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

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Huscoke Resources Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2017 together with the relevant comparative figures for the last financial year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	4	**1,330,791**	792,518
Cost of sales		**(1,117,808)**	(658,103)
Gross profit		**212,983**	134,415
Other income and gains, net	4	**45,419**	58,891
Selling and distribution costs		**(146,429)**	(55,949)
Administrative expenses		**(83,804)**	(79,608)
Finance costs	5	**(8,015)**	(1,582)
Other operating income, net		**21,528**	12,758
Reversal of impairment on items of property, plant and equipment		**84,977**	–
PROFIT BEFORE TAX	6	**126,659**	68,925
Income tax credit/(expense)	7	**5,254**	(8,544)
PROFIT FOR THE YEAR		**131,913**	60,381
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operation		**16,456**	(13,952)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX		**16,456**	(13,952)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**148,369**	46,429

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit for the year attributable to:			
Owners of the parent		**117,898**	55,663
Non-controlling interests		**14,015**	4,718
		131,913	60,381
Total comprehensive income attributable to:			
Owners of the parent		**132,824**	43,106
Non-controlling interests		**15,545**	3,323
		148,369	46,429
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the year		**HK4.54 cents**	HK4.00 cents
Diluted			
– For profit for the year		**HK4.52 cents**	HK3.53 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**495,154**	412,849
Goodwill		**–**	–
Available-for-sale investments		**1,115**	1,099
Deferred tax asset		**12,646**	–
Prepayments	*11*	**1,771**	–
Total non-current assets		**510,686**	413,948
CURRENT ASSETS			
Inventories		**54,744**	55,120
Trade receivables	*9*	**89,887**	61,027
Amount due from the Non-controlling Shareholder	*10*	**177,150**	168,483
Prepayments, deposits and other receivables	*11*	**214,404**	151,800
Tax recoverable		**8**	6,958
Cash and bank balances	*12*	**69,655**	97,931
Total current assets		**605,848**	541,319
CURRENT LIABILITIES			
Trade payables	*13*	**158,188**	247,162
Other payables, accruals and deposit received	*14*	**474,201**	372,586
Other borrowings		**–**	25,813
Tax payable		**–**	209
Total current liabilities		**632,389**	645,770
NET CURRENT LIABILITIES		**(26,541)**	(104,451)
TOTAL ASSETS LESS CURRENT LIABILITIES		**484,145**	309,497

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 December 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
NON-CURRENT LIABILITIES			
Other payables and deferred income	*14*	**8,455**	5,057
Other borrowings		**18,188**	–
Deferred tax liability		**106**	–
Convertible bonds		**41,427**	36,835
Total non-current liabilities		**68,176**	41,892
NET ASSETS		**415,969**	267,605
EQUITY			
Equity attributable to owners of the parent			
Share capital		**25,966**	24,036
Reserves		**350,902**	220,574
		376,868	244,610
Non-controlling interests		**39,101**	22,995
TOTAL EQUITY		**415,969**	267,605

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATION 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 registered office and the principal place of business at the end of the reporting period is located at Room 2301, 23/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:

– coal-related ancillary business;

– coke production business; and

– coke trading business.

2.1 BASIS OF PRESENTATION

As at 31 December 2017, the Group recorded net current liabilities of HK$26,541,000 (2016: HK$104,451,000) and consolidated accumulated losses of HK$1,787,307,000 (2016: HK$1,906,063,000). During the year ended 31 December 2017, the Group also recorded a consolidated net profit of HK$131,913,000 (2016: HK$60,381,000) which included a reversal of impairment on items of property, plant and equipment of HK$84,977,000 (2016: Nil).

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In order to improve the Group's liquidity and cash flows for the Group to sustain as a going concern, the Group has taken the following measures during the year ended 31 December 2017 and subsequent to the year end:

(a) On 22 December 2017, the Group entered into an amendment agreement with Kailuan (Hong Kong) International Co., Limited ("Kailuan") to extend the maturity date of convertible bonds to 31 August 2019.

2.1 BASIS OF PRESENTATION *(continued)*

(b) During the year ended 31 December 2017, the Group secured agreements with lenders of other borrowings and certain creditors to waive borrowings and payables with a total amount of HK$7,132,000, comprising the loan principal of HK$6,000,000 and accrued interests of HK$632,000 and other payable of HK$500,000. One of the lenders had agreed to waive the interest charged on the loan balance from 1 January 2017.

