effective date of the Capital Reorganisation Thursday, 12 May

First day of free exchange of existing share certificates
for the Shares into new share certificates for the New Shares. Thursday, 12 May

Dealing in New Shares commences 9:00 a.m. on Thursday,
12 May

Original counter for trading in Shares in the board
lot size of 2,000 Shares (in the form of existing
share certificates) temporarily closes 9:00 a.m. on Thursday,
12 May

Temporary counter for trading in New Shares in the
board lot size of 400 New Shares (in the form of
existing share certificates) opens 9:00 a.m. on Thursday,
12 May

Original counter for trading in New Shares in the
board lot size of 10,000 New Shares (in the form
of new share certificates) re-opens 9:00 a.m. on Thursday,
26 May

EXPECTED TIMETABLE

Parallel trading in New Shares (in the form of
new share certificates in the new board lot size
of 10,000 New Shares and existing share certificates
in the board lot size of 400 New Shares) commences 9:00 a.m. on Thursday,
26 May

Designated broker starts to stand in the market
to provide matching services for sale and
purchase of odd lots of the New Shares 9:00 a.m. on Thursday,
26 May

Temporary counter for trading in New Shares
in the board lot size of 400 New Shares (in the
form of existing share certificates) closes 4:00 p.m. on Thursday,
16 June

Parallel trading in New Shares (in the form of
new share certificates in the new board lot
size of 10,000 New Shares and existing
share certificates in the board lot size of
400 New Shares) ends 4:00 p.m. on Thursday,
16 June

Designated broker ceases to stand in the market
to provide matching services for sale and
purchase of odd lots of the New Shares 4:00 p.m. on Thursday,
16 June

Last day of free exchange of existing certificates
for the Shares into new certificates for the New Shares Monday, 20 June

All times and dates refer to Hong Kong local times and dates.

LETTER FROM THE BOARD



HUSCOKE RESOURCES HOLDINGS LIMITED

和嘉資源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 704)

Executive Directors:

Mr. Gao Jianguo

Mr. Li Baoqi

Independent non-executive Directors:

Mr. Lam Hoy lee, Laurie

Mr. Lau Ka Ho

Mr. To Wing Tim, Paddy

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal office in Hong Kong:

Room 2003, 20th Floor, Tower 1

Lippo Center

89 Queensway

Admiralty, Hong Kong

15 April 2016

To the Shareholders

Dear Sir or Madam,

- (I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) APPLICATION FOR WHITEWASH WAIVER;
(III) CAPITAL REORGANISATION;
(IV) CHANGE IN BOARD LOT SIZE;
(V) APPOINTMENT OF EXECUTIVE DIRECTORS; AND
(VI) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the Announcement and the Supplemental Announcements.

On 27 November 2015, the Company and the Subscriber entered into the Subscription Agreement (as supplemented by the Supplemental Agreement), pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber (or such other wholly-

LETTER FROM THE BOARD

owned subsidiary of the Subscriber as designated by the Subscriber) conditionally agreed to subscribe for, an aggregate of 1,400,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share for a total cash consideration of HK\$210,000,000.

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 New 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 New Shares (other than those already owned or agreed to be acquired by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

This purpose of this circular is to provide you with, among other things, (i) further information regarding the Subscription, the Whitewash Waiver, the Capital Reorganisation and the Appointment; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders and the letter of advice from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; and (iii) the notice of the SGM.

THE SUBSCRIPTION AGREEMENT

Date 27 November 2015 (as supplemented by the Supplemental Agreement)

Parties

Issuer the Company
Subscriber Shun Wang Investments Limited

The Subscriber, its ultimate beneficial owner and parties acting in concert with any one of them are third parties independent of the Company and its connected persons and are not a party acting in concert with any of them. As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them do not hold any securities of the Company.

LETTER FROM THE BOARD

The Subscription Shares

Pursuant to the Subscription Agreement (as supplemented by the Supplemental Agreement), the Company conditionally agreed to allot and issue, and the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by the Subscriber) conditionally agreed to subscribe for, an aggregate of 1,400,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share for a total cash consideration of HK\$210,000,000. The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.01 each) is HK\$14,000,000.

The Subscription Shares represent approximately (i) 154.59% of the adjusted share capital of the Company had the Capital Reorganisation become effective, based on the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 60.72% of the issued share capital 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). The Subscription Shares shall be allotted and issued pursuant to a specific mandate proposed to be granted to the Directors at the SGM.

Application for listing

The Company will apply to the Stock Exchange for the listing of and permission to deal in the New Shares and the Subscription Shares on the Stock Exchange. The New Shares and the Subscription Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date(s) of dealings in the New Shares and the Subscription Shares on the Stock Exchange or such other date(s) as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealings in the New Shares and the Subscription Shares may be settled through CCASS.

Status of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects with the New Shares in issue and will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price of HK\$0.15 per Subscription Share (assuming the Capital Reorganisation having become effective) represents:

- (i) a discount of approximately 62.96% to the adjusted closing price of HK\$0.405 per New Share, based on the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 63.41% to the adjusted average closing price of HK\$0.410 per New Share, based on the average closing price of HK\$0.082 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 63.86% to the adjusted average closing price of HK\$0.415 per New Share, based on the average closing price of HK\$0.083 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 50.00% to the closing price of HK\$0.3 per New Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation;
- (v) a discount of approximately 11.76% to the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.170 per New Share as at 30 June 2015 and adjusted for the effect of the Capital Reorganisation (based on the number of issued Shares as at the Latest Practicable Date); and
- (vi) a premium of approximately 11,895.25% over the audited consolidated net asset value attributable to owners of the Company of approximately HK\$0.001 per New Share as at 31 December 2015 and adjusted for the effect of the Capital Reorganisation (based on the number of issued Shares as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the net asset value of the Company, as well as the business performance and the financial position of the Group. Taking into account (i) the prevailing market prices of the Shares and the recent market conditions; (ii) the financial conditions of the Group and the Subscription Price represents a premium

LETTER FROM THE BOARD

over the audited consolidated net asset value attributable to owners of the Company as at 31 December 2015; and (iii) the investment made by the Subscriber in the Company and the benefits of the Subscription to the Company as disclosed in this circular, the Board considers that the Subscription Price is fair and reasonable.

Conditions precedent

Subscription Completion is conditional upon satisfaction of the following conditions:

- (i) the Subscriber being reasonably satisfied with the results of the due diligence exercise in respect of the Company's assets, debts, operation and affairs of the Company;
- (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares;
- (iii) the Company having obtained all the required consents and approvals in respect of the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder;
- (iv) the Subscriber having obtained all the required consents and approvals in respect of the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder;
- (v) the Executive having granted the Whitewash Waiver and such approval not having been revoked or withdrawn as at the date of Subscription Completion, and for any conditions imposed thereon (if applicable) being satisfied in full;
- (vi) the passing of resolutions by the Shareholders or Independent Shareholders (as the case may be) at the SGM approving, among others:
 - (a) the signing, delivery and performance of the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder;
 - (b) the Capital Reorganisation;
 - (c) the granting of the specific mandate to the Directors for the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement (as supplemented by the Supplemental Agreement);

LETTER FROM THE BOARD

(d) the application for the Whitewash Waiver; and

(e) the Appointment;

(vii) the Capital Reorganisation becoming effective.

For the avoidance of doubt, none of the above conditions precedent is waivable. If any of the conditions precedent are not satisfied in accordance with the terms of the Subscription Agreement (as supplemented by the Supplemental Agreement) on or before 4:00 p.m. on 31 May 2016 (or such other date as may be agreed between the parties to the Subscription Agreement in writing), the Subscription Agreement shall terminate and the parties to the Subscription Agreement will be released from all obligation thereunder, save for any liability arising out of any antecedent breaches.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Subscription Completion

The Subscription Completion shall take place at 4:00 p.m. on the date falling on the 3rd Business Day (or such other date as the parties to the Subscription Agreement may agree in writing) after all the conditions precedent under the Subscription Agreement (as supplemented by the Supplemental Agreement) having been satisfied by the relevant parties.

Pursuant to the terms of the Subscription Agreement (as supplemented by the Supplemental Agreement), the Company agreed to deliver the undated written resignation letters of such Directors as designated by the Subscriber to the Subscriber and effective from the Subscription Completion. Please refer to the section headed “Proposed changes to the Board Composition” in this letter for details of the Appointment and the other changes to the composition of the Board.

Information of the Group and the reasons for the Subscription

The Group is principally engaged in (i) trading of coke; (ii) coal-related ancillary business; and (iii) coke production business.

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one or two years. It is expected that the macroeconomic and the coke industry weakness to continue while excess capacity

LETTER FROM THE BOARD

remain to be a serious problem for, among others, the steel and coke industries. Cope with the environmental focus and policies by the Chinese government, the oversaturated coke market will be not easy to enter into a more balanced supply and demand cycle and adversely affect the development of the coke industry in the foreseeable future. The Company has been loss-making (on a full year basis) since 2011 to 2015.

The Annual Coke S&P Agreement and the Kailuan Loan

Certain relevant information of the Annual Coke S&P Agreement entered into by the Company, Kailuan and Mr. Wu Jixian (“**Mr. Wu**”), a former non-executive Director, on 23 May 2013 are highlighted as follows:

- the Company has agreed, among other terms, that the Company or its subsidiaries will supply 50,000 tonnes coke each month (subject to certain adjustment level) thus a total of around 600,000 tonnes coke to Kailuan during the period from 24 May 2013 to 23 May 2014. If 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 per tonne based on the supply shortage (the “**Supply Shortage**”);
- Kailuan has agreed to pay HK\$220 million (the “**Deposit**”) to the Company as prepayment, interest free and repayable on or before 23 May 2014;
- Mr. Wu has agreed to pledge in favour of Kailuan (i) 657 million Shares; and (ii) convertible bonds in the aggregated principal amount of HK\$582 million (1,455 million Shares on a fully converted basis) the (“**CB Pledge**”); and
- five PRC staff of the Company were also agreed to pledge in favour of Kailuan an aggregate of 730,000,000 Shares (the “**Shares Pledge**”).

In September 2014, 230,000,000 Shares among the Shares Pledge were released by Kailuan upon arm’s length negotiation between the Company and Kailuan.

In July 2015, the CB Pledge was released due to the repayment of HK\$100 million from the Company to Kailuan.

LETTER FROM THE BOARD

Subsequently, as detailed in the Company's announcement dated 23 January 2015, upon expiry of the Annual Coke S&P Announcement on 23 May 2014, among other actions, the Company entered an interest scheme agreement with Kailuan on 23 January 2015 in relation to the Company's default in the Deposit to Kailuan and certain relevant major terms of which are highlighted as follows:

- the Company shall repay Kailuan the entire Deposit;
- the Company agrees and promises to pay interest for deposit default at an annual rate of 13%; and
- the Company agrees and promises to pay Kailuan an additional HK\$2.2 million (the "**Compensation**") as compensation for the Company's delinquent repayment that has caused damage to Kailuan.

Further information of the Annual Coke S&P Agreement and the above said interest scheme agreement entered into by the Company are set out in the Company's announcements dated 23 May 2013 and 23 January 2015 respectively.

Furthermore, as at the Latest Practicable Date, the Group was indebted with a remaining part of a deposit placed by Kailuan in the amount of HK\$120.0 million (original amount of HK\$220.0 million) (and the accrued compensations and interests and default liquidated damages) (collectively, the "**Kailuan Loan**") arising from the entering into of the Annual Coke S&P Agreement. The Deposit 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 Shareholders who are also the PRC staff of the Company) with no voting rights in favour of Kailuan. On 10 September 2014, the Group entered into the Disposal Agreement with an independent third party to dispose the Property to repay the Deposit partially. Completion of the Disposal took place on 29 May 2015. As at the Latest Practicable Date, the accrued interest and default liquidated damages of Kailuan Loan in respect of the Annual Coke S&P Agreement (the "**Compensations and Interests**") due to Kailuan is amounted to approximately HK\$43.3 million as at 31 December 2015 comprised of (i) HK\$6.6 million for each of the quarters during the period of the Annual Coke S&P Agreement as a result of the Supply Shortage; (ii) the Compensation of HK\$2.2 million; and (iii) the aggregated accrued interests throughout 24 May 2014 (being the first day immediately after the expiry of the period of the Annual Coke S&P Agreement) until 31 December 2015. Apart from the remaining unpaid balance of the Deposit of HK\$120.0 million and the Compensations and Interests there are no other outstanding amount payables to Kailuan in relation to the Annual Coke S&P Agreement and the Board is expected to conduct further fundraising activities to settle the Compensations and Interests. Further announcement(s) will be made by the Company, if and when any fundraising activities are to be materialised and if any agreement is entered into as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

LETTER FROM THE BOARD

Reference is made to the Company's announcement dated 13 April 2016, 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**") equivalent to the amount of the Compensations and Interests of HK\$43,277,093.08 accrued up to 31 December 2015 due to Kailuan (the "**CB Issue**"). Pursuant to the CB Subscription Agreement, subject to the completion of the CB Issue, the amount of Compensations and Interests accrued from 1 January 2016 and thereafter will also be waived.

The entering of the CB Subscription Agreement will (i) settle the full amount of the Compensations and Interests as at 31 December 2015 by way of the CB Issue; and (ii) waive the amount of Compensations and Interests accrued since 1 January 2016 as described above and thus improve the financial position of the Group by reduce the current liabilities of the Group. Furthermore, the unpaid balance of the Kailuan Loan of HK\$120 million is expected to be repaid by using part of the proceeds from the Subscription.

The CB Issue is conditional on the Subscription Completion. The Company will comply with the relevant Listing Rules in connection with the CB Issue.

Pursuant to the terms and conditions of the CB, the Conversion Price shall only be adjusted upon the consolidation or sub-division of Shares, which are the corporate exercises controllable by the Company.

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. Rule 4 of the Takeovers Code stipulates that once a bona fide offer has been communicated to the Board or the Board has reason to believe that a bona fide offer may be imminent, no action which could effectively result in an offer being frustrated, or in the Shareholders being denied an opportunity to decide on the merits of an offer, shall be taken by the Board in relation to the affairs of the Company without the approval of the Shareholders in general meeting and in particular, the Board must not, without such approval, among others, issue or agree to issue any Shares and/or create, issue or grant, or permit the creation, issue or grant of, any convertible securities, options or warrants in respect of the Shares.

The Company has 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 has applied to the Executive and the Executive has granted the waiver from the general requirement to obtain Shareholders' approval in respect of the CB Issue.

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Set out below are certain financial information of the Group for the two financial years ended 31 December 2014 and 2015 (audited):

	For the years ended	
	31 December	
	2014	2015
	(HK\$'000)	(HK\$'000)
Revenue	598,618	461,384
Net loss before taxation	(1,096,132)	(139,467)
Net loss after taxation	(1,095,942)	(130,735)
Net asset value	158,014	11,344

As illustrated in the table above, as at 31 December 2015, the audited consolidated net asset value of the Group was approximately HK\$11 million, which represented a decrease of approximately 92.8% as compared to the previous year as a result of the disposal of the Property (which results in an one time gain of approximately HK\$76.3 million to the Group) and the proceeds of which was used for full settlement of the mortgage loan of the Property and partial repayment of the Deposit.

The Group is expected to continue undergo a rate of 13% annual interest on the unpaid balance of the Deposit in the amount of HK\$120.0 million if the Subscription cannot proceed. Therefore, the Directors are of the view that the Subscription represents a valuable opportunity for the Group to bring in a solid investor with the financial capability to invest in the Company.

The Directors consider that the entering into the Subscription Agreement (as supplemented by the Supplemental Agreement) represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises. The sole director of the Subscriber, Mr. Zhao is specialised in and has related experience (in the energy field) to the principal businesses of the Group. Mr. Zhao served as the chairman and executive director of Titan Petrochemicals Group Limited ("**Titan Petrochemicals**") which conduct businesses in the natural resources and energy related industry in transporting and distributing oil services and the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1192) from July 2012 to September 2015. Mr. Zhao also acted as general manager, chairman and director in other various enterprises specialising in trading, investment, property and in the energy field in the past. Also, as the Subscriber indicated in the sub-section headed "Future intentions of the Subscriber regarding the Group" in

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this letter, it is intended to continue the existing principal businesses of the Group as well as explore and identify opportunistic investments and/or joint ventures that will provide positive synergies effect to the existing businesses of the Group. As at the Latest Practicable Date, the Subscriber has no definite/specific business plans formulated and will first conduct a review on the financial position and the operations of the Company upon Subscription Completion; furthermore, subject to the results, it may formulate long-term business plans and strategy for the Company to explore other business opportunities and consider whether any corporate actions to be appropriate to enhance the long-term growth of the Company. The Directors are confident that the Subscriber will bring in additional resources and investment opportunities to the Company.

In light of the above and having further considered that with the new funding by Subscription and the support of the Subscriber, the Group's financial position and operating risk are expected to be improved, including but not limited to (i), the gearing ratio of the Group (i.e. 100% as at 31 December 2015) can be improved upon the repayment of the remaining outstanding principal amount of the Deposit and the settlement of the loans and accrued expenses for the operations of the Group; and (ii) the Company has more working capital to develop the Group's coke businesses by, among others, negotiate with more new customers for the entering into of business agreements, the Directors are of the view that the Subscription is beneficial to the Company and the Shareholders as a whole.

The Board has considered various fund raising methods apart from the Subscription such as debt financing as well as rights issue or open offer. As regards debt financing, having considered that it would increase the gearing level of the Group and the interest expenses incurred which would impose additional financial burden to the Group's future cash flows, the Board considers that such fund raising method is currently not the most appropriate method to the Group. As regards the viability of a rights issue or an open offer, the Board is of the view that it will be difficult to identify underwriter(s) which is/are interested to underwrite a rights issue or open offer of the Company in light of its current financial position. The Directors consider that even if such an independent underwriter were identified, the rights issue or open offer would incur costly underwriting commission and the process would be relatively time-consuming.

In addition, aside from the Subscriber, the Board has also previously approached and respectively conducted negotiations with three separate underwriters. However, neither the underwriters nor the Board could compromise on agreeable terms after such negotiations. Given the financial position and conditions of the Group, the Board could not bargain for favorable terms to the Company from the underwriters it approached.

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

Besides, the Board is aware of trade receivables due from a non-controlling shareholder of a PRC subsidiary (the “**Non-controlling Shareholder**”) of approximately HK\$213.63 million and other receivables from the Non-controlling Shareholder of approximately HK\$91.53 million, totalling approximately HK\$305.16 million as at 31 December 2015. The Company, on the other hand, had an amount due to the Non-controlling Shareholder of approximately HK\$50.20 million.

As at 31 December 2015, Huscoke International Group Limited (“**HIG**”), a subsidiary of the Group had a balance of approximately US\$9.00 million (equivalent to approximately HK\$69.80 million) payable to a customer, who is a current trading party with the Non-controlling Shareholder and the Non-controlling Shareholder had provided coke related products in the amount of approximately US\$9.00 million to that customer. In this regard, the balance of approximately US\$9.00 million payable by HIG to the customer was in substance transferred/assigned to the Non-controlling Shareholder as agreed and executed by the agreements signed on 31 March 2016 between the customer, Non-controlling Shareholder, HIG, and 山西金岩和嘉能源有限公司 (GRG Huscoke (Shan Xi) Ltd.*) (“**Huscoke Shanxi**”) and the entire amount of US\$9.00 million will be transferred and used to offset the account receivables and other receivables of approximately HK\$305.16 million payable by the Non-controlling Shareholder to the Company as at 31 December 2015. Therefore, the Company had net amount due from the Non-controlling Shareholder of approximately HK\$185.16 million.

