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

(Incorporated in Bermuda with limited liability)
(Stock code: 704)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of Huscoke Resources Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 (the "Interim Period") with comparative figures for the corresponding period ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**313,201**	370,634
Cost of sales		**(307,507)**	(429,367)
Gross profit/(loss)		**5,694**	(58,733)
Other income	*4*	**86,699**	27,739
Selling and distribution costs		**(9,343)**	(27,852)
Administrative expenses		**(44,807)**	(35,976)
Finance costs	*5*	**(15,704)**	(2,626)
Other operating expenses		**2,817**	(18,515)
Impairment on items of property, plant and equipment		**—**	(361,406)
Impairment on goodwill		**—**	(388,544)
Profit/(loss) before tax	*6*	**25,356**	(865,913)
Income tax credit	*7*	**—**	78
Profit/(loss) for the period		**25,356**	(865,835)

	Notes	For the six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Profit/(loss) for the period attributable to:			
Owners of the parent		**28,304**	(818,152)
Non-controlling interests		**(2,948)**	(47,683)
		25,356	(865,835)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*8*		
Basic			
— For profit/(loss) for the period		**HK0.47 cents**	(HK13.69 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**25,356**	(865,835)
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss		
— Exchange differences arising on translation of foreign operation	—	(20,398)
Total comprehensive income/(loss) for the period	**25,356**	(886,233)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the parent	**28,304**	(836,510)
Non-controlling interests	**(2,948)**	(49,723)
	25,356	(886,233)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	At 30 June 2015 (Unaudited) HK$'000	At 31 December 2014 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**504,063**	661,760
Available-for-sale investments		**4,400**	4,400
Total non-current assets		**508,463**	666,160
Current assets			
Inventories		**29,721**	61,213
Trade and bills receivables	*9*	**179,365**	149,520
Prepayments, deposits and other receivables		**324,566**	478,606
Amount due from the Non-controlling Shareholder	*10*	**232,718**	113,098
Tax recoverable		**2,317**	17,191
Cash and cash equivalents		**2,056**	1,679
Total current assets		**770,743**	821,307
Current liabilities			
Trade payables	*11*	**503,750**	511,117
Other payables, accruals and deposit received		**511,638**	639,626
Interest-bearing bank and other borrowings		**20,826**	119,777
Amount due to the Non-controlling shareholder	*10*	**—**	50,201
Total current liabilities		**1,036,214**	1,320,721
Net current liabilities		**(265,471)**	(499,414)
Total assets less current liabilities		**242,992**	166,746
Non-current liabilities			
Amount due to the Non-controlling shareholder	*10*	**50,201**	—
Deferred tax liabilities		**8,732**	8,732
Total non-current liabilities		**58,933**	8,732
Net assets		**184,059**	158,014
Equity			
Equity attributable to the owners of parent			
Issued share capital		**452,813**	452,293
Reserves		**(298,828)**	(327,299)
		153,985	124,994
Non-controlling interests		**30,074**	33,020
Total equity		**184,059**	158,014

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. Basis of preparation

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

The financial information relating to the year ended 31 December 2014 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2015 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. Significant accounting policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies and basis of presentation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2014, except for the application of the following new and revised HKFRSs, HKASs, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") effective from 1 January 2015:

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

The application of the above new and revised HKFRSs has had no material impact on the amounts reported and disclosures set out in these unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidated Exceptions[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bear Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2016

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Revenue

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

Business segments

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

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

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

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

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

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

For the six months ended 30 June 2015

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

For the six months ended 30 June 2014

	Trading of coke *HK$'000*	Coal related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue					
Segment revenue					
— external sales	—	19,065	351,569	—	370,634
— intersegment sales	—	283,862	—	(283,862)	—
Other income and gains	—	27,715	—	—	27,715
Total#	—	330,642	351,569	(283,862)	398,349
Segment results#	(13,200)	(372,724)	(449,927)	8,516	(827,335)
Interest income and sundry income#					24
Corporate administrative expenses					(35,976)
Unallocated finance costs					(2,626)
Loss before tax					(865,913)
Income tax credit					78
Loss for the period					(865,835)

Certain figures have been reclassified according to the segmental results classification for the year ended 31 December 2014 for better comparison.

