HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)

Interim Report **2016**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Jianguo *(Chairman)*
(retired on 1 June 2016)

Mr. Li Baoqi *(Chief Executive Officer)*

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chang Chi Wai, Stanley

COMPANY SOLICITORS

In Hong Kong

Chiu & Partners

In Bermuda

Appleby Spurling Hunter

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

Tricor Secretaries Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: 2980 1333
Fax: 2810 8185
E-mail: is-enquiries@hk.tricorglobal.com
Website: www.tricoris.com

In Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 2003, 20th Floor
Lippo Centre, Tower One
89 Queensway
Admiralty, Hong Kong
Tel: 2861 0704
Fax: 2861 3908
E-mail: admin@huscoke.com
Website: www.huscoke.com

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Jinyan Road,
Economic and Technological Development Zone, Xiao Yi, Shan Xi, China

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**443,219**	485,337
Available-for-sale investments		**3,439**	3,486
Total non-current assets		**446,658**	488,823
Current assets			
Inventories		**19,140**	28,455
Trade and bills receivables	11	**65,944**	48,223
Prepayments, deposits and other receivables	12	**62,285**	108,652
Amount due from the Non-controlling Shareholder	13	**274,965**	213,625
Tax recoverable		**—**	16,068
Cash and cash equivalents		**2,303**	1,439
Total current assets		**424,637**	416,462
Current liabilities			
Trade payables	14	**238,713**	221,138
Other payables, accruals and deposit received	15	**565,904**	599,176
Interest-bearing bank and other borrowings	16	**44,613**	23,426
Amount due to the Non-controlling shareholder	13	**—**	50,201
Tax payable		**5,141**	—
Total current liabilities		**854,371**	893,941
Net current liabilities		**(429,734)**	(477,479)
Total assets less current liabilities		**16,924**	11,344

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2016

	Notes	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Net assets		**16,924**	11,344
Equity			
Equity attributable to the owners of parent			
Issued share capital	*17*	**10,036**	452,813
Reserves		**(5,245)**	(451,671)
		4,791	1,142
Non-controlling interests		**12,133**	10,202
Total equity		**16,924**	11,344

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2016

		Attributable to owners of the parent											
	Notes	Share Capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Convertible bonds reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015		452,293	144,997	419,650	18,236	5,518	107,852	85	829,350	(1,852,987)	124,994	33,020	158,014
Profit/(loss) for the period		–	–	–	–	–	–	–	–	28,304	28,304	(2,948)	25,356
Other comprehensive income for the year:													
Exercise of share options	19	520	364	–	–	(197)	–	–	–	–	687	2	689
At 30 June, 2015 (unaudited)		452,813	145,361	419,650	18,236	5,321	107,852	85	829,350	(1,824,683)	153,985	30,074	184,059
At 1 January 2016		**452,813**	**145,361**	**419,650**	**18,236**	**4,433**	**93,788**	**85**	**829,350**	**(1,962,574)**	**1,142**	**10,202**	**11,344**
Profit/(loss) for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,443**	**7,443**	**2,163**	**9,606**
Other comprehensive income for the year:													
Exchange difference arising on translation of foreign operation		**–**	**–**	**–**	**–**	**–**	**(3,794)**	**–**	**–**	**–**	**(3,794)**	**(232)**	**(4,026)**
Issue of shares		**49,000**	**–**	**230,300**	**–**	**–**	**–**	**–**	**(279,300)**	**–**	**–**	**–**	**–**
Capital reorganisation		**(491,777)**	**–**	**491,777**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June, 2016 (unaudited)		**10,036**	**145,361**	**1,141,727**	**18,236**	**4,433**	**89,994**	**85**	**550,050**	**(1,955,131)**	**4,791**	**12,133**	**16,924**

Notes:

(i) According to Section 40(1) of the Bermuda Companies Act 1981, the contributed surplus represents the excess of the value of shares converted upon conversion of the 2008 Convertible Bonds (as defined in note 18 to the financial statements) over the nominal amount of the ordinary shares issued. Furthermore, the capital reorganisation (details of which stated in note 17 to the financial statements) had been approved by way of a poll at the special general meeting of the Company held on 11 May 2016, the credit amount arising from the issued share capital reduction was credited in the contributed surplus account during the reporting period.

