



Huscoke Resources Holdings Limited
和嘉資源控股有限公司
(Stock Code:704)



Interim Report
08



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CORPORATE INFORMATION

BOARD OF DIRECTORS

- Mr. Lam Po Kwai, Frankie (*Chairman*)
Ms. Wong Yau Ching, Maria
(*Vice Chairman*)
(*resigned on 6th June, 2008*)
Mr. Chim Kim Lun, Ricky
Mr. Cheng Kwok Hing, Andy
Mr. Li Baoqi
(*appointed on 1st June, 2008*)
Ms. So Man Yee, Katherine
(*resigned on 6th June, 2008*)
Mr. Wu Jixian
(*appointed on 1st June, 2008*)
Ms. Lee Yuen Bing, Nina
(*Non-Executive Director*)
(*resigned on 1st September, 2008*)
Mr. Au Son Yiu
(*Independent Non-Executive Director*)
(*resigned on 16th April, 2008*)
Mr. Lee Johnson
(*Independent Non-Executive Director*)
(*resigned on 1st September, 2008*)
Mr. Lam Hoy Lee, Laurie
(*Independent Non-Executive Director*)
(*appointed on 1st September, 2008*)
Mr. Sun Tak Keung
(*Independent Non-Executive Director*)
(*appointed on 16th April, 2008*)
Dr. Tang Tin Sek, Terence
(*Independent Non-Executive Director*)
(*resigned on 16th April, 2008*)
Mr. Wan Hon Keung
(*Independent Non-Executive Director*)
(*appointed on 16th April, 2008*)

AUDIT COMMITTEE

- Mr. Lee Johnson
(*resigned on 1st September, 2008*)
Mr. Au Son Yiu
(*resigned on 16th April, 2008*)
Dr. Tang Tin Sek, Terence
(*resigned on 16th April, 2008*)
Mr. Sun Tak Keung
(*appointed on 16th April, 2008*)
Mr. Wan Hon Keung
(*appointed on 16th April, 2008*)
Mr. Lam Hoy Lee, Laurie
(*appointed on 1st September, 2008*)

COMPANY SECRETARY

- Mr. Cheung Chiu Fan
(*resigned on 6th June, 2008*)
Mr. Cheung Ka Fai
(*appointed on 6th June, 2008*)