4. Other income

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**1**	—
Commission income	**12**	23
Government subsidies	**14,615**	27,626
Sundry income	**625**	90
Gain on disposal of Property	**71,446**	—
	86,699	27,739

5. Finance costs

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings, wholly repayable within one year	**15,704**	2,626
	15,704	2,626

6. Profit/(Loss) before tax

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**54,459**	56,272
Gain on disposal of Property	**71,446**	—

7. Income tax credit

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Deferred income tax	—	78
	—	78

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2014 and 2015 as there is no assessable profit for the periods.

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

8. Earnings/(Loss) per share attributable to owners of the parent

The calculation of the basic earning/(loss) per share amount is based on the gain for the period attributable to owners of the parent of approximately HK$28,304,000 (2014: loss of approximately HK$818,152,000), and the weighted average number of ordinary shares of 5,983,126,292 (2014: 5,977,926,292) in issue during the period, as adjusted to reflect the full conversion of the 2008 Convertible Bonds for ordinary shares of the Company during the period.

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

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

9. Trade and bills receivables

	Group	
	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**426,697**	276,732
Bills receivables	**—**	500
Impairment	**(14,614)**	(14,614)
	412,083	262,618
Less: Trade receivables due from the Non-controlling Shareholder	**(232,718)**	(113,098)
	179,365	149,520

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 30 June 2015, approximately 32% (2014: 43%) and 17% (2014: 20%) of the Group's trade receivables were due from two customers respectively, 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. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Trade receivables due from the Non-controlling Shareholder are on similar credit terms to those offered to the major customers of the Group.

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

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

	Group	
	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
	HK$'000	*HK$'000*
Within 3 months	**230,304**	134,766
3 to 4 months	**49,186**	36,794
Over 4 months	**132,593**	91,058
	412,083	262,618

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

		Group	
		At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
	Notes	***HK$'000***	*HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 9)*	*(i)*	**232,718**	113,098
Other receivables from the Non-controlling Shareholder*	*(ii)*	**245,096**	409,370
Trade payables due to the Non-controlling shareholder *(Note 11)*	*(iii)*	**(82,037)**	(88,855)
Amount due to the Non-controlling Shareholder*	*(iv)*	—	(50,201)
Non-current			
Amount due to the Non-controlling Shareholder*	*(iv)*	**(50,201)**	—

Note:

(i) The balances are trade in nature and are unsecured, non-interest-bearing and repayable within the credit term of 120 days (31 December 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 unsecured, non-interest-bearing and repayable on demand.

(iii) The balances are trade in nature, unsecured and non-interest-bearing.

(iv) The balance represented advances from the Non-controlling Shareholder. The balance are unsecured, non-interest bearing and repayable within 12 months from the end of the reporting period. On 31 January 2015, the Group entered into a repayment agreement with the Non-controlling shareholder which agreed that repayment would not be demanded on or before 1 July 2016.

* Pursuant to Listing Rule 13.13, the net balance of the other receivables from the Non-controlling Shareholder (after deduction of the amount due to the Non-controlling Shareholder) which represents advances to the Non-controlling Shareholder were HK$194,895,000, HK$359,169,000 and HK$301,010,000 as at 30 June 2015, 31 December 2014 and 30 June 2014 respectively. As a result of asset impairment as at 30 June 2014 and 31 December 2014 which led to reduction in the asset balances of the Company, the asset ratio calculated (as defined under Listing Rule 14.07(1)) as at 30 June 2015, 31 December 2014 and 30 June 2014 were 15.2%, 24.1% and 18.2% respectively, and has exceeded 8% pursuant to Listing Rule 13.13.