The Non-controlling Shareholder is a major and long-term trading partner of the Company. The Company had previously demanded for repayment from the Non-controlling Shareholder but was unsuccessful due to the tight cashflow position of the Non-controlling Shareholder and thus the management of the Company considers that it may not be in the interest for the Company to take legal actions to request the repayment from the Non-controlling Shareholder. Nevertheless, the Company endeavours to demand for the repayment from the Non-controlling Shareholder, therefore, on 28 February 2016, the Group and the Non-controlling Shareholder entered a settlement agreement, pursuant to which, the Non-controlling Shareholder commits to repay the net balance due to the Group by monthly instalments of RMB50.00 million (equivalent to approximately HK\$59.70 million) within one year after the commencement of production of its new coking plant, which is expected to start operation in October 2016. Hence, the Company is confident

* *For identification purpose only*

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and optimistic that the receivables due from the Non-controlling Shareholder will be fully settled within one year. In addition, the Group may also have trading business with the Non-controlling Shareholder upon the commencement for production of the coking plant which is expected to provide business opportunities and potential future revenue to the Group.

The Directors have considered the dilution effect on the shareholding of the Company before proceeding with the Subscription. Nevertheless, the introduction of the Subscriber (who has the financial capability and is willing to subscribe for the Subscription Shares at a premium over the Company's audited net asset value as at 31 December 2015) will provide confidence to the Shareholders and the investing public in the Company. Further, with the additional funds from the Subscription to finance its business development, expansion and/or innovations, the Company will be put in a better position to grow. The Directors consider that, the potential for future earnings and the chance to increase the value for the Company will, to a certain extent, outweigh the dilution effect that will occur following completion of the Subscription.

The Directors are of the view that the terms of the Subscription Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and the Subscription is in the interest of the Company and the Shareholders as a whole.

Use of proceeds

The gross proceeds from the Subscription would amount to HK\$210.0 million. The net proceeds of the Subscription, after deducting professional fees and other related expenses, are estimated to be approximately HK\$208.5 million, representing a net price of approximately HK\$0.1490 per Subscription Share.

The Company intends to use the net proceeds to be raised from the Subscription as below:

- (i) approximately HK\$120.0 million for the repayment of the remaining outstanding principal amount of the Deposit;
- (ii) approximately HK\$34.5 million for the settlement of the loans and accrued expenses for the operations of the Group; and
- (iii) the remaining of approximately HK\$54.0 million for available working capital for the development of the Group's coke businesses including production, purchasing and trading of cokes.

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As at the Latest Practicable Date, the general working capital of the Group is, inter alia, earmarked for Herong Resources Limited (“**Herong**”), a non-wholly owned subsidiary of the Company which is principally engaged in the trading of coke, to finance its business of coke trading with Kailuan. Herong is in negotiation with Kailuan with an aim to enter into separate agreements with Kailuan upon Subscription Completion and the respective transactions contemplated thereunder (i.e. trading of coke), which if materialised, are expected to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules as Kailuan is deemed to be a connected person at the subsidiary level of the Company by virtue of its holding of 49% of Herong, a non-wholly owned subsidiary of the Company. In this connection, further announcement(s) will be published by the Company in compliance with the requirement of the Listing Rules as and when appropriate.

Fund-raising activities in the preceding twelve months

The Company did not raise any funds from any equity fund-raising activities in the preceding twelve months immediately before the Latest Practicable Date.

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, 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 1,400,000,000 New 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 New Shares (other than those already owned or agreed to be acquired by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

The Subscriber has applied to the Executive and the Executive has agreed, among other matters, subject to the approval of the Independent Shareholders at the SGM, to grant the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver and underlying transactions including the Subscription, the Capital Reorganisation and the Appointment will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

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If the Whitewash Waiver is approved by the Independent Shareholders at the SGM, then (i) the obligation by the Subscriber to make a mandatory general offer under Rule 26 of the Takeovers Code will be waived; and (ii) the shareholding of the Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them in the Company will exceed 50% and the Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

PROPOSED CAPITAL REORGANISATION

The Board proposes 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 (the “**Issued Share Capital Reduction**”); 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 (together with the Issued Share Capital Reduction, the “**Capital Reduction**”);
- (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 divided into 4,000,000,000 New Shares of par value HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 New Shares of par value HK\$0.01 each by the creation of 16,000,000,000 New Shares of par value HK\$0.01 each (“**Capital Increase**”);

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- (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).

Effect of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$2,000,000,000 divided into 20,000,000,000 Shares of HK\$0.10 each, of which 4,528,126,292 Shares of HK\$0.10 each had been allotted and issued as fully paid or credited as fully paid.

Immediately after the Capital Reorganisation becoming effective, and on the basis that the Company will not allot and issue any new Shares or repurchase any existing Shares prior thereto and none of the existing Options will be exercised prior thereto, the Company's issued and paid-up share capital shall be approximately HK\$9,056,252.58 comprising approximately 905,625,258 New Shares of a par value of HK\$0.01 each.

Status of New Shares after Capital Reorganisation

The New Shares of HK\$0.01 each after Capital Reorganisation will be identical and rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders. Any fractional entitlements to the Consolidated Shares will not be allocated to the Shareholders and instead will be aggregated and sold and the proceeds retained for the benefit of the Company.

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation and the listing of the New Shares are conditional upon:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation;
- (ii) the compliance with the relevant procedures and the requirements under the laws of Bermuda and the Listing Rules to effect the Capital Reorganisation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued arising from the Capital Reorganisation.

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The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the New Shares to be issued arising from the Capital Reorganisation.

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation and the listing of the New Shares will become effective.

Reasons for the Capital Reorganisation

Pursuant to the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation of its securities. In view of the recent trading prices of the Shares, the Board proposes to effect the Share Consolidation in order to comply with the trading requirements of the Listing Rules. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the New Shares.

The Capital Reorganisation is a condition precedent to the Subscription Completion under the Subscription Agreement (as supplemented by the Supplemental Agreement). Pursuant to the Subscription Agreement (as supplemented by the Supplemental Agreement), the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by the Subscriber) conditionally agreed to subscribe for the Subscription Shares at the Subscription Price of HK\$0.15 per Share (had the Capital Reorganisation become effective), which amount is less than the par value of HK\$0.50 for each Consolidated Share. Accordingly, it is necessary to reduce the par value of the Shares to below HK\$0.15 to give effect to the Subscription.

In addition, the Capital Reduction will keep the par value of the New Share at a lower level that can facilitate the Company's future fund raising activities as the Company is not allowed to issue any Shares below par value.

Accordingly, the Board is in the view that the Capital Reorganisation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Exchange of share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may on or after Thursday, 12 May 2016 and until Monday, 20 June 2016 (both days inclusive) submit their existing share certificates for the Shares to the Registrar for exchange for new share certificates for the New Shares at the expense of the Company. Thereafter, existing

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share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time specified by the Stock Exchange) for each new share certificate issued or each existing share certificate submitted for cancellation, whichever the number of certificates issued or cancelled is higher. After 4:00 p.m. on Monday, 20 June 2016, existing share certificates for the Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the New Shares at any time but are not acceptable for trading, settlement and registration purposes.

The new share certificates for the New Shares will be issued in yellow colour in order to be distinguished from the existing share certificates which are in light brown colour.

EFFECT ON THE COMPANYS' SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as the Latest Practicable Date; (ii) immediately after the Capital Reorganisation becoming effective but before the Subscription Completion; (iii) the Capital Reorganisation becoming effective and immediately after the Subscription Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); (iv) for illustrative purposes, in the event that the Convertible Bonds are wholly exercised and converted into 1,455,000,000 Shares by Mr. Wu, being the beneficial owner the Convertible Bonds, (assuming that none of these Convertible Bonds are placed out), the Capital Reorganisation becoming effective and immediately after the Subscription Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (v) for illustrative purposes, in the event that the Convertible Bonds are wholly exercised and converted into 1,455,000,000 Shares by independent third parties (assuming that all the Convertible Bonds are placed out to independent third parties), the Capital Reorganisation becoming effective and immediately after the Subscription Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares):

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	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective but before the Subscription Completion		The Capital Reorganisation becoming effective and immediately after the Subscription Completion		In the event that the Convertible Bonds are wholly exercised and converted into Shares by Mr. Wu, the Capital Reorganisation becoming effective and immediately after the Subscription Completion		In the event that the Convertible Bonds are wholly exercised and converted into Shares by independent third parties, the Capital Reorganisation becoming effective and immediately after the Subscription Completion	
	Number of Shares	Approx. %	Number of New Shares	Approx. %	Number of New Shares	Approx. %	Number of New Shares	Approx. %	Number of New Shares	Approx. %
The Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them	—	—	—	—	1,400,000,000	60.72	1,400,000,000	53.92	1,400,000,000	53.92
Mr. Wu (Note 1)	657,000,000	14.51	131,400,000	14.51	131,400,000	5.70	422,400,000	16.27	131,400,000	5.06
<i>Directors</i>										
Gao Jianguo (Note 2)	25,062,000	0.55	5,012,400	0.55	5,012,400	0.22	5,012,400	0.19	5,012,400	0.19
To Wing Tim Paddy (Note 3)	1,160,000	0.03	232,000	0.03	232,000	0.01	232,000	0.01	232,000	0.01
Public Shareholders	3,844,904,292	84.91	768,980,858	84.91	768,980,858	33.35	768,980,858	29.61	1,059,980,858	40.82
Total:	4,528,126,292	100.00	905,625,258	100.00	2,305,625,258	100.00	2,596,625,258	100.00	2,596,625,258	100.00

Notes:

- Mr. Wu beneficially owned 657,000,000 Shares and was interested in Convertible Bonds in the aggregate principal amount of HK\$582 million, which were convertible into 1,455,000,000 Shares. References are made to the announcements of the Company dated 5 November 2015 and 3 February 2016, Mr. Wu signed a placing agreement with a Hong Kong licensed (Type 1) placing agent and agreed for the placing agent to procure on a best effort basis to sell all the Convertible Bonds until the end of placing period on 20 April 2016. As at the Latest Practicable Date, Mr. Wu has pledged his interest in 657,000,000 Shares and certain individual minority Shareholders have pledged their interests in 500,000,000 Shares in aggregate to Kailuan as part of the security for the deposit placed by Kailuan pursuant to the Annual Coke S&P Agreement.

The Convertible Bonds accrued no interest and may be converted in whole or part (in multiples of HK\$1 million (or such smaller denomination as may be agreed by the Company)), provided that (i) no conversion rights attached to the Convertible Bonds may be exercised, to the extent that following such exercise, a holder of the Convertible Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such percentage of the issued share capital of the Company as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); and (ii) no holder of the Convertible Bonds shall exercise the conversion right attached to the Convertible Bonds held by such holder if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under Rule 8.08 of the Listings Rules and as required by the Stock Exchange. The conversion price of the Convertible Bonds is subject to adjustment events upon the occurrence of, among other matters, subdivision or consolidation of Shares, capitalisation issue, rights issue and other dilutive events. The Convertible Bonds do not confer any voting rights at any meetings of the Company and are freely transferable, provided that such transfer complies with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

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2. Gao Jianguo, an executive Director, beneficially owned 25,062,000 Shares and was granted Options entitling to subscribe for a maximum of 25,000,000 Shares upon exercise of the Options in full.
3. Among the 1,160,000 Shares held by To Wing Tim, Paddy, an independent non-executive Director, 300,000 Shares were held by him as beneficial owner and 860,000 Shares were held by his spouse, Leung Yuet Mel.

As at the Latest Practicable Date, the relevant securities of the Company comprise of:

- (i) 4,528,126,292 Shares in issue;
- (ii) 78,800,000 outstanding Options (in which (i) 22,500,000 outstanding Options were granted to Li Baoqi, an executive Director; (ii) 25,000,000 outstanding Options were granted to Gao Jianguo, an executive Director; and (iii) the rest were granted to employees) entitling the holders thereof to subscribe for a total of 78,800,000 Shares; and
- (iii) an outstanding principal amount of HK\$582,000,000 under the Convertible Bonds entitling the holder thereof to subscribe for a total of 1,455,000,000 Shares.

After the Capital Reorganisation becoming effective, the conversion price of the New Shares which may fall to be issued upon exercise of the conversion rights attached to the Convertible Bonds as well as the exercise price per Share at which the holders of the outstanding Options may subscribe for Shares upon the exercise of the Options and the number of their outstanding Options will be affected.

The Company will engage the auditors of the Company or an independent financial adviser in accordance with the terms of the Convertible Bonds instrument and the share option scheme of the Company to certify in writing as to the adjustments (if any) required to be made in respect of the conversion price of the outstanding Convertible Bonds and the exercise price and number of the outstanding Options as a result of the Capital Reorganisation. The Company will make further announcement(s), when and where appropriate, about the adjustments in compliance with the Listing Rules.

Save as disclosed above, the Company has no other outstanding securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in board lot size of 2,000 Shares. The Board proposes that subject to and upon the Capital Reorganisation becoming effective, the board lot size be changed from 2,000 Shares to 10,000 New Shares of HK\$0.01 each.

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The Change in Board Lot Size will not affect any of the relative rights of the Shareholders. Based on the closing price of HK\$0.06 per Share (equivalent to HK\$0.3 per Consolidated Share upon Share Consolidation becoming effective) as at the Latest Practicable Date, the value of each board lot of 10,000 New shares, assuming the Capital Reorganisation and the Change in Board Lot Size had already become effective, would be HK\$3,000.

Odd Lot Arrangements

In order to alleviate the difficulties arising from the existence of odd lots of the New Shares as a result of the Change in Board Lot Size, the Company has appointed Head & Shoulders Securities Limited as an agent to provide matching services on a best effort basis to the Shareholders who wish to top up or sell their holdings of odd lots of the New Shares during the period from 9:00 a.m. on Thursday, 26 May 2016 to 4:00 p.m. on Thursday, 16 June 2016, both days inclusive. Holders of the New Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the New Shares or to top up their odd lots to a full new board lot may directly or through their brokers to contact Mr. Alan Yu at Room 2511, 25/F., Cosco Tower, 183 Queen's Road Central, Hong Kong or at telephone number (852) 3103 8398 during office hours (i.e. 9:00 a.m. to 6:00 p.m. within such period). Holders of the New Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement.

Expected timetable

Please refer to the section headed "Expected Timetable" in this circular for the expected timetable for the implementation of the Capital Reorganisation and the Change in Board Lot Size.

INFORMATION ON THE SUBSCRIBER

The Subscriber is an investment holding company incorporated on 12 November 2010 in the British Virgin Islands with limited liability and as at the Latest Practicable Date, the Subscriber is wholly owned by Mr. Zhao, who is also the sole director of the Subscriber.

Mr. Zhao, aged 52, acted as general manager, chairman and director of various enterprises specializing in trading, investment, property and in the energy field. He served as the chairman and executive director of Titan Petrochemicals, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1192) from July 2012 to September

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2015. Mr. Zhao has more than 20 years of working experience in corporate management, securities investment, corporate merger and restructuring and commercial disputes. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

Immediately prior to the entering into of the Subscription Agreement, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them did not hold any securities of the Company and were third parties independent of (i) the Company and its connected persons; and (ii) Kailuan its connected persons and parties acting in concert with it.

Future intentions of the Subscriber regarding the Group

The Subscriber intends to continue the existing principal businesses of the Group. In addition to the existing businesses of the Company, the Subscriber intends to regularly review the operations and business activities of the Company and explore and identify opportunistic investments and/or joint ventures that will provide positive synergies effect to the existing businesses of the Group to enhance the Company's growth. However, the Subscriber will have to conduct a review on the financial position and the operations of the Company before he may formulate any long-term business plans and strategy for the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalization, business divestment, fund-raising, restructuring of the business and/or business diversification will be appropriate to enhance the long-term growth potential of the Company. Therefore, as at the Latest Practicable Date, no definitive plans or timing has been determined for any of these activities and should such corporate actions materialise, further announcement(s) will be made by the Company in accordance with the Listing Rules and the Takeovers Code (if applicable). The Subscriber has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

The Subscriber and the Company also intended to maintain the listing of the New Shares on the Main Board of the Stock Exchange following the Subscription Completion.

Information required under the Takeovers Code

As at the Latest Practicable Date, save for the Subscription:

- (i) the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them do not hold, control or have direction over any outstanding options, warrants,

LETTER FROM THE BOARD

- or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ii) the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
 - (iii) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and the Whitewash Waiver, with any other persons;
 - (iv) there is no agreement or arrangement to which the Subscriber, its ultimate beneficial owner or any party acting in concert with any of them is a party which relates to circumstances in which he may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver;
 - (v) none of the Subscriber, its ultimate beneficial owner or any party acting in concert with any of them has received any irrevocable commitment to vote for or against the Subscription and/or the Whitewash Waiver; and
 - (vi) except for the entering into of the Subscription Agreement and the Supplemental Agreement, none of the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them, has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the Relevant Period.

PROPOSED CHANGES TO THE BOARD COMPOSITION

As at the Latest Practicable Date, the Board is made up of five members, comprising two executive Directors, namely Mr. Gao Jianguo and Mr. Li Baoqi; and three independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.

Pursuant to the terms of the Subscription Agreement (as supplemented by the Supplemental Agreement), the Company agreed to deliver the undated written resignation letters of such Directors as designated by the Subscriber to the Subscriber and effective from the Subscription Completion.

LETTER FROM THE BOARD

The Subscriber intends to nominate new Directors to the Board for appointment with effect from the Subscription Completion:

Proposed Directors

It is currently expected that Mr. Gao Jianguo, an executive Director shall resign while Mr. Li Baoqi, an executive Director, together with the 3 independent non-executive Directors shall remain on the Board upon Subscription Completion. The Subscriber intends to nominate the following members to the Board:

- Mr. Wong Siu Hung Patrick (“**Mr. Wong**”), aged 60, is nominated to be an executive Director upon Subscription Completion. Mr. Wong is an Associate member of Chartered Institute of Bankers, United Kingdom and holds a Master degree in Applied Finance from Macquarie University, Australia. He has more than 30 years of working experience in banking, finance, commodity trading and project development. He was an executive Director of Titan Petrochemicals Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1192) between 2008 and 2015. Prior to joining Titan Petrochemicals, Mr. Wong was the senior vice president of Commodity and Trade Finance at Societe Generale Singapore and the chief executive officer in the China Division of Louis Dreyfus Group, a global commodity trading firm.
- Mr. Haemon Huang Man Yem (“**Mr. Huang**”), aged 41, is nominated to be an executive Director upon Subscription Completion. Mr. Huang holds a Master degree of Corporate Finance from the Hong Kong Polytechnic University and a Bachelor degree of Engineering, Electronic Engineering from City University of Hong Kong. He has more than 15 years of working experience in corporate development and restructuring, corporate establishment and M&A projects, and capital market transactions (i.e. equities and bonds/debts) on the stock exchanges of Hong Kong and Singapore respectively. He is currently the general manager of the Shanghai branch office of Expert Systems IVR (Asia) Co. Ltd., a Hong Kong based subsidiaries of Asia-Pacific Region Unified Communications solution provider engaged in Unified Communications solutions development and corporate establishment consultant business and was also a former member of the senior management of Titan Petrochemicals from April 2002 to May 2014.

