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

(Incorporated in Bermuda with limited liability)
(Stock code: 704)
Website: http://www.huscoke.com

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2015 amounted to approximately HK$461,384,000 (2014: HK$598,618,000), representing a decrease of approximately 22.9% as compared with the preceding year.
- The loss before interest, tax, depreciation and amortisation decreased from HK$174,476,000 in 2014 to HK$30,891,000 for the year ended 31 December 2015.
- Net loss for the year ended 31 December 2015 amounted to approximately HK$130,735,000 (2014: HK$1,095,942,000). The loss includes (i) impairment of items of property, plant and equipment amounting to HK$14,760,000 (2014: HK$448,545,000); and (ii) impairment loss of goodwill amounting to Nil (2014: HK$388,544,000). These items had not affected the Group's operating cash flows.
- No final dividend was proposed by the board of directors for the year ended 31 December 2015 (2014: Nil).

The board of directors (the "**Board**") of Huscoke Resources Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2015 with comparative figures for the corresponding year of 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**485,337**	661,760
Goodwill		**—**	—
Available-for-sale investments		**3,486**	4,400
Total non-current assets		**488,823**	666,160
CURRENT ASSETS			
Inventories		**28,455**	61,213
Trade and bill receivables	*9*	**48,223**	149,520
Prepayments, deposits and other receivables	*10*	**108,652**	478,606
Amount due from the Non-controlling Shareholder	*11*	**213,625**	113,098
Tax recoverable		**16,068**	17,191
Cash and bank balances	*12*	**1,439**	1,679
Total current assets		**416,462**	821,307
CURRENT LIABILITIES			
Trade payables	*13*	**221,138**	511,117
Other payables, accruals and deposits received	*14*	**599,176**	639,626
Interest-bearing bank and other borrowings		**23,426**	119,777
Amount due to the Non-controlling Shareholder		**50,201**	50,201
Total current liabilities		**893,941**	1,320,721
NET CURRENT LIABILITIES		**(477,479)**	(499,414)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,344**	166,746

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

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PRESENTATION

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

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

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

(i) During the year ended 31 December 2015, the Group disposed of certain land and buildings (the "**Property**") with a carrying value of HK$101,477,000 at the date of disposal for a cash consideration of HK$179,700,000. The proceeds, net of disposal expenses of HK$1,900,000, were used, as to HK$67,451,000, to settle a mortgage bank loan and, as to HK$100,000,000, to partially settle the Deposit. The remaining proceeds were used as working capital of the Group.

(ii) The Group entered into a subscription agreement and supplemental agreement (collectively, the "**Subscription Agreements**") with Shun Wang Investments Limited (the "**Subscriber**"), an independent third party, on 27 November 2015 and 15 December 2015, respectively. Pursuant to the Subscription Agreements, the Subscriber conditionally agreed to subscribe for an aggregate of 1,400,000,000 subscription shares at the subscription price of HK$0.15 per subscription share for a total cash consideration of HK$210,000,000 (the "**Subscription**"). The Subscription Agreements are effective up to 31 May 2016.

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

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

(iii) On 10 March 2016, the Company and Kailuan entered into a supplemental agreement, pursuant to which Kailuan agreed not to demand repayment of the Other Charges before 30 June 2017;

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

(v) The Group recorded an amount due to a non-controlling shareholder of a PRC subsidiary (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.

(vi) In May 2015, a 51% owned subsidiary of the Group, Herong Resources Limited ("**Herong**"), was incorporated in Hong Kong. The remaining 49% interest is owned by Rontac Resources Holdings Limited which holds a 40% equity interest in Kailuan. The principal activity of Herong is trading of coal and coke, and related products. During the year ended 31 December 2015, commission income from coal and coke trading of HK$405,000 was recorded by Herong. It is contemplated that the Group and Kailuan will enter into a cooperation arrangement which will result in a significant increase in trading activities carried out by Herong. The Directors are of the opinion that such trading activities will contribute positive cash flows to the Group.

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

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve the above-mentioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financial and operating cash flows including the successful completion of the Subscription in accordance with the terms stipulated in the Subscription Agreements, the confirmation of the cooperation arrangement between the Group and Kailuan with respect to the trading activities of Herong, and the success of Herong's operations to generate significant positive cash flows to the Group.