During the year ended 31 December 2017, the Group also secured agreements with the lenders of other borrowings with a principal amount of HK$19,813,000 to extend the repayment date from 30 June 2017 to 31 August 2019.

(c) Management has used its best endeavor to improve the Group's operating performance to attain positive operating cash flows. The Group's operation has been recovering in light of an improved market demand for coke production in the PRC during the year. A gross profit of HK$212,983,000 (2016: HK$134,415,000) was recorded for the year ended 31 December 2017. The Group continued to generate net cash inflows from its operations during the year ended 31 December 2017. The directors of the Company believe that the recovery momentum will continue and the operation will contribute positive cash inflows to the Group in the foreseeable future.

(d) On 6 March 2018, the Group and the non-controlling shareholder of a PRC subsidiary (the "Non-controlling Shareholder") entered into a repayment and asset pledge agreement, pursuant to which the Non-controlling Shareholder commits to repay the balances due to the Group (being outstanding trade and other receivables) in the amount of RMB282,489,000 (HK$333,535,000) as at 31 December 2017, after its new coking plant commences operation in August 2018, and that the entire amount will be settled within 12 months. Further details are set out in note 10 of this announcement.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its 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.

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 and to provide for any further liabilities which might arise. 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 ("**HKICPA**"), 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 (collectively referred to as the "Group") for the year ended 31 December 2017. 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.

2.2 BASIS OF PREPARATION *(continued)*

Basis of Consolidation *(continued)*

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 HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as no subsidiaries in the Group are classified as a disposal group held for sale as at 31 December 2017.

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 sales of coke and coal;

(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 sales, 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 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 and sundry income, corporate and administrative expenses, unallocated other operating income, unallocated finance costs and income tax credit/expense are excluded from such measurement.

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

Segment liabilities exclude other borrowings and convertible bonds for corporate use, deferred tax liabilities 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results

Year ended 31 December 2017

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke Production *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue					
– external sales	**32,130**	**109,619**	**1,189,042**	**–**	**1,330,791**
– intersegment sales	**–**	**285,959**	**–**	**(285,959)**	**–**
Other income	**–**	**36,749**	**–**	**–**	**36,749**
Total	**32,130**	**432,327**	**1,189,042**	**(285,959)**	**1,367,540**
Segment results	**1,466**	**33,935**	**171,015**	**(1,287)**	**205,129**
Interest income and sundry income					**8,670**
Corporate and administrative expenses					**(83,804)**
Unallocated other operating income					**4,679**
Unallocated finance costs					**(8,015)**
Profit before tax					**126,659**
Income tax credit					**5,254**
Profit for the year					**131,913**

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Year ended 31 December 2016

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke Production *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue					
– external sales	–	77,359	715,159	–	792,518
– intersegment sales	–	187,419	–	(187,419)	–
Other income	1,279	31,314	–	–	32,593
Total	1,279	296,092	715,159	(187,419)	825,111
Segment results	1,279	(261)	104,579	(843)	104,754
Interest income and sundry income					26,298
Corporate and administrative expenses					(79,608)
Unallocated other operating income					19,063
Unallocated finance costs					(1,582)
Profit before tax					68,925
Income tax expense					(8,544)
Profit for the year					60,381

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

31 December 2017

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Total HK$'000
SEGMENT ASSETS				
Segment assets	**3,223**	**513,293**	**303,608**	**820,124**
Corporate and unallocated assets				**296,410**
Consolidated assets				**1,116,534**
SEGMENT LIABILITIES				
Segment liabilities	**2,535**	**268,746**	**303,361**	**574,642**
Corporate and unallocated liabilities				**125,923**
Consolidated liabilities				**700,565**

31 December 2016

	Coke trading HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Total HK$'000
SEGMENT ASSETS				
Segment assets	–	483,640	203,446	687,086
Corporate and unallocated assets				268,181
Consolidated assets				955,267
SEGMENT LIABILITIES				
Segment liabilities	209	338,044	249,445	587,698
Corporate and unallocated liabilities				99,964
Consolidated liabilities				687,662

