



HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)



Interim Report 2011



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Gao Jianguo (*Chairman*)
(appointed on 19 September 2011)
Mr. Li Baoqi (*Chief Executive Officer*)
Mr. Cheung Ka Fai (*Chief Financial Officer*)
Mr. Wu Jixian (*redesignated to Non-executive Director on 19 September 2011*)

Non-executive Director

Mr. Wu Jixian (*redesignated from Executive Director on 19 September 2011*)

Independent Non-executive Directors

Mr. Lam Hoy Lee, Laurie
Mr. To Wing Tim, Paddy
Mr. Lau Ka Ho
(appointed on 21 April 2011)
Mr. Wan Hon Keung
(resigned on 21 April 2011)

Audit Committee

Mr. Lam Hoy Lee, Laurie
Mr. To Wing Tim, Paddy
Mr. Lau Ka Ho
(appointed on 21 April 2011)
Mr. Wan Hon Keung
(resigned on 21 April 2011)

Company Secretary

Mr. Cheung Ka Fai

Company Solicitors

In Hong Kong

Chiu & Partners

In Bermuda

Appleby Spurling Hunter

Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

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

Share Registrars and Transfer Office

In Hong Kong

Tricor Secretaries Limited

In Bermuda

Butterfield Corporate Services Limited

Principal Office in Hong Kong

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Far East Finance Center
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Registered Office

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Hamilton HM12
Bermuda

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 30 June 2011 with comparative figures for the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

| | | For the six months ended 30 June | |
|---------------------------------------------------------------------------------|--------------|---------------------------------------------|-------------------------|
| | | 2011 | 2010 |
| | <i>Notes</i> | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Revenue | 3 | 1,069,499 | 817,154 |
| Cost of sales | | | |
| — Amortisation of other intangible assets | | (21,756) | (21,756) |
| — Others | | (867,362) | (645,766) |
| Gross profit | | 180,381 | 149,632 |
| Other income | | 11,159 | 3,401 |
| Distribution costs | | (51,212) | (1,894) |
| Administrative expenses | | (37,448) | (27,355) |
| Gain on disposal of property, plant and equipment and prepaid lease payments | | — | 11 |
| Finance costs | 4 | (36,280) | (6,847) |
| Profit before income tax | 5 | 66,600 | 116,948 |
| Income tax expense | 6 | (21,156) | (35,429) |
| Profit for the period | | 45,444 | 81,519 |
| Other comprehensive income for the period: | | | |
| Exchange differences arising on translation of foreign operations | | 30,477 | 2,190 |
| | | 75,921 | 83,709 |
| Profit for the period attributable to: | | | |
| Owners of the parent | | 36,371 | 69,813 |
| Non-controlling interests | | 9,073 | 11,706 |
| | | 45,444 | 81,519 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 63,800 | 71,784 |
| Non-controlling interests | | 12,121 | 11,925 |
| | | 75,921 | 83,709 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT | | | |
| Basic | | | |
| — For profit for the period | 7 | HK0.61 cents | HK1.17 cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

| | | At 30 June 2011 (Unaudited) HK\$'000 | At 31 December 2010 (Audited) HK\$'000 |
|-----------------------------------------------------------|--------------|-------------------------------------------------------------|----------------------------------------------------|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 1,319,783 | 1,291,806 |
| Available-for-sale investment | | 2,568 | 2,568 |
| Goodwill | | 399,262 | 399,262 |
| Other intangible asset | | 734,218 | 755,974 |
| Other investments | | 2,410 | — |
| | | <hr/> 2,458,241 <hr/> | <hr/> 2,449,610 <hr/> |
| Current assets | | | |
| Inventories | | 152,799 | 171,711 |
| Trade and bills receivables | 10 | 390,909 | 280,019 |
| Prepayments, deposits and other receivables | 11 | 399,320 | 682,938 |
| Amount due from the non-controlling shareholder | 12 | 483,126 | 351,132 |
| Equity investment at fair value through profit or loss | | 3,351 | 3,351 |
| Pledged deposits | | 120,482 | 23,529 |
| Cash and cash equivalents | | 41,219 | 16,977 |
| | | <hr/> 1,591,206 <hr/> | <hr/> 1,529,657 <hr/> |
| Current liabilities | | | |
| Trade and bills payables | 13 | 541,609 | 544,896 |
| Other payables and accruals | 14 | 270,743 | 216,564 |
| Convertible bonds | 18 | 89,297 | 59,683 |
| Promissory notes | 15 | 225,353 | 214,679 |
| Tax payable | | 16,684 | 84,637 |
| Interest-bearing bank borrowings | 16 | 233,082 | 231,550 |
| Amount due to the non-controlling shareholder | 12 | 14,160 | 13,501 |
| | | <hr/> 1,390,928 <hr/> | <hr/> 1,365,510 <hr/> |