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

2.2 BASIS OF PREPARATION

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

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) *The Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment and HKAS 38 Intangible Assets:* Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

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

- HKFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property:* Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group and this amendment is not applicable.

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

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Segment revenue and results

Year ended 31 December 2015

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

Year ended 31 December 2014

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

Segment assets and liabilities

31 December 2015

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

31 December 2014

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

Year ended 31 December 2015

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

Year ended 31 December 2014

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**—**	102,732
Mainland China	**485,337**	559,028
	485,337	661,760

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

Information about major customers

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

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

4. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings repayable within five years	**23,964**	21,862

6. LOSS BEFORE TAX

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

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

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

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

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

7. INCOME TAX CREDIT

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

	2015	2014
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong	**—**	—
Current — Elsewhere	**—**	—
Deferred	**(8,732)**	(190)
Total tax credit for the year	**(8,732)**	(190)

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

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

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

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

9. TRADE AND BILL RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The Directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 31 December 2015, approximately 82% (2014: 43% and 20%) of the Group's trade receivables were due from one (2014: two) customer, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances due from customers other than the Non-controlling Shareholder (note 11). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

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

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

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

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**14,614**	11,811
Impairment loss recognised	**37,753**	5,891
Impairment loss reversed	**—**	(2,884)
Exchange realignment	**(2,145)**	(204)
At 31 December	**50,222**	14,614

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

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

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

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

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

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Note:

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

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

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

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

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

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

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

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

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2014: 120 days), which are similar to those granted to major trading customers of the Group.

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

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

(iv) The balances represented advances from the Non-controlling Shareholder. The balances are unsecured, non-interest-bearing and repayable within 12 months from the end of the reporting period (2014: non-interest-bearing and repayable within 12 months from the end of the reporting period). On 10 March 2016, the Group entered into a repayment agreement with the Non-controlling Shareholder which agreed not to demand for repayment of the amount due to it on or before 30 June 2017.

(v) An asset pledge agreement was provided by the Non-controlling Shareholder on 29 February 2016 whereby certain property, plant and equipment with a value of HK$1,347 million were pledged to the Group to secure the repayment of the amount of HK$305,150,000 due from the Non-controlling Shareholder and the amount of HK$40,094,000 (note 9) due from, and prepayments of HK$3,582,000 (note 10) to, affiliates of the Non-controlling Shareholder.

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

12. CASH AND BANK BALANCES

	2015	2014
	HK$'000	*HK$'000*
Cash and bank balances	**1,439**	1,679

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

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

13. TRADE PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables due to other parties	**221,138**	422,262
Trade payables due to the Non-controlling Shareholder	**—**	88,855
	221,138	511,117

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

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

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

The carrying amounts of trade payables approximate their fair values.

14. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

Note: The Deposit with an original amount of HK$220,000,000 was placed by Kailuan to the Group in connection with an annual coke sale and purchase agreement entered into in 2013. Further details of the Deposit were set out in the Company's announcement dated 23 May 2013. As at 31 December 2015, the Deposit was secured by the pledge of 1,157,000,000 shares of the Company, as to 657,000,000 shares owned by Mr. Wu Jixian, a former non-executive director and a substantial shareholder of the Company and as to 500,000,000 shares of the Company held by certain shareholders of the Company.

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

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

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

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

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

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

15. DIVIDEND

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

FINANCIAL HIGHLIGHT

During the year under review, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of HK$461,384,000, representing a decrease of 22.9% compared to that of 2014 (2014: HK$598,618,000). The Group recorded gross loss of 7.3% as compared to gross loss of 19.6% in 2014.

The loss before interest, tax, depreciation and amortisation decreased from HK$174,476,000 in 2014 to HK$30,891,000 for the year ended 31 December 2015.

The Group recorded a net loss and total comprehensive loss attributable to the owners of the parent of HK$110,474,000 and HK$124,538,000, respectively, for the year ended 31 December 2015 (2014: HK$989,409,000 and HK$1,007,715,000, respectively). The loss includes (i) impairment on items of property, plant and equipment amounting to HK$14,760,000 (2014: HK$448,545,000); and (ii) impairment loss of goodwill amounting to Nil (2014: HK$388,544,000). These items had not affected the Group's operating cash flows.