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

11. Trade payables

	Group	
	At 30 June 2015 (Unaudited) ***HK$'000***	At 31 December 2014 (Audited) *HK$'000*
Trade payables due to other parties	**421,713**	422,262
Trade payables due to the Non-controlling Shareholder	**82,037**	88,855
	503,750	511,117

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

	Group	
	At 30 June 2015 (Unaudited) ***HK$'000***	At 31 December 2014 (Audited) *HK$'000*
Within 3 months	**70,246**	92,396
3 to 4 months	**16,084**	9,717
Over 4 months	**417,420**	409,004
	503,750	511,117

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

The carrying amounts of trade payables approximate their fair values.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2015 (2014: Nil).

FINANCIAL HIGHLIGHT

For the six months ended 30 June 2015, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$313,201,000 (2014: HK$370,634,000), representing a decrease of around 15.5% compared to that of 2014. However, benefited from the decrease of raw material cost, the gross profit margin has improved from negative 15.8% to positive 1.8%.

The Group recorded a consolidated net profit of approximately HK$25,356,000 (2014: loss of approximately HK$865,835,000) were mainly due to (i) the decrease of cost of production due to reduction of raw material cost; (ii) the one time gain in the sale of our office property of approximately HK$71,446,000 after deducting the disposal expenses and its carrying amount; and (iii) no impairment is recorded in the Review Period as compared to a total of approximately HK$750 million of impairment recorded in the corresponding period of 2014 (composed of impairment on items of property, plant and equipment of approximately HK$361,406,000 and impairment on goodwill of HK$388,544,000).

BUSINESS REVIEW

The coke market continued to be sluggish and there is no sign of recovery in the first half year of 2015 subsequent to 2014.

China's economy entered an era of slow growth in recent years. With prolonged tightening policies on the property market, the demand of steel remained low in the recent years and which led to the low price of our major product, coke, an ingredient in steel making process.

Coke trading segment

As part of the PRC governmental measures to meet the December 2012 deadline set by the World Trade Organization to remove export restrictions on industrial materials, starting from early January 2013, coke exports are no longer restricted by quota (which was the previous regulatory regime) but are regulated by a regime of export licenses. In addition, coke export tax charged at the rate of 40% in the past has also been abolished. These factors reopened the Chinese coke export market. However, the international coke market is already oversaturated and the reopening of the Chinese coke export market exacerbated the oversupply, thus pressuring prices further. These market conditions hindered the Group's attempt to restart the coke export business and the market condition remain the same in current period.

To continue the Group's effort in exploring other business opportunities in coke trading segment and also the establishment of long-term business corporation relationship with Kailuan (Hong Kong) International Co. Ltd ("Kailuan"), the Group established a Hong Kong company, Herong Resources Limited ("Herong"), with Rontac Resources Company Limited ("Rontac") on 20 May 2015. The shareholding percentages of the Group and Rontac in Herong were 51% and 49%, respectively. Kailuan is 40% owned by Rontac. It is expected this company is to engage in coke and coal trading business and expected to commence business in the second half year of 2015.

For the domestic coke market, due to that the unfavorable local market condition did not change and thus the coke trading business has continue to be been frozen in this review period.

As such, the Group did not record any coke trading revenue in this review period (2014: Nil).

Coal-related ancillary segment

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

The sluggish coke market which led to reduction of activities of our coal-related ancillary segment situation continued in the current period, with slightly recovery sign. External sales from the coal-related ancillary segment increased from HK$19,065,000 in the first half of 2014 to HK$48,021,000 in the first half of 2015, representing 151.9% increase. Although this appeared to be a substantial increase as compared with the first half of 2014, it only represented about 49.6% of the external sales recorded in the first half of 2013, which amounted to HK$96,764,000. We expect the market condition will recover, but the recovery will be very slow.

Due to the sluggish market, the production of the Non-controlling Shareholder decreased, which lead to a decrease in electricity sales to the Non-controlling Shareholder from HK$411,000 in 2014 to HK$202,000 in the current review period.