| | | At 30 June 2011 (Unaudited) <i>HK\$'000</i> | At 31 December 2010 (Audited) <i>HK\$'000</i> |
|---------------------------------------------------------|--------------|---------------------------------------------------------|-----------------------------------------------------------|
| | <i>Notes</i> | | |
| Net current assets | | <u>200,278</u> | <u>164,147</u> |
| Total assets less current liabilities | | <u>2,658,519</u> | <u>2,613,757</u> |
| Non-current liabilities | | | |
| Convertible Bonds | 18 | (102,054) | (119,367) |
| Deferred tax liabilities | | (130,435) | (134,096) |
| Promissory notes | 15 | <u>(208,334)</u> | <u>(198,466)</u> |
| Total non-current liabilities | | <u>(440,823)</u> | <u>(451,929)</u> |
| Net assets | | <u>2,217,696</u> | <u>2,161,828</u> |
| Equity | | | |
| Issued share capital | 16 | 452,293 | 434,293 |
| Reserves | | <u>1,610,324</u> | <u>1,584,577</u> |
| Equity attributable to equity holders of the Company | | <u>2,062,617</u> | <u>2,018,870</u> |
| Non-controlling interests | | <u>155,079</u> | <u>142,958</u> |
| Total equity | | <u>2,217,696</u> | <u>2,161,828</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2011

| | Attributable to equity holders of the Company | | | | | | | | | | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------|------------------------------------|--------------------------------|-----------------------------------------|------------------------------------|----------------------------------------------|---------------------------------------------|-----------------------------------------------------------------|------------------|-------------------|----------------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Contributed surplus HK\$'000 | Special reserve HK\$'000 | Share options reserve HK\$'000 | Translation reserve HK\$'000 | Capital redemption reserve HK\$'000 | Convertible bonds reserve HK\$'000 | Retained profits (accu- mulated losses) HK\$'000 | | | | |
| At 1st January, 2010 | 336,543 | 144,997 | 1,599,000 | 18,236 | 760 | 591 | 85 | 1,494,750 | (1,799,101) | 1,795,861 | 72,380 | 1,868,241 | |
| Profit for the period and total comprehensive income for the period | – | – | – | – | – | 2,190 | – | – | 69,813 | 72,003 | 11,706 | 83,709 | |
| Issuance of convertible bonds | – | – | – | – | – | – | – | 22,193 | – | 22,193 | – | 22,193 | |
| Conversion of Convertible bonds | 77,750 | – | 371,050 | – | – | – | – | (448,800) | – | – | – | – | |
| Capital injection from non- controlling shareholders | – | – | – | – | – | – | – | – | – | – | 36,772 | 36,772 | |
| At 30th June, 2010 (unaudited) | 414,293 | 144,997 | 1,970,050 | 18,236 | 760 | 2,781 | 85 | 1,068,143 | (1,729,288) | 1,890,057 | 120,858 | 2,010,915 | |
| At 1st January 2011 | 434,293 | 144,997 | 335,050 | 18,236 | 3,562 | 35,151 | 85 | 949,738 | 97,758 | 2,018,870 | 142,958 | 2,161,828 | |
| Profit for the period | – | – | – | – | – | – | – | – | 36,371 | 36,371 | 9,073 | 45,444 | |
| Other comprehensive income for the period: Exchange differences arising on translation of foreign operations | – | – | – | – | – | 27,429 | – | – | – | 27,429 | 3,048 | 30,477 | |
| Total comprehensive income for the period | – | – | – | – | – | 27,429 | – | – | 36,371 | 63,800 | 12,121 | 75,921 | |
| Issuance of shares upon conversion of convertible bonds | 18,000 | – | 84,600 | – | – | – | – | (102,600) | – | – | – | – | |
| Equity settled share option arrangement | – | – | – | – | 2,562 | – | – | – | – | 2,562 | – | 2,562 | |
| Dividend paid | – | – | – | – | – | – | – | – | (22,615) | (22,615) | – | (22,615) | |
| At 30th June, 2011 (unaudited) | 452,293 | 144,997 | 419,650 | 18,236 | 6,124 | 62,580 | 85 | 847,138 | 111,514 | 2,062,617 | 155,079 | 2,217,696 | |