(ii) The special reserve represents the difference between the nominal value of the shares of the subsidiaries at the date when the shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows (used in)/from operating activities	**(21,535)**	30,123
Net cash flows (used in)/from investing activities	**(542)**	174,684
Net cash flows from/(used in) financing activities	**20,872**	(204,430)
Net (decrease)/increase in cash and cash equivalents	**(1,205)**	377
Cash and cash equivalents at 1 January	**1,439**	1,679
Effect of foreign currency rate changes, net	**2,069**	—
Cash and cash equivalents at 30 June	**2,303**	2,056
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**2,303**	2,056

1. Basis of preparation

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

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

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

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

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

2. Significant accounting policies

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to a number of HKFRSs	*Annual Improvements 2012-2014 Cycle*

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

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

3. Revenue

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

Business segments

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

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

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

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

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

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

3. Revenue *(continued)*

Business segments (continued)

For the six months ended 30 June 2016

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

3. Revenue *(continued)*

Business segments *(continued)*

For the six months ended 30 June 2015

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

4. Other income

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

5. Finance costs

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

6. Profit before tax

Profit before tax has been arrived at after charging:

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

7. Income tax expense

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

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2015 and 2016 as there is no assessable profit for the periods.

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

8. Earnings per share attributable to owners of the parent

The calculation of the basic earning per share amount is based on the gain for the period attributable to owners of the parent of HK$7,443,000 (2015: HK$28,304,000), and the weighted average number of ordinary shares of 1,196,625,258 (2015: 1,196,625,258) in issue during the period, as adjusted to reflect the full conversion of the 2008 Convertible Bonds for ordinary shares of the Company during the period and the share consolidation on 11 May 2016.

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

Moreover the shareholders of the Company approved the consolidation of every five issued and unissued shares of per value HK$0.10 each in share capital of the Company into one consolidated share of par value HK$0.50 each in the special general meeting held on that date.

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

9. Interim dividend

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

10. Property, plant and equipment

During the six months ended 30 June, 2016, the Group spent approximately HK$542,000 (six months ended 30 June 2015: HK$5,016,000) on property, plant and equipment.

11. Trade and bills receivables

	Notes	Group At 30 June 2016 (Unaudited) *HK$'000*	 At 31 December 2015 (Audited) *HK$'000*
Trade receivables		**350,955**	271,976
Trade receivables from related companies		**40,176**	40,094
Impairment		**(50,222)**	(50,222)
		340,909	261,848
Less: Trade receivables due from the Non-controlling Shareholder	*13*	**(274,965)**	(213,625)
		65,944	48,223

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The Directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 30 June 2016, approximately 81% (31 December 2015: 82%) of the Group's trade receivables was due from one customer, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances due from customers other than the Non-controlling Shareholder (Note 13). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The carrying amounts of trade receivables approximate their fair values.

11. Trade and bills receivables *(continued)*

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

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

12. Prepayments, deposits and other receivables

		Group	
		At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	Notes	***HK$'000***	*HK$'000*
Other receivables from the Non-controlling Shareholder	*13*	**2,992**	91,525
Prepayments and other receivables due from a related company	*(i)*	**3,511**	3,582
		6,503	95,107
Prepayments, deposits and other receivables of other parties	*(ii)*	**63,369**	21,132
Impairment		**(7,587)**	(7,587)
		62,285	108,652

Notes:

(i) Balance included a prepayment of HK$3,511,000 (31 December 2015: HK$3,582,000) due from a related company, which is an associate of the Non-controlling Shareholder, for purchases of raw materials.

(ii) 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.

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

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

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

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

		Group	
		At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	Notes	***HK$'000***	*HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 11)*	*(i), (iv)*	**274,965**	213,625
Other receivables from the Non-controlling Shareholder *(Note 12)*	*(ii), (iv)*	**2,992**	91,525
Amount due to the Non-controlling Shareholder	*(iii)*	**—**	(50,201)

Note:

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

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

(iii) The balances represent advances from the Non-controlling Shareholder. The balances are unsecured, non-interest-bearing and not repayable on or before 1 July 2016 as at 31 December 2015. On 10 March 2016, the Group entered into a repayment agreement with the Non-controlling Shareholder which agreed not to demand for repayment of the amount due to it on or before 30 June 2017. On 23 June 2016, the Group entered into a settlement agreement with the Non-controlling Shareholder which agreed to settle the receivable from the Non-controlling Shareholder with the amount due to the Non-controlling Shareholder, thus full amount due to the Non-controlling shareholder had been offsetted as at 30 June 2016.

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

Note: (continued)

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

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

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

14. Trade payables

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

14. Trade payables *(continued)*

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

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

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

The carrying amounts of trade payables approximate their fair values.

15. Other payables, accruals and deposit received

		Group	
		At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	Note	***HK$'000***	*HK$'000*
Kailuan Deposit	*(i)*	**120,000**	120,000
Other payables and accrued charges		**359,740**	319,575
Advance received from customers	*(ii)*	**86,164**	159,601
		565,904	599,176

Note:

(i) The Kailuan 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 Kailuan Deposit were set out in the Company's announcement dated 23 May 2013. As at 30 June 2016 and 31 December 2015, the Kailuan Deposit was secured by 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.