As at the Latest Practicable Date, each of the above proposed Directors does not hold any interests in the securities of the Company which is required to be disclosed pursuant to Part XV of the SFO. As at the Latest Practicable Date, none of the candidates has entered into any service contract with the Company. The remuneration of each of the candidates will be determined with reference to the prospective duties and responsibilities of such candidate with the Company and the prevailing market conditions.

LETTER FROM THE BOARD

Save as disclosed above, (i) each of the proposed directors does not have any relationship with the Directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules); (ii) each of the proposed directors does not hold any other position in the Company or other members of the Group nor any other directorship in public companies in the last three years the securities of which are listed on any securities markets in Hong Kong or overseas; (iii) there is no further information relating to the appointment of each of the proposed directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters in relation to the appointment of each of the proposed directors that needs to be brought to the attention of the Shareholders.

Moreover, the Subscriber is in the process finalising the list of suitable candidates with the right caliber to become new Directors following the Subscription Completion and such list is subject to confirmation.

Further announcement(s) will be published by the Company in respect of the changes to the Board pursuant to Rule 13.51(2) of the Listing Rules as and when appropriate.

The Board believes the experiences of the proposed Directors in corporate restructuring, management and trading as well as their respective past working experience in Titan Petrochemicals which conduct businesses in the natural resources and energy related industry in transporting and distributing oil services will enable the proposed Director to contribute immediately and play a key role in the development of coke trading and production and long term growth of the Group. Having leveraged on the leadership, knowledge and management of the existing executive Director in Mr. Li Baoqi, who will remain in the Board, and the proposed Directors with related experience and background in natural resource, the Board is in the view that the new Board will have expertise in running and operating the existing business of the Group.

SGM

A notice convening the SGM to be held at 39/F, L'hotel, 18 King's Road, Causeway Bay, Hong Kong on Wednesday, 11 May 2016 at 10 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

LETTER FROM THE BOARD

The SGM will be convened and held for the purposes of considering and, if thought fit, approving, among other things, the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, the Whitewash Waiver, the Capital Reorganisation and the Appointment. The voting to all the resolutions to be proposed at the SGM will be conducted by way of a poll.

An announcement on the results of the SGM will be made by the Company following the SGM in accordance with the Takeovers Code and the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and the Whitewash Waiver and as to voting. Opus Capital and Ample Capital have been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and the Whitewash Waiver and as to voting.

Shareholders who are (i) the Subscriber, its ultimate beneficial owner or any of their respective associates; (ii) any parties acting in concert with the Subscriber or its ultimate beneficial owner; or (iii) parties involved or interested in the Subscription or the Whitewash Waiver are required to abstain from voting on the ordinary resolutions to approve the relevant transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Agreement) and the Whitewash Waiver respectively, at the SGM.

Mr. To Wing Tim, Paddy, an independent nonexecutive Director, beneficially owned 1,160,000 Shares, was not involved in any of the discussions and negotiations of the Subscription Agreement and the Supplemental Agreement and the transactions contemplated thereunder and is not required to abstain from voting on all the resolutions to be proposed at the SGM. As no Director or controlling Shareholder, other than Mr. Li Baoqi and Mr. Gao Jianguo who were involved in the discussion and negotiation of the Subscription Agreement and the Supplemental Agreement on behalf of the Company, has any material interest in the Subscription Agreement and/or the Supplemental Agreement and the transactions contemplated thereunder and the Whitewash Waiver, save for Mr. Li Baoqi and Mr. Gao Jianguo, none of the Directors is required to abstain from voting on all the resolutions to be proposed at the SGM.

Whereby, the Subscriber and each of his respective associates shall abstain from voting on the resolutions to approve the Subscription Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, the Whitewash Waiver, the Capital Reorganisation and the Appointment.

LETTER FROM THE BOARD

The Subscription Completion is subject to the fulfilment of a number of conditions precedent set out under the section headed “Conditions precedent” in this circular, including the obtaining of the approval by the Shareholders or Independent Shareholders (as the case may be) at the SGM of the Subscription and the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Agreement), the granting of the Whitewash Waiver by the Executive and the Capital Reorganisation becoming effective. Accordingly, the Subscription may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

RECOMMENDATION

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning, among other things, the Subscription and the Whitewash Waiver; and (ii) the letter from the Joint Independent Financial Advisers which contains its advices to the Independent Board Committee and the Independent Shareholders on, among other things, the Subscription and the Whitewash Waiver and the principal factors and reasons considered by the Joint Independent Financial Advisers in arriving at its recommendations.

The Directors (including the Independent Board Committee, after considering the advice of the Joint Independent Financial Advisers) consider that the terms of the Subscription and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In addition, the Directors consider that the Capital Reorganisation, the Appointment and the relevant transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of (i) the special resolution to approve the Capital Reorganisation; (ii) the ordinary resolutions to approve the Subscription Agreement, the Whitewash Waiver and the Appointment to be proposed the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the SGM.

By order of the Board
Huscoke Resources International Limited
Li Baoqi
Executive Director



HUSCOKE RESOURCES HOLDINGS LIMITED

和嘉資源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 704)

15 April 2016

To the Shareholders

Dear Sir or Madam,

**(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(II) APPLICATION FOR WHITEWASH WAIVER**

We refer to this circular dated 15 April 2016 of the Company of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in this circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Subscription and Whitewash Waiver and to make a recommendation to you as to whether, in our opinion, the terms of the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance thereof.

Opus Limited and Ample Capital have been appointed as the Joint Independent Financial Advisers to advise us and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver and as to acceptance thereof. Details of its advice and the principal factors taken into consideration by it in arriving at its advice and recommendation are set out in the letter from the Joint Independent Financial Advisers in this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the principal factors and reasons and the advice from the Joint Independent Financial Advisers, we are of the opinion that the terms of the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Huscoke Resources Holdings Limited

Mr. Lam Hoy Lee
*Independent non-executive
Director*

Mr. Lau Ka Ho
*Independent non-executive
Director*

Mr. To Wing Tim, Paddy
*Independent non-executive
Director*

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Set out below is the text of a letter received from Opus Capital and Ample Capital, the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver for the purpose of inclusion in this circular.

Opus Capital Limited
創富融資有限公司

AmCap
Ample Capital Limited
豐盛融資有限公司

18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

15 April 2016

To: *The Independent Board Committee and the Independent Shareholders of
Huscoke Resources Holdings Limited*

Dear Sirs,

**(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(II) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointments as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) dated 15 April 2016 issued by the Company to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

References are made to the Announcement and the Supplemental Announcements whereby the Company announced, amongst other things, the proposed Capital Reorganisation and the Change in Board Lot Size (details of which are highlighted in the Letter from the Board under the section headed “Proposed Capital Reorganisation” and “Change in Board Lot Size” respectively in the Circular). On 27 November 2015, the Company and the

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Subscriber entered into the Subscription Agreement (as supplemented by the Supplemental Agreement), pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by the Subscriber) conditionally agreed to subscribe for, an aggregate of 1,400,000,000 Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share for a total cash consideration of HK\$210 million.

Upon the 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 New 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, upon the Subscription Completion, 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 New Shares (other than those already owned or agreed to be acquired by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive. The Subscriber has applied to the Executive and the Executive has agreed, among other matters, subject to the approval for the Independent Shareholders at the SGM, to grant the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver and underlying transactions including the Subscription will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy, all being the independent non-executive Directors, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver. Our appointments as the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders have been approved by the Independent Board Committee in this respect.

Our roles as the Joint Independent Financial Advisers are to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) how the Independent Shareholders should vote on the relevant resolutions in relation to the Subscription and the Whitewash Waiver at the SGM.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointments as the Joint Independent Financial Advisers, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things, the Subscription Agreement, the Supplemental Agreement, the Announcement, the Supplemental Announcements, the Company's annual reports for the two financial years ended 31 December 2013 (the "**2013 Annual Report**") and 2014 (the "**2014 Annual Report**"), the Company's annual results announcement for the year ended 31 December 2015 (the "**2015 Results Announcement**") as published on 31 March 2016, and other information as set out in the Circular.

We have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Subscription and the Whitewash Waiver, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

Business overview of the Group

The Group is principally engaged in: (i) trading of coke; (ii) coal-related ancillary business; and (iii) coke production business.

Set out below are the audited consolidated financial results of the Group for the three financial years ended 31 December 2013 (“FY2013”), 31 December 2014 (“FY2014”) and 31 December 2015 (“FY2015”) as extracted from the 2014 Annual Report and the 2015 Results Announcement.

Table 1: Highlights of the financial results of the Group

	Audited		
	Year ended 31 December		
	2015	2014	2013
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Revenue	461.38	598.62	1,038.46
Gross profit/(loss)	(33.49)	(117.14)	0.52
(Loss) after taxation	(130.74)	(1,095.94)	(89.47)

Source: 2015 Results Announcement and 2014 Annual Report

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Group recorded revenue of approximately HK\$598.62 million in FY2014, representing a decrease of approximately 42.36% as compared to approximately HK\$1,038.46 million in FY2013. As discussed with the Management, the decrease in the revenue was mainly attributable to: (i) the suspension of the coke trading segment of the Company due to the unfavourable local market conditions as compared to revenue of approximately HK\$44.27 million generated in FY2013; and (ii) the decrease in revenue from coke production segment of approximately HK\$485.69 million in FY2014 as compared to approximately HK\$809.75 million in FY2013, which was mainly attributable to the consolidation of coal mines in the Shanxi Province conducted by the PRC government since March 2011. The revenue in FY2015 of approximately HK\$461.38 million represented a further decrease of approximately 22.93% from FY2014. As advised by the Management, the decrease in revenue was mainly attributable to the decrease in revenue from coke production segment of approximately HK\$374.11 million as compared to FY2014 which resulted from the continuous decrease in selling price during FY2015 and the sluggish coke market.

The Group recorded loss after taxation of approximately HK\$1,095.94 million in FY2014, which represented an increase in loss of approximately 1,124.92% as compared to FY2013. As discussed with the Management, the increase in loss was mainly attributable to: (i) the increase in impairment on items of property, plant and equipment from approximately HK\$20.73 million in FY2013 to approximately HK\$448.55 million in FY2014 by reviewing and assessing the carrying value of the Group's coke production facilities due to continuous weak coke prices and high production costs; and (ii) the increase in impairment of goodwill from nil to approximately HK\$388.54 million in FY2014 by reviewing and assessing the carrying value of the Group's coal-related ancillary business segment due to the continuous weak coal market and the gloomy market outlook. The Group recorded a loss after taxation of approximately HK\$130.74 million in FY2015, which represented a reduction in loss of approximately 88.07% as compared to FY2014. As discussed with the Management, the reduction in loss was mainly due to: (i) the decrease in cost of sales of approximately HK\$494.88 million in FY2015 as compared to approximately HK\$715.76 million in FY2014; (ii) the gain on disposal of the Property amounted to approximately HK\$76.32 million; (iii) the decrease on impairment of goodwill from approximately HK\$388.54 million in FY2014 to nil in FY2015; and (iv) the decrease in impairment of items of property, plant and equipment of approximately HK\$14.76 million in FY2015 as compared to approximately HK\$448.55 million in FY2014.

In addition, the highlights of the financial position of the Group as at 31 December 2013, 2014 and 2015 which are extracted from the 2014 Annual Report and the 2015 Results Announcement respectively, are set out below.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Table 2: Highlights of the financial position of the Group

	Audited		
	As at 31 December		
	2015	2014	2013
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Cash and cash equivalent	1.44	1.68	10.29
Current assets	416.46	821.31	890.22
Current liabilities	893.94	1,320.72	1,197.05
Net current (liabilities)	(477.48)	(499.41)	(306.82)
Net assets	11.34	158.01	1,270.88

Source: 2014 Annual Report and 2015 Results Announcement

The cash and cash equivalents of the Group decreased from approximately HK\$10.29 million as at 31 December 2013 to approximately HK\$1.68 million as at 31 December 2014, representing a decrease of approximately 83.67%. As discussed with the Management, the decrease in cash and cash equivalent was mainly attributable to the increase in operating expenses from approximately HK\$17.31 million in FY2013 to approximately HK\$28.19 million in FY2014. As at 31 December 2015, the Company's cash and cash equivalents amounted to approximately HK\$1.44 million, representing a slight decrease of approximately 14.29% as compared to approximately HK\$1.68 million as at 31 December 2014.

The Group recorded net current liabilities position of approximately HK\$306.82 million, HK\$499.41 million and HK\$477.48 million as at 31 December 2013, 2014 and 2015, respectively. As stated in the 2014 Annual Report, the increase in the net current liabilities as at 31 December 2013 to 31 December 2014 was mainly due to the decrease of inventories from approximately HK\$255.13 million as at 31 December 2013 to approximately HK\$61.21 million as at 31 December 2014. The decrease of net current liabilities as at 31 December 2015 was mainly attributable to: (i) the decrease in trade payables to approximately HK\$221.14 million as compared to approximately HK\$511.12 million as at 31 December 2014; and (ii) the decrease in interest-bearing bank and other borrowings to approximately HK\$23.43 million as compared to approximately HK\$119.78 million as at 31 December 2014.

As at 31 December 2014, the gearing ratio of the Group (expressed as net debt divided by the adjusted capital plus net debt) was approximately 91% as compared to approximately 52% as at 31 December 2013. As stated in the 2014 Annual Report, the increase in the gearing ratio was mainly due to the decrease of inventories of the Group from approximately HK\$255.13 million as at 31 December 2013 to approximately

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

HK\$61.21 million as at 31 December 2014. The gearing ratio has further increased to approximately 100% as at 31 December 2015 due to: (i) the further decrease of inventories to approximately HK\$28.46 million as at 31 December 2015; and (ii) the decrease in prepayments, deposits and other receivable from approximately HK\$478.61 million as at 31 December 2014 to approximately HK\$108.65 million as at 31 December 2015.

As advised by the Directors, the Group is expected to continue to incur an annual interest expense of approximately HK\$15.6 million, at an interest rate of approximately 13% for the Deposit amount of HK\$120 million, if the Subscription does not proceed.

Information of the Subscriber

As stated in the Letter from the Board, the Subscriber is an investment holding company incorporated on 12 November 2010 in the British Virgin Islands with limited liability and as at the Latest Practicable Date, the Subscriber is wholly owned by Mr. Zhao, who is also the sole director of the Subscriber.

Mr. Zhao, aged 52, acted as general manager, chairman and director of various enterprises specialising in trading, investment, property and in the energy field. He served as the chairman and executive director of Titan Petrochemicals (as defined in the Letter from the Board), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1192) from July 2012 to September 2015. Mr. Zhao has more than 20 years of working experience in corporate management, securities investment, corporate merger and restructuring and commercial disputes. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

Immediately prior to the entering into of the Subscription Agreement, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them did not hold any securities of the Company and were third parties independent of: (i) the Company and its connected persons; and (ii) Kailuan and its connected persons and parties acting in concert with it.

As stated in the Letter from the Board and as discussed with the Management, after reviewing the working experience and background of the Subscriber who has worked in Titan Petrochemicals and acted as a general manager, chairman and directors of various enterprises specialising in trading, investment, property and in the energy field, we concur with the Directors' view that the sole director of the Subscriber, Mr. Zhao is specialised in and has related experience in the energy field which is similar to the principal businesses of the Group, and has sufficient experience in the business operation of a listed company. The Subscriber intends to continue with the existing principal businesses of the Group. In addition to the existing businesses of the Company, the Subscriber intends to regularly

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

review the operations and business activities of the Company and explore and identify opportunistic investments and/or joint ventures that will provide positive synergistic effect to the existing businesses of the Group to enhance the Company's growth, after review of the financial position and the operations of the Company. As stated in the Letter from the Board, as at the Latest Practicable Date, the Subscriber has no definite/specific business plans formulated. As discussed with the Management, following the Subscription Completion, the Subscriber will have to conduct a review on the financial position and the operations of the Company. Subject to the results of the review, the Subscriber may formulate long-term business plans and strategies for the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund-raising, restructuring of the business and/or business diversification which will be appropriate to enhance the long-term growth potential of the Company. The Company may also benefit from the Subscribers' resources and networks in providing new markets or distribution channels for the Company's coke related products. The Subscriber has no intention to: (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

As discussed with the Management, the Company had identified and solicited the Subscriber by informal business acquaintances.

In addition, as advised by the Management, during the period from August 2015 to February 2016, the Company has approached three (3) potential investors for the subscription of new Shares. However, there was no positive feedback and no legally binding agreements can be reached with these potential investors. In this regard, the Company has considered the Subscriber to be the most suitable investor for the purpose of the Subscription as the Subscriber was the only investor with a firm intention to invest in the Shares at this juncture.

As stated in the Letter from the Board, the Subscriber intends to nominate Mr. Wong (as defined in the Letter from the Board) and Mr. Huang (as defined in the Letter from the Board) to the Board as proposed executive Directors upon Subscription Completion. The profiles of both Mr. Wong and Mr. Huang are stated under the section headed "Proposed Changes to the Board Composition" in the Letter from the Board.

As discussed with the Management, the Board believes that the experiences of the proposed Directors in corporate restructuring, management and trading as well as their respective past working experience in Titan Petrochemicals which conducts businesses in the natural resources and energy related industry, such as transporting and distributing oil services, will enable the proposed Directors to contribute immediately and play a key role

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in the development of coke trading and production activities and in the long term growth of the Group. In addition, given the fact that the proposed Directors have past working and/or management experience in a listed company, it is reasonable to believe that the proposed Directors could provide practical advice and management to the Group.

In view that the proposed Directors have relevant experience and knowledge in natural resources industry, we concur with the Directors' view that the new members of the Board (including the existing Directors) will have expertise in running and operating the existing businesses of the Group.

In view of the above, taking into consideration that: (i) Mr. Zhao has sufficient experience in the business operation of a listed company; (ii) Mr. Zhao is willing to contribute such a significant amount of capital to the Company; (iii) the proposed Directors have relevant experience in natural resources business and the operations of a listed company; and (iv) it is possible for the Company to benefit from the new investment opportunities introduced by the Subscriber in the future which can strengthen and create synergy to the existing businesses of the Group, we concur with the Directors' view that the Subscription represents a valuable opportunity for the Group to bring in a strategic investor who not only has the financial capability to invest in the Company but also may provide business insight or bring in additional resources to the Company, or assist the Company in exploring and identifying investment opportunities to enhance the Company's growth.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

As stated in the Letter from the Board, the net proceeds to be raised from the Subscription are estimated to be approximately HK\$208.5 million. The Company intends to use the net proceeds as follows:

- (i) approximately HK\$120.0 million for the repayment of the remaining outstanding principal amount of the Deposit;
- (ii) approximately HK\$34.5 million for the settlement of the loans and accrued expenses for the operations of the Group; and
- (iii) the remaining of approximately HK\$54.0 million for available working capital for the development of the Group's coke business including production, purchasing and trading of cokes.