3. OPERATING SEGMENT INFORMATION *(continued)*

Other Segment Information

Year ended 31 December 2017

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	–	16,289	1,780	18,069
Unallocated				3,388
				21,457
Depreciation	–	39,820	188	40,008
Unallocated				6,456
				46,464
Unallocated interest expenses on discounted bills, other borrowings and convertible bonds				8,015
Impairment/(reversal) of trade receivables, net	–	(912)	1,323	411
Reversal of impairment of prepayments, net	–	(1,098)	(5,901)	(6,999)
Unallocated				887
				(6,112)
Reversal of impairment on items property, plant and equipment			(84,977)	(84,977)

3. OPERATING SEGMENT INFORMATION *(continued)*

Other Segment Information *(continued)*

Year ended 31 December 2016

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	–	13,661	–	13,661
Unallocated				755
				14,416
Depreciation	–	55,297	–	55,297
Unallocated				4,980
				60,277
Unallocated interest expenses on other borrowings				1,582
Unallocated income tax expenses				8,544
Impairment of trade receivables, net	–	5,184	–	5,184
Impairment of prepayments, net	–	3,787	7,230	11,017
Unallocated				780
				11,797

3. OPERATING SEGMENT INFORMATION *(continued)*

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 2017 and 2016. Therefore, no analysis by geographical region is presented.

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

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**2,563**	743
Mainland China	**494,362**	412,106
	496,925	412,849

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

Information about major customers

During the year ended 31 December 2017, revenue in the amount of approximately HK$686,732,000 (2016: HK$435,477,000) was derived from sales in the coke production segment to a single customer. The customer is an independent third parties to the Group.

During the year ended 31 December 2016, revenue in the amount of approximately HK$192,099,000 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 AND GAINS

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 and gains is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of transportation service	**7,233**	4,896
Sales of electricity and heat	**73,441**	72,453
Sales of raw coal, refined coal, coke and by-products	**1,250,117**	715,169
	1,330,791	792,518
Other income and gains, net		
Interest income	**21**	4
Commission income	**–**	1,279
Gain on disposal of items of property, plant and equipment	**658**	12
Gain on debt restructuring	**8,801**	23,937
Gain/(loss) arising from amendment to convertible bonds	**(188)**	2,303
Government subsidies*	**36,085**	31,314
Sundry income	**42**	42
	45,419	58,891

* Government subsidies have been received for supplying heat in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on discounted bills	**2,129**	–
Interest expenses on bank and other borrowings repayable within five years	**44**	634
Interest expenses on convertible bonds repayable within five years	**5,842**	948
	8,015	1,582

6. PROFIT BEFORE TAX

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

	Notes	**2017 HK$'000**	2016 HK$'000
Cost of inventories sold		**1,121,462**	658,103
Auditor's remuneration		**1,600**	2,330
Depreciation		**46,464**	60,277
Operating lease payments in respect of leasehold interests in land and rented properties		**4,413**	2,428
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**61,450**	50,530
Pension scheme contributions#		**12,549**	12,223
		73,999	62,753
Write-back of inventories provision@		**(3,654)**	–
Impairment of trade receivables, net*	*9*	**411**	5,184
Impairment/(reversal of impairment) of prepayments, net*	*11*	**(6,112)**	11,797
Reversal of impairment on items of property, plant and equipment		**84,977**	–
Gain on disposal of items of property, plant and equipment		**(658)**	(12)

Notes: # As at 31 December 2017 and 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

* These balances are included in "Other operating income, net" in the consolidated profit or loss. The "Other operating income, net" also included reversal of accruals of HK$15,827,000 for the year ended 31 December 2017 (2016: HK$29,739,000).

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

7. INCOME TAX

No provision for Hong Kong profits tax was made as there was no assessable profits arising in Hong Kong during the year ended 31 December 2017 while Hong Kong profits tax were provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2016.