15. Other payables, accruals and deposit received *(continued)*

Note: (continued)

Since the Group was in default of repayment of the Kailuan Deposit. In connection with the default, the Group was subject to Compensation and default interest of HK$43,277,000, which were included in other payables and accrual charges at 31 December 2015 and 30 June 2016.

As set out in the Business Review Section, The Group plans to settle the principal of HK$120 million with the net proceeds arising from the Subscription.

Moreover, 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 HK$43,277,000 penalty and default interest as at 31 December 2015 on or before 30 June 2017 and on 13 April 2016, the Group entered into a subscription agreement pursuant to which the Group had conditionally agreed to issue and Kailuan had conditionally agreed to subscribe for the convertible bond of the Company of principal amount equivalently to the accrued compensation and interests of HK$43,277,000.

Further details of the Kailuan Deposit, the annual coke sale and purchase agreement and the subscription agreement are set out in the "ANNUAL COKE SALE AND PURCHASE AGREEMENT AND CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN" paragraph under the "BUSINESS REVIEW" section of this report.

(ii) As at 31 December 2015, the balance included a deposit of US$9,000,000 (equivalent to HK$69,804,000) received by Huscoke International Group Limited ("HIG"), a subsidiary of the Group, from a customer. On 31 March 2016, an agreement was signed by the customer, the Non-controlling Shareholder, and HIG, agreeing that the entire amount will be transferred as a payable from HIG to the Non-controlling Shareholder. On the same date, another agreement was signed by HIG, the Non-controlling Shareholder and 山西金岩和嘉能源有限公司("金岩和嘉"), a non-wholly owned subsidiary of the Company established in the PRC agreeing that the entire amount will be used to reduce the outstanding amounts of account receivables and other receivables of RMB255,623,851 (equivalent to HK$305,149,637) due by the Non-controlling Shareholder to 金岩和嘉 as at 31 December 2015.

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

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

16. Interest-bearing bank and other borrowings

Group

	30 June 2016			31 December 2015		
	Effective contractual interest rate	**Maturity**	***HK$'000***	Effective contractual interest rate	Maturity	*HK$'000*
Current						
Other borrowing	**—**	**note a**	**19,287**	—	2016	17,100
Other borrowing *(note b)*	**10%**	**2017**	**6,326**	10%	2016	6,326
Other borrowing *(note c)*	**1%**	**2016**	**19,000**	—	—	—
			44,613			23,426
Secured			**—**			—
Unsecured			**44,613**			23,426
			44,613			23,426
Other borrowings repayable Within one year or on demand			**44,613**			23,426

Except for the other borrowing of HK$6,326,000 (2015: HK$6,326,000) which is denominated in United States dollar, all other borrowings are denominated in Hong Kong dollars. The carrying values of other borrowings approximate their fair values.

Notes:

(a) On 10 March 2016, the Group secured the agreement from the lenders of the other borrowings to defer settlement of the principal amount of HK$18,250,000 to 30 June 2017. The remaining part of the principal amount of HK$1,037,000 shall be repayable on demand

(b) On 10 March 2016, the Group secured the agreement from the lenders of the other borrowing to defer settlements of the principals and the related accrued interest at 31 December 2015 to 30 June 2017.

(c) On 11 May 2016, the Group obtained a loan of HK$19,000,000 from Mr. Wu, a substantial shareholder of the Company, at 1% interest rate per annum and repayable on 31 December 2016.

17. Share Capital

Shares

	At 30 June 2016 (Unaudited) *HK$'000*	At 31 December 2015 (Audited) *HK$'000*
Authorised: 20,000,000,000 ordinary shares of HK$0.01 each (31 December 2015: 20,000,000,000 ordinary shares of HK$0.1 each)	**200,000**	2,000,000
Issued and fully paid: 1,003,625,258 ordinary shares of HK$0.01 each (31 December 2015: 4,528,126,292 ordinary shares of HK$0.1 each)	**10,036**	452,813

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

	Note	**Number of share in issue**	**Issued capital** *HK$'000*
At 1 January 2014, 31 December 2014 and 1 January 2015		4,522,926,292	452,293
Exercise of share options during the period	*(i)*	5,200,000	520
At 30 June 2015 and 31 December 2015		4,528,126,292	452,813
Exercise of convertible bonds during the period		490,000,000	49,000
Capital reorganisation	*(ii)*	(4,014,501,034)	(491,777)
At 30 June 2016		1,003,625,258	10,036

Note:

(i) The subscription rights attaching to 5,200,000 share options were exercised at the subscription price of HK$0.132 per share (note 19), resulting in the issue of 5,200,000 shares for a total cash consideration, before expense, of HK$686,400. An amount of HK$197,600 was transferred from the share option reserve to share premium upon the exercise of the share options.