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Repayment of the Kailuan Loan

As stated in the Letter from the Board, as at the Latest Practicable Date, the Group was indebted with a remaining part of a Deposit (as defined in the Letter from the Board) in the amount of HK\$120.0 million (original amount of HK\$220.0 million) of the Kailuan Loan (as defined in the Letter from the Board) arising from the entering into of the Annual Coke S&P Agreement with Kailuan and Mr. Wu Jixian (“**Mr. Wu**”), a former non-executive Director, on 22 May 2013.

Under the Annual Coke S&P Agreement, amongst other terms, the Company had agreed, that the Company or its subsidiaries to supply 50,000 tonnes of coke (subject to certain adjustment level) to Kailuan each month during the period from 24 May 2013 to 23 May 2014. Kailuan had agreed to pay HK\$220.0 million to the Company as prepayment, and Mr. Wu had pledged in favour of Kailuan: (i) 657 million Shares; and (ii) convertible bonds in the aggregate outstanding principal amount of HK\$582 million and a carrying amount of HK\$829.35 million (which, if the convertible rights attaching thereto are exercised in full, will be convertible into 1,455 million Shares) held by him. As disclosed by the Company on 29 July 2015, the pledge of the aforesaid convertible bonds was released by Kailuan to Mr. Wu.

According to the Company’s announcements dated 27 March 2014 and 23 May 2014 respectively, due to the weak coal market, there has not been any revenue recorded related to the Annual Coke S&P Agreement, and accordingly, the Group had been subject to default liquidated damages to Kailuan at HK\$44 per tonne based on the supply shortage until the expiry of the term of the Annual Coke S&P Agreement (i.e. 23 May 2014).

In order to repay the Deposit and the default liquidated damages to Kailuan, after obtaining the written consent from Kailuan, the Group entered into the Disposal Agreement with an independent third party on 10 September 2014 to dispose the Property (which was used to secure the Deposit received from Kailuan under a second mortgage), to repay part of the Deposit. Pursuant to the Disposal Agreement, the Group had conditionally agreed to sell and the purchaser, Guarded Success Limited, had conditionally agreed to purchase the Property at a total consideration of approximately HK\$179.7 million.

On 23 January 2015, the Company signed a debt repayment scheme agreement and an interest scheme agreement (the “**Interest Scheme Agreement**”) with Kailuan. Pursuant to the Interest Scheme Agreement, the Company: (i) shall repay Kailuan the Deposit in its entirety, which amounts to HK\$220.0 million due to no coal delivery by the Company to Kailuan; (ii) shall in addition pay to Kailuan HK\$6.6 million, which is the penalty for breach of the contract defaulted in the last quarter of the term of the agreement; and (iii) agreed and promised to pay interest for deposit default at an annual rate of 13% from due date to 23 December 2014 and an additional HK\$2.2 million as compensation.

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Completion of the Disposal took place on 29 May 2015. As advised by the Management, approximately HK\$67.45 million of the proceeds from disposal of the Property has been used to settle the mortgaged bank loan and the disposal expense and the remaining amount of approximately HK\$100 million had been applied for partial repayment for the Deposit.

Upon the partial repayment as described above, the aggregate amount of accrued interest and default liquidated damages of Kailuan Loan (the “**Other Charges**”) in respect of the Annual Coke S&P Agreement due to Kailuan amounted to approximately HK\$43.3 million as at 31 December 2015.

As discussed with the Management, we concur with the Directors’ view that it is not in the interests of the Company to delay on the repayment of the Kailuan Loan as it may cause significant adverse impact to the Company and the Shareholders. It will be difficult for the Group to obtain further financings by equity or debt financings for its business operations or developments if the repayment default persists. Given the cash position of the Group in the amount of approximately HK\$1.44 million as at 31 December 2015, we concur with the Directors’ view that the repayment of the Kailuan Loan by using the proceeds of the Subscription will not only improve the financial position of the Group, but also: (i) produce a positive impression of the Group to other lenders or creditors; and (ii) increase the possibility for further extension of loans and/or borrowing and even drawdown of new financings from lenders. Therefore, we are of the view that the allocation of approximately HK\$120.0 million for repayment of the Kailuan Loan is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Settlement of loans and accrued expenses

As at 31 December 2015, the Group had interest-bearing bank loans and other borrowings repayable on demand of approximately HK\$23.43 million. In addition, the Group had other payables and accrued charges of approximately HK\$319.58 million and advance received from customers of approximately HK\$159.60 million respectively. As discussed with the Management, and as stated in the 2015 Results Announcement, approximately HK\$40.6 million of the trade payables is due for payment within 3 months as at 31 December 2015 and other payables and accrued charges of approximately HK\$276.3 million have an average credit term of 120 days.

As discussed with the Management, we concur with the Directors’ view that the Company may suffer from negative publicity and potential legal litigations if the Company cannot settle the liabilities on time. The settlement of loans and accrued expenses of the Group will not only improve the liquidity of the Group, but also provide the Company with flexibility and negotiation power to consider debt financings in the future if it is favourable to the Company in terms of costs.

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With reference to the 2015 Results Announcement, the Group's current liabilities as at 31 December 2015 amounted to approximately HK\$893.94 million, representing a decrease of approximately 32.31% compared to the amount of approximately HK\$1,320.72 million as at 31 December 2014. As advised by the Management, the decrease was mainly attributable to: (i) the repayment of mortgage loan of approximately HK\$67.5 million and partial repayment of the Deposit in the amount of HK\$100 million, utilising the net proceeds from the disposal of the Property during FY2015; and (ii) the decrease in trade payables from approximately HK\$511.1 million as at 31 December 2014 to approximately HK\$221.14 million as at 31 December 2015. Although the net current liabilities as at 31 December 2015 amounted to approximately HK\$477.5 million, as advised by the Management and stated in the 2015 Results Announcement, on 10 March 2016, the Company had secured: (i) an agreement with the creditors/lenders to defer the settlement of the other borrowings and accrued interest of approximately HK\$25.2 million to 30 June 2017; and (ii) an agreement with the Non-controlling Shareholder (as defined in the Letter from the Board) to defer the settlement for an amount due to the said shareholder of approximately HK\$50.2 million to 30 June 2017. In addition, the Group had also entered into a supplemental agreement pursuant to which Kailuan agreed not to demand for the repayment of the Other Charges on or before 30 June 2017. All these measures demonstrated that the Management has taken a pro-active approach to restructure the Group's current liabilities as well as its financial position. As the net proceeds of approximately HK\$208.5 million to be raised from the Subscription will be applied as to: (i) repayment of the Deposit in the amount of HK\$120.0 million; (ii) repayment of the loans and accrued expenses in the amount of approximately HK\$34.5 million; and (iii) general working capital of the Group in the amount of approximately HK\$54.0 million, upon such settlements, the Company expects its net current liabilities position to further improve and the settlement of the aforementioned liabilities of the Group may provide the other creditors of the Company with a positive impression of their best efforts and capability of the Group to repay the debts. There may be a high possibility for the Company to negotiate for extension of repayments with other creditors as a result of the abovementioned settlements. Therefore, given the potential improvement of the liquidity and financial position of the Group, we are of the view that the Subscription will be beneficial and in the interests of the Company and the Shareholders as a whole.

Having considered that the Group has recorded net current liabilities position for the last three financial years, we are of the view that the allocation of approximately HK\$34.5 million to settle the loans and accrued expense of the Group is fair and reasonable since it can strengthen the Group's financial position by reducing the Group's current liabilities.

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General working capital of the Group

As stated in the Letter from the Board and as discussed with the Management, the Group intends to allocate the remaining portion of the net proceeds of the Subscription amounting to approximately HK\$54.0 million for general working capital, such as administrative expenses and operating expenses. Based on the fact that: (i) the annual administrative expenses, selling expenses and other operating expenses for FY2014 and FY2015 amounted to approximately HK\$156.85 million and HK\$161.40 million respectively; (ii) the Group only had cash and cash equivalents of approximately HK\$1.44 million as at 31 December 2015; and (iii) the Group requires significant amount of cash flow for its daily operating expenses as evidenced from the aforesaid, we concur with the Directors' view that applying approximately HK\$54.0 million of the net proceeds from the Subscription as general working capital of the Group is fair and reasonable.

Other financing alternatives available to the Group

As highlighted in the Letter from the Board, apart from the Subscription, the Directors have considered various fund raising alternatives for the Group including but not limited to debt financing, rights issue and open offer. Taking into account the benefits and costs of each of the alternatives, the Board considers that the Subscription is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and is the most viable and preferable fund-raising option for the Company for the time being.

As discussed with the Management, the Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. The Group recorded a gearing ratio of approximately 100% as at 31 December 2015 and is in default of repayment for the remaining amount of the Deposit. As stated in the Letter from the Board and as discussed with the Management, given the fact that debt financing would inevitably increase the gearing level of the Group and the interest expenses to be incurred and the eventual repayment of principal amount would impose additional financial burden to the Group's future cashflow, the Board considers that such fund raising method is currently not the most appropriate method to the Group and the Group may not be able to negotiate with financial institutions for favourable terms given the Group's continuous loss-making position, current high gearing ratio, net current liabilities position and the ongoing repayment default. As discussed with the Management, with respect to the debt financing and/or bank borrowings, it may also be subject to lengthy due diligence and negotiations, in particular, given that the continuous loss-making position of the Group and its net current liabilities position for the last five consecutive financial years up to and including

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FY2015. Therefore, we concur with the Board's view that debt financing with size comparable to the Subscription will result in additional interest burden, higher gearing ratio of the Group and subject the Group to additional repayment obligations.

With regards the viability of a rights issue or an open offer, as discussed with the Management, taking into consideration that: (i) the Group recorded losses for five consecutive financial years ended 31 December 2011 ("FY2011") to 2015; and (ii) the repayment default as described above, we concur with the Board's view that it will be difficult to identify underwriter(s) which is/are interested to underwrite a rights issue or an open offer of the Company at a relatively low cost and within a short period of time in light of its current financial position. The Directors consider that even if such an independent underwriter was identified, the rights issue or open offer would incur costly underwriting commission and additional expenses for professional fees, documentation and administration costs (i.e. arrangement of parallel trading, excess application of rights shares). The process would also be relatively time-consuming in negotiating the terms with the underwriter(s) which may not be in the interests of the Company and the Shareholders in view of the urgent need of funds by the Group. Furthermore, a pre-emptive rights issue or open offer would not easily avail the Group to a strategic investor such as the Subscriber, with strong and solid experience in management and operation of a listed company and eager to invest such significant amount of funds in the Company.

Having taken into account: (i) the specific financial needs of the Group; (ii) the possible benefits of the Subscription that the Subscriber will provide immediate funding for the Company to improve the financial position and liquidity of Group; (iii) the possible investment opportunities and synergetic effects which may be brought by the Subscriber in the future; (iv) the financial flexibility given to the Company which is necessary for future business development of the Group resulting from the improved financial position of the Group due to the Subscription; and (v) the availability of and comparison with other financing alternatives, we concur with the Directors' view that the Subscription is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

As stated in the Letter from the Board, we note that the Group had trade receivables and other receivables due from the Non-controlling Shareholder totalling approximately HK\$305.16 million as at 31 December 2015.

As stated in the Letter from the Board and as discussed with the Management, the Group had a net amount due from the Non-controlling Shareholder of approximately HK\$185.16 million after offsetting: (i) an amount due to the Non-controlling Shareholder by the Company of approximately HK\$50.20 million; and (ii) a balance of approximately US\$9.00

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million (equivalent to approximately HK\$69.80 million) payable to a customer by the Company. The customer is a current trading party with the Non-controlling Shareholder and the Non-controlling Shareholder had provided coke related products in the amount of approximately US\$9.00 million to that customer. The US\$9.00 million was in substance transferred/assigned to the Non-controlling Shareholder as agreed and executed by the agreements signed on 31 March 2016 between the parties.

As discussed with the Management, the Non-controlling Shareholder is a major and long-term trading partner of the Company. The Company had previously demanded for repayment from the Non-controlling Shareholder but was unsuccessful due to the tight cashflow position of the Non-controlling Shareholder. On 28 February 2016, the Group and the Non-controlling Shareholder entered a settlement agreement, pursuant to which, the Non-controlling Shareholder commits to repay the net balance due to the Group by monthly instalments of RMB50.00 million (equivalent to approximately HK\$59.70 million) within one year after the commencement of production of its new coking plant, which is expected to start operation in October 2016.

As discussed with the Management, the Company is confident and optimistic that the receivables due from the Non-controlling Shareholder will be fully settled within one year. In addition, as advised by the Management, the Group may also have trading business with the Non-controlling Shareholder upon the commencement for production of the coking plant which is expected to provide business opportunities and potential future revenue to the Group.

In light of the above, despite of the Company's attempts to demand repayment from the Non-controlling Shareholder which was not successful, we concur with the Directors' view that it is in the interests of the Company and the Shareholders as a whole to raise funds by the Subscription to repay the remaining outstanding principal amount of the Deposit and settle the loans and accrued expenses.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Pursuant to the Subscription Agreement (as supplemented by the Supplemental Agreement), the Company has conditionally agreed to allot and issue, and the Subscriber (or such other wholly-owned subsidiary of the Subscriber as designated by the Subscriber) has 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\$210.0 million. The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.01 each) is HK\$14.0 million.

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The Subscription Price of HK\$0.15 per Subscription Share represents:

- (i) a discount of approximately 62.96% to the adjusted closing price of HK\$0.405 per New Share, based on the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 63.41% to the adjusted average closing price of HK\$0.410 per New Share, based on the average closing price of HK\$0.082 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 63.86% to the adjusted average closing price of HK\$0.415 per New Share, based on the average closing price of HK\$0.083 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 50.00% to the closing price of HK\$0.300 per New Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation; and
- (v) a premium of approximately 114.4 times to the audited consolidated net asset value (“NAV”) attributable to owners of the Company of approximately HK\$0.0013 per New Share as at 31 December 2015 and adjusted for the effect of the Capital Reorganisation (based on the number of issued Shares as at the Latest Practicable Date).

As stated in the Letter from the Board, the Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares, the NAV of the Company, as well as the business performance and the financial position of the Group.

ANALYSIS ON THE SUBSCRIPTION PRICE

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we compared the Subscription Price with reference to: (i) the recent price performance of the Shares (adjusted for the effect of the Capital Reorganisation) of the Company; and (ii) the market comparables analysis, as follows:

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Review on Share price performance

The following table illustrates the highest and lowest adjusted closing prices and the average adjusted closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 28 November 2014 (being the first trading day of the 12-month period immediately prior to the Last Trading Day) up to and including the Last Trading Day (the “**Review Period**”). For illustrative purposes, we have adjusted the closing price of the Shares and assumed that the Capital Reorganisation took effect from the beginning of the Review Period.

Table 3: Historical daily adjusted closing prices of the Shares during the Review Period

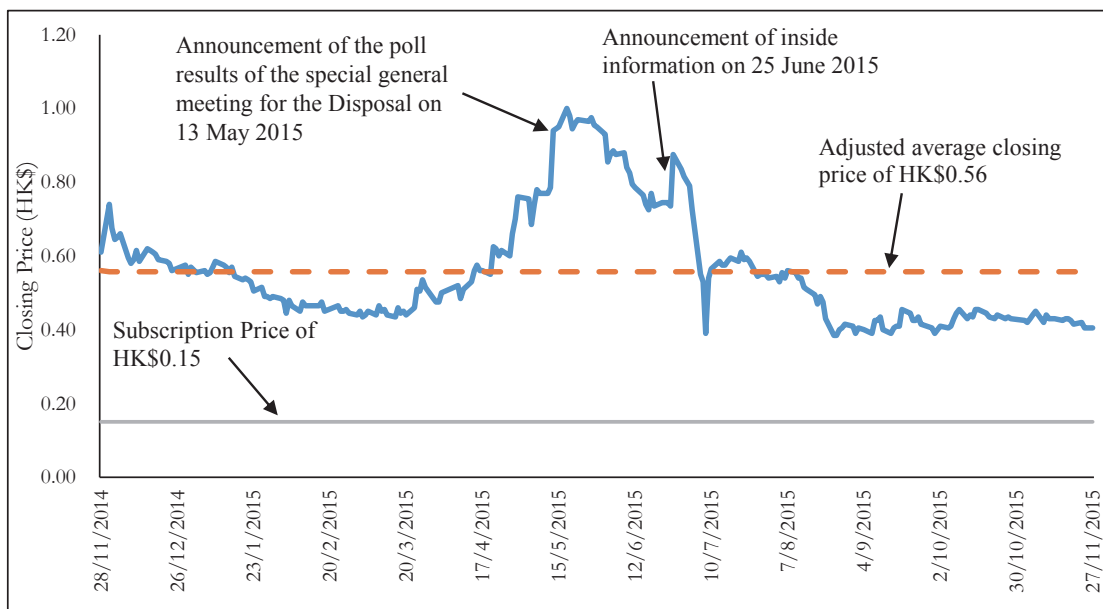
Month	Highest daily adjusted closing price of the Shares <i>(HK\$)</i>	Lowest daily adjusted closing price of the Shares <i>(HK\$)</i>	Average daily adjusted closing price of the Shares <i>(HK\$)</i>	Number of trading days in each month <i>(days)</i>
2014				
November (from 28 November)	0.61	0.61	0.61	1
December	0.74	0.55	0.61	21
2015				
January	0.59	0.49	0.54	21
February	0.49	0.45	0.46	18
March	0.54	0.44	0.46	22
April	0.76	0.48	0.58	19
May	1.00	0.69	0.89	19
June	0.93	0.73	0.81	22
July	0.79	0.39	0.58	22
August	0.56	0.39	0.48	21
September	0.46	0.39	0.41	20
October	0.46	0.41	0.43	20
November (up to and including the Last Trading Day)	0.45	0.41	0.42	20

Source: Stock Exchange

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During the Review Period, the adjusted daily closing price of the Shares ranged from approximately HK\$0.39 to approximately HK\$1.00 per Share. In addition, the following chart highlights the movements of the daily adjusted closing price of the Shares as quoted on the Stock Exchange during the Review Period.

Chart 1: Historical daily adjusted closing prices of the Shares during the Review Period



Source: Stock Exchange

As illustrated in the chart above, the historical trading prices of the Shares generally demonstrated a downward trend during the Review Period. We note that the Subscription Price of HK\$0.15 falls below the daily adjusted closing prices of the Shares throughout the Review Period and represents: (i) a discount of approximately 85.00% from the highest adjusted closing price of HK\$1.00; (ii) a discount of approximately 61.54% from the lowest adjusted closing price of HK\$0.39; and (iii) a discount of approximately 73.21% from the average daily adjusted closing price of the Shares of HK\$0.56 during the Review Period.

Although the Subscription Price of HK\$0.15 per Share falls below the daily adjusted closing prices of the Shares throughout the Review Period, as advised by the Management, given that: (i) the Subscription Price is determined based on: (a) the historical loss-making position of the Group for FY2011 to FY2015; and (b) it is unlikely for the Group to turnaround from a loss position in the near future in light of fierce competition and the deteriorating selling prices of coke and related products; (ii) the immediate funding needs for the Group as described under the section headed “Reasons for the Subscription and use of proceeds” above; (iii) the Subscriber is the only investor who is willing to

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invest into the Company in its prevailing financial position (i.e. continuous net current liabilities position of the Company and default in repayment of the Deposit); (iv) the Company may be forced to be put into liquidation if it continues to fail in satisfying its financial obligations and liabilities; (v) the Company's financial position and its capability for future fund raising may likely be improved as a result of the net proceeds of the Subscription; and (vi) the possibility for the Company to successfully procure alternative funding comparable to the size of the Subscription is remote given its prevailing financial positions, we concur with the Directors' view that the Subscription Price is acceptable.