No provision for PRC profits tax was made for the years ended 31 December 2017 and 2016 as the Group had available tax losses brought forward from prior years to offset the assessable profits arising in Mainland China.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	209
Overprovision in prior years	**(161)**	(7,766)
Current – Elsewhere		
Charge for the year	**–**	–
Underprovision in prior years	**7,122**	16,101
Deferred	**(12,215)**	–
Total tax expenses/(credit) for the year	**(5,254)**	8,544

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$117,898,000 (2016: HK$55,663,000), and the weighted average number of ordinary shares of 2,596,625,528 (2016: 1,392,395,750) 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.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

The calculation of diluted earnings per share amount for the years ended 31 December 2017 and 2016 is based on the profit for the year attributable to owners of the parent, adjusted to reflect the interest and gain/(loss) arising from amendment to the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the year ended 31 December 2017 and 2016 is based on:

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**117,898**	55,663
Add: Loss/(gain) arising from amendment to convertible bonds	**188**	(2,303)
Add: Interest expense on convertible bonds	**5,842**	948
Profit attributable to equity holders of the parent used in the diluted earnings per share calculation	**123,928**	54,308

	2017	2016
	Number of shares	*Number of shares*
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,596,625,528**	1,392,395,750
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds*	**144,256,976**	144,256,976
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,740,882,504**	1,536,652,726

* Share options are not considered in the effect of dilution as it had no diluting effect on the basic earnings per share for the years ended 31 December 2017 and 2016 and were ignored in the calculation of diluted earnings per share.

9. TRADE RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Trade receivables		**281,906**	243,703
Impairment		**(54,929)**	(51,883)
		226,977	191,820
Trade receivables from related companies		**40,462**	38,073
Impairment		**(402)**	(383)
		40,060	37,690
		267,037	229,510
Less: Trade receivables due from the Non-controlling shareholder	*10*	**(177,150)**	(168,483)
		89,887	61,027

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 2017, approximately 66% (2016: 73%) of the Group's trade receivables were due from one (2016: one) customer, there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances due from customers other than the Non-controlling Shareholder (Note 10). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The carrying amounts of trade receivables approximate their fair values.

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

	2017 HK$'000	2016 HK$'000
Within 3 months	**25,735**	19,945
3 to 4 months	**1,179**	2,712
Over 4 months	**240,123**	206,853
	267,037	229,510

9. TRADE RECEIVABLES *(continued)*

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

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**52,266**	50,222
Impairment loss recognised *(note 6)*	**1,323**	8,011
Impairment loss reversed *(note 6)*	**(912)**	(2,827)
Exchange realignment	**2,654**	(3,140)
At 31 December	**55,331**	52,266

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK$55,331,000 (2016: HK$52,266,000) with carrying amounts before provision of HK$84,307,000 (2016: HK$66,548,000).

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

An aged analysis of the trade 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:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**21,699**	12,698
Less than 6 months past due	**594**	167,480
More than 6 months past due	**215,768**	35,050
	238,061	215,228

The Group's trade receivables at the end of the reporting period that were neither past due nor impaired relate to customers for which 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 a significant change in credit quality and the balances are still considered fully recoverable.

10. AMOUNTS DUE FROM THE NON-CONTROLLING SHAREHOLDER

	Notes	2017 HK$'000	2016 HK$'000
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 9)*	*(i), (iii)*	**177,150**	168,483
Other receivables due from the Non-controlling Shareholder *(Note 11)*	*(ii), (iii)*	**156,385**	107,756

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2016: 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) With respect to items mentioned in notes (i) and (ii) as at 31 December 2016, the Group and the Non-controlling Shareholder entered into a repayment agreement on 1 March 2017, pursuant to which the Non-controlling Shareholder committed to repay the balances due to the Group by monthly instalments of RMB50,000,000 from October 2017 onwards after its new coking plant starts operation, and that the entire amount would be settled within 12 months.

Furthermore, an asset pledge agreement was provided by the Non-controlling Shareholder on 23 March 2017 whereby certain property, plant and equipment with a value of HK$1,229,023,000 as at 28 February 2017, were pledged to the Group to secure the repayment of the balances due from the Non-controlling Shareholder of HK$276,239,000 and an aggregate amounts due from affiliates of the Non-controlling Shareholder of HK$40,321,000 as at 31 December 2016.

On 6 March 2018, the repayment and the asset pledge agreements were renewed to cover the trade and other receivables due from the Non-controlling Shareholder of HK$333,535,000 and an aggregate amounts due from affiliates of the Non-controlling Shareholder of HK$46,881,000 as at 31 December 2017. Pursuant to the renewed repayment agreement, a monthly repayment of RMB50,000,000 will be made by the Non-controlling Shareholder from August 2018 onwards after the new plant starts operation, and that the entire amount will be settled within 12 months. The pledged property, plant and equipment were valued at HK$1,369,272,000 as at 31 January 2018.