(ii) The shareholders of the Company approved the capital reorganisation of the Company at the special general meeting of Company held on 11 May 2016. Further details of the Company's Capital Reorganisation are set out in the "CAPITAL REORGANISATION" paragraph under the "BUSINESS REVIEW" section of this report.

18. Convertible Bonds

The Company issued two tranches of zero coupon convertible bonds, each with a principal amount of HK$1,100,000,000, to Mr. Wu Jixian on 16 May 2008 (the "Tranche 1 Bonds") and 31 October 2008 (the "Tranche 2 Bonds") (collectively, the "2008 Convertible Bonds"), with maturity dates on the fifth anniversary of the respective dates of issue, as the partial settlement for the acquisitions of the Pride Eagle Group and the Joy Wisdom Group, respectively.

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

The bondholder may, at any time during the respective bond issue periods, convert in whole or in part the 2008 Convertible Bonds into ordinary shares of the Company at the conversion price of HK$0.4 per share, subject to adjustments. Any portion of the bonds which remains outstanding on the respective maturity dates shall be mandatorily converted into new shares of the Company under the same terms mentioned above. The total number of ordinary shares of HK$0.1 each to be converted from the 2008 Convertible Bonds at a conversion price of HK$0.4 per share is 5,500,000,000. As set out in the "CAPITAL REORGANISATION" section under BUSINESS REVIEW, the shareholders approved share consolidation of every five issued and unissued shares into one consolidated share by way of a poll at the special general meeting of the Company held on 11 May 2016, and thus the conversion price was adjusted from HK$0.4 per share to HK$2.0 per share after the effective date on 12 May 2016.

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

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

The Tranche 1 Bonds were fully converted into shares of the Company in prior years. No conversion of the Tranche 2 Bonds was made during the year ended 31 December 2015. During the period ending 30 June 2016, the 2008 Convertible Bonds with an aggregate carrying amount of HK$279,300,000 and a principal amount of HK$196,000,000 were converted into 490,000,000 shares of the Company. Accordingly, HK$49,000,000 and HK$230,300,000 were transferred from convertible bond reserve to share capital and the contributed surplus accounts, respectively.

If the remaining Tranche 2 Bonds were fully converted, it would result in the issue of 193,000,000 additional ordinary shares of the Company, and HK$1,930,000 would be transferred to the share capital account and the remaining HK$548,120,000 would be transferred to the contributed surplus account from convertible bond reserve.

A supplemental deed was entered into between the Company and Mr. Wu Jixian on 31 July 2013 to extend maturity date of the Tranche 2 Bonds to 31 October 2018. The transaction was approved by an ordinary resolution of the Company's shareholders at the special general meeting held on 15 October 2013. Details of the extension of the maturity date of the Tranche 2 Bonds are set out in the Company's circular dated 19 September 2013.

19. Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option scheme include the Directors and employees of the Group. The share option scheme became effective on 31 May 2002 and expired on 31 May 2012 (the "2002 Scheme"). A new share option scheme was adopted and became effective on 28 March 2013 (the "2013 Scheme"). Unless otherwise cancelled or amended, the 2002 Scheme and 2013 Scheme (collectively, the "Share Option Schemes") will remain in force for ten years from the effective date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Schemes was an amount equivalent, upon their exercise, to 10% of the total number of shares in issue as at the respective dates of approval of the Share Option Schemes. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Schemes within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options may be exercised at any time from the date of grant of the share options to the end of the exercise period.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

19. Share Option Scheme *(continued)*

Under the 2002 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total of 1,400,000 shares as at 30 June 2016, representing approximately 0.14% of the issued share capital of the Company as at that date. Following the expiry of the 2002 Scheme in May 2012, no further options may be granted under the 2002 Scheme. The outstanding options granted under the 2002 Scheme shall continue to be valid and subject to the provisions of the 2002 Scheme and Chapter 17 of the Listing Rules.

Under the 2013 Scheme, options were granted to eligible participants and there was outstanding (but not yet exercised) options to subscribe for a total of 14,360,000 as at 30 June 2016 representing 1.43% of the issued share capital of the Company as at that date. The outstanding options granted under the 2013 Scheme shall be subject to the provisions of the 2013 Scheme and Chapter 17 of the Listing Rules.