Comparison with the Subscription Comparables

In order to reflect the recent trend of share subscription/placing transactions in the market, we have, on a best effort basis, conducted a search of all recent share subscription/placing involving issue of new shares by companies listed on the Stock Exchange which would trigger mandatory general offer but applied for whitewash waiver and announced within the six-month period from 28 May 2015 up to the Last Trading Day (the "**Comparison Period**"). We had excluded: (i) placing/subscription involving convertible securities only; and (ii) transactions involving open offers or rights issue of new shares. We are of the opinion that due to the volatility of the share prices of the companies listed on the Stock Exchange, the Comparison Period reflects a fair and recent period of comparison for the Subscription. As the capital market changes rapidly, we consider that the Subscription Comparables (as defined below) reflects the recent market conditions of share subscription/placing at the time of signing of the Subscription Agreement. During the Comparison Period and based on our research conducted, we have identified a total of 11 share subscription/placing announced by companies listed on the Stock Exchange (the "**Subscription Comparables**"). To the best of our knowledge, effort and endeavor and based on the information disclosed on the Stock Exchange's website (<http://www.hkexnews.hk/index.htm>), the list of the Subscription Comparables is an exhaustive list of comparable share subscriptions/placings for comparison purpose and we have not identified comparables with similar size, business nature and scale of operations as the Company during the Comparison Period. We also noted that the business activities, the size and scale of operations of the Subscription Comparables are not directly comparable to those carried out by the Group and the terms of the share subscription/placing of the Subscription Comparables may vary from companies with different financial standings, business performance and future prospects. Since the Subscription Comparables are the most recent share subscription/placing transactions announced to the public, we consider that the Subscription Comparables could represent the recent trend of the share subscription/placing transactions in the prevailing market condition and could provide a general reference in respect of the common market practice on share subscription/placing conducted by listed companies in Hong Kong. The details are set out below:

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Table 4: Comparable analysis of the Subscription Comparables

Company Name	Stock Code	Announcement date	Premium/ (Discount) of the subscription price per share over/ to the closing price of the shares on the last trading day (%)	Premium/ (Discount) of the subscription price per share over/ to the average closing price of the shares for the last five consecutive trading days (%)
ReOrient Group Ltd.	376	29/5/2015	(77.78)	(73.72)
China Goldjoy Group Ltd.	1282	4/6/2015	(82.35)	(82.18)
China Properties Investment Holdings Ltd. ¹	736	19/6/2015	(88.37)	(91.42)
China Agri-Products Exchange Ltd. ¹	149	7/7/2015	(19.23)	(16.00)
A8 New Media Group Ltd.	800	16/7/2015	(12.31)	6.54
Yueshou Environmental Holdings Ltd. ¹	1191	28/7/2015	(80.41)	(79.17)
Mascotte Holdings Ltd. (<i>now known as HengTen Networks Group Ltd.</i>)	136	31/7/2015	(97.90)	(97.60)
Shanghai Tonva Petrochemical Co., Ltd.	1103	5/8/2015	(4.76)	(15.79)
Theme International Holdings Ltd. ¹	990	28/8/2015	(77.27)	(73.12)
Global Bio-chem Technology Group Co. Ltd.	809	30/8/2015	(31.34)	(25.08)
SRE Group Ltd.	1207	12/10/2015	(74.36)	(73.33)
Average			(58.73)	(56.44)
Maximum premium/minimum discount			(4.76)	6.54
Minimum premium/maximum discount			(97.90)	(97.60)
The Company	704	15/12/2015	(62.96)	(63.41)

Source: Stock Exchange

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Note:

1. The relevant transaction has lapsed or terminated prior to the despatch of the relevant circular.

As shown in the above table, the subscription prices of the Subscription Comparables represented discounts ranging from approximately 4.76% to approximately 97.90% with an average of approximately 58.73% to the respective closing prices of their shares on their last trading day prior to/on the date of the publication of the respective share subscription/placing announcements. Although we note that the discount of approximately 62.96% to the adjusted closing price of the Shares on the Last Trading Day is slightly higher than the average of the Subscription Comparables, it nevertheless falls within the range.

The respective share subscription/placing prices as compared to/over the average closing price of the shares for the last five consecutive trading days range from a premium of approximately 6.54% to a discount of approximately 97.60% with an average discount of approximately 56.44%. Although we note that the discount of approximately 63.41% to the average adjusted closing price of the Shares for the last five consecutive trading days is slightly higher than the average of the Subscription Comparables, it nevertheless also falls within the range of the Subscription Comparables.

Based on the above analysis, we are of the view that the discount of approximately 62.96% to the adjusted closing price of the Shares on the Last Trading Day and the discount of approximately 63.41% to the average adjusted closing price of the Shares for the last five consecutive trading days are acceptable.

We note that there are several comparable companies in the Subscription Comparables that have extreme premium/discount of its subscription prices over/to the closing price of the shares on the last trading day or over/to the average closing price for the last five consecutive trading days (the “**Outliers**”) may skew the maximum, minimum and average discount/premium of the Subscription Comparables. However, we are of the view that the Subscription Comparables reflect the share subscription/placing transactions in the prevailing market condition and the terms negotiated between the companies in the Subscription Comparables and the respective investors, which is reasonable to provide a comprehensive comparison to the analysis of the Subscription Price for the Shareholders to better understand the recent market practice for such share subscription/placing transactions. As all of the Subscription Comparables meet our selection criteria, we consider that the Outliers in the Subscription Comparables should still be taken into account for comparison as removing them would involve subjective judgement. Furthermore, the list of the Subscription Comparables will not be an exhaustive list of comparable share subscriptions/placings for comparison purpose if the Outliers are excluded. Therefore, we are of the view that exclusion of the Outliers from the Subscription Comparables may not be appropriate.

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In addition, for illustrative purposes and to provide additional analysis, we have excluded four transactions which had lapsed or terminated prior to the despatch of the relevant circulars from the Subscription Comparables. There are a total of 7 subscription/placing announced during the Comparison Period after such exclusion (the “**Screened Subscription Comparables**”). The details are set out below.

Table 5: Comparable analysis of the Screened Subscription Comparables

Company Name	Stock code	Announcement date	Premium/ (Discount) of the subscription price per share over/to the closing price of the shares on the last trading day (%)	Premium/ (Discount) of the subscription price per share over/ to the average closing price of the shares for the last five consecutive trading days (%)
ReOrient Group Ltd.	376	29/5/2015	(77.78)	(73.72)
China Goldjoy Group Ltd.	1282	4/6/2015	(82.35)	(82.18)
A8 New Media Group Ltd.	800	16/7/2015	(12.31)	6.54
Mascotte Holdings Ltd. (<i>now known as HengTen Networks Group Ltd.</i>)	136	31/7/2015	(97.90)	(97.60)
Shanghai Tonva Petrochemical Co., Ltd.	1103	5/8/2015	(4.76)	(15.79)
Global Bio-chem Technology Group Co. Ltd.	809	30/8/2015	(31.34)	(25.08)
SRE Group Ltd.	1207	12/10/2015	(74.36)	(73.33)
Average			(54.40)	(51.59)
Maximum premium/minimum discount			(4.76)	6.54
Minimum premium/maximum discount			(97.90)	(97.60)
The Company	704	15/12/2015	(62.96)	(63.41)

Source: Stock Exchange

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As shown in the above table, the subscription prices of the Screened Subscription Comparables represented discounts ranging from approximately 4.76% to approximately 97.90% with an average of approximately 54.40% to the respective closing prices of their shares on their last trading day prior to/on the date of the publication of the respective share subscription/placing announcements. Although we note that the discount of approximately 62.96% to the adjusted closing price of the Shares on the Last Trading Day is slightly higher than the average of the Screened Subscription Comparables, it nevertheless falls within the range.

The respective share subscription/placing prices as compared to/over the average closing price of the shares for the last five consecutive trading days range from a premium of approximately 6.54% to a discount of approximately 97.60% with an average discount of approximately 51.59%. Although we note that the discount of approximately 63.41% to the average adjusted closing price of the Shares for the last five consecutive trading days is higher than the average of the Screened Subscription Comparables, it nevertheless also falls within the range.

Based on the above and having considered in particular that:

- (i) the Company is currently in default and has immediate funding needs for repayment of the Kailuan Loan, settlement of other loans and accrued expenses for the operations of the Group and general working capital as discussed in the section in this letter headed “Reasons for the Subscription and use of proceeds”;
- (ii) the Group’s continuous loss-making position, current high gearing ratio and net current liabilities position as discussed under the sub-section headed “Business overview of the Group” above;
- (iii) the Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscriber;
- (iv) the discounts represented by the Subscription Price to: (a) the adjusted closing price of the Shares on the Last Trading Day; and (b) average adjusted closing price of the Shares for the last five consecutive trading days fall within the corresponding range of discounts of the Subscription Comparables and Screened Subscription Comparables; and
- (v) after considering the benefits and drawbacks of other fund raising alternatives, the Subscription is an appropriate means for the Company to raise funds, in particular as the Subscription provides the Company with substantial funding amount and the

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Subscriber may bring investment opportunities to the Group for further business development as well as the additional resources and/or networks which the Subscriber may bring to the Group's existing coke related businesses,

we are of the view that the Subscription Price, which is one of the principal terms of the Subscription Agreement, is fair and reasonable so far as the Independent Shareholders are concerned.

INDUSTRY OVERVIEW AND PROSPECTS OF COKE INDUSTRY

The Group is principally engaged in coke related businesses including but not limited to: (i) purchase and sale of coke; (ii) washing of raw coal into refined coal for sales and for further processing; and (iii) processing of refined coal into coke for sale, and sale of coke by-products that are generated during coke production.

Based on the 2014 Annual Report and the 2015 Results Announcement, the revenue generated from the sale of coke and by-products accounted for approximately 82.24%, 81.13% and 81.09% of its total revenue for FY2013, FY2014 and FY2015 respectively and all the revenue and expenses of the Group are predominantly attributable to the PRC, the Group's principal place of business and operations. In this respect, it is reasonable to conclude that the prospects of the coke industry in the PRC is expected to have significant influence to the financial performance of the Group.

According to statistics extracted from the National Bureau of the Statistics of the PRC (中國國家統計局), the total production volume of coke has decreased by approximately 6.5% to approximately 447.8 million tonnes for 2015 as compared to 2014.

The growth rates of the gross domestic product ("GDP") in the PRC for 2016 and 2017 are estimated to be approximately 6.3% and 6.0% respectively, as estimated by the "World Economic Update for January 2016" published by the International Monetary Fund, while the growth rate for the GDP in the PRC for 2015 and 2014 was approximately 6.9% and 7.4% respectively. Therefore, it is expected that the PRC's GDP and the economy will grow at a slower momentum.

In addition, as per the research results published on 8 December 2015 by 冶金工業規劃研究院 (China Metallurgical Industry Planning & Research Institute* "CMIPR"), which is a national consulting institution affiliated to State-owned Assets Supervision and Administration Commission of the State Council and one of the first engineering consulting institutes with first-grade qualifications specifically engaged in development

* For identification purpose only

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plan and strategic research of metallurgical industry, the total production of pig iron for 2016 is estimated at approximately 681 million tonnes, which is based on the demand of steel for 2016 estimated by the CMIPR. This represents a decrease of approximately 3.0% as compared to 2015 and is mainly due to the estimated slow-down of the PRC economy. Based on the estimated total production of pig iron as stated above, the total production volume of coke for 2016 will be approximately 438 million tonnes, representing a decrease of approximately 3.1% as compared to 2015.

Furthermore, the estimated demand for steel (which heavily consumes coke during the production process) in 2016 will decrease to approximately 648 million tonnes, representing a decrease of approximately 3.0% as compared to 2015. The decrease is mainly a result of the estimated slow-down of the PRC economy and the continuous over-supply of steel industry and the consolidation of properties market in the PRC.

Based on the industry overview published on 8 January 2016 by the website of 化商網 (www.chemmerce.com), which is one of the leading and well recognised online trading and information exchange platforms for chemical industry in the PRC, the total consumption of steel has dropped to approximately 666 million tonnes in 2015, representing a decrease of approximately 4.0% as compared to 2014. Given the factors including but not limited to the slow-down of PRC economy and the decreased demand in steel, it is expected that the price of coke will remain at the low end with pressure for further reduction.

In view of the above, it is reasonable to expect that the market of coke industry in the PRC where the Company is operating will continue to shrink in the near future, which will continue to have an adverse impact on the financial performance of the Company. As such, it may be difficult for the Group to generate sufficient internal funds to finance the repayment of the Kailuan Loan which is already in default, the borrowings, accrued expenses and its daily operations. In addition, in light of the historical unsatisfactory financial performance of the Company, it will be difficult for the Group to obtain borrowings with favourable terms within a reasonable timeframe.

POSSIBLE DILUTION EFFECT OF THE SUBSCRIPTION

Set out below is the shareholding structure of the Company: (i) as the Latest Practicable Date; (ii) immediately after the Capital Reorganisation becoming effective but before the Subscription Completion; (iii) the Capital Reorganisation becoming effective and immediately after the Subscription Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); (iv) for illustrative purposes, in the event that the Convertible Bonds are wholly exercised and converted into 1,455,000,000 Shares by Mr. Wu, being the beneficial owner the Convertible Bonds (assuming that none of these Convertible Bonds are placed out),

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the Capital Reorganisation becoming effective and immediately after the Subscription Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (v) for illustrative purposes, in the event that the Convertible Bonds are wholly exercised and converted into 1,455,000,000 Shares by independent third parties (assuming that all the Convertible Bonds are placed out to independent third parties), the Capital Reorganisation becoming effective and immediately after the Subscription Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares):

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective but before the Subscription Completion		The Capital Reorganisation becoming effective and immediately after the Subscription Completion		In the event that the Convertible Bonds are wholly exercised and converted into Shares by Mr. Wu, the Capital Reorganisation becoming effective and immediately after the Subscription Completion		In the event that the Convertible Bonds are wholly exercised and converted into Shares by independent third parties, the Capital Reorganisation becoming effective and immediately after the Subscription Completion	
	Number of Shares	Approx. %	Number of New Shares	Approx. %	Number of New Shares	Approx. %	Number of New Shares	Approx. %	Number of New Shares	Approx. %
The Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them	—	—	—	—	1,400,000,000	60.72	1,400,000,000	53.92	1,400,000,000	53.92
Mr. Wu (Note 1)	657,000,000	14.51	131,400,000	14.51	131,400,000	5.70	422,400,000	16.27	131,400,000	5.06
Directors										
Gao Jianguo (Note 2)	25,062,000	0.55	5,012,400	0.55	5,012,400	0.22	5,012,400	0.19	5,012,400	0.19
To Wing Tim Paddy (Note 3)	1,160,000	0.03	232,000	0.03	232,000	0.01	232,000	0.01	232,000	0.01
Public Shareholders	3,844,904,292	84.91	768,980,858	84.91	768,980,858	33.35	768,980,858	29.61	1,059,980,858	40.82
Total:	4,528,126,292	100.00	905,625,258	100.00	2,305,625,258	100.00	2,596,625,258	100.00	2,596,625,258	100.00

Notes:

- Mr. Wu beneficially owned 657,000,000 Shares and was interested in Convertible Bonds in the aggregate principal amount of HK\$582 million, which were convertible into 1,455,000,000 Shares. Reference are made to the announcements of the Company dated 5 November 2015 and 3 February 2016, Mr. Wu signed a placing agreement with a Hong Kong licensed (Type 1) placing agent and agreed for the placing agent to procure on a best effort basis to sell all the Convertible Bonds until the end of the placing period on 20 April 2016. As at the Latest Practicable Date, Mr. Wu has pledged his interest in 657,000,000 Shares and certain individual minority Shareholders have pledged their interests in 500,000,000 Shares in aggregate to Kailuan as part of the security for the deposit placed by Kailuan pursuant to the Annual Coke S&P Agreement.

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The Convertible Bonds accrued no interest and may be converted in whole or part (in multiples of HK\$1 million (or such smaller denomination as may be agreed by the Company)), provided that: (i) no conversion rights attached to the Convertible Bonds may be exercised, to the extent that following such exercise, a holder of the Convertible Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such percentage of the issued share capital of the Company as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); and (ii) no holder of the Convertible Bonds shall exercise the conversion right attached to the Convertible Bonds held by such holder if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under Rule 8.08 of the Listings Rules and as required by the Stock Exchange. The conversion price of the Convertible Bonds is subject to adjustment events upon the occurrence of, among other matters, subdivision or consolidation of Shares, capitalisation issue, rights issue and other dilutive events. The Convertible Bonds do not confer any voting rights at any meetings of the Company and are freely transferable, provided that such transfer complies with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

2. Gao Jianguo, an executive Director, beneficially owned 25,062,000 Shares and was granted Options entitling to subscribe for a maximum of 25,000,000 Shares upon exercise of the Options in full.
3. Among the 1,160,000 Shares held by To Wing Tim, Paddy, an independent non-executive Director, 300,000 Shares were held by him as beneficial owner and 860,000 Shares were held by his spouse, Leung Yuet Mel.

As shown in the table above, the shareholding in the Company held by the existing public Shareholders would be reduced from approximately 84.91% as at the Latest Practicable Date to approximately 33.35% assuming the Capital Reorganisation becomes effective and immediately after the Subscription Completion. Accordingly, the dilution effect of the Subscription on the overall shareholding structure of the Company would be approximately 60.72%.

Notwithstanding the potential dilution effect to the Independent Shareholders' proportional shareholding interests in the Company as discussed above, having taking into account that:

- (i) the loss-making position of the Group for the last five consecutive financial years up to and including FY2015;
- (ii) the net current liabilities position sustained by the Company for the last five consecutive financial years up to and including FY2015;
- (iii) the overall benefits of the Subscription, including but not limited to the introduction of the substantial funding amount and strategic investor for the Group's development of the existing business and investment opportunities for new business as discussed in detail under the sub-section headed "Information of the Subscriber";
- (iv) it will be difficult for the Group to obtain external financings;

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- (v) the financial position of the Group could be improved with the net proceeds of the Subscription; and
- (vi) the Subscription Price considered to be fair and reasonable so far as the Independent Shareholders are concerned as discussed in the section headed “Analysis on the Subscription Price”,

we are of the view that the dilution effect on the existing shareholding interest of the Independent Shareholders is acceptable.

POSSIBLE FINANCIAL EFFECTS OF THE SUBSCRIPTION

Effect on net asset value

As stated in the 2015 Results Announcement, the audited consolidated NAV attributable to the owners of the Company was approximately HK\$1.14 million as at 31 December 2015 and the NAV per New Share based on a total of 905,625,258 New Shares (based on the total of 4,528,126,292 Shares as at the Latest Practicable Date and assumed the Capital Reorganisation has become effective) is approximately HK\$0.0013. After taking into account of the net proceeds of approximately HK\$208.5 million from the Subscription, the NAV of the Group will be increased to approximately HK\$209.64 million.