Notes:

- (i) The contributed surplus represents the excess of fair value of convertible bonds issued as part of the consideration of acquisition of businesses over the nominal amount of the ordinary shares issued. Pursuant to section 40(1) of the Bermuda Companies Act, the excess of value of shares converted over the nominal value of the shares being issued by the Company is credited to a contributed surplus account.
- (ii) The special reserve represents the difference between the nominal value of the shares of the subsidiaries at the date when the shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

| | For the six months ended 30 June | |
|-----------------------------------------------------------------|------------------------------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Net cash generated from operating activities | 204,783 | 148,988 |
| Net cash used in investing activities | (144,584) | (223,300) |
| Net cash generated from (used in) financing activities | (37,010) | 67,203 |
| | <hr/> | <hr/> |
| Net increase (decrease) in cash and cash equivalents | 23,189 | (7,109) |
| Cash and cash equivalents at 1 January | 16,977 | 29,122 |
| Effect of foreign currency rate changes, net | 1,053 | — |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 June | 41,219 | 22,013 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of the balances of cash and cash equivalents Being: | | |
| Bank balances and cash | 41,219 | 22,013 |
| | <hr/> | <hr/> |
| | 41,219 | 22,013 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”). They have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair values.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2010.

2. Principal accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2010, except for the adoption of following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as of 1 January 2011, noted below:

| | |
|------------------------------|------------------------------------------------------------------------------------------------------|
| HKAS 24 (Revised) | <i>Related Party Disclosures</i> |
| HKAS 32 (Amendment) | Amendment to HKAS 32 Financial Instruments: <i>Presentation — Classification of Rights Issues</i> |
| HK(IFRIC)-Int 14 (Amendment) | Amendment to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> |
| HK(IFRIC)-Int 19 | <i>Extinguishing Financial Liabilities with Equity Instruments</i> |
| Improvements to HKFRSs 2010 | Amendments to a number of HKFRSs issued in May 2010 |

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

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

| | |
|---------------------|-------------------------------------------------------------------------------------------------------------|
| HKAS 1 (Revised) | <i>Presentation of Financial Statements</i> ³ |
| HKAS 9 (2011) | <i>Employee Benefits</i> ⁴ |
| HKFRS 7 (Amendment) | Amendment to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> ¹ |
| HKAS 12 (Amendment) | Amendment to HKAS 12 <i>Income Taxes— Deferred Tax: Recovery of Underlying Assets</i> ² |

| | |
|----------|---------------------------------------------------------------|
| HKFRS 9 | <i>Financial Instruments</i> ⁵ |
| HKFRS 10 | <i>Consolidated Financial Statements</i> ⁴ |
| HKFRS 11 | <i>Joint Arrangements</i> ⁴ |
| HKFRS 12 | <i>Disclosure of Interests in Other Entities</i> ⁴ |
| HKFRS 13 | <i>Fair Value Measurement</i> ⁴ |

- ¹ Effective for annual periods beginning on or after 1 July 2011
- ² Effective for annual periods beginning on or after 1 January 2012
- ³ Effective for annual periods beginning on or after 1 July 2012
- ⁴ Effective for annual periods beginning on or after 1 January 2013
- ⁵ Tentatively effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

3. Revenue

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

Business segments

Segment results represents the profit or loss by each segment without allocation of corporate administrative expenses, gain on disposal of property, plant and equipment and prepaid lease payment, interest on convertible bonds and interest on promissory notes. This is the measure reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Six months ended 30 June 2011

| | Trading of coke <i>HK\$'000</i> | Coal related ancillary <i>HK\$'000</i> | Coke production <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|------------------------|---------------------------------------|-------------------------------------------------|---------------------------------------|--------------------------------|---------------------------------|
| Revenue | | | | | |
| Segment revenue | | | | | |
| — external sales | 105,039 | 321,993 | 642,466 | — | 1,069,498 |
| — intersegment sales | — | 595,116 | — | (595,116) | — |
| Other income and gains | 3,463 | 7,941 | — | — | 11,404 |
| Total | <u>108,502</u> | <u>925,050</u> | <u>642,466</u> | <u>(595,116)</u> | <u>1,080,902</u> |

| | Trading of coke HK\$'000 | Coal related ancillary HK\$'000 | Coke production HK\$'000 | Elimination HK\$'000 | Consolidated HK\$'000 |
|-------------------------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------|-------------------------|--------------------------|
| Results | | | | | |
| Segment results before amortisation of other intangible assets | 22,116 | 107,817 | 6,536 | (24,002) | 112,467 |
| Amortisation of other intangible assets | <u>(21,756)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(21,756)</u> |
| Segment results | <u>360</u> | <u>107,817</u> | <u>6,536</u> | <u>(24,002)</u> | <u>90,711</u> |
| Corporate administrative expenses | | | | | (14,679) |
| Interest on convertible bonds | | | | | (20,001) |
| Interest on promissory notes | | | | | <u>(10,587)</u> |
| Profit for the period | | | | | <u>45,444</u> |