2013 Scheme

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

	2016	
	Weighted average exercise price *HK$* ***per share***	**Number of options** ***'000***
At 1 January	**0.132**	**71,800**
Adjustment during the period due to capital reorganisation *(Note i)*	**—**	**(57,440)**
At 30 June	**0.66**	**14,360**

	2015	
	Weighted average exercise price *HK$* per share	Number of options *'000*
At 1 January	0.132	77,000
Exercised during the year *(Note ii)*	0.132	(5,200)
At 31 December	0.132	71,800

Note:

(i) After the capital reorganisation came into effect on 12 May 2016, the exercise price was adjusted to HK$0.66 and the number of options outstanding were adjusted to 14,360,000. Please refer to "Capital Reorganisation" section for further details.

(ii) During the year ended 31 December 2015, 5,200,000 share options were exercised by certain employees.

19. Share Option Scheme *(continued)*

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

30 June 2016 (after capital reorganisation coming into effect on 12 May 2016)

Number of options *'000*	Number of options held by directors (In aggregate) *'000*	Number of options held by employees (In aggregate) *'000*	Exercise price* *HK$ per share*	Date of grant	Exercise period
14,360	4,000	10,360	0.66	05-09-14	06-09-14 to 05-09-19
14,360					

31 December 2015

Number of options *'000*	Number of options held by directors (In aggregate) *'000*	Number of options held by employees (In aggregate) *'000*	Exercise price* *HK$ per share*	Date of grant	Exercise period
71,800	20,000	51,800	0.132	05-09-14	06-09-14 to 05-09-19
71,800					

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

19. Share Option Scheme *(continued)*

2002 Scheme

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

	2016 Weighted average exercise price *HK$* *per share*	**2016** Number of options *'000*
At 1 January	**0.273**	**13,200**
Lapsed during the period *(Note i)*	**0.40**	**(6,200)**
Adjustment during the period due to capital reorganisation	**—**	**(5,600)**
At 30 June	**0.80**	**1,400**

	2015 Weighted average exercise price *HK$* per share	2015 Number of options *'000*
At 1 January	0.364	17,000
Lapsed during the year *(Note i)*	0.68	(3,800)
At 31 December	0.273	13,200

Note:

(i) During the period ended 30 June 2016, 6,200,000 share options lapsed at the end of the exercise period in accordance with the terms of the 2002 scheme.

During the year ended 31 December 2015, 3,800,000 share options lapsed at the end of the exercise period in accordance with terms of the 2002 Scheme.

19. Share Option Scheme *(continued)*

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

30 June 2016 (after capital reorganisation coming into effect on 12 May 2016)

Number of options *'000*	Number of options held by directors (In aggregate) *'000*	Number of options held by employees (In aggregate) *'000*	Exercise price* *HK$ per share*	Date of grant	Exercise period
1,400	500	900	0.80	05-01-12	06-01-12 to 05-01-17
1,400					

31 December 2015

Number of options *'000*	Number of options held by directors (In aggregate) *'000*	Number of options held by employees (In aggregate) *'000*	Exercise price* *HK$ per share*	Date of grant	Exercise period
6,200	5,000	1,200	0.40	27-01-11	27-01-11 to 26-01-16
7,000	5,500	1,500	0.16	05-01-12	06-01-12 to 05-01-17
13,200					

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

There was no share options granted during the period (2015: Nil) and the Group did not recognise a share option expense during the period (2015: Nil).

19. Share Option Scheme *(continued)*

At the end of the reporting period, the Company had 14,360,000 share options outstanding under the 2013 Scheme and 1,400,000 share options outstanding under the 2002 Scheme, which represented approximately 1.57% of the Company's shares in issue as at the date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,760,000 additional ordinary shares of the Company and additional share capital of HK$157,600.

20. Related party transactions

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

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
With the Non-controlling Shareholder:			
Sales of refined coal and electricity	*(i)*	**231**	202
Sales of coke	*(i)*	**180,800**	73,582
Sales of by-products	*(i)*	**10,909**	16,334
Rental expenses	*(ii)*	**591**	625
With a related company which is a subsidiary of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**762**	105
With related companies which are the associates of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**983**	1,010

20. **Related party transactions** *(continued)*

(a) *(continued)*

Notes:

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

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

All of the transactions above do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in chapter 14A of the Listing Rules.

(b) ***Outstanding balances with related parties***

Balances with the Non-controlling Shareholder at the end of the reporting period are set out in note 13. A summary of the Group's balances with other related parties is set out below.

(i) Included in the Group's trade and bill receivables (note 11) are amounts due from a subsidiary and associates of the Non-Controlling Shareholder and a company held by a close family member of the beneficial owner of the Non-controlling Shareholder of HK$17,633,000 (31 December 2015: HK$17,991,000), HK$19,121,000 (31 December 2015: HK$20,895,000) and HK$1,184,000 (31 December 2015: HK$1,208,000), respectively. The balances are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

(ii) Also, included in prepayments, deposits and other receivables (note 12) was a balance of HK$3,511,000 (31 December 2015: HK$3,582,000) paid to an associate of the Non-controlling Shareholder for the purchases of raw materials.

