HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)

Interim Report

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CORPORATE INFORMATION

Board of directors

Mr. Li Baoqi
Mr. Wu Jixian
Mr. Chim Kim Lun, Ricky
Mr. Cheng Kwok Hing, Andy
Mr. Lam Po Kwai, Frankie
(resigned on 12th January, 2009)
Mr. Lam Hoy Lee, Laurie
(Independent Non-Executive Director)
Mr. Sun Tak Keung
(Independent Non-Executive Director)
Mr. Wan Hon Keung
(Independent Non-Executive Director)

Audit committee

Mr. Sun Tak Keung
Mr. Wan Hon Keung
Mr. Lam Hoy Lee, Laurie

Company secretary

Mr. Cheung Ka Fai

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

Room 4205, 42th Floor
Far East Finance Center
16 Harcourt Road
Admiralty, Hong Kong
Tel: 2861 0704
Fax: 2861 3908
E-mail: admin@huscoke.com
Website: www.huscoke.com

Registered office

Room 4205, 42th Floor
Far East Finance Center
16 Harcourt Road
Admiralty, Hong Kong

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, 2009 with comparative figures for the corresponding period of 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30th June,	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**658,380**	448,770
Cost of sales			
— Others		**(586,246)**	(429,173)
— Amortisation of other intangible assets		**(21,756)**	—
Gross profit		**50,378**	19,597
Other income		**4,438**	3,460
Distribution costs		**(3,543)**	(3,786)
Administrative expenses		**(21,382)**	(25,045)
Change in fair value on investments		**42**	2
Gain on disposal of property, plant and equipment and prepaid lease payment		**11,234**	242
Finance costs	*4*	**(9,070)**	(8,367)
Profit (loss) before income tax	*5*	**32,097**	(13,897)
Income tax expense	*6*	**(7,755)**	(2,310)
Profit (loss) and total comprehensive income (expenses) for the period		**24,342**	(16,207)
Attributable to:			
Owners of the Company		**20,216**	(16,207)
Minority interests		**4,126**	—
		24,342	(16,207)
Basic earnings (loss) per share	*7*	**HK0.34 cents**	(HK3.21 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30th June, 2009 (Unaudited) HK$'000	At 31st December, 2008 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*9*	**510,112**	532,618
Prepaid lease payments		**67,773**	80,115
Investment properties		**26,658**	26,658
Available-for-sale investment		**3,448**	3,448
Goodwill		**399,262**	399,262
Retirement benefit scheme's assets		**3,825**	3,825
Other intangible asset		**821,242**	842,998
		1,832,320	1,888,924
Current assets			
Inventories		**37,305**	68,867
Debtors, bills receivable and prepayments	*10*	**574,238**	565,921
Amount due from a minority shareholder of a subsidiary		**275,774**	186,887
Prepaid lease payments		**730**	730
Short term bank deposits		**—**	13,569
Short term pledged bank deposits		**—**	936
Bank balances and cash		**85,858**	54,451
Investments held for trading		**3,285**	3,243
		977,190	894,604

	Notes	At 30th June, 2009 (Unaudited) *HK$'000*	At 31st December, 2008 (Audited) *HK$'000*
Current liabilities			
Creditors, bills payable and accrued charges	*11*	**304,682**	248,770
Promissory notes	*12*	**98,412**	96,032
Income tax payable		**38,972**	56,663
Bank borrowings — due within one year		**359,101**	397,460
Amount due to minority shareholder of a subsidiary		**—**	18,955
Amount due to directors		**39,585**	12,000
		840,752	829,880
Net current assets		**136,438**	64,724
		1,968,758	1,953,648
Capital and reserves			
Share capital	*13*	**181,793**	181,293
Reserves		**1,539,788**	1,520,072
Equity attributable to equity holders of the Company		**1,721,581**	1,701,365
Minority interests		**63,004**	58,878
Total equity		**1,784,585**	1,760,243
Non-current liabilities			
Bank borrowings		**46,284**	49,518
Deferred income tax liabilities		**137,889**	143,887
		184,173	193,405
		1,968,758	1,953,648