COMPANY SOLICITORS

In Hong Kong
Sit, Fung, Kwong & Shum
Deacons
Chiu & Partners

In Bermuda
Appleby Spurling Hunter

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Tricor Secretaries Limited

In Bermuda
Butterfield Corporate Services Limited

PRINCIPAL OFFICE IN HONG KONG

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REGISTERED OFFICE

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INTERIM RESULTS

The board of directors (the "Board") of Huscoke Resources Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2008 with comparative figures for the corresponding period of 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	3	448,770	291,366
Cost of sales		(429,173)	(280,042)
Gross profit		19,597	11,324
Other income		3,702	6,617
Distribution costs		(3,786)	(8,453)
Administrative expenses		(25,045)	(28,898)
Change in fair value on investments held for trading			
– realized gain		–	2,019
– unrealized gain		2	433
Finance costs	4	(8,367)	(2,274)
Loss before income tax	5	(13,897)	(19,232)
Income tax expense	6	(2,310)	(7)
Loss for the period		(16,207)	(19,239)
Basic loss per share	7	(HK3.21 cents)	(HK4.03 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2008 (Unaudited) HK\$'000	At 31st December, 2007 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	65,728	64,968
Prepaid lease payments		58,555	7,918
Investment properties		67,300	–
Available-for-sale investment		3,357	880
Goodwill		1,099,777	–
Retirement benefit scheme's assets		4,077	4,077
		<u>1,298,794</u>	<u>77,843</u>
Current assets			
Inventories		30,978	44,482
Debtors, bills receivable and prepayments	9	424,659	70,449
Financial assets at fair value through profit or loss		3,185	–
Prepaid lease payments		528	222
Short term bank deposits		–	63,688
Short term pledged bank deposits		2,954	2,910
Bank balances and cash		22,343	21,402
		<u>484,647</u>	<u>203,153</u>
Current liabilities			
Creditors, bills payable and accrued charges	10	121,930	65,493
Promissory notes		60,000	–
Income tax payable		8,107	118
Bank borrowings – due within one year		267,138	36,322
		<u>457,175</u>	<u>101,933</u>
Net current assets			
		<u>27,472</u>	<u>101,220</u>
		<u>1,326,266</u>	<u>179,063</u>
Capital and reserves			
Share capital	11	69,043	47,793
Reserves		424,036	128,969
Equity attributable to equity holders of the Company			
		493,079	176,762
Non-current liabilities			
Bank borrowings		52,788	–
Convertible bonds	12	773,357	–
Deferred income tax liabilities		7,042	2,301
		<u>833,187</u>	<u>2,301</u>
		<u>1,326,266</u>	<u>179,063</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company							Total
	Share capital	Share premium	Special Reserve	Translation reserve	Capital redemption reserve	Convertible bonds reserve	Retained Profits (deficit)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	47,793	144,997	18,236	3,601	85	-	7,530	222,242
Exchange differences arising on translation of foreign operation	-	-	-	804	-	-	-	804
Loss for the year	-	-	-	-	-	-	(19,239)	(19,239)
Total recognised expense for the period	-	-	-	804	-	-	(19,239)	(18,435)
At 30th June, 2007 (unaudited)	<u>47,793</u>	<u>144,997</u>	<u>18,236</u>	<u>4,405</u>	<u>85</u>	<u>-</u>	<u>(11,709)</u>	<u>203,807</u>
At 1st January, 2008	47,793	144,997	18,236	290	85	-	(34,639)	176,762
Conversion of Convertible bonds	21,250	63,750	-	-	-	-	-	85,000
Recognition of equity component of convertible bonds	-	-	-	-	-	247,524	-	247,524
Loss for the year	-	-	-	-	-	-	(16,207)	(16,207)
Total recognised income for the period	<u>21,250</u>	<u>63,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,524</u>	<u>(16,207)</u>	<u>316,317</u>
At 30th June, 2008 (unaudited)	<u>69,043</u>	<u>208,747</u>	<u>18,236</u>	<u>290</u>	<u>85</u>	<u>247,524</u>	<u>(50,846)</u>	<u>493,079</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(16,979)	(14,173)
Net cash from investing activities	9,978	7,112
Net cash used in financing activities	(52,792)	(16,521)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(59,793)	(23,582)
Cash and cash equivalents at 1st January	85,090	81,423
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	<u>25,297</u>	<u>57,841</u>
Analysis of the balances of cash and cash equivalents		
Being:		
Short term bank deposits	2,954	16,254
Bank balances and cash	22,343	41,587
	<hr/>	<hr/>
	<u>25,297</u>	<u>57,841</u>



Notes:

1. Basis of preparation

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations, Hong Kong Financial Report Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007. The condensed financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2008.

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transaction ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ²
HK(IFRIC) – Int 14	HKFRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1st March, 2007

² Effective for annual periods beginning on or after 1st January, 2008

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 and HKAS 1 (Amendment)	Puttable financial instruments ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 8	Operating segments ¹
HKFRS 3 (Revised)	Business combinations ²
HK(IFRIC) – Int 13	Customer loyalty programmes ³
HK(IFRIC) – Int 15	Agreements for the construction of real estate ¹
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation ⁴

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st July, 2008

⁴ Effective for annual periods beginning on or after 1st October, 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Revenue

Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the six months ended 30th June, 2008.

Business segments

The Group is mainly engaged in trading, manufacturing and sale of household and other consumer products and trading of coke (since 16th May, 2008) and operates under four divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Trading – coke	–	resale of coke
Trading – others	–	resale of household products
Manufacturing – household products	–	manufacturing and sale of household products
Manufacturing – others	–	manufacturing and sale of other consumer products

Segment information about these businesses is presented below.