Upon completion of the Subscription (assumed the Capital Reorganisation has become effective), the total number of New Shares shall be 2,305,625,258. The unaudited NAV per New Share will be approximately HK\$0.0909 immediately after the Subscription, which represents an increase of approximately 70 times from the NAV per New Share of approximately HK\$0.0013 as stated above.

Effect on working capital and liquidity

As stated in the 2015 Results Announcement, the Group had cash and cash equivalents of approximately HK\$1.44 million as at 31 December 2015. The current assets and current liabilities of the Group amounted to approximately HK\$416.46 million and approximately HK\$893.94 million respectively as at 31 December 2015, resulting in a current ratio (expressed as current assets over current liabilities) of approximately 0.47.

The net proceeds from the Subscription is estimated to be approximately HK\$208.5 million and the working capital will increase by approximately HK\$208.5 million. It is expected that both the cash position and the current assets position of the Group will be further enhanced after the Subscription Completion, which will improve the Group’s liquidity position.

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Based on the foregoing, the Subscription will enhance the NAV and improve the liquidity position of the Group in a timely manner as there is already an identified subscriber for the Subscription and with relatively less costs as compared to rights issue or open offer, therefore allowing the Group to proceed with the plans to improve its financial difficulties as described under the section headed “Reasons for the Subscription and use of proceeds” of this letter. It will also result in a significant improvement in NAV per New Share immediately after the Subscription Completion as discussed earlier. Hence, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

THE WHITEWASH WAIVER

As set out in the section headed “Introduction” above and the Letter from the Board, upon the Subscription Completion, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them will hold 1,400,000,000 New Shares which representing approximately 60.72% of the voting rights of the Company and therefore will be obliged to make a mandatory general offer for all the issued New Shares (other than those already owned or agreed to be acquired by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

The Subscriber has applied to the Executive and the Executive has agreed, among other matters, subject to the approval of the Independent Shareholders at the SGM, to grant the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver and underlying transactions including the Subscription will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

Based on the discussion above and taking into account: (i) the reasons for the Subscription as discussed above; (ii) the current financial position of the Group; (iii) the overall benefits of the Subscription, including but not limited to the introduction of substantial funding amount and a strategic investor to the Group’s development of existing business and investment opportunities in new business; (iv) the terms of the Subscription Agreement, including the Subscription Price, are acceptable so far as the Independent Shareholders are concerned; and (v) completion of the Subscription is conditional upon, among other matters, the granting of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders of the Whitewash Waiver at the SGM, we consider that failure in obtaining the Whitewash Waiver will result in the Subscription not proceeding and the Company will lose all the benefits that are expected to be brought to the Group by the Subscription. As such, we are of the view that the grant of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

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RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the Subscription including:

- (a) the net proceeds of the Subscription will be used by the Group for: (i) repayment of the Kailuan Loan which is already in default; (ii) settlement of the other loans and accrued expenses for the operation of the Group; and (iii) general working capital of the Group, of which the allocations are fair and reasonable;
- (b) the consecutive loss-making position of the Group and the net current liabilities position of the Group for the last five consecutive financial years up to and including FY2015;
- (c) save for the Subscriber, the Company was unable to secure any other potential investor(s) who could enter into a legally binding agreement at the relevant time under the Company's current financial position, although the Company has approached a total of three (3) potential investors;
- (d) the Subscription would be a preferred method of equity financing as it will provide immediate funding for the Group's development of existing business and investment opportunities in potential new business without the financial burdens associated with other types of fund raising;
- (e) the discount of the Subscription Price falls within the range of the discount to the subscription prices of the Subscription Comparables;
- (f) the dilution effect resulted from the Subscription to the shareholding structure of the Company is acceptable after taking into consideration, amongst others, the dismal financial position of the Group, the overall benefits of the Subscription and the difficulty for the Group to obtain external financing, as discussed under the subsection headed "Other financing alternatives available to the Group";
- (g) the Subscription will enhance the NAV of the Group and improve the liquidity position of the Group in a timely manner as there is already an identified subscriber for the Subscription and with relatively less costs as compared to rights issue or open offer, therefore allowing the Group to proceed with the plans to improve its financial difficulties as described under the section headed "Reasons for the Subscription and use of proceeds" of this letter. It will also result in a significant improvement in NAV per New Share immediately after the Subscription Completion; and

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(h) in the event that the Whitewash Waiver is not granted by the Executive, the Subscription will not become unconditional and will not proceed. As a result, the Group will suffer from losing the immediate funding from the Subscription which is able to improve the Group's financial position and enhance the Company's bargaining power to secure financing in the future,

we are of the view that: (i) the terms and conditions of the Subscription; and (ii) the Whitewash Waiver, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve: (i) the Subscription; and (ii) the Whitewash Waiver.

Yours faithfully,
For and on behalf of

Opus Capital Limited

Alvin Lai

Chief Executive Officer

Koh Kwai Yim

Executive Director

Ample Capital Limited

H. W. Tang

President

Notes:

Mr. Alvin Lai is the Chief Executive Officer of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Lai has over 15 years of financial industry, investments, corporate finance and legal experience in Asia and Australia. Mr. Lai is a qualified legal practitioner in New South Wales, Australia. Mr. Alvin Lai has acted as financial adviser and/or independent financial adviser to many companies and transactions involving fundraising and/or mergers and acquisition in Asia.

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 15 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

Mr. H. W. Tang is the President of Ample Capital and is licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and is a Responsible Officer of Ample Capital in respect of its Type 6 (advising on corporate finance) regulated activities. Mr. Tang has over 16 years of experience in the corporate finance industry in Hong Kong.

1. FINANCIAL SUMMARY

The following is a summary of the consolidated financial information of the Group for each of the two financial years ended 31 December 2013 and 2014 as extracted from the published annual reports of the Company and the financial year ended 31 December 2015 as extracted from the published annual results of the Company.

RESULTS	For the years ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,038,456	598,618	461,384
Loss before tax	(89,645)	(1,096,132)	(139,467)
Income tax credit	178	190	8,732
Loss for the year	(89,467)	(1,095,942)	(130,735)
Attributable to:			
Owners to the Company	(81,765)	(989,409)	(110,474)
Non-controlling interests	<u>(7,702)</u>	<u>(106,533)</u>	<u>(20,261)</u>
	<u>(89,467)</u>	<u>(1,095,942)</u>	<u>(130,735)</u>
	HK cents	HK cents	HK cents
Basic loss per Share attributable to the owners of the Company	(1.37)	(16.55)	(1.85)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS			
	As at 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Total assets	2,525,474	1,487,467	905,285
Total liabilities	1,254,597	1,329,453	893,941
Non-controlling interests	<u>141,627</u>	<u>33,020</u>	<u>10,202</u>
Equity attributable to owners of the Company	<u>1,270,877</u>	<u>158,014</u>	<u>11,344</u>

For each of the three financial years ended 31 December 2013, 2014 and 2015, no dividend was declared or paid. The summary statement of profit and loss and other comprehensive income for the Group for the three financial years ended 31 December 2013, 2014 and 2015 set out above does not contain any extraordinary items or exceptional items due to size, nature or incidence.

2. AUDITORS' REPORTS

The auditors of the Company issued unqualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2013.

The financial statements of the Group for the year ended 31 December 2014 and the financial year ended 31 December 2015 as extracted from the published annual results of the Company whereby the auditors of the Company have issued disclaimer opinion are extracted as below.

For the year ended 31 December 2014

Basis for disclaimer of opinion

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred a net loss of approximately HK\$1,095,942,000 for the year ended 31 December 2014. As at 31 December 2014, the Group's current liabilities exceeded its current assets by HK\$499,414,000. In addition, as at 31 December 2014, the Group was in default to repay a deposit received of HK\$220,000,000 due to Kailuan (Hong Kong) International Co. Ltd. ("**Kailuan**"). These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the renewal of a bank facility of RMB30,000,000 (HK\$37,500,000) upon its maturity on 4 September 2015, (ii) the realisation of the trading of coke to Kailuan in accordance with the terms set out in a supplemental agreement, (iii) the repayment

of net amounts of RMB346,890,000 (HK\$433,613,000) as at 31 December 2014 due from a non-controlling shareholder of a PRC subsidiary (the “**Non-controlling Shareholder**”) in accordance with terms of a settlement agreement and (iv) the repayment of trade and other receivables, and prepayments of RMB37,354,000 (HK\$46,693,000) as at 31 December 2014 from affiliates of the Non-controlling Shareholder on or before 31 December 2015.

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

Disclaimer of opinion

Because of the significance of each of the uncertainties and their possible effects, individually and cumulatively, on the consolidated financial statements described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group’s loss and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

For the year ended 31 December 2015

Basis for disclaimer of opinion

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred a net loss of approximately HK\$130,735,000 for the year ended 31 December 2015. As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK\$477,479,000. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including the successful completion of subscription of the Company's shares in accordance with the terms set out in the subscription agreement and the supplemental agreement as described in the Company's announcements dated 15 December 2015 and 5 January 2016; the confirmation of the cooperation arrangement between the Group and Kailuan (Hong Kong) International Co. Ltd. with respect to the trading activities of Herong Resources Limited ("**Herong**"), a 51% subsidiary of the Group; and the success of Herong's operations to generate significant positive cash inflows to the Group.

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

Our auditors' report dated 31 March 2015 on the consolidated financial statements for the year ended 31 December 2014 also included a disclaimer of opinion due to multiple uncertainties relating to going concern.

Disclaimer of opinion

Because of the significance of each of the uncertainties and their possible effects, individually and cumulatively, on the consolidated financial statements described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

3. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The followings are the consolidated financial information of the Group extracted from the published annual results of the Company for the financial year ended 31 December 2015.

Extract of consolidated financial information from the result announcement for the year ended 31 December 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
REVENUE	4	461,384	598,618
Cost of sales		<u>(494,878)</u>	<u>(715,756)</u>
Gross loss		(33,494)	(117,138)
Other income	4	94,152	36,812
Selling and distribution costs		(23,094)	(43,263)
Administrative expenses		(97,155)	(85,399)
Finance costs	5	(23,964)	(21,862)
Other operating expenses		(41,152)	(28,193)
Impairment on items of property, plant and equipment		(14,760)	(448,545)
Impairment of goodwill		<u>—</u>	<u>(388,544)</u>
Loss before tax	6	(139,467)	(1,096,132)
Income tax credit	7	<u>8,732</u>	<u>190</u>
LOSS FOR THE YEAR		<u><u>(130,735)</u></u>	<u><u>(1,095,942)</u></u>
OTHER COMPREHENSIVE			
INCOME FOR THE YEAR:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments		—	347
Exchange differences on translation of foreign operation		<u>(16,626)</u>	<u>(20,727)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(147,361)</u></u>	<u><u>(1,116,322)</u></u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the parent		(110,474)	(989,409)
Non-controlling interests		<u>(20,261)</u>	<u>(106,533)</u>
		<u><u>(130,735)</u></u>	<u><u>(1,095,942)</u></u>
 Total comprehensive loss attributable to:			
Owners of the parent		(124,538)	(1,007,715)
Non-controlling interests		<u>(22,823)</u>	<u>(108,607)</u>
		<u><u>(147,361)</u></u>	<u><u>(1,116,322)</u></u>
 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	 8		
Basic			
— For loss for the year		<u><u>(HK1.85 cents)</u></u>	<u><u>(HK16.55 cents)</u></u>
Diluted			
— For loss for the year		<u><u>(HK1.85 cents)</u></u>	<u><u>(HK16.55 cents)</u></u>

Consolidated Statement of Financial Position*31 December 2015*

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		485,337	661,760
Goodwill		—	—
Available-for-sale investments		<u>3,486</u>	<u>4,400</u>
Total non-current assets		<u>488,823</u>	<u>666,160</u>
CURRENT ASSETS			
Inventories		28,455	61,213
Trade and bill receivables	<i>9</i>	48,223	149,520
Prepayments, deposits and other receivables	<i>10</i>	108,652	478,606
Amount due from the Non-controlling Shareholder	<i>11</i>	213,625	113,098
Tax recoverable		16,068	17,191
Cash and bank balances	<i>12</i>	<u>1,439</u>	<u>1,679</u>
Total current assets		<u>416,462</u>	<u>821,307</u>
CURRENT LIABILITIES			
Trade payables	<i>13</i>	221,138	511,117
Other payables, accruals and deposits received	<i>14</i>	599,176	639,626
Interest-bearing bank and other borrowings		23,426	119,777
Amount due to the Non-controlling Shareholder		<u>50,201</u>	<u>50,201</u>
Total current liabilities		<u>893,941</u>	<u>1,320,721</u>
NET CURRENT LIABILITIES		<u>(477,479)</u>	<u>(499,414)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2015	2014
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>11,344</u>	<u>166,746</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>—</u>	<u>8,732</u>
Total non-current liabilities	<u>—</u>	<u>8,732</u>
Net assets	<u><u>11,344</u></u>	<u><u>158,014</u></u>
EQUITY		
Equity attributable to the owners of parent		
Issued share capital	452,813	452,293
Reserves	<u>(451,671)</u>	<u>(327,299)</u>
	1,142	124,994
Non-controlling interests	<u>10,202</u>	<u>33,020</u>
Total equity	<u><u>11,344</u></u>	<u><u>158,014</u></u>

Notes to Financial Statements*Year ended 31 December 2015***1. CORPORATE AND GROUP INFORMATION**

Huscoke Resources Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business at the end of the reporting period was Room 2003, 20/F, Tower one, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the “Group”) were involved in the following activities:

- coke trading business;
- coal-related ancillary business; and
- coke production business.

2.1 BASIS OF PRESENTATION

The Group incurred a net loss of approximately HK\$130,735,000 (2014: HK\$1,095,942,000) for the year ended 31 December 2015. The loss includes (i) impairment loss of property, plant and equipment of HK\$14,760,000 (2014: HK\$448,545,000); (ii) impairment loss of trade receivables and prepayments of HK\$37,753,000 (2014: HK\$3,007,000) and HK\$1,156,000 (2014: HK\$3,552,000), respectively; and (iii) impairment loss of goodwill of HK\$Nil (2014: HK\$388,544,000). As at 31 December 2015, the Group’s current liabilities exceeded its current assets by HK\$477,479,000 (2014: HK\$499,414,000). At the end of the reporting period, the Group recorded a deposit received of HK\$120,000,000 (2014: HK\$220,000,000) (the “Deposit”) due to Kailuan (Hong Kong) International Co. Ltd. (“Kailuan”). Together with penalty charges and accrued interests (the “Other Charges”), the total amount due to Kailuan at 31 December 2015 was HK\$163,277,000. During 2015, the Group continued to experience very challenging operating conditions in the PRC. The directors of the Company (the “Directors”) are of the opinion that these conditions will persist in the near future.

The above conditions indicate the existence of material uncertainties which may cast significant doubts about the Group’s ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

- (i) During the year ended 31 December 2015, the Group disposed of certain land and buildings (the “Property”) with a carrying value of HK\$101,477,000 at the date of disposal for a cash consideration of HK\$179,700,000. The proceeds, net of disposal expenses of HK\$1,900,000, were used, as to HK\$67,451,000, to settle a mortgage bank loan and, as to HK\$100,000,000, to partially settle the Deposit. The remaining proceeds were used as working capital of the Group.
- (ii) The Group entered into a subscription agreement and supplemental agreement (collectively, the “Subscription Agreements”) with Shun Wang Investments Limited (the “Subscriber”), 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 “Subscription”). The Subscription Agreements are effective up to 31 May 2016.

The conditions to the completion of Subscription include, among other things, to obtain (a) the approval of the Company’s shareholders at a special general meeting on a capital reorganisation and on the granting of a specific mandate to authorise the Directors to issue new shares by the Company; and (b) the necessary approval from the regulatory bodies. Further details of the Subscription are set out in the Company’s announcements dated on 15 December 2015 and 5 January 2016 (the “Announcements”). At the date of approval of these financial statements, the Subscription has not yet taken place.

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

- (iii) On 10 March 2016, the Company and Kailuan entered into a supplemental agreement, pursuant to which Kailuan agreed not to demand repayment of the Other Charges before 30 June 2017.
- (iv) 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.
- (v) The Group recorded an amount due to a 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.
- (vi) 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 year ended 31 December 2015, commission income from coal and coke trading of HK\$405,000 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.

The Directors have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the end of the reporting period. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve the above-mentioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group’s ability to generate adequate financial and operating cash flows including the successful completion of the Subscription in accordance

with the terms stipulated in the Subscription Agreements, the confirmation of the cooperation arrangement between the Group and Kailuan with respect to the trading activities of Herong, and the success of Herong's operations to generate significant positive cash flows to the Group.

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) *The Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
 - *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
 - *HKAS 16 Property, Plant and Equipment* and *HKAS 38 Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
 - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) *The Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group and this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

- ¹ Effective for annual periods beginning on or after 1 January 2016
- ² Effective for annual periods beginning on or after 1 January 2018
- ³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
- ⁴ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

- (a) the coke trading segment — purchases and sale of coke;
- (b) the coal-related ancillary segment — washing of raw coal into refined coal for sale and for further processing, and sale of electricity and heat which are generated as the by-products during the washing of raw coal; and
- (c) the coke production segment — processing of refined coal into coke for sale, and sale of coke by-products that are generated during coke production.