Six months ended 30 June 2010

| | Trading of coke HK\$'000 | Coal-related ancillary HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------------------------------------------------------|--------------------------------|---------------------------------------|--------------------------|
| Revenue | | | |
| External sales | <u>—</u> | <u>817,154</u> | <u>817,154</u> |
| Results | | | |
| Segment results before amortisation of other intangible assets | (6,684) | 120,647 | 113,963 |
| Amortisation of other intangible assets | <u>(21,756)</u> | <u>—</u> | <u>(21,756)</u> |
| Segment results | <u>(28,440)</u> | <u>120,647</u> | 92,207 |
| Corporate administrative expenses | | | (8,179) |
| Gain on disposal of property, plant and equipment and prepaid lease payment | | | 11 |
| Interest on convertible bonds | | | (1,435) |
| Interest on promissory notes | | | <u>(1,085)</u> |
| Profit for the period | | | <u>81,519</u> |

4. Finance costs

| | For the six months ended 30 June | |
|--------------------------------------------------------------------|-------------------------------------|--------------|
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank borrowings, wholly repayable within five years | 5,692 | 4,327 |
| Interest on convertible bonds | 20,001 | 1,435 |
| Interest on promissory notes | 10,587 | 1,085 |
| | <u>36,280</u> | <u>6,847</u> |

5. Profit before income tax

Profit before income tax has been arrived at after charging:

| | For the six months ended 30 June | |
|-------------------------------|-------------------------------------|---------------|
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Depreciation and amortisation | <u>67,384</u> | <u>64,310</u> |

6. Income tax expense

| | For the six months ended 30 June | |
|----------------------------------------------------------|-------------------------------------|----------------|
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax expenses | | |
| Overprovision of Hong Kong profits tax in prior years | (4,464) | — |
| Overseas taxation | 29,281 | 39,019 |
| | <u>24,817</u> | <u>39,019</u> |
| Deferred income tax | <u>(3,661)</u> | <u>(3,590)</u> |
| | <u>21,156</u> | <u>35,429</u> |

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2010 and 2011 as there is no assessable profit for the periods.

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

7. Earnings per share

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

| | For the six months ended 30 June | |
|-------------------------------------------------------------------------------|---------------------------------------------|------------------|
| | 2011 | 2010 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Earnings for the purpose of basic earnings per share | <u>36,371</u> | <u>69,813</u> |
| Number of shares | | |
| Weighted average number of shares for the purpose of basic earnings per share | <u>5,977,926</u> | <u>5,977,926</u> |

Diluted earnings per share for both periods are not shown as there are no potential ordinary shares subsist during both of the periods presented. The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options nor the conversion of the convertible bonds as the exercise price of those options and the conversion prices of those convertible bonds are higher than the average market price for shares for the period.

8. Interim dividend

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2011 (2010: Nil).

9. Property, plant and equipment

During the six months ended 30th June, 2011, the Group spent approximately HK\$45 million (six months ended 30th June, 2010: HK\$700 million) on buildings and fixtures.

10. Trade and bills receivables

| | | Group | |
|---------------------------------------------------------------------|--------------|--------------------|-----------------|
| | | At 30 | At 31 |
| | | June 2011 | December 2010 |
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Trade receivables | | 753,553 | 574,092 |
| Bills receivables | | 120,482 | 57,059 |
| | | 847,035 | 631,151 |
| Less: Trade receivables due from the Non-controlling Shareholder | 12 | (483,126) | (351,132) |
| | | 390,909 | 280,019 |

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 such arrangement enables the Group to limit its credit risk exposure. As at 30 June 2011, approximately 55% (2010: 56%) and 4% (2010: 33%) of the Group's trade receivables were due from the Group's two customers, there is a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is an amount due from the Non-controlling Shareholder of HK\$483,126,000 (2010: HK\$351,132,000) which is receivable on similar credit terms to those offered to the major customers of the Group.