The Group also recorded net current liabilities of HK$477,479,000 (2014: HK$499,414,000) as at 31 December 2015, which include other borrowings of HK$23,426,000 (2014: HK$119,777,000). The decrease in the net current liability portion is mainly due to the repayment of bank loans and Deposit from Kailuan during the review year.

Dividend

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

BUSINESS REVIEW

There is no sign of recovery subsequent to the prolonged period of sluggish coke market since 2011 which made 2015 to be another challenging year to the Group, with total revenue dropped from HK$598,618,000 in 2014 to HK$461,384,000 in 2015, representing a 22.9% decrease. Resulting from continuous drop in selling price, the Group suffered gross loss of HK$33,494,000 (2014: HK$117,138,000). Loss attributable to owners of the parent was HK$110,474,000 (2014: HK$989,409,000).

China economy entered into an era of slow growth in recent years. The steel market is facing very harsh operating environment in recent years with the prolonged tightening policies on the property market, credit squeeze and overcapacity also weighs on the sector. Those led to the low demand and price reduction of our major product, coke, an ingredient in steel making process. Coke price dropped continuously throughout 2015.

Coke trading segment

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

For the domestic coke market, due to the unfavorable local market condition, the coke trading business has continued to be suspended in 2015.

To continue the Group's effort in exploring other business opportunities in coke trading segment and also the establishment of long-term business corporation relationship with Kailuan (Hong Kong) International Co. Ltd ("Kailuan"), the Group established a Hong Kong company, Herong Resources Limited ("Herong"), with Rontac Resources Company Limited ("Rontac") on 20 May 2015. The shareholding percentages of the Group and Rontac in Herong were 51% and 49%, respectively. Kailuan is 40% owned by Rontac. This company is expected to be engaged in coke and coal trading business and it had commenced operation in the second half of 2015. This company earned agency fee of the coal and coke trading of HK$405,000 (2014: Nil) in the current year and it is expected to commence trading business in the second half of 2016.

Coal-related ancillary segment

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

The sluggish coke market which led to reduction of activities of our coal-related ancillary segment situation continued in the current year. External sales from the coal-related ancillary segment decreased from HK$112,932,000 in 2014 to HK$87,270,000 in 2015, representing 22.7% decrease.

Due to the sluggish market, the production of the Non-controlling Shareholder decreased, which lead to a decrease in electricity sales to the Non-controlling Shareholder from HK$15,714,000 in 2014 to HK$3,852,000 in 2015, representing 75.4% decrease.

Although the sluggish coke market condition continued, the Group benefited from the price decrease of the raw material, which resulted in lower cost of production for this segment and Group recorded profit of HK$3,016,000 for this segment in the current year (2014: loss of HK$339,800,000, which included impairment loss on goodwill amounting to HK$388,544,000).

Coke production segment

Due to the weak coke price in 2015, the coke production segment recorded reduced revenue from HK$485,686,000 in 2014 to HK$374,114,000 in 2015, representing around 22.9% decrease.

The sluggish coke market condition continued and the Group recorded loss of HK$96,903,000 for this segment in the current year (2014: loss of HK$622,447,000, which included impairment loss on items of property, plant and equipment amounting to HK$448,545,000).

The amounts of selling and distribution costs have been decreased from HK$43,263,000 in 2014 to HK$23,094,000 in 2015.

The amount of finance costs slightly increased from HK$21,862,000 in 2014 to HK$23,964,000 in 2015.

ANNUAL COKE SALES AND PURCHASE AGREEMENT AND DISPOSAL OF PROPERTY

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).

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

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

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

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

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

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

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

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

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

On 18 March 2015, the Company and Kailuan entered into a supplemental agreement with regard to the Deposit, pursuant to which Kailuan agreed not to demand repayment of the principal amount of the Deposit and the related interest and penalty charge of approximately HK$245,483,000 before 1 July 2016, except that the Deposit should be reduced by the remaining proceeds from the disposal of the Property after repayment of the mortgaged bank loan and the disposal expenses.