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

Segment assets exclude cash and bank balances, unallocated available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude the amount due to the Non-controlling Shareholder, interest-bearing bank and other borrowings, deferred tax liabilities for corporate use and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Segment revenue and results

Year ended 31 December 2015

	Coke trading <i>HK\$'000</i>	Coal-related ancillary <i>HK\$'000</i>	Coke production <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
— external sales	—	87,270	374,114	—	461,384
— intersegment sales	—	229,747	—	(229,747)	—
Other income	405	16,779	—	—	17,184
Total	<u>405</u>	<u>333,796</u>	<u>374,114</u>	<u>(229,747)</u>	<u>478,568</u>
Segment results	<u>405</u>	<u>3,016</u>	<u>(96,903)</u>	<u>(1,033)</u>	(94,515)
Interest income and sundry income					76,968
Corporate administrative expenses					(97,155)
Unallocated other operating expenses					(801)
Unallocated finance costs					<u>(23,964)</u>
Loss before tax					(139,467)
Income tax credit					<u>8,732</u>
Loss for the year					<u>(130,735)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP***Year ended 31 December 2014*

	Coke trading	Coal-related ancillary	Coke production	Eliminations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue					
— external sales	—	112,932	485,686	—	598,618
— intersegment sales	—	409,069	—	(409,069)	—
Other income	—	36,438	—	—	36,438
Total	—	558,439	485,686	(409,069)	635,056
Segment results	—	(339,800)	(622,447)	(8,181)	(970,428)
Interest income and sundry income					374
Corporate administrative expenses					(85,399)
Unallocated other operating expenses					(18,817)
Unallocated finance costs					(21,862)
Loss before tax					(1,096,132)
Income tax credit					190
Loss for the year					(1,095,942)

Segment assets and liabilities

31 December 2015

	Coke trading <i>HK\$'000</i>	Coal-related ancillary <i>HK\$'000</i>	Coke production <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT ASSETS				
Segment assets	<u>—</u>	<u>505,988</u>	<u>225,410</u>	731,398
Corporate and unallocated assets				<u>173,887</u>
Consolidated assets				<u><u>905,285</u></u>
SEGMENT LIABILITIES				
Segment liabilities	<u>69,804</u>	<u>208,062</u>	<u>364,616</u>	642,482
Corporate and unallocated liabilities				<u>251,459</u>
Consolidated liabilities				<u><u>893,941</u></u>

31 December 2014

	Coke trading <i>HK\$'000</i>	Coal-related ancillary <i>HK\$'000</i>	Coke production <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT ASSETS				
Segment assets	<u>—</u>	<u>752,276</u>	<u>127,050</u>	879,326
Corporate and unallocated assets				<u>608,141</u>
Consolidated assets				<u><u>1,487,467</u></u>
SEGMENT LIABILITIES				
Segment liabilities	<u>69,804</u>	<u>439,696</u>	<u>340,014</u>	849,514
Corporate and unallocated liabilities				<u>479,939</u>
Consolidated liabilities				<u><u>1,329,453</u></u>

Year ended 31 December 2015

	Coke trading <i>HK\$'000</i>	Coal-related ancillary <i>HK\$'000</i>	Coke production <i>HK\$'000</i>	Total <i>HK\$'000</i>
OTHER SEGMENT INFORMATION				
Additions of property, plant and equipment	—	33,663	613	<u>34,276</u>
Impairment of items of property, plant and equipment	—	4,400	10,360	<u>14,760</u>
Depreciation	—	62,453	18	62,471
Unallocated				<u>7,381</u>
				<u>69,852</u>
Unallocated interest expenses on bank and other borrowings				<u>23,964</u>
Unallocated income tax credit				<u>(8,732)</u>
Impairment of trade receivables	—	—	37,753	<u>37,753</u>
Impairment of prepayments	—	1,156	—	<u>1,156</u>
Write down of inventories to net realisable value	—	—	749	<u>749</u>
Write-off of items of property, plant and equipment	—	1,442	—	<u>1,442</u>
Unallocated impairment of available for sale investment				<u>801</u>

Year ended 31 December 2014

	Coke trading <i>HK\$'000</i>	Coal-related ancillary <i>HK\$'000</i>	Coke production <i>HK\$'000</i>	Total <i>HK\$'000</i>
OTHER SEGMENT INFORMATION				
Additions of property, plant and equipment	—	6,192	—	6,192
Unallocated				419
				<u>6,611</u>
Impairment of goodwill	—	388,544	—	388,544
Impairment of items of property, plant and equipment	—	—	448,545	448,545
Depreciation	—	61,778	41,033	102,811
Unallocated				9,894
				<u>112,705</u>
Unallocated interest expenses on bank and other borrowings				21,862
Unallocated income tax credit				(190)
Impairment of trade receivables, net	—	2,276	731	3,007
Impairment of prepayments, net	—	3,552	—	3,552
Write down of inventories to net realisable value	—	—	3,757	3,757
Write-off of items of property, plant and equipment	—	—	—	5,475
Unallocated impairment of available for sale investment				668

Geographical information**(a) Revenue from external customers**

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations during the years ended 31 December 2015 and 2014. Therefore, no analysis by geographical region is presented.

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

(b) Non-current assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	—	102,732
Mainland China	485,337	559,028
	<u>485,337</u>	<u>661,760</u>

The non-current assets information is based on the locations of the assets and excludes financial instruments.

Information about major customers

During the year ended 31 December 2015, revenue of approximately HK\$64,197,000 and HK\$52,844,000 were derived from sales in the coke production segment to two customers. During the year ended 31 December 2014, revenue of approximately HK\$120,196,000, HK\$99,706,000 and HK\$70,143,000 were derived from sales in the coke production segment to three customers. These customers were independent third parties of the Group.

During the year ended 31 December 2015, revenue of approximately HK\$228,082,000 (2014: HK\$48,331,000) was derived from sales in the coal-related ancillary segment and the coke production segment to the Non-controlling Shareholder.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue and other income is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Sale of transportation service	12,511	11,481
Sale of electricity and heat	74,759	98,032
Sale of medium coal	—	3,419
Sale of coke and by-products	374,114	485,686
	<u>461,384</u>	<u>598,618</u>
Other income		
Interest income	6	4
Commission income	405	47
Gain on disposal of items of property, plant and equipment	76,323	—
Government subsidies	16,779	36,391
Sundry income	639	370
	<u>94,152</u>	<u>36,812</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on bank and other borrowings repayable within five years	<u>23,964</u>	<u>21,862</u>

6. LOSS BEFORE TAX

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	494,129	711,999
Auditors' remuneration	2,230	2,130
Depreciation	69,852	112,705
Operating lease payments in respect of leasehold interests in land and rented properties	1,917	1,934
Employee benefit expense (including directors' remuneration):		
Wages and salaries	58,815	59,068
Equity-settled share option expense	—	3,459
Pension scheme contributions [#]	15,010	17,289
	<u>73,825</u>	<u>79,816</u>
Write-down of inventories to net realisable value [@]	749	3,757
Impairment of trade receivables, net*	37,753	3,007
Impairment of prepayments, net*	1,156	3,552
Impairment of available-for-sale investments*	801	668
Write-off of items of property, plant and equipment*	1,442	5,475
Gain/(loss) on disposal of items of property, plant and equipment	76,323	(86)
Compensation charge*	—	12,674
	<u><u>76,323</u></u>	<u><u>(86)</u></u>

[#] As at 31 December 2015 and 2014, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

* These balances are included in "Other operating expenses" in the consolidated profit or loss.

@ The balance is included in "Cost of sales" in the consolidated profit or loss.

7. INCOME TAX CREDIT

No provision for Hong Kong and PRC profits tax have been made as there were no assessable profits arising in Hong Kong and Mainland China.

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Current — Hong Kong	—	—
Current — Elsewhere	—	—
Deferred	(8,732)	(190)
	<u>(8,732)</u>	<u>(190)</u>
Total tax credit for the year	<u><u>(8,732)</u></u>	<u><u>(190)</u></u>

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$110,474,000 (2014: HK\$989,409,000), and the weighted average number of ordinary shares of 5,981,071,000 (2014: 5,977,926,000) in issue during the year, as adjusted to reflect the full conversion of the 2008 convertible bonds for ordinary shares of the Company during the year.

The 2008 convertible bonds shall be converted automatically into new shares of the Company at the date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculations of the basic and diluted loss per share.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE AND BILL RECEIVABLES

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables		271,976	233,789
Trade receivables from related companies	<i>11</i>	40,094	42,943
Bill receivables		—	500
Impairment		<u>(50,222)</u>	<u>(14,614)</u>
		261,848	262,618
<i>Less:</i> Trade receivables due from the Non-controlling Shareholder	<i>11</i>	<u>(213,625)</u>	<u>(113,098)</u>
		<u><u>48,223</u></u>	<u><u>149,520</u></u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The Directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 31 December 2015, approximately 82% (2014: 43% and 20%) of the Group's trade receivables were due from one (2014: two) 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 11). 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.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	78,418	134,766
3 to 4 months	30,890	36,794
Over 4 months	152,540	91,058
	<u>261,848</u>	<u>262,618</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	14,614	11,811
Impairment loss recognised	37,753	5,891
Impairment loss reversed	—	(2,884)
Exchange realignment	(2,145)	(204)
	<u>50,222</u>	<u>14,614</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$50,222,000 (2014: HK\$14,614,000) with a carrying amount before provision of HK\$50,298,000 (2014: HK\$15,136,000).

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

An aged analysis of the trade and bill receivables that are not individually nor collectively considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	109,308	171,036
Less than 6 months past due	54,325	10,389
More than 6 months past due	98,215	80,671
	<u>261,848</u>	<u>262,096</u>

The Group's trade and bill receivables at the end of the reporting period that were neither past due nor impaired relate to customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other receivables from the Non-controlling Shareholder	<i>11</i>	91,525	409,370
Prepayments and other receivables due from a related company	<i>11</i>	<u>3,582</u>	<u>3,750</u>
		95,107	413,120
Prepayments, deposits and other receivables of other parties	<i>(i)</i>	21,132	72,267
Impairment		<u>(7,587)</u>	<u>(6,781)</u>
		<u><u>108,652</u></u>	<u><u>478,606</u></u>

Note:

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

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	6,781	3,286
Impairment loss recognised (<i>note 6</i>)	1,156	4,143
Impairment loss reversed (<i>note 6</i>)	—	(591)
Exchange realignment	<u>(350)</u>	<u>(57)</u>
At 31 December	<u><u>7,587</u></u>	<u><u>6,781</u></u>

Included in the above provision is a provision for individually impaired prepayments of HK\$7,587,000 (2014: HK\$6,781,000) with a carrying amount before provision of HK\$7,587,000 (2014: HK\$6,786,000). The individually impaired prepayments relate to the portions of prepayments that were not expected to be recovered.

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

11. AMOUNT DUE FROM/(TO) THE NON-CONTROLLING SHAREHOLDER

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current			
Trade receivables due from the Non-controlling Shareholder (<i>note 9</i>)	<i>(i), (v)</i>	<u>213,625</u>	<u>113,098</u>
Other receivables from the Non-controlling Shareholder (<i>note 10</i>)	<i>(ii), (v)</i>	<u>91,525</u>	<u>409,370</u>
Trade payables due to the Non-controlling Shareholder	<i>(iii)</i>	<u>—</u>	<u>(88,855)</u>
Amount due to the Non-controlling Shareholder	<i>(iv)</i>	<u>(50,201)</u>	<u>(50,201)</u>

Notes:

- (i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2014: 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 were trade in nature, unsecured and non-interest-bearing.
- (iv) The balances represented advances from the Non-controlling Shareholder. The balances are unsecured, non-interest-bearing and repayable within 12 months from the end of the reporting period (2014: non-interest-bearing and repayable within 12 months from the end of the reporting period). 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.
- (v) 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 and the amount of HK\$40,094,000 (note 9) due from, and prepayments of HK\$3,582,000 (note 10) to, affiliates of the Non-controlling Shareholder.

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

12. CASH AND BANK BALANCES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash and bank balances	<u>1,439</u>	<u>1,679</u>

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi (“RMB”) amounted to HK\$229,000 (2014: HK\$1,171,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

13. TRADE PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables due to other parties	221,138	422,262
Trade payables due to the Non-controlling Shareholder	<u>—</u>	<u>88,855</u>
	<u>221,138</u>	<u>511,117</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	40,599	92,396
3 to 4 months	12,982	9,717
Over 4 months	<u>167,557</u>	<u>409,004</u>
	<u>221,138</u>	<u>511,117</u>

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 DEPOSITS RECEIVED

	2015 HK\$'000	2014 HK\$'000
Other payables and accrued charges	319,575	221,129
Advance received from customers	159,601	198,497
Deposit received from Kailuan (<i>Note</i>)	120,000	220,000
	<u>599,176</u>	<u>639,626</u>

Note: The Deposit with an original amount of HK\$220,000,000 was placed by Kailuan to the Group in connection with an annual coke sale and purchase agreement entered into in 2013. Further details of the Deposit were set out in the Company's announcement dated 23 May 2013. As at 31 December 2015, the Deposit was secured by the 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 a substantial shareholder of the Company and as to 500,000,000 shares of the Company held by certain shareholders of the Company.

At 31 December 2014, the Group was in default of repayment of the Deposit. In connection with the default, the Group was subject to a penalty of HK\$2,200,000 and default interest of HK\$25,483,000 as at 31 December 2014 which were included in other payables and accrual charges at 31 December 2014.

During the year ended 31 December 2015, partial settlement of HK\$100 million was made to Kailuan from the proceeds on disposal of the Property. The balances with Kailuan at 31 December 2015 included a principal of HK\$120 million and Other Charges of HK\$43,277,000.

As set out in note 2.1 to the consolidated financial statements, the Group plans to settle the principal of HK\$120 million with the net proceeds arising from the Subscription.

On 10 March 2016, the Group and Kailuan entered into a supplemental agreement pursuant to which Kailuan agreed not to demand for the repayment of the Other Charges on or before 30 June 2017.

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

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

15. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

4. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2016, being the latest date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had an aggregate outstanding borrowing of approximately HKD238,795,000 comprising:

- (a) Unsecured other loans of approximately HKD25,317,000;
- (b) A deposit of HK\$120,000,000 placed by Kailuan (Hong Kong) International Co. Ltd. (“Kailuan”) to the Group for the purchase of coke for a term of one year from 24 May 2013 under the annual coke sale and purchase agreement (“Agreement”). As at 31 January 2016, the deposit was secured by a pledge of 1,157,000,000 ordinary Shares of the Company, as to 657,000,000 ordinary shares owned by Mr. Wu Jixian, a substantial shareholder of the Company, and as to 500,000,000 ordinary Shares of the Company held by certain shareholders of the Company.

On 23 January 2015, the Group entered into a debt repayment scheme agreement (“Debt Repayment Scheme Agreement”) and an interest scheme agreement (“Interest Scheme Agreement”) with Kailuan which states the repayment arrangement and the calculations on penalties and interests for the deposit from Kailuan after the expiry date on 23 May 2014 of the Agreement.

In connection with the Agreement, Debt Repayment Scheme Agreement and Interest Scheme Agreement, the Group owed penalties, compensations and interest to Kailuan amounted to approximately HK\$43,277,000 as at 31 January 2016.

Further details of the deposit received, calculations on penalties and interests are set out in the Company’s announcement dated 23 May 2013, 29 May 2013, 23 May 2014, 10 September 2014 and 23 January 2015.

- (c) Unsecured advances from Non-controlling shareholder of approximately HKD50,201,000.

As at 31 January 2016, being the latest date prior to the printing of this circular for the purpose of this indebtedness statement, save as disclosed in the paragraph headed “Material Litigation” in Appendix II to this circular, no member of the Group is engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any members of the Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 31 January 2016 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees (apart from that given by Huscoke Shanxi (as defined herein) under the Agency Agreement (as defined herein), details of which are set out in Appendix II to this circular) or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors confirmed that there were no material change in the financial and trading position or outlook of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Subscriber accepts full responsibility for the accuracy of the information (other than that relating to the Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share <i>HK\$</i>
2015	
30 June	0.163
31 July	0.108
31 August	0.082
30 September	0.078
30 October	0.085
27 November (Last Trading Day)	0.081
30 November	suspended
31 December	0.060
2016	
29 January	0.050
29 February	0.053
31 March	0.059
Latest Practicable Date	0.060

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.175 per Share on 26 June 2015; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.043 per Share on 12 February 2016 and 17 February 2016.

3. SHARE CAPITAL, OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES

Set out below were the authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:

20,000,000,000 Shares	HK\$2,000,000,000.00
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Issued and fully paid:

4,528,126,292 Shares	HK\$452,812,629.20
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<u>905,625,258 Consolidated Shares of HK\$0.50 each</u>	<u>HK\$452,812,629.00</u>
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905,625,258 New Shares of HK\$0.01 each	HK\$9,056,252.58
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The total number of issued Shares as at the end of the last financial year of the Company being 31 December 2015 was 4,528,126,292 Shares and no Shares have been issued since that date up to the Latest Practicable Date.

All the issued Shares and New Shares to be issued rank and will rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting.

As at the Latest Practicable Date, there were (i) 78,800,000 outstanding Options entitling the holders thereof to subscribe for up to new Shares in aggregate at HK\$0.16 per Share (as at 7,000,000 Options) and HK\$0.132 per Share (as at 71,800,000 Options); and (ii) an outstanding amount of HK\$582,000,000 under the Convertible Bonds entitling the holder thereof to subscribe for a total of 1,455,000,000 Shares.

Save as mentioned above, the Company has no outstanding warrants, derivatives, share options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and the Company has not entered into any agreement for the issue of any Shares or any warrants, derivatives, share options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

4. DISCLOSURE OF INTERESTS

(a) Director's and chief executive interests in the Company

As at the Latest Practicable Date, the following Directors or chief executive of the Company or their associates had interests in long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO; (ii) recorded in the register to be kept under Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company; or (iv) disclosed in this circular pursuant to the requirements of the Takeovers Code.

Long positions in the Shares

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of shareholding (%)
Gao Jianguo	Beneficial owner	25,062,000	0.55
To Wing Tim, Paddy (Note 1)	Beneficial owner and Interest of spouse	1,160,000	0.03

Long positions in the underlying Shares

Name of Director	Nature of Interest	Number of underlying Shares held
Li Baoqi (Note 2)	Beneficial owner	22,500,000
Gao Jianguo (Note 3)	Beneficial owner	25,000,000

Notes:

1. Among the 1,160,000 Shares held by Mr. To Wing Tim, Paddy, an independent non-executive Director, 300,000 Shares were held by Mr. To as beneficial owner and 860,000 Shares held by Ms. Leung Yuet Mei, the spouse of Mr. To. Accordingly, Mr. To was deemed to be interested in the said 1,160,000 Shares under Part XV of the SFO.
2. Mr. Li Baoqi, an executive Director was entitled to receive share options to subscribe for a maximum of 22,500,000 Shares upon exercise of the options in full.
3. Mr. Gao Jianguo, an executive Director was entitled to receive share options to subscribe for a maximum of 25,000,000 Shares upon exercise of the options in full.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in long or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; (ii) entered in the register required to be kept under section 352 of the SFO; or (iii) disclosed in this circular pursuant to the requirements of the Takeovers Code.

As at the Latest Practicable Date, none of the Directors or the proposed Directors is a director or employee of the companies which have an interest in the shares and underlying Shares as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial shareholders and other persons' interest in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, Shareholders (other than Directors or chief executives of the Company) who had, or were deemed or taken to have, an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10%

or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital:

Long positions in the Shares

Name of Shareholder	Nature of Interest	Number of Shares held	Approximate percentage of shareholding (%)
Wu Jixian (<i>Note 1</i>)	Beneficial owner	657,000,000	14.51

Long position in the underlying Shares

Name of Shareholders	Nature of Interest	Number of Shares held	Approximate percentage of shareholding (%)
Wu Jixian (<i>Note 1</i>)	Beneficial owner	1,455,000,000	32.13
Kailuan (<i>Note 2</i>)	Beneficial owner	1,157,000,000	25.55
Kailuan (Group) Limited (<i>Note 3</i>)	Interest in controlled corporation	1,157,000,000	25.55
Kailuan (Hong Kong) Co., Limited (<i>Note 3</i>)	Interest in controlled corporation	1,157,000,000	25.55
Rontac Investment Company Limited (<i>Note 3</i>)	Interest in controlled corporation	1,157,000,000	25.55
Rontac Resources Company Limited (<i>Note 3</i>)	Interest in controlled corporation	1,157,000,000	25.55

Notes:

1. Wu Jixian beneficially owned 657,000,000 Shares and was interested in Convertible Bonds in the aggregate principal amount of HK\$582 million, which were convertible into 1,455,000,000 Shares. Reference is made to the announcement of the Company dated 5 November 2015 and 3 February 2016, Wu Jixian signed a placing agreement with a Hong Kong licensed (Type 1) placing agent and agreed the placing agent to procure on a best effort basis to sell all the Convertible Bonds until the end of placing period on 20 April 2016. As at the Latest Practicable Date, Wu Jixian has pledged his interest in 657,000,000 Shares and certain individual minority Shareholders have pledged their interests in 500,000,000 Shares in aggregate to Kailuan as part of the security for the Deposit placed by Kailuan pursuant to the Annual Coke S&P Agreement.