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Special Reserve	Translation reserve	Capital redemption reserve	Convertible bonds reserve	Retained Profits (deficit)	Total	Minority	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 period	–	–	–	–	–	–	–	(16,207)	(16,207)	–	–
Total recognised income for the period	21,250	63,750	–	–	–	–	247,524	(16,207)	316,317	–	–
At 30th June, 2008 (unaudited)	**69,043**	**208,747**	**–**	**18,236**	**290**	**85**	**247,524**	**(50,846)**	**493,079**	**–**	**–**
At 1st January, 2009	**181,293**	**144,997**	**747,600**	**18,236**	**591**	**85**	**2,501,400**	**(1,892,837)**	**1,701,365**	**58,878**	**1,760,243**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,216**	**20,216**	**4,126**	**24,342**
Total recognised income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,216**	**20,216**	**4,126**	**24,342**
Conversion of Convertible bonds	**500**	**2,800**	**–**	**–**	**–**	**–**	**(3,300)**	**–**	**–**	**–**	**–**
At 30th June, 2009 (unaudited)	**181,793**	**147,797**	**747,600**	**18,236**	**591**	**85**	**2,498,100**	**(1,872,621)**	**1,721,581**	**63,004**	**1,784,585**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from (used in) operating activities	**47,739**	(16,979)
Net cash (used in) from investing activities	**(269)**	9,978
Net cash used in financing activities	**(30,568)**	(52,792)
Net increase (decrease) in cash and cash equivalents	**16,902**	(59,793)
Cash and cash equivalents at 1st January	**68,956**	85,090
Cash and cash equivalents at 30th June	**85,858**	25,297
Analysis of the balances of cash and cash equivalents		
Being:		
Short term bank deposits	**—**	2,954
Bank balances and cash	**85,858**	22,343
	85,858	25,297

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 under the historical cost convention, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

A number of new or revised standards, amendments and interpretations are effective for the financial year beginning on 1st January, 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31st December, 2008. 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 the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instrument issued in 2008
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operation segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 *Segment Reporting* required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment of HKFRS 5 as a part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendments)	Eligible Hedged Items[3]
HKFRS 1 (Amendment)	Additional exemptions for first time adoptor[4]
HKFRS 2 (Amendment)	Group cash-settled share based payment transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Effective annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st July, 2009.
4 Effective for annual periods beginning on or after 1st January, 2009.
5 Effective for transfers on or after 1st July, 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments 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, 2009.

Business segments

Segment results represents the profit or loss by each segment without allocation of finance costs. This is the measure reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Six months ended 30th June, 2009

	Trading — coke *HK$'000*	Coal-related ancillary business *HK$'000*	Trading — others *HK$'000*	Manufacturing — household products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Revenue						
External sales	—	487,427	128,123	41,849	981	658,380
Results						
Segment results before amortisation of other intangible assets	(3,735)	55,013	6,545	902	372	59,097
Amortisation of other intangible assets	(21,756)	—	—	—	—	(21,756)
Segment results	(25,491)	55,013	6,545	902	372	37,341
Unallocated income and expenses						(7,408)
Gain on disposal of property, plant and equipment and prepaid lease payment						11,234
Finance costs						(9,070)
Profit before income tax						32,097
Income tax expense						(7,755)
Profit for the period						24,342

Six months ended 30th June, 2008

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

4. Finance costs

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**6,690**	2,485
Imputed interested expense on convertible bonds	**2,380**	5,882
	9,070	8,367

5. Profit (loss) before income tax

Profit (loss) before income tax has been arrived at after charging:

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**21,298**	5,730
Operating lease payments in respect of rented properties	**479**	6,543

6. Income tax expense

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax expenses		
Hong Kong profits tax	**—**	2,220
Overseas taxation	**13,753**	—
	13,753	2,220
Deferred income tax	**(5,998)**	90
	7,755	2,310

No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2009 as there is no assessable profit for the period.

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

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

7. Earnings (loss) per share

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic earnings (loss) per share	**20,216**	(16,207)
Number of shares		
Weighted average number of shares for the purpose of basic earnings (loss) per share	**5,977,926**	505,647

Diluted earnings (loss) per share for both periods are not shown as there are no potential ordinary shares subsist during both of the periods presented.

8. Interim dividend

The Board has resolved not to pay any interim dividend for the six months ended 30th June, 2009 (2008: Nil).