Unaudited income statement for the six months ended 30th June, 2008

	Trading – coke <i>HK\$'000</i>	Trading – others <i>HK\$'000</i>	Manufacturing – household products <i>HK\$'000</i>	Manufacturing – others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	<u>222,075</u>	<u>65,987</u>	<u>42,158</u>	<u>118,550</u>	<u>448,770</u>
Results					
Segment results	<u>15,793</u>	<u>5,764</u>	<u>5,382</u>	<u>(11,128)</u>	15,811
Unallocated income and expenses					(21,343)
Change in fair value on investments held for trading					2
Finance costs					<u>(8,367)</u>
Loss before income tax					(13,897)
Income tax expense					<u>(2,310)</u>
Loss for the period					<u>(16,207)</u>

Unaudited income statement for the six months ended 30th June, 2007

	Trading – coke HK\$'000	Trading – others HK\$'000	Manufacturing – household products HK\$'000	Manufacturing – others HK\$'000	Consolidated HK\$'000
Revenue					
External sales	<u>–</u>	<u>75,780</u>	<u>47,096</u>	<u>168,490</u>	<u>291,366</u>
Results					
Segment results	<u>–</u>	<u>4,815</u>	<u>5,862</u>	<u>(7,806)</u>	2,871
Unallocated income and expenses					(22,281)
Change in fair value on investments held for trading					2,452
Finance costs					<u>(2,274)</u>
Loss before income tax					(19,232)
Income tax expense					<u>(7)</u>
Loss for the period					<u>(19,239)</u>

Geographical segments

The Group's operations are mainly located in Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

Geographical market	Sales revenue by geographical market For the six months ended 30th June,	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
America	121,717	96,571
Holland	45,796	80,050
Germany	13,186	20,449
United Kingdom	38,554	38,701
France	1,249	3,346
Other European countries	34,296	23,042
Hong Kong	4,126	11,146
Australia	5,931	7,938
China	267	5,297
Pakistan	177,060	–
Others	6,588	4,826
	<u>448,770</u>	<u>291,366</u>

4. Finance costs

	For the six months ended 30th June,	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest expense on bank borrowings	2,485	2,274
Imputed interest expense on convertible bonds	5,882	–
	<u>8,367</u>	<u>2,274</u>

5. Loss before income tax

Loss before income tax has been arrived at after charging:

	For the six months ended 30th June,	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment and prepaid lease payments	242	3,995
Depreciation and amortisation	5,730	8,080
Operating lease payments in respect of rented properties	6,543	6,775
	<u>6,543</u>	<u>6,775</u>

6. Income tax expense

	For the six months ended 30th June,	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax	2,220	–
Deferred income tax	90	–
Overseas taxation	–	7
	<u>2,310</u>	<u>7</u>

Hong Kong profits tax has been calculated at the rate of 16.5% on the estimate assessable profit for the period.

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK\$16,207,000 for the period (2007: loss of approximately HK\$19,239,000) and the weighted average number of 505,647,000 (2007: 477,926,000) ordinary shares in issue during the period.

The calculation of diluted loss per share is based on the loss for the period, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of diluted loss per share are based on the following data:

	For the six months ended 30th June, 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Loss for the period		
Loss for the period, used in the basic loss per share calculation	16,207	19,239
Imputed interest on convertible bonds	(5,882)	–
	<hr/>	<hr/>
Loss for the period, before interest on convertible bonds	<u>10,325</u>	<u>19,239</u>
	For the six months ended 30th June, 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic loss per share	505,647	477,926
Effect of dilutive potential ordinary share	630,870	–
	<hr/>	<hr/>
Weighted average number of ordinary shares used in the calculation of diluted loss per share	<u>1,136,517</u>	<u>477,926</u>

A diluted loss per share for the six months ended 30th June, 2008 has not been disclosed as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share.

8. Property, plant and equipment

During the six months ended 30th June, 2008, the Group spent approximately HK\$67,000 (six months ended 30th June, 2007: HK\$5,855,000) on additions to property, plant and equipment to upgrade its manufacturing capabilities.