Although the sluggish coke market condition continued, the Group benefited from the price decrease of the raw material, which resulted in lower cost of production and the Group recorded profit of HK$47,358,000 for this segment in the current review period (2014: loss of HK$372,724,000, which included impairment loss on goodwill amounting to HK$388,544,000).

Coke production segment

Due to the weak coke price, the coke production segment recorded reduction in revenue from HK$351,569,000 in the first half of 2014 to HK$265,180,000 in the first half of 2015, representing approximately 24.6% decrease.

Although the sluggish coke market condition continued, the Group benefited from the price decrease of the raw material cost, which resulted in lower cost of production and the Group recorded profit of HK$16,988,000 for this segment in the current review period (2014: loss of HK$449,927,000, which included impairment loss on items of property, plant and equipment amounting to HK$361,406,000).

ANNUAL COKE SALES AND PURCHASE AGREEMENT AND DISPOSAL OF PROPERTY

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

Under the Annual Coke S&P Agreement, Kailuan has agreed to pay HK$220,000,000 to the Group as deposit (the "Deposit"), the Deposit is interest free and is repayable on or before 23 May 2014.

The Annual Coke S&P Agreement expired on 23 May 2014. On 27 March 2014, the Company entered into a letter of intent with Kailuan to extend the term of the coke purchase agreement and the repayment date of the Deposit received for a period of 6 months or 12 months upon its expiry on 23 May 2014.

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

In order to repay the Deposit and the default liquidated damages to Kailuan, on obtaining written consent from Kailuan, the Group entered into an agreement with an Independent Third Party on 10 September 2014 pursuant to which the Group has conditionally agreed to dispose the Group's land and building situated in Hong Kong (the "Property") which was used to secure the Deposit from Kailuan under second mortgage (the "Disposal"), subject, inter alia, to the approval of shareholders of the Company.

As at 31 December 2014, the Group was in default of repayment of the Deposit and on 23 January 2015, a debt repayment scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, a subsidiary of the Group. It was agreed that the proceeds from disposal of the Property shall not be less than HK$179.7 million, and will be used firstly to settle the mortgaged bank loan and the disposal expense, with the remaining amount to partially repay the Deposit.

On the same day, an interest scheme agreement was entered into by Kailuan, the Company and Ocean Signal Limited, pursuant to which:

- the Group agreed to pay default interest at an annual rate of 13% per annum from 24 May 2014 (contractual due date) to 24 December 2014 which amounted to approximately HK$16,683,000;

- default interest rate subsequent to 24 December 2014 is subject to further negotiation;

- the Group agreed to pay an additional sum of HK$2,200,000 to Kailuan as compensation for delinquent repayment of the Group on top of the aforesaid default interest.

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 of approximately HK$245,483,000 before 1 July 2016, except that the Deposit should be reduced by the remaining proceeds from the disposal of the Property after repayment of the mortgaged bank loan and the disposal expenses.

Under the same supplemental agreement, Kailuan will purchase 600,000 tonnes of coke per year from the Group. Kailuan has undertaken that the Group will be given 5.5% net profit margin from those purchases (i.e. after deducting third party coke purchase price and other costs).

The approval of shareholders for the disposal of the Property was obtained on 13 May 2015 and the completion of the Disposal took place on 29 May 2015.

At 30 June 2015, the Group was in still in default of repayment of the Deposit, and interest of approximately HK$154,706,000 (31 December 2014: HK$245,483,000).

The Deposit was secured by the following:

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

- a pledge by Mr. Wu Jixian of the convertible bonds issued in 2008 with an aggregate outstanding principal amount of HK$582,000,000 and a carrying amount of HK$829,350,000 (which, if the convertible rights attached thereto are exercised in full, will be convertible into 1,455,000,000 shares of the Company). However, on 29 July 2015, Kailuan signed a Deed of Release and agreed to release the pledge of convertible bonds from Mr. Wu.