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Other receivables due from the Non-controlling Shareholder	*10*	**156,385**	107,756
Prepayments and other receivables due from a related company		**6,419**	2,248
Prepayments, deposits and other receivables due from other parties		**66,515**	60,280
		229,319	170,284
Impairment		**(13,144)**	(18,484)
		216,175	151,800
Less: Current portion		**(214,404)**	(151,800)
Non-current portion – prepayments		**1,771**	–

Note: 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:

	2017 HK$'000	2016 HK$'000
At 1 January	**18,484**	7,587
Impairment loss recognised *(Note 6)*	**2,645**	12,206
Impairment loss reversed *(Note 6)*	**(8,757)**	(409)
Exchange realignment	**772**	(900)
At 31 December	**13,144**	18,484

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Included in the above are provisions for individually impaired prepayments of HK$13,144,000 (2016: HK$18,484,000) with carrying amounts before provision of HK$14,252,000 (2016: HK$20,681,000). The individually impaired prepayments mainly relate to the portions of prepayments made to suppliers which are in default in delivery of purchases or services and 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.

12. CASH AND BANK BALANCES

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**69,655**	97,931

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$200,000 (2016: HK$133,000). 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.

The carrying amounts of cash and bank balances approximate their fair values.

13. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables due to other parties	**152,959**	239,475
Trade payables due to related companies	**5,229**	7,687
	158,188	247,162

13. TRADE PAYABLES *(continued)*

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**50,185**	70,940
3 to 4 months	**4,218**	5,792
Over 4 months	**103,785**	170,430
	158,188	247,162

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 DEPOSIT RECEIVED, AND DEFERRED INCOME

	2017	2016
	HK$'000	*HK$'000*
Other payables and accrued charges	**278,235**	263,904
Advances received from customers and and deferred income	**204,421**	113,739
	482,656	377,643
Less: Current portion	**(474,201)**	(372,586)
Non-current portion	**8,455**	5,057

The other payables and accrued charges as at 31 December 2017 and 2016 are non-interest-bearing and have an average credit term of 120 days.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The PRC macro-economy continued to maintain moderate growth during 2017, with gross domestic product achieving a year-on-year growth of 6.9%, among which gross industrial output has increased by 6.6% as compared to the corresponding year. Driven by demand of infrastructure and real estate, the domestic steel production has continued to expand and led to a steady growth in coke demand. Meanwhile, the PRC government has initiated policies to curb overcapacity, including the tightening of environmental standards and delaying the time period for coking coal, which had led to shortages in coke supply as a whole. Also, due to restocking by steel companies and other seasonal factors, the coke prices have experienced volatility at peak level in recent years.

On the other hand, the coking coal price increased substantially as a result of capacity cut policies, resulting in a surge in cost of production and a corresponding decrease in gross profit for coke. At the same time, domestic railway transportation fee has risen multiple times during the year, as a result, sales expense increased significantly as compared to last year. The management has adopted prudent business strategies to cope with adverse factors such as market volatility and production cost increase, while successfully maintained profit for the year through higher production and operating efficiency and strengthened cost control.

In addition, the management has always attach great importance to production safety and environmental protection, place huge effort in developing as an enterprise that embraces safety and values the environment, strictly comply with production safety and environment related laws and regulations, as well as comply with national emission standards.

PROSPECTS

Looking ahead to 2018, it is expected that the coke market will grow steadily, with continued optimism to current situation. Following the promotion and implementation of supply-side structural reform by the PRC government, coupled with constant demand from downstream steel industry and active restocking activities, causing the current supply constraint in coke to be difficult to change in the short run, and as such it shall provide strong support to coke prices. However, since coke prices have increased considerably last year and the prospect for further increase is uncertain, it is expected that coke prices will fluctuate at current price level. The Group will actively pursue market opportunities, strengthen its relationship with existing customer, further develop new markets, expand its customer base, and enhance the competitiveness of the Group's business.

Meanwhile, amid increasing regulation requirements from the PRC government towards the coke industry, the Group may face tougher challenges in its production operation. We may increase our effort in environmental protection and production safety to ensure domestic environmental and production requirements are complied with.