9. Debtors, bills receivable and prepayments

	At 30th June, 2008 (Unaudited) HK\$'000	At 31st December, 2007 (Audited) HK\$'000
Trade debtors and bills receivable	98,081	66,499
Other debtors and prepayments	326,578	3,950
	<u>424,659</u>	<u>70,449</u>

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade debtors and bill receivable as at the reporting date:

	At 30th June, 2008 (Unaudited) HK\$'000	At 31st December, 2007 (Audited) HK\$'000
0 – 60 days	87,624	51,635
61 – 90 days	7,612	7,099
> 90 days	2,845	7,765
	<u>98,081</u>	<u>66,499</u>

10. Creditors, bills payable and accrued charges

	At 30th June, 2008 (Unaudited) HK\$'000	At 31st December, 2007 (Audited) HK\$'000
Trade creditors	32,098	47,852
Bills payable	1,609	3,092
Other creditors and accrued charges	88,223	14,549
	<u>121,930</u>	<u>65,493</u>

The following is an aged analysis of trade creditors and bills payable as at the reporting date:

	At 30th June, 2008 (Unaudited) HK\$'000	At 31st December, 2007 (Audited) HK\$'000
0 – 60 days	27,498	39,163
61 – 90 days	6,209	8,889
> 90 days	–	2,892
	<u>33,707</u>	<u>50,944</u>

11. Share capital

	At 30th June, 2008 (Unaudited) HK\$'000	At 31st December, 2007 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
690,426,292 (31st December, 2007: 477,926,292) ordinary shares of HK\$0.1 each	<u>69,043</u>	<u>47,793</u>

During the six months ended 30th June, 2008, the conversion rights attaching to Tranche 1 Bonds in the aggregate principal amount of HK\$85,000,000 were exercised at the conversion price of HK\$0.40 per share, resulting in the issue of 212,500,000 ordinary shares.

A summary of the transactions during the six months ended 30th June, 2008 with reference to the above movement in the Company's issued ordinary share capital is as follows:

	Number of shares in issue <i>'000</i>	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2008	477,926	47,793	144,997	192,790
Conversion of convertible bonds	<u>212,500</u>	<u>21,250</u>	<u>63,750</u>	<u>85,000</u>
At 30th June, 2008	<u>690,426</u>	<u>69,043</u>	<u>208,747</u>	<u>277,790</u>

Pursuant to the resolutions passed at the Special General Meeting held on 23rd July, 2008, the Company increased the authorised share capital from HK\$1,000,000,000 to HK\$2,000,000,000 by the creation of 10,000,000,000 new shares of HK\$0.1 each in the capital of the Company.

12. Convertible bonds

On 16th May, 2008, the Company issued 2,750 million zero coupon convertible bonds with a nominal value of HK\$1,100 million to Mr. Wu Jixian (the "bondholder"), the Executive Directors and the Chief Executive Officer of the Group, with maturity date on the fifth anniversary of the date of issue of the convertible bonds. The bondholder may at any time during the conversion period convert the whole or part of the principal amount of the convertible bonds into new shares at the conversion price of HK\$0.40 per conversion share, provided that (i) no conversion rights attached to the convertible bonds may be exercised, to the extent that following such exercise, a holder of the convertible bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued shares (or in such percentage of the issued share capital of the company as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being level for triggering a mandatory general offer); and (ii) no holder of the convertible bonds shall exercise the conversion right attached to the convertible bonds held by such holders if immediately after such conversion, the public float of the shares fall below the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules and as required by the Stock Exchange.