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

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date, is as follows:

| | | Group | |
|-------------------------------|--|--------------------|-----------------|
| | | At 30 | At 31 |
| | | June 2011 | December 2010 |
| | | (Unaudited) | (Audited) |
| | | HK\$'000 | HK\$'000 |
| Neither past due nor impaired | | 621,103 | 595,798 |
| More than 3 months past due | | 252,932 | 35,353 |
| | | 874,035 | 631,151 |

11. Prepayments, deposits and other receivables

| | Notes | Group | | Company | |
|-----------------------------------------------------|-------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| | | At 30 June 2011 (Unaudited) HK\$'000 | At 31 December 2010 (Audited) HK\$'000 | At 30 June 2011 (Unaudited) HK\$'000 | At 31 December 2010 (Audited) HK\$'000 |
| Other receivables and prepayments | | 66,670 | 22,647 | 4,022 | 1,584 |
| Advance payments to the Non-controlling Shareholder | (i) | 102,704 | 249,957 | — | — |
| Advance payments to other suppliers | (ii) | 229,946 | 410,334 | — | — |
| | | <u>399,320</u> | <u>682,938</u> | <u>4,022</u> | <u>1,584</u> |

As at 30 June 2011 and 31 December 2010, other receivables were neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes:

- (i) Advance payments are requested by the coke supplier, which is the Non-controlling Shareholder, for purchase of coke for export trading. The balance is unsecured, non-interest-bearing and is to be settled with future purchases. For the period ended 30 June 2011, there was no purchase of coke for export trading, and the coke supplier had made partial refund of the advance payments upon request by the Group. In the opinion of the directors, the balance at 30 June 2011 will be set off against future purchases from the coke supplier or will be settled within one year upon request by the Group, whichever is earlier.
- (ii) Advance payments are requested by the suppliers of raw materials for the coal-related ancillary and the coke production businesses. The balances are unsecured, non-interest-bearing and to be settled with future purchases.

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

12. Amount due from/(to) the Non-controlling Shareholder

| | | Group | |
|-------------------------------------------------------------------------------|--------------|-----------------------|-----------------|
| | | At 30 | At 31 |
| | | June 2011 | December 2010 |
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Trade receivables due from the Non-controlling Shareholder (<i>Note 10</i>) | <i>(i)</i> | <u>483,126</u> | <u>351,132</u> |
| Amount due to the Non-controlling Shareholder | <i>(ii)</i> | <u>14,160</u> | <u>13,501</u> |

Notes:

- (i) The balance is trade in nature and is unsecured, non-interest-bearing and repayable within the credit term of 120 days (2010: 120 days), which is similar to those granted to major trading customers of the Group.
- (ii) The balance represented the remaining cash consideration payable in relation to the acquisition of the coke production assets.

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

13. Trade and bills payables

| | | Group | |
|----------------|--|-----------------------|-----------------|
| | | At 30 | At 31 |
| | | June 2011 | December 2010 |
| | | (Unaudited) | (Audited) |
| | | HK\$'000 | HK\$'000 |
| Trade payables | | <u>397,031</u> | <u>521,366</u> |
| Bills payables | | <u>144,578</u> | <u>23,530</u> |
| | | <u>541,609</u> | <u>544,896</u> |

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

| | Group | |
|----------------|-----------------------|-----------------|
| | At 30 | At 31 |
| | June 2011 | December 2010 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Within 1 month | 162,483 | 141,326 |
| 1 to 2 months | 178,501 | 107,344 |
| 2 to 3 months | 153,955 | 50,081 |
| Over 3 months | 46,670 | 246,145 |
| | <u>541,609</u> | <u>544,896</u> |

The trade payables are non-interest-bearing and are normally settled on a 120 days term.

The carrying amounts of trade and bills payables approximate their fair values.

14. Other payables and accruals

| | Group | | Company | |
|------------------------------------|-----------------------|-----------------|--------------------|-----------------|
| | At 30 | At 31 | At 30 | At 31 |
| | June 2011 | December 2010 | June 2011 | December 2010 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Other payables and accrued charges | 136,697 | 142,849 | 548 | 3,229 |
| Advance received from a customer | 134,046 | 73,715 | — | — |
| | <u>270,743</u> | <u>216,564</u> | <u>548</u> | <u>3,229</u> |

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

The carrying amounts of other payables approximate their fair values.