In order for the Group to achieve sustainable development and business growth, the management has been exploring investment opportunities related to its existing businesses in addition to commencing new businesses that have competitive advantages and development potentials, including new economic business such as E-commerce software services, to improve business competitiveness and prospect, thus creating a stable profit stream in the long term and generates long term investment return for Shareholders.

FINANCIAL REVIEW

Revenue, gross profit margin, net profit, profit attributable to owners of the parent and earnings per share

The total revenue was approximately HK$1,330,791,000 (2016: HK$792,518,000), representing an increase of approximately 68% as compared to the last corresponding year. The Group recorded gross profit margin of approximately 16% as compared to approximately 17% in 2016. The profit for the year and the profit attributable to owners of the parent amounted to approximately HK$131,913,000 and HK$117,898,000, respectively, as compared to the profit for the year and the profit attributable to owners of the parent of approximately HK$60,381,000 and HK$55,663,000, respectively, for the corresponding year in 2016. Basic earnings per share was 4.54 Hong Kong cents, as compared to basic earnings per share of 4.00 Hong Kong cents in 2016.

The Group is principally engaged in three business segments, namely: (i) trading of coke (the "**Coke Trading Segment**"); (ii) washing of raw coal into refined coal for sale and for further processing, and the sale of electricity and heat which are generated with by-products produced during washing of raw coal (the "**Coal-related Ancillary Segment**"); and (iii) processing of refined coal into coke for sale, and sale of coke by-products that are generated during coke production (the "**Coke Production Segment**").

Coke Trading Segment

To continue the Group's effort in exploring business opportunities in coke trading segment and developing a long-term business relationship with Kailuan, the Group established a Hong Kong company, Herong Resources Limited ("**Herong**"), with one of Kailuan's shareholder, Rontac Resources Company Limited ("**Rontac**") on 20 May 2015. The Group owns 51% shareholdings of Herong, while Rontac owns the remaining 49%. On 14 December 2017, the Group acquired 49% shareholdings of Herong from Rontac and as a result, the Group owns 100% shareholdings of Herong. This company is engaged in coke and coal trading business and commenced operation in the second half of 2015. PRC subsidiary operated raw coal trading with turnover approximately HK$32,130,000 in 2017. Herong earned agency fee of coke and coal trading of approximately HK$1,279,000 in 2016. The Group will continue to explore the direct coal and coke trading business opportunity in the future.

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 capacity cut policy in the coal industry largely eliminated the old, small-scale, inefficient and high carbon emissions domestic coal miner and caused to contraction of coal supply. Thus, the company closely monitored the market demands, and strived to improve the high-quality supply capacity, and led to increase in external sales from HK$77,359,000 in 2016 to HK$109,619,000 in 2017, representing an increase of approximately 42%. The segment loss improved from HK$261,000 in 2016 to the segment profit of approximately HK$33,935,000 in 2017.

Coke Production Segment

Given increase in coke prices in 2017, the coke production segment recorded a substantial increase in revenue from HK$715,159,000 in 2016 to approximately HK$1,189,042,000 in 2017, representing an increase of 66%. The raw material prices soared significantly under the imbalance supply and demand situation. As a result, the coke market and price in 2017 also turned this segment from a profit status of HK$104,579,000 in 2016 to a profit status of approximately HK$171,015,000 in 2017.

Selling and Distribution Costs

The selling and distribution costs of the Group were mainly from the Coke Production Segment. It increased from approximately HK$55,949,000 in 2016 to approximately HK$146,429,000 in 2017, representing an increase of approximately 162%, as a result of increased long-distance transportation cost incurred to major customers in 2017.

Administrative Expenses

The administrative expenses of the Group amounted to approximately HK$83,804,000 in 2017, representing an increase of approximately 5.3% from approximately HK$79,608,000 in 2016. The increase in administrative expenses was mainly attributable to the increase in staff costs in Hong Kong operation for expansion of potential investment.

Finance Costs

The finance costs of the Group mainly represented interest expenses the convertible bonds issued in 2016. The finance costs recorded by the Group increased to approximately HK$8,015,000 in 2017 from approximately HK$1,582,000 in 2016, mainly due to interest expense in relation to the convertible bond issued in November 2016.

CHARGES OVER ASSETS

The Group had no pledged assets, including pledged deposit as at 31 December 2017 (2016: 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 Reporting Period as compare with the year ended 31 December 2017.