The fair value of the liability component, included in non-current liabilities, was estimated at the issuance date using an market interest rate for an equivalent non-convertible bond. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued have been split as to the liability and equity components, as follows:

	30th June, 2008 (Unaudited) HK\$'000	31st December, 2007 (Unaudited) HK\$'000
Face value of convertible bonds issued on 16th May, 2008	1,100,000	–
Conversion of convertible bonds on 28th May, 2008	(47,000)	–
Conversion of convertible bonds on 18th June, 2008	(38,000)	–
	<hr/>	<hr/>
Face value of convertible bonds as at 30th June, 2008	1,015,000	–
Recognition of equity component	(247,524)	–
Imputed interest charge	5,881	–
	<hr/>	<hr/>
Liability component at the end of the period/year	<u>773,357</u>	<u>–</u>

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30th June, 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th June, 2008, the Group recorded an unaudited turnover of approximately HK\$448.77 million, representing an increase of 54% from HK\$291.37 million for the same period in the previous year. The Group's unaudited loss attributable to shareholders amounted to HK\$16.21 million, representing a decrease of 15.7% from approximately HK\$19.24 million for the previous corresponding period. Loss per share was HK3.21 cents (30th June, 2007: HK4.03 cents).



The performance of each business division for the six months ended 30th June, 2008 is described below:

During the period under review, the Group has proposed to acquire three coal related businesses which has been stated in the section headed **MAIN ACQUISITION AND NEW BUSINESS DEVELOPMENT**. Acquisition for the coke trading businesses has been completed on 16th May, 2008 which has contributed around HK\$222 million turnover and HK\$15.8 million segment profits to the Group up to 30th June, 2008.

Trading – others

This trading division mainly engaged in trading of variety range of household products. Turnover of this segment for the review period was reduced by 12.9% to HK\$66 million, representing around 14.7% of the Group's turnover. This division recorded a segment profit of HK\$5.8 million, 19.7% more than last year.

Manufacturing of household products

The manufacturing of household products division mainly engaged in manufacturing and sale of PVC bag, cushion, shower and window curtain, oven mitten and pot holder, placemat and table cloth. This division recorded a turnover of HK\$42 million for the review period, which was 10.5% lower than last corresponding period. Segment profit was decreased by 8.2% to HK\$5.4 million compared to last year.

Manufacturing of others

This division mainly engaged in the manufacturing and sales of wooden products and paper products. For the review period, this division recorded HK\$119 million turnover and HK\$11 million segment loss respectively, which was 29.6% less and 42.6% more than that of last corresponding period.

Gross Profit

The Group's overall gross profit margin was around 4.37% (2007: 3.89%), an increase of around 48 basis points from 2007. The increase was mainly due to the contribution from the newly acquired business as stated above.

Finance Costs

To finance the acquisition of the coke trading business stated below, the Group has issued HK\$1,100 million convertible bonds and HK\$100 million promissory notes. These convertible bonds created imputed finance costs of approximately HK\$5.9 million which lead to the sharp increase in the finance costs during the review period.



Charges over assets

Around HK\$51.1 million of prepaid lease payments, HK\$67.3 million of investment properties, HK\$234 million prepayment and HK\$2.9 million of bank deposit have been charged to secure banking facilities granted to various subsidiaries. In last corresponding period, bank deposit of HK\$2.9 million was charged. Save as disclosed above, no other property, plant and equipment with any carrying value is pledged to any bank to secure banking facilities granted to subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK\$27.5 million and 1.06:1 as at 30th June, 2008. In 31st December, 2007 the amount was HK\$101.2 million and 1.99:1. The decrease in current ratio is largely due to the issuance of promissory notes amounting to HK\$100 million to finance the acquisition of coke trading business and the raising of bank loan for the advance payment required for the coke trading business.

The gearing ratio (defined as total liabilities over the total assets) of the Group as at 30th June, 2008 was approximately 72.4% (31st December, 2007: approximately 37.09%).

The Group's bank balances and cash equivalents amounted to approximately HK\$22.3 million (31st December, 2007: approximately HK\$85.1 million). Bank borrowings amounted to approximately HK\$320 million. Around HK\$234 million of the bank borrowings was used to finance the prepayment for the purchase of coke and around HK\$59.2 million bank borrowings was the mortgaged loan for various properties located in Hong Kong.

EMPLOYEES AND REMUNERATION

As at 30th June, 2008, the Group had approximately 980 employees (31st December, 2007: approximately 3,850 employees). Less than 100 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff cost amounted to approximately HK\$39.5 million for the six months ended 30th June, 2008 and approximately HK\$45.2 million was recorded in last corresponding period.