15. PROMISSORY NOTES

| | Group | |
|-----------------------|--------------------|-----------------|
| | At 30th | At 31st |
| | June 2011 | December 2010 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| 2010 Promissory Notes | 433,687 | 413,145 |
| Current portion | (225,353) | (214,679) |
| Non current portion | 208,334 | 198,466 |

2010 Promissory Notes

On 10 June 2010, the Company issued two unsecured, interest-free promissory notes (the "2010 Promissory Notes") with the principal amount of RMB191,740,000 (approximately HK\$219,000,000) each to the Non-controlling Shareholder as part of the consideration for the acquisition of the coke production assets. The effective interest rate of the 2010 Promissory Notes is 5.4% per annum. Each of the 2010 Promissory Notes matures on 9 December 2011 and 9 June 2013, respectively. The carrying values of the promissory notes approximate their fair values.

16. INTEREST-BEARING BANK BORROWINGS

Group

| | 30 June 2011 | | | 31 December 2010 | | | 1 January 2010 | | |
|---------------------------------------------------------------|-------------------------------------|-----------|----------------|-------------------------------------|-----------|----------------|-------------------------------------|-----------|----------------|
| | Effective contractual interest rate | Maturity | HK\$'000 | Effective contractual interest rate | Maturity | HK\$'000 | Effective contractual interest rate | Maturity | HK\$'000 |
| Export loans | 1 month LIBOR + 2.5% | 2011 | 77,500 | 1 month LIBOR + 2.5% | 2011 | 193,750 | 1 month LIBOR + 2.5% | 2010 | 333,250 |
| Mortgage loans | 1 month HIBOR + 1.25% | On demand | 35,100 | 1 month HIBOR + 1.25% | On demand | 37,800 | 1 month HIBOR + 1.25% | On demand | 43,200 |
| Other bank loans | 1 month 0.54% | On demand | 120,482 | — | — | — | — | — | — |
| | | | 233,082 | | | 231,550 | | | 376,450 |
| Secured | | | 112,600 | | | 231,550 | | | 376,450 |
| Unsecured | | | 120,482 | | | — | | | — |
| | | | 233,082 | | | 231,550 | | | 376,450 |
| Carrying amounts repayable On demand or within one year | | | 233,082 | | | 231,550 | | | 376,450 |

Notes:

- (a) Except for the export loans of HK\$77,500,000 (2010: HK\$193,750,000) which are denominated in United States dollars and other bank loans of HK\$120,482,000 (2010: nil) which are denominated in Renminbi, all bank borrowings are denominated in Hong Kong dollars.
- (b) Secured bank borrowings are secured by:
- (i) mortgages over the Group's land and buildings, and investment property situated in Hong Kong, which had an aggregate carrying value at 30 June 2011 of HK\$108,970,000 (2010: HK\$111,052,000); and
- (c) Export loans represent loans obtained by the Group to make advance payments to the Non-controlling Shareholder for purchases of coke for export trade as set out in note 11 to the financial statements. At 30 June 2011, the balance was to be settled within one year, or upon receipt of export sales of coke, whichever is earlier.
- (d) Due to the adoption of HK Interpretation 5 in the current reporting period, the Group's bank loan in the amount of HK\$29,700,000 (2010: HK\$32,400,000) containing a repayment on demand clause has been reclassified as a current liability. For the purpose of the above analysis, the bank loan is included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.
- (e) Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are HK\$203,382,000 (2010: HK\$199,150,000) payable within one year; HK\$5,400,000 (2010: HK\$5,400,000) payable in the second year; HK\$16,200,000 (2010: HK\$16,200,000) payable in the third to fifth years, inclusive and HK\$8,100,000 (2010: HK\$10,800,000) payable beyond five years.

17. Share Capital

Shares

| | At 30 June 2011 (Unaudited) HK\$'000 | At 31 December 2010 (Audited) HK\$'000 |
|-----------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|
| Authorised: | | |
| 20,000,000,000 (2010: 20,000,000,000) ordinary shares of HK\$0.1 each | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued and fully paid: | | |
| 4,522,926,292 (2010: 4,342,926,292) ordinary shares of HK\$0.1 each | <u>452,293</u> | <u>434,293</u> |

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

| | <i>Note</i> | Number of share in issue | Issued capital HK\$'000 |
|---------------------------------------------------------------|-------------|-----------------------------------------|----------------------------------------|
| At 1 January 2010 | | 3,365,426,292 | 336,543 |
| Issue of shares upon conversion of the 2008 Convertible Bonds | (a) | <u>977,500,000</u> | <u>97,750</u> |
| At 31 December 2010 and 1 January 2011 | | 4,342,926,292 | 434,293 |
| Issue of shares upon conversion of the 2008 Convertible Bonds | (a) | <u>180,000,000</u> | <u>18,000</u> |
| At 30 June 2011 | | <u>4,522,926,292</u> | <u>452,293</u> |

Note:

- (a) During the period ended 30 June 2011, 180,000,000 (2010: 977,500,000) ordinary shares of the Company of HK\$ 0.1 each were issued upon partial conversion of the 2008 Convertible Bonds with an aggregate principal amount of HK\$72,000,000 (2010: HK\$391,000,000) at a conversion price of HK\$0.4 each (note 17).