9. Property, plant and equipment

During the six months ended 30th June, 2009, the Group spent approximately HK$156,000 (six months ended 30th June, 2008: HK$67,000) on additions to property, plant and equipment to upgrade its manufacturing capabilities. The Group also disposed the property of Lippo Centre Room 1613-1615 with a consideration of HK$27 million and resulted in a gain on disposal of HK$11 million.

10. Debtors, bills receivable and prepayments

	At 30th June, 2009 (Unaudited) *HK$'000*	At 31st December, 2008 (Audited) *HK$'000*
Trade debtors and bills receivable	**87,154**	76,015
Less: Allowances for bad and doubtful debts	**(2,600)**	(2,600)
	84,554	73,415
Other debtors and prepayments	**2,006**	3,108
Advance payments to a minority shareholder of a subsidiary for purchases	**465,000**	465,000
Advance payments to suppliers	**22,657**	24,377
Amounts due from related companies	**21**	21
	574,238	565,921

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, 2009 (Unaudited) *HK$'000*	At 31st December, 2008 (Audited) *HK$'000*
0 – 60 days	**42,302**	51,740
61 – 90 days	**18,220**	4,857
> 90 days	**24,032**	16,818
	84,554	73,415

11. Creditors, bills payable and accrued charges

	At 30th June, 2009 (Unaudited) *HK$'000*	At 31st December, 2008 (Audited) *HK$'000*
Trade creditors	**124,837**	114,417
Bills payable	**255**	1,141
Other creditors and accrued charges	**178,673**	55,231
Advance received from customers	**516**	77,500
Amount due to a related company	**401**	481
	304,682	248,770

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

	At 30th June, 2009 (Unaudited) *HK$'000*	At 31st December, 2008 (Audited) *HK$'000*
0 – 60 days	**98,274**	75,622
61 – 90 days	**21,438**	5,222
> 90 days	**5,380**	34,714
	125,092	115,558

The amount due to a related company is unsecured, non-interest bearing and repayable on demand.

12. Promissory notes

	HK$'000
Balance at 1st January, 2008	—
Issued upon the acquisition of businesses at fair value	190,476
Imputed interest expenses	2,843
Repayment for the period	(100,000)
Loss on early redemption	2,713
Balance at 31st December, 2008	96,032
Imputed interest expenses	2,380
Balance at 30th June, 2009	98,412

On 11th January, 2008, the Group and Mr. Wu Jixian, an executive director of the Company, entered into a sale and purchase agreement (the "Agreement") pursuant to which the Company issued the two promissory notes in the principal amount of HK$100 million each on 16th May, 2008 and 31st October, 2008 respectively with a maturity period of 12 months from the respective dates of issue to Mr. Wu Jixian for the partial settlement of the consideration for the acquisitions of Pride Eagle Group and Joy Wisdom Group respectively. The promissory notes are unsecured and non-interest bearing.

The fair value, represented the present value of the promissory notes, is arrived based on the maturity period of 12 months and an effective interest rate of 5% per annum.

13. Share capital

	Number of ordinary shares of HK$0.10 each		Nominal value	
	At 30th June, 2009 (Unaudited) *'000*	At 31st December 2008 (Audited) *'000*	**At 30th June, 2009 (Unaudited) *HK$'000***	At 31st December 2008 (Audited) *HK$'000*
Authorised:				
At beginning of the year	**20,000,000**	1,000,000	**20,000,000**	100,000
Increase on 7th April, 2008 *(note a)*	**—**	9,000,000	**—**	900,000
Increase on 23rd July, 2008 *(note b)*	**—**	10,000,000	**—**	1,000,000
At end of the period/year	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning of the period/year	**1,812,926**	477,926	**181,293**	47,793
Conversion of convertible bonds *(note c)*	**5,000**	1,335,000	**500**	133,500
At end of the period/year	**1,817,926**	1,812,926	**181,793**	181,293

Notes:

(a) Pursuant to the resolutions passed at the special general meeting held on 7th April, 2008, the Company increased the authorised share capital from HK$100,000,000 to HK$1,000,000,000 by the creation of 9,000,000,000 new ordinary shares of HK$0.10 each in the capital of the Company.