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 motivate individual performance. No share option has been granted under the share option scheme adopted by the Company up to the date of this report.



MAIN ACQUISITIONS AND NEW BUSINESS DEVELOPMENT

During the period under review, the Group has proposed to acquire three coal related businesses by signing two Sales and Purchase Agreements with Mr. Wu Jixian (“the Vendor”), who has been appointed as the Group’s Executive Director and Chief Executive Officer during the review period.

COKE TRADING BUSINESS

The first acquisition made in this review period is the acquisition of the coke trading business and the details of which had been disclosed in the Circular dated 20th March, 2008. This acquisition has been approved by the shareholders at the Special General Meeting on 7th April, 2008 and has been completed at 16th May, 2008. The consideration of this acquisition was HK\$1,200 million. The Group has issued HK\$1,100 million convertible bonds and HK\$100 million promissory notes to the Vendor and the Vendor has guaranteed that the audited net profits before tax of the coke trading business in financial year ended 2008 would not be less than HK\$100 million.

COAL-RELATED ANCILLARY BUSINESS

Another acquisition stated in the circular dated 20th March, 2008 and approved by the shareholders at the special general meeting dated 7th April, 2008 was the acquisition of the coal-related ancillary business. This business includes the assets of coal washing, electric power & heat generation and transportation in respect of coal and other ancillary materials. Up to the date of this report, such acquisition has not been completed. The expected completed date of this acquisition would be on 30th September, 2008 (or such other date agreed by the Group and the Vendor). Similar to the coke trading business, the Group will issue HK\$1,100 million convertible bonds and HK\$100 million promissory notes to the Vendor and the Vendor has guaranteed that the audited net profits before tax of the coal-related ancillary business in financial year ended 2008 would not be less than HK\$100 million and the net asset value at the date of acquisition would not be less than HK\$400 million.



COAL PROCESSING BUSINESS

The last acquisition proposed in this review period was the coal processing business and the details of which has been stated in the Circular dated 30th June, 2008. Such acquisition was approved by the shareholders at the special general meeting dated 23rd July, 2008. The expected completed date of this acquisition would be on 31st October, 2008 (or such other date agreed by the Group and the Vendor) and the net profits before tax guaranteed by the Vendor in 2009 would be HK\$300 million and the net assets value at the date of completion would not be less than HK\$650 million. The consideration for such acquisition would be HK\$2,400 million and the Company will issue approximately 3.8 billion convertible bonds at HK\$0.63 each to the Vendor for the acquisition.

MAJOR DISPOSAL OF MANUFACTURING BUSINESS

Given the poor performance of the Manufacturing – Others in the previous two financial years ended 31st December, 2007 and the six months ended 30th June, 2008, the Board recommended to dispose such business and has made the relevant announcement on 27th August, 2008 at a consideration of HK\$36 million. The consideration was determined after arm's length negotiation with reference to the unaudited consolidated net assets value of this segment. This proposed major disposal will be subject the shareholder's final approval at the special general meeting held on 6th October, 2008.

PROSPECTS

After the above three acquisitions, the Group will become an integrated coal processing Company involving Coal Washing, Coal Processing and Coke Trading. The production process is environmental friendly since it will use the by-products during the production process for heat and power generation.

With the continuous increase in steel production in countries like China, Russia, Ukraine and India, demands for coke will surely be increased in the coming years. It supports our management's view and decision to engage in the coke production business. Upon the completion of the three acquisitions, the Group may consider expanding its enlarged production capacities or pursuing diversification into upstream business of the Coal-related Businesses and is identifying investment opportunities in such connection.