The Group's principal financial instruments comprise convertible bonds 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 receivables, deposits and other receivables, amounts due from the Non-controlling Shareholder, cash and bank balances, trade payables, and other payables and accruals, which arise directly from its operations.

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

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, other borrowings, convertible bonds, net of cash and bank balances. Capital includes the convertible bonds issued in 2016 and equity attributable to owners of the parent. The gearing ratios as at 31 December 2017 was 63% (31 December 2016: 71%).

As at 31 December 2017, the equity attributable to owners of the parent amounted to HK$376,868,000 (31 December 2016: HK$244,610,000). The equity attributable to owners of the Company per share was approximately HK$0.15 per share for the year ended 31 December 2017 (31 December 2016: HK$0.10 per share).

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$26,541,000 (31 December 2016: HK$104,451,000) and 0.96 (31 December 2016: 0.84), respectively as at 31 December 2017.

As at 31 December 2017, the Group's cash and bank balances amounted to HK$69,655,000 (31 December 2016: HK$97,931,000). The total other borrowings and convertible bonds amounting to HK$18,188,000 (31 December 2016: HK$25,813,000) and HK$41,427,000 (31 December 2016: HK$36,835,000) respectively.

As of 31 December 2017 and 2016, the Group has no bills payable.

OPERATING LEASE AND CAPITAL COMMITMENTS

As at 31 December 2017, the Group had operating lease commitments of HK$10,579,000 (2016: HK$13,859,000).

As at 31 December 2017, the Group had authorised, contracted, but not provided for capital commitments of HK$3,355,000 (2016: HK$11,262,000) in respect of plant and equipment acquisitions.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and monitors the risks. Therefore, the management is enable to response in timely manner to manage and mitigate the risks with a balance view of the business operation and risk appetite of the Group to ensure the risks are within the acceptable range. As the final line of defense, the audit committee of the Company, with the professional advices and independent assessment report from the external professional consultant, the independent evaluation on effectiveness of the systems was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

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 rate 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 2017, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (2016: 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 2017, the Group had approximately 1,500 employees (December 2016: approximately 1,500 employees) with 20 staff are stationed in Hong Kong and the rest are senior management and workers in Mainland China. The Group's staff costs amounted to approximately HK$73,999,000 for the year ended 31 December 2017 and approximately HK$62,753,000 was recorded in 2016.

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 10,400,000 share options outstanding under the share option scheme.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive Directors namely, Mr. Lau Ka Ho, Mr. To Wing Tim, Paddy, Mr. Lam Hoy Lee, Laurie and one non-executive Director, Mr. Huang Man Yem. 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.

The condensed consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2017 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**") to the amounts set out in the Group's consolidated financial statements. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary results announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of auditors' report on the Group's consolidated financial statements for the year ended 31 December 2017:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that, as at 31 December 2017, the Group's total current liabilities exceeded its total current assets by HK$26,541,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 2.1, these financial statements have been prepared on a going concern basis, the validity of which depends on, inter alia, the Group's ability to collect the amounts owned by the non-controlling shareholder of a PRC subsidiary as at 31 December 2017, details of which are set out in note 18 to the financial statements. Our opinion is not modified in respect of this matter.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the financial year ended 31 December 2017.

Code Provision A.2.1

Code provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhao Xu Guang is the Chairman of the Board and also serves as Chief Executive Officer since 2 May 2017. The deviation is noted by the Board and the Directors consider the dual role is essential as Mr. Zhao provides the Company with strong and consistent leadership and facilitates the implementation and execution of the business strategies while the Group re-build and develop its business with his leadership in Board, and thus achieves the Company's objectives efficiently and effectively in response to the changing environment.

The Board consider that the Company has established a strong corporate governance structure in place to ensure effective management, Mr. Wong Siu Hung, Patrick, the executive Director who also act as general manager responsible for daily operation management of the Group while Mr. Zhao is more focus on business strategic development. In addition, the three independent non-executive Directors in Board which ensure there is a strong independent element on the Board which can effectively exercise independent judgement and oversight the business management in major decision making. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Code Provision A.6.7

Code provision A.6.7 of CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting and develop a balanced understanding of the views of shareholders. The non-executive Director, Mr. Huang Man Yem was unable to attend the annual general meeting of the Company held on 2 June 2017 due to his other business engagements. This constitutes a deviation from code provision A.6.7 of the CG Code.