(b) 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 ordinary shares of HK$0.10 each in the capital of the Company.

(c) In this review period, the Company received notices of conversion from the holders of the Tranche 1 Bonds (as defined in note 14) exercising the right to convert the convertible bonds in the aggregate principal amount of HK$2,000,000 into 5,000,000 ordinary shares (31st December, 2008: HK$534,000,000 into 1,335,000,000 ordinary shares) of HK$0.10 each in the Company at the conversion price of HK$0.40 per share. These shares rank pari passu in all aspect with other shares in issue.

14. Convertible bonds

Pursuant to the Agreement, the Company issued two tranches of zero coupon convertible bonds, each of which has principal amount of HK$1,100 million to Mr. Wu Jixian on 16th May, 2008 ("Tranche 1 Bonds") and 31st October, 2008 ("Tranche 2 Bonds") respectively, with maturity date on the fifth anniversary of the respective dates of issue for the partial settlement of the acquisitions of Pride Eagle Group and Joy Wisdom Group respectively.

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

The bondholder may at any time during the five years from the respective dates of issue convert the whole or part of the principal amount of the convertible bonds into new ordinary shares of the Company at the conversion price of HK$0.40 per 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 of the Company (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 as required by the Stock Exchange. The conversion price of HK$0.40 per share is subject to adjustment for consolidation, sub-division or re-classification of shares, capital reduction, rights issues and other events which have diluting effects on the issued share capital of the Company. Any convertible bonds which remain outstanding on the maturity date shall be converted automatically into the new share of the Company under the same terms as mentioned above.

The convertible bonds are equity instrument containing equity element only and are presented in equity heading "convertible bonds reserve".

The total number of ordinary shares to be converted from the convertible bonds is 5,500 million of HK$0.10 each. The fair value of convertible bonds are determined by reference to the quoted market price of the ordinary shares of the Company, being HK$0.66 and HK$0.57 for each ordinary share, at respective issuance dates of Tranche 1 Bonds and Tranche 2 Bonds.

The movement of the amount of the convertible bonds during the period is set out below:

	HK$'000
At 1st January, 2008	—
Issued during the year, upon the acquisitions of businesses	3,382,500
Converted during the period	(881,100)
At 31st December, 2008	2,501,400
Converted during the period	(3,300)
At 30th June, 2009	2,498,100

At the time when the convertible bonds are converted into ordinary shares of the Company, the nominal value of share capital issued upon conversion will be transferred from the convertible bonds reserve to the share capital account while the difference between the fair value of the convertible bonds at their issuance dates and the nominal value of share capital issued will be transferred from the convertible bonds reserve to the contributed surplus account. During the review period, convertible bonds with aggregate carrying amount of HK$3,300,000 (2008: HK$881,100,000) (principal amount of HK$2,000,000 (2008: HK$534,000,000)) were converted into 5,000,000 (2008: 1,335,000,000) number of the Company's shares. Accordingly, HK$500,000 (2008: HK$133,500,000) was transferred to share capital account while HK$2,800,000 (2008: HK$747,600,000) was transferred to contributed surplus account. If the remaining convertible bonds with an aggregate carrying amount of HK$2,498,100,000 (2008: HK$2,501,400,000) are fully converted into ordinary shares of the Company subsequently, HK$416,000,000 (2008: HK$416,500,000) will be transferred to the share capital account while the remaining HK$2,082,100,000 (2008: HK$2,084,900,000) will be transferred to the contributed surplus account.

15. Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 31st May, 2002 for the primary purpose of providing incentives to director and eligible employees, and is effective for a period of 10 years commencing on the adoption date. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the expiration of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the review period, 5,500,000 share options were granted (2008: nil) at the exercise price of HK$0.50 per share.

16. Related party transactions

(a) During the review period, the Group entered into the following transaction with a related party:

	For the six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of refined coal and electricity to a minority shareholder of a subsidiary	**473,959**	—
Purchases of coke from a minority shareholder of a subsidiary	**—**	206,282
Rental expense to a related company	**—**	60

The related companies are companies in which certain directors of the Company have beneficial interests. Rental expense was for the provision of quarters to certain directors of the Company and has been included in directors' emoluments.