18. CONVERTIBLE BONDS***2008 Convertible Bonds***

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

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

The bondholder may, at any time during the respective bond issue periods, convert in whole or in part the 2008 Convertible Bonds into ordinary shares of the Company at the conversion price of HK\$0.4 per share subject to adjustments. Any portion of the bonds which remain outstanding on the respective maturity dates shall be mandatorily converted into new shares of the Company under the same terms mentioned above. The total number of ordinary shares to be converted from the 2008 Convertible Bonds is 5,500 million shares of HK\$0.1 each at a conversion price of HK\$0.4 per share.

The 2008 Convertible Bonds are considered equity instruments and are included in equity under convertible bonds reserve.

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

During the period ended 30 June 2011, the 2008 Convertible Bonds with an aggregate carrying amount of HK\$102,600,000 (2010: HK\$562,800,000) and principal amount of HK\$72,000,000 (2010: HK\$391,000,000) were converted into 180,000,000 (2010: 977,500,000) shares of the Company. Accordingly, HK\$18,000,000 (2010: HK\$97,750,000) and HK\$84,600,000 (2010: HK\$465,050,000) were transferred from convertible bonds reserve to share capital and the contributed surplus accounts, respectively.

If the remaining 2008 Convertible Bonds with an aggregate carrying amount of HK\$829,350,000 as at 30 June 2011 (2010: HK\$931,950,000) were fully converted, it would result in the issue of 1,455,000,000 (2010: 1,635,000,000) additional ordinary shares of the Company, and HK\$145,500,000 (2010: HK\$163,500,000) would be transferred to the share capital account and the remaining HK\$683,850,000 (2010: HK\$768,450,000) would be transferred to the contributed surplus account from convertible bonds reserves.

2010 Convertible Bonds

On 24 May 2010, the Company issued HK\$192.5 million, 8 per cent convertible bonds (the "2010 Convertible Bonds") to two independent third parties with maturity date on 23 May 2013. Interest is paid semi-annually in arrears in May and November of each year.

The 2010 Convertible Bonds are held by two bondholders, Passion Giant Investment Limited ("PGI") with HK\$154 million and CSOP Asset Management Limited ("CSOP") with HK\$38.5 million. The bondholders may, at any time before the maturity date, convert in whole or in part the 2010 Convertible Bonds into ordinary shares of the Company in which PGI can convert at the conversion price of HK\$0.30 per share and CSOP can convert at the conversion price of HK\$0.55 per share respectively, subject to adjustments. Upon full conversion of the 2010 Convertible Bonds, it would, under the present capital structure of the Company, result in the issue of 583,333,333 new shares of the Company.

Unless previously redeemed or converted or purchase and cancelled as provided in the respective subscription agreements, the 2010 Convertible Bonds will be redeemed on maturity date at the principal amount plus the accrued and unpaid interest, together with an additional amount as premium such that interest plus the said additional amount will be equivalent to a rate of return of 18% per annum throughout the bond issue period.

The bondholders are granted a partial redemption option in which the holders are entitled to request the Company to redeem one-third of the 2010 Convertible Bonds at a redemption price of 92% of the face value of the bonds during the bond issue period. A redemption option is also granted in which the bondholders are entitled to request the Company to redeem the 2010 Convertible Bonds in full at a redemption price at 25% over the face value of the bonds in the events of default. These options constitute derivative financial liabilities of which the fair values were immaterial at the issue date. Their fair values at the end of the reporting period were nil.

The 2010 Convertible Bonds are secured by the following:

- (i) charge over all shares of Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, wholly-owned subsidiaries of the Group; and
- (ii) a pledge by Mr. Wu Jixian, a director and substantial shareholder of the Company, of the Tranche 2 Bonds having an aggregate outstanding principal amount of HK\$577,500,000 and carrying amount of HK\$822,937,500 as at 30 June 2011.