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

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

As at 31 December 2015, the balance of the Deposit and accrual penalty and interest of were HK$120,000,000 (2014: HK$220,000,000), approximately HK$43,277,000 (31 December 2014: HK$27,683,000), respectively.

The Deposit was secured by the following:

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

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

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), 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 had the Capital Reorganisation, detailed below, become effective, based on the existing issued share capital of the Company as at the date of this announcement; and (ii) 60.72% of the issued share capital of the Company had the Capital Reorganisation become effective and as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). The Subscription Shares shall be allotted and issued pursuant to a specific mandate proposed to be granted to the Directors at the special general meeting (the "**SGM**").

Subscription Completion is conditional upon, among others, the fulfilment of the terms and conditions as set forth in the Subscription Agreement and most of them conditions precedent had not yet satisfied up to the date of this announcement.

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

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

The Subscriber will apply to the SFC for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and which, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM of the Company.

Further details of the Subscription and application for Whitewash Waiver are set out in the Company's announcements dated 15 December 2015.

CAPITAL REORGANISATION

The Board proposes to reorganize 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 authorized 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).

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

The Capital Reorganisation will be subject to the approval by the Independent Shareholders by way of a poll at the special general meeting of the Company.

Further details of the Capital Reorganisation and application for Whitewash Waiver are set out in the Company's announcements dated 15 December 2015.

CHARGES OVER ASSETS

The Group had no pledged assets as at 31 December 2015. As at 31 December 2014, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$102,462,000 to secure HK$67,451,000 mortgage loan of the Group and Kailuan's Deposit under second mortgage agreement. The whole amount of the mortgage loan was repaid on 29 May 2015 and Kailuan's Deposit was partially repaid subsequent to the disposal of the land and building during the year.

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

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group's principal financial instruments comprise the Deposit 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 bill receivables, financial assets included in other receivables, amounts due from/to the Non-controlling Shareholder, cash and bank balances, trade and bill 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 31 December 2015 was 100% (2014: 91%). The increase in the gearing ratio is mainly due to the decrease of inventories from HK$61,213,000 in 2014 to HK$28,455,000 in 2015; prepayments, deposits and other receivable from HK$478,606,000 in 2014 to HK$108,652,000 in 2015.

As at 31 December 2015, the equity attributable to owners of the parent amounted to HK$1,142,000 (2014: HK$124,994,000). Taking into account of shares issued upon full conversion of convertible bonds issued in 2008, the equity attributable to owners of the Company per share was HK$0.00 per share (2014: HK$0.02 per share). Decrease in equity attributable to owners of the Company was mainly attributable to the loss incurred during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$477,479,000 (2014: HK$499,414,000) and 0.47 (2014: 0.62), respectively as at 31 December 2015, which include other borrowings of HK$23,426,000 (2014: HK$119,777,000). The decrease in the net current liability position is mainly due to the settlement of current liabilities in the current year.

As at 31 December 2015, the Group's cash and bank balances amounted to HK$1,439,000 (2014: HK$1,679,000). As at 31 December 2015, the Group has total other borrowings amounting to HK$23,426,000 (2014: HK$119,777,000).

As of 31 December 2015 and 2014, the Group has no bills payable.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group is taking the following measures:

(i) During the year ended 31 December 2015, the Group disposed of certain land and buildings (the "Property") with a carrying value of HK$101,477,000 at the date of disposal for a cash consideration of HK$179,700,000. The proceeds, net of disposal expenses of HK$1,900,000, were used, as to HK$67,451,000, to settle a mortgage bank loan and, as to HK$100,000,000, to partially settle the Deposit. The remaining proceeds were used as working capital of the Group.

(ii) The Group entered into a subscription agreement and supplemental agreement (collectively, the "**Subscription Agreements**") with Shun Wang Investments Limited (the "**Subscriber**"), an independent third party, on 27 November 2015 and 15 December 2015, respectively. Pursuant to the Subscription Agreements, the Subscriber conditionally agreed to subscribe for an aggregate of 1,400,000,000 subscription shares at the subscription price of HK$0.15 per subscription share for a total cash consideration of HK$210,000,000 (the "**Subscription**"). The Subscription Agreements are effective up to 31 May 2016.