Details of balances with related companies and a minority shareholder of a subsidiary are set out in the condensed consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2008, the Group has expanded its business to engage in the coal related businesses. With the contribution by the new coal related businesses, the Group has successfully turnaround its loss making position and recorded a net profit of around HK$24.34 million in current review period. Group's revenue for the six months ended 30th June, 2009 has been increased by 46.7% to approximately HK$658.38 million compared to that of 2008 of approximately HK$448.77 million. Around 74% of the revenue was contributed by the coal related businesses. The economic tsunami happened in late 2008 has strengthened the management's belief in the repositioning of the Group's businesses.

For the coke trading business, with the increase in the PRC export tax from 25% to 40% and the reduction in the production scale of foreign steel mills due to the economic tsunami in late 2008, the PRC coke export market has been frozen in the first half of 2009. No revenue has been contributed by this new segment. However, the quantities of export quota undertaken by the Group have been increased to around 570,000 tones which represented around 4.7% of all the quotas granted by the PRC government. The increase in the limited quota will increase the business opportunities after the coke export market re-opened.

The Group's revenue was mainly contributed by the coal-related ancillary businesses which involved coal washing and electricity and heat generation. Although the PRC coke export market has been frozen since late 2008, the domestic coke market was still active and the Group has sold its washed coals to those coke processing plants. In this review period, these businesses contributed around HK$487.43 million revenue and HK$55 million profit to the Group.

For the original household products, management has focus more on the trading side instead of the manufacturing side since under economic recession, manufacturing sector, which are more costs intensive, are more volatile comparing to trading sector in the household products. Revenue contributed from the trading segment has increased greatly by 94.16% to approximately HK$128.12 million representing around 19.5% of the Group's revenue. Under the bad economic climate, margins for both trading and manufacturing of household products have been reduced to around 5.1% and 2.2% respectively.

Overall Gross Profits

Gross profit has been increased greatly from last corresponding period's HK$19.60 million to current period's HK$50.38 million. Although there was an amortization of other intangible assets amounting HK$21.76 million in this review period, with the contributions from the coal related businesses, gross profits ratio still improved from last corresponding period's 4.4% to current period's 7.7%.

Finance Costs

Interest expense has increased slightly from HK$8.37 million to current period's HK$9.07 million.

Charges over assets

Around HK$29.03 million (31st December, 2008: HK$32.54 million) of building, HK$60.56 million (31st December, 2008: HK$73.08 million) of prepaid lease payments, HK$26.66 million (31st December, 2008: HK$26.66 million) of investment properties and nil (31st December, 2008: HK$0.94 million) of bank deposit have been charged to secure banking facilities granted to various subsidiaries. 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.

As at 30th June, 2009, the Group has disposed one of its property and prepaid lease payment and the completion date for such disposal is in August 2009. Since both the risk and rewards have been transferred to the purchaser as at 30th June, 2009, we have recorded such disposal in current review period. For the related mortgage loan amounting to approximately HK$6.77 million, it has been wholly settled with the proceeds received in August 2009.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK$136.44 million and 1.16:1 as at 30th June, 2009. In 31st December, 2008, the amount was HK$64.72 million and 1.08:1. The improvement in current ratio is mainly due to the operating profit generated in this review period. Also, after the two acquisitions in 2008, there is no material capital investment in 2009.

The Group's bank balances and cash equivalents amounted to approximately HK$85.86 million (31st December, 2008: approximately HK$68.96 million). Bank borrowings amounted to approximately HK$446.98 million. Around HK$387.50 million of the bank borrowings was the structured trade finance for the coke export business and around HK$56 million bank borrowings was the mortgaged loan for various properties located in Hong Kong.

EMPLOYEES AND REMUNERATION

As at 30th June, 2009, the Group had approximately 1,229 employees (30th June, 2008: approximately 980 employees). Less than 100 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$11.54 million for the period ended 30th June, 2009 and approximately HK$39.50 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. Up to the date of this announcement, there are 5,500,000 share options granted under the share option scheme.