The Company secretary has reminded the non-executive Director the non-compliance consequence and the Company will remind the Directors to attend general meetings in future.

Code Provision C.2.5

Pursuant to code provision C.2.5, issuers should have internal audit function and that issuers without an internal audit function should review the need for one on an annual basis and should disclose reasons for absence of such a function in Corporate Governance Report. The Company has not assigned a separate internal audit function. This constitutes a deviation from code provision C.2.5 of the CG Code. To ensure the effectiveness of risk management and internal control system of the Group, the Company engaged external independent consultant to at least annually conduct an independent review of the risk management and internal control system of the Group, assess the effectiveness and report directly to the Audit Committee. The Board consider it is appropriate approach to have independent expertise review our risk management and internal control system with the knowledge and updates of local changing environmental policy. In addition, the arrangement allows flexibility for the management to explore new business opportunities in different industry. The board will nevertheless review the need to have an internal audit function from time to time in light of the business development of the Group.

Code Provision D.1.4

Pursuant to code provision D.1.4, issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As disclosed and explained in respective appointment announcement published, there are no service contract nor letter of appointment of directors. This constitutes a deviation from code provision D.1.4 of the CG Code. The Board will nevertheless review the need to have the formal letter and service contract from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the Directors of the Company (the "**Model 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 2017.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 31 May 2017 (Thursday) to 5 June 2017 (Tuesday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on 5 June 2017 (Tuesday), share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 48 hours before the annual general meeting.

EVENTS AFTER REPORTING PERIOD

On 22 December 2017, the Company entered into a conditional amendment letter with Kailuan (Hong Kong) International Co., Limited, at the time being the holder of the convertible bonds with principal amount of HK$43,277,000 issued by the Company on 2 November 2017 (the "**Convertible Bonds**") to alter certain terms of the Convertible Bonds, amongst others, extended the maturity date to 31 August 2019. The proposed alteration of certain terms of the Convertible Bonds was respectively approved by the Stock Exchange and by the shareholders of the Company on the special general meeting held on 6 February 2018. As such, a deed of modification was executed and the amendments are in effective and thus the maturity date of the Convertible Bonds is extended to 31 August 2019. Please refer to the announcement and the circular of the Company dated 22 December 2017 and 5 February 2018 respectively for further details.

On 29 March 2018, the Group entered into a non-legally binding letter of intent (the "**Letter of Intent**") with EDB Holdings Limited (the "**EDB**"). Pursuant to the Letter of Intent, both parties agreed to commence further negotiation in good faith on the possible investment whereby the Company may invest in EDB through acquisition or subscription of its shares, with investment amount between HK$50,000,000 to HK$150,000,000 as consideration, acquire a percentage of its share capital. EDB's principle subsidiary, 北京聖特爾科技發展有限公司, is a China-based software service provider which the major product named E店寶, is an E-commerce Enterprise Resources Planning software ("**ERP**"). The involvement of ERP business is new to the Group business profile and indicate the possible future development of the Group. The Group will continue to regularly review and adjust the overall development strategy to increase the profitability base of the business.

PUBLICATION OF FINAL RESULTS AND 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This final results announcement is published on the HKExnews website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.huscoke.com).

The annual report for the financial year 2017 will be made available on the websites of the Stock Exchange and the Company, and will be dispatched to the Shareholders selected printed copies as corporate communication.

For environmental and cost reasons, Shareholders are encouraged to elect to receive Shareholders documents electronically. You may at any time send written notice to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong specifying your name, address and request to change your choice of language or means of receipt of all Shareholders documents from now on.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to the shareholders of the Company for their continued support and sincerely thank the Directors and staffs for their dedication and diligence. I also wish to take this opportunity to express my gratitude to the Group's customers, suppliers, bankers and convertible bonds holders for their ongoing support.

By Order of the Board
Huscoke Resources Holdings Limited
Wong Siu Hung, Patrick
Executive Director

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Zhao Xu Guang and Mr. Wong Siu Hung, Patrick, the non-executive Director of the Company is Mr. Huang Man Yem, the independent non-executive Directors of the Company are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.