With the change in the products mix of the Group from various proposed acquisitions and disposal, management are optimistic in the prospects of the Group.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

Interests in the securities of the Company and its associated corporations

As at 30th June, 2008, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) Directors' interests in the Shares

Name of Director	Number of Shares held, capacity and nature of interest			Percentage of the Company's issued share capital as at 30th June, 2008
	Personal interests	Family interests	Total	
Mr. Lam Po Kwai (a)	43,545,785	867,059 (Note (a))	44,412,844	6.43%
Ms. Lee Yuen Bing (b)	867,059	43,545,785 (Note (b))	44,412,844	6.43%
Mr. Sun Tak Keung	1,164,000	–	1,164,000	0.17%

Notes:

- (a) These Shares were held by Ms. Lee Yuen Bing, who was the spouse of Mr. Lam Po Kwai Frankie. By virtue of the SFO, Mr. Lam was deemed to be interested in the Shares held by Ms. Lee.
- (b) These Shares were held by Mr. Lam Po Kwai, who was the spouse of Ms. Lee Yuen Bing. By virtue of the SFO, Ms. Lee was deemed to be interested in the Shares held by Mr. Lam.

Save as disclosed above, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(ii) Director's interest in the underlying Shares

Name	Number of underlying Shares interested	Capacity	Approximate percentage of interest held
Wu Jixian	9,097,023,809	beneficial owner	1,317.60%

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2008, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Number of the issued share interested	Percentage of Company's Shares capital
Zhao Jie	55,000,000	7.97%
Zhang Chao Liang	52,500,000	7.60%
Golden Mount Limited (<i>note 1</i>)	100,097,209	14.50%
Chim Pui Chung (<i>note 1</i>)	100,097,209	14.50%
Solidpole Limited (<i>note 2</i>)	34,855,428	5.05% (<i>note 3</i>)
China Everbright Holdings Company Limited (<i>note 2</i>)	34,855,428	5.05% (<i>note 3</i>)



Notes:

1. Golden Mount Limited is a company incorporated in the BVI and is beneficially owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lun, Ricky (Executive Director). Golden Mount Limited has become a substantial shareholder of the Company since 17th August, 2007. Under the SFO, Mr Chim Pui Chung is deemed to be interested in the Shares held by Golden Mount Limited.
2. Solidpole Limited is a wholly-owned subsidiary of China Everbright Limited which is in turn a 55.47% owned subsidiary of Honorich Holdings Ltd.. Honorich Holdings Ltd. is a wholly-owned subsidiary of Datten Investments Ltd which in turn a wholly-owned subsidiary of China Everbright Holdings Company Limited Under the SFO, China Everbright Holdings Company Limited is deemed to be interested in the Shares held by Solidpole Limited.
3. The % of shareholding is calculated by the Shares held by Solidpole Limited divided by the issued share capital of 690,426,292 Shares as at 30th June, 2008. The % of shareholding shown in the last Notice Form dated 1st April, 2003 filed by each of Solidpole Limited and China Everbright Holdings Limited was 7.29, which was based on the then issued share capital of 477,926,292 Shares.

Other than the interest disclosed above, as at 30th June, 2008, the Directors are not aware of any person had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. It has reviewed the interim financial statements for the six months ended 30th June, 2008.



CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30th June, 2008 with the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules except for the following deviations.

Under CG Code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. Bye-law 99 (as amended by Bye-law 182(vi)) of the Company’s Bye-laws provides that one-third of the directors (other than Chairman or Managing Director) for the time being shall retire from office and shall be eligible for re-election at each annual general meeting. The Board considers that with eight directors and one-third of them being subject to retirement at every annual general meeting, all of them (apart from the Chairman or Managing Director) should be retired by rotation at least once every three years. In relation to the provision in the Bye-law that the Chairman or Managing Director shall not be subject to retirement by rotation, the Board considers that deviation from Code A.4.2 of the CG Code is acceptable due to the fact that Mr. Lam Po Kwai, Frankie, the Chairman of the Board is the founder of the Group and is eligible to remain in such offices during his lifetime and does not need to be subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the “Code”). Having made specific enquiry of the directors of the Company, all directors confirmed that they had complied with the required standard as set out in the Code during the six months ended 30th June, 2008.



PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

By Order of the Board
Lam Po Kwai, Frankie
Chairman

Hong Kong, 29th September, 2008