During the review period, the default liquidated damages, compensation and interest charged by Kailuan amounted to approximately HK$13,073,000 (2014: HK$13,200,000).

Further details of the Annual Coke S&P Agreement, the disposal of the Property and the deposit repayment and interest arrangements are set out in the Company's announcements dated 23 May 2013 and 29 May 2013, 23 May 2014, 10 September 2014, 30 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015, 18 March 2015, 26 March 2015, 24 April 2015, 13 May 2015 and 29 May 2015 respectively and the Circular dated 23 April 2015 in relation to the Disposal.

CHARGES OVER ASSETS

As at 30 June 2015, the Group had no pledged property (31 December 2014: pledged certain land and buildings which have an aggregate carrying value of approximately HK$102,462,000 to secure a mortgage loan of the Group and the Deposit from Kailuan). The amount of the secured bank borrowings outstanding at 31 December 2014 was approximately HK$67,451,000. The whole amount of the mortgage loan was repaid on 29 May 2015.

The Group had no pledged deposit as at 30 June 2015 (31 December 2014: Nil).

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

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

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

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

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

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, interest-bearing bank and other borrowings, an amount due to the Non-controlling Shareholder, net of cash and bank balances. Capital includes the convertible bonds issued in 2008 and equity attributable to owners of the parent. The gearing ratio as at 30 June 2015 was 86.8% (31 December 2014: 91.3%). The decrease in the gearing ratio was mainly resulted from the decreases in both other payables, accruals and deposit received and interest-bearing bank and other borrowings due to the repayment of the mortgage loan and Deposit to Kailuan from the funds of disposal of the Property during the review period.

As at 30 June 2015, the equity attributable to owners of the parent amounted to approximately HK$153,985,000 (31 December 2014: approximately HK$124,994,000). Taking into account of shares issued upon full conversion of convertible bonds issued in 2008, the equity attributable to owners of the Company per share was HK$0.03 per share (31 December 2014: HK$0.02 per share). Increase in equity attributable to owners of the Company was mainly attributable to the profit incurred during the review period.

TREASURY POLICES

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

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were approximately HK$265,471,000 (31 December 2014: approximately HK$499,414,000) and 0.74 (31 December 2014: 0.62), respectively, which include current portion of interest-bearing bank and other borrowings of approximately HK$20,826,000 (31 December 2014: approximately HK$119,777,000).

Due to adoption of HK Interpretation 5, the Group's mortgage loan of approximately HK$62,853,000 as of 31 December 2014 was repayable beyond twelve months from the end of the reporting period in accordance with its original repayment schedule was classified as current liability because the loan terms contained a repayment on demand clause. The whole mortgage loan was repaid on 29 May 2015.

As at 30 June 2015, the Group's cash and bank balances amounted to approximately HK$2,056,000 (31 December 2014: approximately HK$1,679,000). As at 30 June 2015, the Group had total bank and other borrowings amounting to approximately HK$20,826,000 (31 December 2014: approximately HK$119,777,000).

As of 30 June 2015 and 31 December 2014, the Group had no bills payable.

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As set out in the Independent Auditors' Report to the consolidated financial statements for the year ended 31 December 2014, the Auditors of the Group had issued a disclaimer of opinion in relation to the multiple uncertainties relating to the going concern of the Group. Please refer to the said disclaimer and the audited financial statements for the year ended 31 December 2014 for details.