2. As at the Latest Practicable Date, Mr. Wu had pledged his interest in 657,000,000 Shares and certain individual minority Shareholders have pledged their interests in 500,000,000 Shares in aggregate to Kailuan as part of the security for the Deposit placed by Kailuan pursuant to the Annual Coke S&P Agreement.
3. As at the Latest Practicable Date, Kailuan is owned by Kailuan (Hong Kong) Co., Limited as to 51% and Rontac Resources Company Limited as to 40% which Kailuan (Hong Kong) Co., Limited is owned by Kailuan (Group) Limited as to 51% and Rontac Resources Company Limited is owned by Rontac Investment Company Limited as to 33.33%.

Save as disclosed in this paragraph, as at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company other than Directors or the chief executive of the Company, who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

- (a) save for the Subscription, none of the members of the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them held any securities, options, warrants, convertible securities and derivatives of the Company or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.
- (b) no Shares acquired by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them pursuant to the Subscription will be transferred, charged or pledged to any other persons.
- (c) the director of the Subscriber is not interested in any securities, options, warrants, convertible securities and derivatives of the Company and they had not dealt for value in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.
- (d) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

- (e) save for the Subscription Agreement (as supplemented by the Supplemental Agreement), no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them and any other person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (f) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription and/or the Whitewash Waiver.
- (g) save for the Subscription Agreement (as supplemented by the Supplemental Agreement), there were no agreements or arrangements to which any member of the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Subscription and the consequences of its doing so, including details of any break fees payable as a result.
- (h) the Company did not have any interest in the securities, options, warrants, convertible securities and derivatives of the Subscriber and had no dealings in the securities, options, warrants, convertible securities and derivatives of the Subscriber during the Relevant Period.
- (i) none of the Company or the Directors had any interest in the securities, options, warrants, convertible securities and derivatives of the Subscriber.
- (j) none of the Directors had dealt for value in the securities, options, warrants, convertible securities and derivatives of the Company or the Subscriber during the Relevant Period.
- (k) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code), had any interest in the securities, options, warrants, convertible securities and derivatives of the Company and/or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

- (l) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeover Code.
- (m) no securities, options, warrants, convertible securities and derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.
- (n) during the Relevant Period, no securities, options, warrants, convertible securities and derivatives of the Company had been borrowed or lent by any of the Directors or by the Company or by any member of the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them.
- (o) there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver.
- (p) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver.
- (q) there was no material contract entered into by any member of the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them in which any Director had a material personal interest.
- (r) none of the Directors beneficially held any Shares and accordingly, none of the them will be entitled to vote to accept or reject the Subscription and/or the Whitewash Waiver.

6. DIRECTORS SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered into any service contracts with the Company or any member of the Group or any associated company of the Company which (a) (including continuous and fixed term contracts) have been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor his associates is and was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group.

8. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

9. MATERIAL LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries:

- (i) On 29 April 2015, 天津富迪特實業有限公司 (Tianjin Fudite Company Limited)* (“**Tianjin Fudite**”) issued a writ of summons against (i) GRG Huscoke (ShanXi) Limited (“**Huscoke Shanxi**”), being an indirect 87.4%-owned subsidiary of the Company and (ii) the Non-controlling Shareholder in relation to an alleged breach by Huscoke Shanxi of a repayment agreement entered into among Tianjin Fudite as creditor, Huscoke Shanxi as debtor and the Non-controlling Shareholder as guarantor on 12 February 2015. According to the writ of summons, Tianjin Fudite claimed against Huscoke Shanxi and the Non-controlling Shareholder as guarantor of Huscoke Shanxi for sum of RMB12,729,253 plus interest. Objection to and appeal over jurisdiction were filed by Huscoke Shanxi and both of which were rejected by the relevant courts in June and August 2015 respectively. As at the Latest Practicable Date, the case is still outstanding.

* For identification purpose only

- (ii) On 25 September 2015, 杭州熱聯集團股份有限公司 (Hangzhou Relian Group Holding Limited)* (“**Hangzhou Relian**”) issued a writ of summons against (i) 張家港保稅區康輝國際貿易有限公司 (Zhangjiagang Kanghui International Trading Limited)* (“**Kanghui International**”) and (ii) Huscoke Shanxi in relation to an alleged breach by Kanghui International of an agency agreement (as amended and supplemented by the supplemental agreement dated 5 May 2014) (the “**Agency Agreement**”) entered into among Hangzhou Relian as agent, Kanghui International as principal and Huscoke Shanxi as supplier and guarantor on 30 December 2013 in relation to the supply of coke by Huscoke Shanxi to Kanghui International through Hangzhou Relian. According to the writ of summons, Hangzhou Relian claimed against Kanghui International and Huscoke Shanxi as guarantor of Kanghui International for sum of RMB4,317,807.45, being the outstanding sum payable by Kanghui International to Hangzhou Relian under the Agency Agreement. As at the Latest Practicable Date, the case is still outstanding.

10. EXPERTS’ QUALIFICATIONS AND CONSENTS

The following is the qualifications of the experts who have given opinion and advice, which is contained in this circular:

Name	Qualification
Ample Capital	a corporation licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Opus Capital	a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 31 December 2015, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

* *For identification purpose only*

The above experts have given and have not withdrawn their respective written consents to the issue of this Circular with the inclusion of their advices, reports and/or the references to their names in the form and context in which they appear.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by members of the Group after the date two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (i) A letter of intent dated 27 March 2014 entered into between the Company and Kailuan concerning the extension of the Annual Coke S&P Agreement and the repayment date of the HK\$220,000,000 deposit (the “**Deposit**”) payable by the Company to Kailuan upon the expiry date of 23 May 2014. As no legally-binding formal agreement has been reached by the Company and Kailuan before the expiry date, the said letter of intent lapsed;
- (ii) On 10 September 2014, the Group entered into the Disposal Agreement for the Disposal of the Property with a carrying value of HK\$102,462,000 at 31 December 2014 for a cash consideration of HK\$179,700,000. The proceeds, net of disposal expenses of HK\$1,800,000, will be used to repay a mortgage bank loan with an outstanding balance of HK\$67,451,000 at 31 December 2014, with the remaining amount to partially settle the Deposit. On 2 December 2014, the Group and Guarded Success Limited signed a supplemental agreement and the transaction is completed on 29 May 2015;
- (iii) As at 31 December 2014, the Group recorded trade and other receivables and prepayments of RMB37,354,000 (HK\$46,693,000) due from affiliates of Non-controlling Shareholder. The Directors are of the opinion that full repayment of these receivables will be forthcoming in 2015. The Group and the Non-controlling Shareholder entered into an indemnity agreement on 20 March 2015, pursuant to which the Non-controlling Shareholder undertakes that if any amounts were not settled by the respective parties by 31 December 2015, it will settle the amount on their behalf within a year from 31 December 2015;

- (iv) On 10 March 2016, the Group signed agreements with Gao Jian Guo an executive Director of the Company who provide financial support of HK\$13,450,000 and Li Bao Qi an executive Director of the Company who provided financial support of HK\$1,500,000 to the Group and Yang Ge, a Director of a subsidiary of the Group who provided financial support of HK\$3,300,000 to the Group, agreeing that these amounts are interest-free and are not repayable before 30 June 2017;
- (v) A debt repayment scheme agreement dated 23 January 2015 entered into between the Company and Kailuan for the purpose of restituting the Company's default in the Deposit repayment to Kailuan (the "**Debt Repayment Scheme Agreement**");
- (vi) An interest scheme agreement dated 23 January 2015 entered into between the Company and Kailuan in respect of the repayment of the principal, interest and compensation to Kailuan resulting from the Company's default in the Deposit repayment to Kailuan (the "**Interest Scheme Agreement**");
- (vii) On 31 January 2015, the Group secured the agreement of lenders, including certain directors of the Company and certain other borrowings from individual lenders with an aggregate amount of HK\$15,918,000 as at 31 December 2014 and an aggregate amount of HK\$18,571,000 as at 31 January 2015 to defer settlement to 1 July 2016;
- (viii) On 31 January 2015, the Group entered into an agreement with the Non-controlling Shareholder pursuant to which, settlement of an amount due to Non-controlling Shareholder by the Group of HK\$50,201,000 as at 31 December 2014 was deferred to 1 July 2016;
- (ix) The Group's bank loan of RMB30,000,000 (HK\$37,500,000) at 31 December 2014, was renewed on 4 March 2015 for six months, maturing on 4 September 2015. The loan was fully repaid in April 2015;
- (x) A coke sale and purchase agreement dated 17 March 2015 entered into between Huscoke Shanxi and 山西東義煤電鋁集團煤化工有限公司 (Shanxi Dongyi Coal Electricity Aluminum Group Chemical Industry Ltd.*) ("**Shanxi Dongyi**") concerning the supply and purchase of coke between Shanxi Dongyi and Huscoke Shanxi;

* For identification purpose only

- (xi) On 18 March 2015, the Company and Kailuan entered into a supplemental agreement with regard to the Deposit, pursuant to which Kailuan agreed not to demand repayment of the principal amount of the Deposit and the related interest and penalty charge totaling HK\$245,483,000 before 1 July 2016, except that the Deposit should be reduced by the remaining proceeds from the Disposal as stated in (iii) above. Pursuant to the same supplemental agreement stated in (vi) above, Kailuan agreed to purchase 600,000 tons of coke from the Group per year. Kailuan undertakes that the Group will be given a 5.5% net profit margin from these purchases (i.e. after deducting coke purchase and other costs);
- (xii) On 18 March 2015, the Group and the Non-controlling Shareholder entered into a settlement arrangement, pursuant to which the Non-controlling Shareholder commits to repay the net balances due to the Group (being the outstanding trade and other receivables less trade payables) in the amount of RMB346,890,000 (HK\$433,613,000) as at 31 December 2014 by monthly instalments of RMB30,000,000 (equivalent to HK\$37,500,000) after its new coking plant starts operation in August 2015, and that the entire amount would be settled within 12 months;
- (xiii) On 10 March 2016, the Group entered into an agreement with Kailuan pursuant to which, Kailuan will not demand for repayment of the accrued compensations and interests and default liquidated damages amounting to HK\$43,277,000 in respect of the Deposit under the Annual S&P Coke Agreement before 30 June 2017;
- (xiv) The Group recorded other borrowings of HK\$6,326,000 and accrued interest of HK\$1,724,000 as at 31 December 2015 from a lender and on 10 March 2016, the Group secured an agreement with the lender to defer settlement to 30 June 2017;
- (xv) On 10 March 2016, the Group entered into an agreement with the Non-controlling Shareholder pursuant to which, settlement of an amount due to it by the Group of HK\$50,201,000 as at 31 December 2015 was deferred to 30 June 2017;
- (xvi) On 28 February 2016, the Group and the Non-controlling Shareholder entered into a settlement arrangement, pursuant to which the Non-controlling Shareholder commits to repay the net balances due to the Group (being the outstanding trade and other receivables less trade payables) by monthly

installments of RMB50,000,000 (equivalent to HK\$59,700,000) after its new coking plant starts operation in October 2016, and that the entire amount would be settled within 12 months;

(xvii) As at 31 December 2015, the Group recorded trade and other receivables and prepayments of RMB36,587,000 (HK\$43,675,000) due from affiliates of Non-controlling Shareholder. The Directors are of the opinion that full repayment of these receivables will be forthcoming in 2016. The Group and the Non-controlling Shareholder entered into an indemnity agreement on 28 February 2016, pursuant to which the Non-controlling Shareholder undertakes that if any amounts were not settled by the respective parties by 30 June 2016, it will settle the amount on their behalf by monthly installments of RMB10,000,000 (equivalent to HK\$11,940,000) after its new coking plant starts operation in October 2016, and that the entire amount would be settled within 12 months;

(xviii) An asset pledge agreement was provided by the Non-controlling Shareholder on 29 February 2016 whereby certain property, plant and equipment with a carrying amount of HK\$1,399 million as at 29 February 2016 and a fair value of HK\$1,347 million as at 29 February 2016 were pledged to the Group to secure the repayment of the amount of HK\$305,150,000 due from the Non-controlling Shareholder and the amount of HK\$40,094,000 due from, and prepayments of HK\$3,582,000 to, affiliates of the Non-controlling Shareholder as at 31 December 2015;

(xix) As at 31 December 2015, Huscoke International Group Limited (“HIG”), a subsidiary of the Group had a balance of US\$9,000,000 (equivalent to HK\$69,804,000) payable to a customer. On 31 March 2016, an agreement was signed between the customer, Non-controlling Shareholder, and HIG, agreeing that the entire amount will be transferred as a payable from HIG to Non-controlling Shareholder. On 31 March 2016, another agreement was signed between HIG, Non-controlling Shareholder and Huscoke Shanxi agreeing that the entire amount will be used to offset the account receivables and other receivables of RMB255,623,851 (equivalent to HK\$305,149,637) payable by Non-controlling Shareholder to Huscoke Shanxi as at 31 December 2015;

(xx) The Subscription Agreement; and

(xxi) The Supplemental Agreement;

12. EXPENSES

The professional costs and expenses incurred in connection with the implementation of the transactions contemplated under the Subscription Agreement (as supplemented by the Supplemental Agreement), including but not limited to the printing, registration, translation, financial advisory legal professional and accounting charges) are amounted to be approximately HK\$1.5 million and are payable by the Company.

13. MISCELLANEOUS

- (i) The registered office of the Company is at Room 2003, 20th Floor, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.
- (ii) The registered office address of the Subscriber is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island. The correspondence Hong Kong address is situated at Unit 901, 9/F, Omega Plaza, 32 Dundas Street, Kowloon, Hong Kong.
- (iii) The company secretary of the Company is Mr. Chang Chi Wai, Stanley, who is member of Hong Kong Institute of Certified Public Accountants.
- (iv) The principal share registrar and transfer office of the Company is Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) The English text of this circular shall prevail over the Chinese text in the case of inconsistency

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business in Hong Kong of the Company at Room 2003, 20th Floor, Tower 1, Lippo Center, 89 Queensway, Admiralty, Hong Kong; (ii) on the SFC's website at <http://www.sfc.hk>; and (iii) the website of the Company at <http://www.huscoke.com/>, from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and Bye-laws' of the Company;

- (b) the annual reports of the Company for the two financial years ended 31 December 2013 and 2014; and the published annual results of the Company for the financial year ended 31 December 2015;
- (c) the material contracts as referred to in the section headed “Material Contracts” in this appendix;
- (d) the letter from the Board, the text of which are set out on pages 9 to 35 of this circular;
- (e) the letter from the Independent Board Committee, the text of which are set out on pages 36 to 37 of this circular;
- (f) the letter of advice from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders, the text of which are set out on pages 38 to 68 of this circular;
- (g) the written consents referred to in the section headed “Experts’ Qualifications and Consents” in this appendix;
- (h) the written consent issued by Veda Capital Limited; and
- (i) this circular.

NOTICE OF SGM



HUSCOKE RESOURCES HOLDINGS LIMITED

和嘉資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders (the “**Shareholders**”) of Huscoke Resources Holdings Limited (the “**Company**”) will be held at 39/F, L’hotel, 18 King’s Road, Causeway Bay, Hong Kong on Wednesday, 11 May 2016 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

All capitalized terms in this notice of the SGM which are not defined herein shall have the same meanings ascribed to them in the circular to the shareholders of the Company dated 15 April 2016.

SPECIAL RESOLUTION

1. “**THAT** subject to and conditional upon (i) The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, the New Shares (as defined below) arising from the Capital Reorganisation (as defined below) and (ii) the compliance by the Company with the relevant legal procedures and requirements under the Companies Act 1981 of Bermuda (the “**Act**”) and the bye-laws (“**Bye-laws**”) of the Company to effect the Capital Reorganisation, with effect from the first business day immediately following the date on which this resolution is passed (“**Effective Date**”):
 - (a) every five (5) issued and unissued existing shares of par value HK\$0.10 each (each an “**Existing Share**”) in the share capital of the Company be consolidated into one (1) consolidated share of par value HK\$0.50 each (each a “**Consolidated Share**”) (the “**Share Consolidation**”);
 - (b) 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 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 (the “**Issued Share Capital Reduction**”);

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- and (ii) the authorised share capital of the Company 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 (each a “**New Share**”) (together with the Issued Share Capital Reduction, the “**Capital Reduction**”);
- (c) forthwith upon the Capital Reduction becoming effective, the authorised share capital of the Company 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 (the “**Capital Increase**”, together with the Share Consolidation and the Capital Reduction as the “**Capital Reorganisation**”);
- (d) the credit amount arising from the Issued Share Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the “**Director(s)**”) 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 but not limited to the application of such credit balance to set off against the accumulated losses of the Company) without further authorisation from the shareholders (the “**Shareholder(s)**”) of the Company and all such actions in relation thereto be approved, ratified and confirmed; and
- (e) the Directors be and are hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to the Capital Reorganisation and the transactions contemplated thereunder.”

ORDINARY RESOLUTIONS

2. “**THAT** subject to the passing of special resolution numbered 1 above:
- (a) the conditional subscription agreement dated 27 November 2015 (as supplemented by the supplemental agreement dated 15 December 2015) (the “**Subscription Agreement**”) and entered into between the Company as issuer and Shun Wang Investments Limited as subscriber (the “**Subscriber**”) in relation to the subscription of 1,400,000,000 New Shares (the “**Subscription**”

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Shares") at the subscription price of HK\$0.15 per Subscription Share (the "**Subscription Price**") (a copy of which is produced to the SGM marked "A" and signed by the Chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares, the allotment and issue of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder be and is hereby approved;
 - (c) the board of Directors (the "**Board**") of the Company be and is hereby granted with a specific mandate to allot and issue the Subscription Shares to the Subscriber (or such other wholly owned subsidiary of the Subscriber as designated by the Subscriber); and
 - (d) any one Director be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the allotment and issue of the Subscription Shares and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its Shareholders as a whole."
3. "**THAT**, subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the waiver (the "**Whitewash Waiver**") of the obligation on the part of the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them to make a mandatory general offer to the Shareholders for all the issued New Shares (other than those already owned or agreed to be acquired by Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of The Code on Takeovers and Mergers be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents under seal where applicable as he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

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4. “**THAT** the appointment of Mr. Wong Siu Hung Patrick as an executive Director with effect from the Subscription Completion be and is hereby approved and the Board be is hereby authorised to fix his remuneration.”
5. “**THAT** the appointment of Mr. Haemon Huang Man Yem as an executive Director with effect from the Subscription Completion be and is hereby approved and the Board be is hereby authorised to fix his remuneration.”

On behalf of the Board of
Huscoke Resources Holdings Limited
Li Baoqi
Executive Director

Hong Kong, 15 April 2016

Notes:

1. A member of the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company’s share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting (or the adjourned meeting, as the case may be).
3. Delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
4. In the case of joint registered holders of any Share, any one of such joint registered holders may vote at the SGM, either in person or by proxy, in respect of such Share as if they were solely entitled thereto, but if more than one of such joint registered holders be present at the SGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of the Company in respect of the joint holding.