(iii) Included in other borrowings (note 16) were loans of HK$1,707,000 (31 December 2015: HK$1,500,000) from one executive director of the Company, HK$3,480,000 (31 December 2015: HK$2,300,000) from a director of 金岩和嘉, HK$14,100,000 (31 December 2015: HK$13,300,000) from a director of Herong, and a loan of HK$19,000,000 obtained from Mr. Wu, a substantial shareholder of the Company on 11 May 2016.

20. Related party transactions *(continued)*

(b) Outstanding balances with related parties *(continued)*

With respect to (i) and (ii) above, 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 instalments of RMB 10,000,000 after its new coking plant starts operation in October 2016, and that the entire amount would be settled within 12 months. Furthermore, as stated in note 13, these amounts are secured by certain assets of the Non-controlling Shareholder.

(c) Commitments with a related party

On 30 May 2010, 金岩和嘉 entered into a 10-year operating lease arrangement ending 29 May 2020 with the Non-controlling Shareholder to lease the land for the Group's production plants. The total rental expenses paid to the Non-controlling Shareholder for the period are included in note (a) above. The total operating lease commitments due within one year and in the second to fifth years, as at 30 June 2016 were approximately HK$1,182,000 (31 December 2015: HK$1,194,000) and HK$3,447,500 (31 December 2015: HK$4,079,000) respectively.

21. Litigations

On 29 April 2015, 天津富迪特實業有限公司 (Tianjin Fudite Company Limited) ("Tianjin Fudite") issued a writ of summons against (i) 金岩和嘉 and (ii) the Non-controlling Shareholder in relation to an alleged breach of repayment by 金岩和嘉 pursuant to a repayment agreement entered into among Tianjin Fudite as the creditor, 金岩和嘉 as the debtor and the Non-controlling Shareholder as the guarantor on 12 February 2015. According to the writ of summons, Tianjin Fudite claimed against 金岩和嘉 and the Non-controlling Shareholder, as guarantor of 金岩和嘉, for a total sum of HK$15,818,632, comprising the outstanding purchase amount of RMB12,729,253 plus interest from default payment. Objection and appeals over jurisdiction to handle the case were filed by 金岩和嘉 and were rejected by the relevant courts in June and August 2015, respectively. As at the reporting date, the case was still outstanding.

On 25 September 2015, 杭州熱聯集團股份有限公司 (Hangzhou Relian Group Holding Limited) ("Hangzhou Relian") issued a writ of summons against (i) 張家港保稅區康輝國際貿易有限公司 (Zhangjiagang Kanghui International Trading Limited) ("Kanghui International") and (ii) 金岩和嘉 in relation to an alleged breach by Kanghui International of an agency agreement (as amended and supplemented by the supplemental agreement dated 5 May 2014) (the "Agency Agreements") entered into on 30 December 2013 among Hangzhou Relian as the agent, Kanghui International as the principal and 金岩和嘉 as the supplier and guarantor in relation to the supply of coke by 金岩和嘉 to Kanghui International through Hangzhou Relian. According to the writ of summons, Hangzhou Relian claimed against Kanghui International and 金岩和嘉, as guarantor of Kanghui International, for a sum of RMB4,317,807 (equivalent to HK$5,365,735), being the outstanding sum payable by Kanghui International to Hangzhou Relian under the Agency Agreements. As at the reporting date, the case was still outstanding.

In the opinion of the Directors, appropriate provisions have been made on the above matters in the financial statements for the year ended 31 December 2015.

As notified by the notification issued by 山西省太原市人民法院(Shanxi Province Taiyuan City Intermediate People's Court#) (the "Court") dated 20 May 2016, 山西國際物流有限公司(Shanxi International Logistic Co., Ltd.#) ("Shanxi Logistic") commenced a legal action against 金岩和嘉. Pursuant to the statement of claim made by Shanxi Logistic, it was alleged that Shanxi Logistic and 金岩和嘉 had in March 2013, on 1 April 2014 and 1 May 2015 entered into three cooperation agreements respectively, pursuant to which Shanxi Logistic had on 25 March 2013 paid RMB50,000,000 to 金岩和嘉 as prepayment. It was alleged that 金岩和嘉 failed to return the prepayment and Shanxi Logistic claimed against 金岩和嘉 for the prepayment of RMB50,000,000 together with profits and compensation of RMB13,927,700 calculated up to 29 February 2016.