During the review period, the directors were endeavoring in maintaining the Group as a going concern and improving the Group's liquidity and financial position of the Group, some of the results are stated as below:

i. The Group had a bank loan granted by a bank in the People's Republic of China ("PRC") of approximately HK$37,500,000 (equivalent to RMB30,000,000) as at 31 December 2014 for working capital purposes. The loan had all been repaid during the review period;

ii. On completion of the disposal of the property of the Group, the Group had repaid the whole mortgage loan, approximately HK$67,451,000 outstanding at 31 December 2014 and part of the Deposit and interest from Kailuan, which was HK$245,483,000 as of 31 December 2014 and decreased to HK$154,706,000 as of 30 June 2015;

iii. The gearing ratio, which is net debt divided by the adjusted capital plus net debt, decreased from 91.3% as at 31 December 2014 to 86.8% as at 30 June 2015, which was mainly resulted from the decreases in both other payables, accruals and deposit received and interest-bearing bank and other borrowings;

iv. The net current liabilities and current ratio changed from approximately HK$499,414,000 and 0.62 as of 31 December 2014, respectively to approximately HK$265,471,000 and 0.74 as of 30 June 2015; and

v. The net cash flows from operating activities of the Group increased from approximately HK$20,119,000 for the six months ended 30 June 2014 to approximately HK$30,123,000 for the six months ended 30 June 2015, representing 49.7% increase.

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

INTEREST RATE RISK

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

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

FOREIGN CURRENCY RISK

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

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

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

EMPLOYEES AND REMUNERATION

As at 30 June 2015, the Group had approximately 1,525 employees (31 December 2014: approximately 1,600 employees). Less than 10 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$29,803,000 for the period ended 30 June 2015 and approximately HK$31,781,000 was recorded in the corresponding period of 2014.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivated individual performance. Up to the date of this report, there are 85,000,000 share options outstanding under the share option scheme.

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one to two years. The environmental policies and excess capacity constraints will be the major factors affecting the development coke industry players in the future.

It is expected the macroeconomic and the coke industry weakness will continue this year. Excess capacity had been a serious problem for many industries in China, including the steel industry and coke industry, and this is still the main problem faced by the market players in those industries. Environmental focus restricting the coke production quantities is a support to the coke price, but the weak market demand is still making the industry not able to enter into a more balanced supply and demand cycle. Overall, the 2015 coke market will still continue a weak trend.

Moreover, the chairmanship of Asia-Pacific Economic Cooperation ("APEC") in 2014 has hosted throughout the year a series of APEC meetings and supporting events including the Economic Leaders' Meeting, Ministerial Meetings, Senior Officials' Meetings, and meetings among committees, sub-committees, and working groups across the APEC fora. This makes the Chinese government focus more on environmental policies.

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

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

Moreover, the management had been considering of spending more effort on the attempt to restart the Group's export trading business. On 18 March 2015, the Group and Kailuan entered into a Supplemental Agreement pursuant to which Kailuan will purchase 600,000 tonnes coke per year from the Group. Kailuan has undertaken that the Group will be given 5.5% net profit margin from those purchases (after deducting third party coke purchase price and other costs). Apart from this, the Group also established a Hong Kong Company, Herong Resources Limited ("Herong"), with Rontac Herong is to be engaged in coke and coal trading business and expected to commence business in the second half of 2015. The Group will try to find new source of suppliers which meets the export coke/coal quality standards. The management hopes that this coke/coal export trading business can help the Group to improve its gross profit margin and alleviate the effect on the Group imposed by the weak China coke market.

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

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors namely Lam Hoy Lee, Laurie, To Wing Tim, Paddy and Lau Ka Ho. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. It has reviewed the interim financial statements for the six months ended 30 June 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2015 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors and the non-executive Director should attend the general meetings of the Company. However, due to other business commitment, Mr. To Wing Tim, Paddy (independent non-executive Director), and Mr. Lau Ka Ho (independent non-executive Director) did not attend the special general meeting held on 13 May 2015. Despite the fact that the mentioned Directors were not able to attend that general meeting, all directors were fully aware of the matters discussed and the corresponding resolutions through discussions among themselves.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all directors confirmed that they had complied with the required standard as set out in the Code during the six months ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF INTERIM REPORT

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

The 2015 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

BOARD OF DIRECTORS

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

By Order of the Board
Li Baoqi
Chief Executive Officer

Hong Kong, 31 August 2015