MAIN ACQUISITIONS AND NEW BUSINESS DEVELOPMENT

Major Disposal and Connected Transaction

On 19th August, 2009, the Group has signed a sale and purchase agreement with an associate of Mr. Lam Po Kwai, Frankie, the former director and chairman of the Group for the sales of all the interests of Frankie Dominion (B.V.I.) Company Limited, which is the holding company of various subsidiaries engaging in the trading and manufacturing of the household products. For more details, please refer to the Circular relating to the disposal dated 10th September, 2009.

Subject to the shareholder and the Stock Exchange of Hong Kong Limited's approval, the Group will dispose those subsidiaries engaging in the household products at its net assets value adjusting by the fair value of its properties. With the increase in the fair value of the properties, it is expected that there will be a gain on disposal of around HK$22.2 million for such disposal and after that, management will focus on the coal related businesses.

Prospects

In order to stimulus the economies after the economic tsunami, overseas governments will surely increase their spending in infrastructure which will ultimately increase the demand for coke as the necessary ingredients in steel production. The PRC is a stable coke supplier, in terms of both quality and quantity, in the international market but such supplies are constrained by the PRC export quota system. With the limited supply and increasing demand coke, management expected that the price for international coke will ultimately increase. The current frozen situation is mainly due to the increase in the export tax from 25% to 40% at the time of economic recession. However, the situation will change with the continued improvement in the economies and the supply of coke will become inadequate. Demand for PRC Export Coke will be increased again.

To further increase the profitability of the Group, management will continue to investigate the possibilities for expanding the Group's capacity and for securing more coal as the raw materials for coal washing. The Group may consider undertaking some nearby coal mines in order to purchase coals at discounted prices or to acquire a coke processing plant to become an integrated coke producer and exporter. Management has restarted the negotiation for acquiring the coke processing plant which the Group has previously planned to acquire in May 2008 and has been cancelled in January 2009 due to the outbreak of the economic tsunami in late 2008. Management considers that both moves can enlarge the profits margin of the Group.

With the expected increase in steel production in countries like USA, Russia and Europe, demands for PRC's coke will surely be increased in the coming years. It supports our management's view and decision to engage in the coke related business. Overall, management believes the repositioning of the Group's business by disposing the loss making business and acquiring profits generated coke related business is a successful move for the Group's long term development and 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, 2009, 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:

Long positions in the Shares

Name of Director	Nature of interest	Number of Shares held	Percentage of the Company's existing issued share capital *(%)*
Wu Jixian *(note a)*	Personal interest	450,000,000	24.75
Sun Tak Keung	Personal interest	1,164,000	0.06

Long positions in the underlying Shares

Name of Director	Nature of interest	Number of Shares held	Percentage of the Company's existing issued share capital *(%)*
Wu Jixian *(note a)*	Personal interest	4,161,800,000	228.93
Li Baoqi *(note b)*	Personal interest	1,500,000	0.08

Notes:

(a) As at the Latest Practicable Date, Mr. Wu Jixian, an executive Director, beneficially owned 450,000,000 Shares, he was also interested in convertible bonds in the aggregate principal amount of HK$1,664,000,000, which were convertible into 4,160,000,000 Shares. Mr. Wu was also entitled to share options to subscribe for a maximum of 1,800,000 Shares upon exercise of the options in full.

(b) As at the Latest Practicable Date, Mr. Li Baoqi, an executive Director, was entitled to share options to subscribe for a maximum of 1,500,000 Shares upon exercise of the options in full.

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

Substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at 30th June, 2009, the following persons (not being Directors or chief executive of the Company) had, or were deemed 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, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions:

Name	*Notes*	**Number of Shares held**	**Percentage of the Company's existing issued share capital** *(%)*
Sun Tak Sing	*(a)*	108,728,000	5.98
Golden Mount Limited	*(b)*	100,097,209	5.51

Notes:

(a) The relevant Shares were held by Mr. Sun Tak Sing as beneficial owner, Mr. Sun is a brother of Mr. Sun Tak Keung, an independent non-executive Director.

(b) The relevant Shares were owned by Golden Mount Limited which is a company beneficially owned by Mr. Chim Pui Chung, who is the father of Mr. Chim Kim Lun, Ricky, an executive Director.

Save as disclosed above, as at 30th June, 2009, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), 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, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member 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, 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30th June, 2009 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules.

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, 2009.

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
Li Baoqi
Acting Chairman

Hong Kong, 28th September, 2009