21. Litigations *(continued)*

金岩和嘉 and Shanxi Logistic entered into a civil mediation agreement (the "Civil Mediation Agreement") to confirm, among others, that the sums owed by 金岩和嘉 to Shanxi Logistic would amount to RMB64,893,700 and such sums should be repaid on or before 30 May 2016.

In light of the relatively large sums to be repaid by 金岩和嘉, subsequent to the entering into of the Civil Mediation Agreement and after arm's length negotiations, 金岩和嘉 and Shanxi Logistic with other independent third parties as guarantors to 金岩和嘉 on 8 June 2016 entered into a settlement agreement (the "Settlement Agreement") regarding the execution of the Civil Mediation Agreement. Pursuant to the Settlement Agreement, (i) 金岩和嘉 shall settle RMB3,000,000 to Shanxi Logistic on or before 10 June 2016; and (ii) 金岩和嘉 shall settle RMB3,000,000 per month on or before the 30th day of June and July 2016 respectively; 金岩和嘉 shall settle RMB4,000,000 per month on or before the 30th day of August, September and October 2016 respectively; 金岩和嘉 shall settle RMB5,000,000 per month on or before the 30th day of November and December 2016 respectively; and 金岩和嘉 shall settle RMB6,000,000 per month in 2017 until the full settlement of the outstanding sums (including interest accrued and to be accrued thereon). In the event that 金岩和嘉 fails to perform its payment obligations under the Settlement Agreement, Shanxi Logistic shall have the right to enforce the Civil Mediation Agreement.

金岩和嘉 has then paid the first settlement sum of RMB3,000,000 on 14 June 2016. No payment was made subsequently and the Group is in negotiation with Shanxi Logistic for future payment arrangements.

22. Financial Instruments by Category

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

30 June 2016 **Financial assets**	**Group** Loans and receivables HK$'000	**Group** Available-for-sale financial assets HK$'000	**Group** Total HK$'000
Available-for-sale investments	—	3,439	3,439
Trade and bills receivables	65,944	—	65,944
Financial assets included in prepayments, deposits and other receivables	3,021	—	3,021
Amount due from the Non-controlling Shareholder	274,965	—	274,965
Cash and cash equivalents	2,303	—	2,303
	346,233	3,439	349,672

30 June 2016 **Financial liabilities**	**Group** Financial liabilities at amortised costs HK$'000
Trade payables	238,713
Financial liabilities included in other payables and accruals	479,740
Interest-bearing bank and other borrowings	44,613
	763,066

22. Financial Instruments by Category *(continued)*

	Group		
31 December 2015 Financial assets	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	—	3,486	3,486
Trade and bills receivables	48,223	—	48,223
Financial assets included in prepayments, deposits and other receivables	91,855	—	91,855
Amount due from the Non-controlling Shareholder	213,625	—	213,625
Cash and cash equivalents	1,439	—	1,439
	355,142	3,486	358,628

	Group
31 December 2015 Financial liabilities	Financial liabilities at amortised costs *HK$'000*
Trade payables	221,138
Financial liabilities included in other payables, accruals and deposits received	439,575
Interest-bearing bank and other borrowings	23,426
Amount due to the Non-controlling Shareholder	50,201
	734,340

23. Fair Value Hierarchy

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Asset measured at fair value:

Group

As at 30 June 2016

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investments	**3,439**	**—**	**—**	**3,439**

As at 31 December 2015

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	3,486	—	—	3,486

Liabilities measured at fair value:

During the six months ended 30 June 2016, there were no transfers between Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair values of financial assets and liabilities carried at other than fair value

The Directors consider that the carrying amounts of financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 30 June 2016.

INTERIM DIVIDEND

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

FINANCIAL HIGHLIGHT

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

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

BUSINESS REVIEW

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

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

Coke trading segment

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

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

Coal-related ancillary segment

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

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

BUSINESS REVIEW *(continued)*

Coal-related ancillary segment *(continued)*

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

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

Coke production segment

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

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

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

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

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

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

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

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER *(continued)*

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

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

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

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

CAPITAL REORGANISATION

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

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

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

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

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

CAPITAL REORGANISATION *(continued)*

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

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

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

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

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

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

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

ANNUAL COKE SALES AND PURCHASE AGREEMENT AND CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN *(continued)*

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

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

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

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

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

ANNUAL COKE SALES AND PURCHASE AGREEMENT AND CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN *(continued)*

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

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

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

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

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

ANNUAL COKE SALES AND PURCHASE AGREEMENT AND CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN *(continued)*

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

The Kailuan Deposit was secured by the following:

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

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

CHARGES OVER ASSETS

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

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

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

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT *(continued)*

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

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

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

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

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

TREASURY POLICES

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

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

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

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

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

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

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN *(continued)*

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

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

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

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

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

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN *(continued)*

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

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

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

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

INTEREST RATE RISK

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

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

FOREIGN CURRENCY RISK

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

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION

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

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivated individual performance. Up to the date of this report, there are 15,760,000 share options outstanding under the share option scheme.