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

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

(iv) On 10 March 2016, the Company and Kailuan entered into a supplemental agreement, pursuant to which Kailuan agreed not to demand repayment of the Other Charges before 30 June 2017;

(v) 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.

(vi) The Group recorded an amount due to a non-controlling shareholder of a PRC subsidiary (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.

(vii) In May 2015, a 51% owned subsidiary of the Group, Herong Resources Limited ("**Herong**"), was incorporated in Hong Kong. The remaining 49% interest is owned by Rontac Resources Holdings Limited which holds a 40% equity interest in Kailuan. The principal activity of Herong is trading of coal and coke, and related products. During the year ended 31 December 2015, commission income from coal and coke trading of HK$405,000 was recorded by Herong. It is contemplated that the Group and Kailuan will enter into a cooperation arrangement which will result in a significant increase in trading activities carried out by Herong. The Directors are of the opinion that such trading activities will contribute positive cash flows to the Group.

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, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

OPERATING LEASE AND CAPITAL COMMITMENTS

As at 31 December 2015, the Group had operating lease commitments of HK$5,781,000 (2014: HK$7,284,000).

As at 31 December 2015, the Group had authorised, but not contracted for capital commitment of HK$9,863,000 (2014: HK$17,964,000) and contracted, but not provided for capital commitments of HK$15,632,000 (2014: HK$16,369,000) in respect of plant and equipment acquisitions.

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 31 December 2015, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (31 December 2014: Nil).

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION

As at 31 December 2015, the Group had approximately 1,594 employees (2014: approximately 1,600 employees). Less than 10 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$73,825,000 for the year ended 31 December 2015 and approximately HK$79,816,000 was recorded in the corresponding period of last year.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivated individual performance. Up to the date of this announcement, there are 78,800,000 share options outstanding under the share option scheme.

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one or two years.

It is expected that the macro-economy and the coke industry weakness to continue while excess capacity remain to be a serious problem for, among others, the steel and coke industries. Cope with the environmental focus and policies by the Chinese government, the oversaturated coke market will not be easy to enter into a more balanced supply and demand cycle and adversely affect the development of the coke industry in the foreseeable future. The environmental policies and excess capacity constraints will be the major factors affecting the development coke industry players in the future. 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 2016 coke market will still continue a weak trend.

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 Group has been implementing various strategies to improve the Group's operating performance and also making investments to make the Group's production facilities comply with higher environmental standards.

Moreover, to continue the Group's effort in exploring other business opportunities in coke trading segment and also the establishment of long-term business corporation relationship with Kailuan (Hong Kong) International Co. Ltd ("Kailuan"), the Group established a Hong Kong company, Herong Resources Limited ("Herong"), with Rontac Resources Company Limited ("Rontac") on 20 May 2015. The shareholding percentages of the Group and Rontac in Herong were 51% and 49%, respectively. Kailuan is 40% owned by Rontac. It is expected this company is to engage in coke and coal trading business and it had commenced business in the second half year of 2015. This company earned agency fee of the coal and coke trading of HK$406,000 (2014: Nil) in the current year and it is expected it will commence trading business in the second half year of 2016.

In September 2010, the Group has signed an non-legal binding memorandum of understandings ("MOU") with a non-controlling shareholder of the PRC subsidiary (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. The construction works of the new plant has started in 2011 and expect to be finished in 2015, however, due to the construction work had certain delay and it is expected to complete in late 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.

In addition, the Directors consider that entering into the Subscription Agreements represents a good opportunity to provide the Group with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises.

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2015 have been reviewed with no disagreement by the Audit Committee of the Company.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The below sections set out an extract of auditors' report on the Group's consolidated financial statements for the year ended 31 December 2015;

Basis for disclaimer of opinion

Multiple uncertainties relating to going concern

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

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

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

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

Disclaimer of opinion

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") for the year ended 31 December 2015.

Code Provision A.6.7

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

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 of the Company confirmed that they had complied with the required standard as set out in the Code during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2015 annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.huscoke.com).

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors of the Company confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

BOARD OF DIRECTORS

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

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

Hong Kong, 31 March 2016