PROSPECTS

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

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

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

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

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

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

AUDIT COMMITTEE

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

OTHER INFORMATION

DIRECTORS' INTERESTS

As at 30 June 2016, the interests of the Directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the Shares

Name of Director	*Notes*	Nature of Interest	Number of shares held	Percentage of the Company's existing issued share capital (%)
To Wing Tim Paddy	*(a)*	Beneficial owner and Interest of spouse	232,000	0.02

DIRECTORS' INTERESTS *(continued)*

Long positions in the underlying Shares

Name of Director	*Notes*	Nature of interest	Number of underlying shares held	Percentage of issued share capital (%)
Li Baoqi	*(b)*	Beneficial owner	4,500,000	0.45

Notes:

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

(b) As at 30 June 2016, Mr. Li Baoqi, an executive Director was entitled to receive share options to subscribe for a maximum of 4,500,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 30 June 2016, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the registered referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the interests and short positions of each person, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Long positions in the Shares

Name of Shareholder	Nature of Interest	Number of shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	Beneficial owner *(Note a)*	131,400,000	13.09%
Value Convergence Holdings Limited	Beneficial owner *(Note b)*	2,550,000	0.25%
	Interest in controlled corporation *(Note b)*	98,000,000	9.76%
Easy Task Holdings Limited	Beneficial owner *(Note b)*	98,000,000	9.76%
VC Group Holdings Limited	Interest in controlled corporation *(Note b)*	98,000,000	9.76%

SUBSTANTIAL SHAREHOLDERS *(continued)*

Long positions in the underlying Shares

Name of Shareholder	Nature of interest	Number of underlying Shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	Beneficial owner *(Note a)*	193,000,000	19.23%
Kailuan	Beneficial owner *(Note c)*	375,656,976	37.43%
Kailuan (Group) Limited	Interest in controlled corporation *(Note d)*	375,656,976	37.43%
Kailuan (Hong Kong) Co., Limited	Interest in controlled corporation *(Note d)*	375,656,976	37.43%
Rontac Investment Company Limited	Interest in controlled corporation *(Note d)*	375,656,976	37.43%
Rontac Resources Company Limited	Interest in controlled corporation *(Note d)*	375,656,976	37.43%
Shun Wang Investments Limited	Beneficial owner *(Note e)*	1,400,000,000	139.49%
Zhao Xu Guang	Interest in controlled corporation *(Note e)*	1,400,000,000	139.49%

Notes:

(a) As at 30 June 2016, Mr. Wu Jixian beneficially owned 131,400,000 Shares, he was also interested in convertible bonds in the aggregate principal amount of HK$386,000,000, which were convertible into 193,000,000 Shares. Mr. Wu has pledged all of his shares to Kailuan in order to secure the deposit received of HK$220 million from Kailuan as mentioned in the Annual Coke S&P Agreement.

(b) Easy Task Holdings Limited is 100% owned by VC Group Holdings Limited, and VC Group Holdings Limited is 100% owned by Value Convergence Holdings Limited.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes: (continued)

(c) As at 30 June 2016, Mr. Wu had pledged his interest in 131,400,000 Shares and certain individual minority Shareholders have pledged their interests in 100,000,000 Shares in aggregate to Kailuan. On 13 April 2016, the Company entered into a subscription agreement with Kailuan in which Kailuan will have the right to convert into 144,256,976 new shares after taking into effect the capital reorganisation on 12 May 2016. Further details of the subscription are set out in the "ANNUAL COKE SALES AND PURCHASE AGREEMENT AND CONVERTIBLE BONDS SUBSCRIPTION AGREEMENT WITH KAILUAN" paragraph under the "BUSINESS REVIEW" section of this report.

(d) 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 100% and Rontac Resources Company Limited is owned by Rontac Investment Company Limited as to 83.33%.

(e) Shun Wang Investments Limited is 100% owned by Mr. Zhao Xu Guang. The 1,400,000,000 shares represent the Subscription Shares in relation to the subscription agreement signed on 27 November 2015. Further details of the subscription are set out in the "SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER" paragraph under the "BUSINESS REVIEW" section of this report.

Save as disclosed above, as at 30 June 2016, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which had been notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.6.7

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF INTERIM REPORT

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

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

BOARD OF DIRECTORS

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

By Order of the Board
Li Baoqi
Chief Executive Officer

Hong Kong, 29 September 2016