Further details of the 2010 Convertible Bonds are set out in the Company's announcement dated 6 May 2010.

| | <i>Note</i> | Group and Company HK\$'000 |
|-----------------------------------------|-------------|-----------------------------------------------|
| Liability component at 31 December 2010 | | 179,050 |
| Interest expense for the period | 4 | 20,001 |
| Interest paid for the period | | <u>(7,700)</u> |
| Liability component at 30 June 2011 | | 191,351 |
| Current portion | | <u>(89,297)</u> |
| Non-current portion | | <u><u>102,054</u></u> |

On initial recognition, the fair value of the liability component of the 2010 Convertible Bonds was determined using the prevailing market interest of a similar convertible bond without a conversion option. The residual amount was assigned as the equity component and was included in equity.

19. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and employees of the Group. The Scheme became effective on 31 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

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

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

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

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

| | 2011 | |
|-----------------------------|-----------------------------------------------------------------------|---------------------------------------|
| | Weighted average exercise price HK\$ per share | Number of options '000 |
| At 1 January | 0.623 | 17,500 |
| Granted during the period | 0.4 | 20,000 |
| Forfeited during the period | — | — |
| Exercised during the period | — | — |
| Lapsed during the period | — | — |
| | <hr/> | <hr/> |
| At 30 June | 0.504 | 37,500 |
| | <hr/> <hr/> | <hr/> <hr/> |

| | 2010 | Number of options '000 |
|---------------------------|-------------------------------------------------------------------|------------------------------|
| | Weighted average exercise price HK\$ <i>per share</i> | |
| At 1 January | 0.5 | 5,500 |
| Granted during the year | 0.68 | 12,000 |
| Forfeited during the year | — | — |
| Exercised during the year | — | — |
| Lapsed during the year | — | — |
| | <hr/> | <hr/> |
| At 31 December | <u>0.623</u> | <u>17,500</u> |

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

2011

| Number of options '000 | Exercise price* HK\$ <i>per share</i> | Exercise period |
|---------------------------|---------------------------------------------|----------------------|
| 5,500 | 0.5 | 27-02-09 to 26-02-14 |
| 12,000 | 0.68 | 11-01-10 to 10-01-15 |
| 20,000 | 0.4 | 27-01-11 to 26-01-16 |
| <hr/> | | |
| <u>37,500</u> | | |

2010

| Number of options '000 | Exercise price* HK\$ <i>per share</i> | Exercise period |
|---------------------------|---------------------------------------------|----------------------|
| 5,500 | 0.5 | 27-02-09 to 26-02-14 |
| 12,000 | 0.68 | 11-01-10 to 10-01-15 |
| <hr/> | | |
| <u>17,500</u> | | |

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

The fair value of the share options granted during the period was HK\$2,562,000 (2010: HK\$2,802,000) which the Group recognised a share option expense of HK\$2,562,000 (2010: HK\$2,802,000) during the period ended 30 June 2011.

The fair value of equity-settled share options granted during 2011 and 2010 was estimated as at the date of grant, using Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| Date of grant | 27 January 2011 | 11 January 2010 |
|-----------------------------------------------|----------------------------|--------------------|
| Dividend yield (%) | — | — |
| Expected volatility (%) | 51.117% | 55.120% |
| Historical volatility (%) | 51.117% | 55.120% |
| Risk-free interest rate (%) | 0.7535% | 0.7675% |
| Expected life of options (year) | 2.5 years | 2.5 years |
| Weighted average share price (HK\$ per share) | HK\$0.40 | HK\$0.68 |

The expected life of the options is based on the historical data over the past two years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which also may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 37,500,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 37,500,000 additional ordinary shares of the Company and additional share capital of HK\$3,750,000 and share premium of HK\$15,160,000 (before issue expenses).

As at 30 June 2011, the Company had 37,500,000 share options outstanding under the Scheme, which represented approximately 0.8% of the Company's shares in issue as at that date.

20. RELATED PARTY TRANSACTIONS

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

| | | For the six months ended 30 June | |
|---------------------------------------|--------------|---------------------------------------------|-----------------|
| | | 2011 | 2010 |
| | <i>Notes</i> | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| With the Non-controlling Shareholder: | | | |
| Sales of refined coal and electricity | <i>(i)</i> | 295,763 | 765,572 |
| Sales of mid coal | <i>(i)</i> | 5,883 | — |
| Sales of coal by-products | <i>(i)</i> | 24,451 | — |
| Transportation income | <i>(i)</i> | 4,564 | — |
| Purchases of coke | <i>(i)</i> | 57,253 | — |
| Rental expenses | <i>(ii)</i> | 602 | — |
| Reimbursement of finance costs | <i>(i)</i> | 3,463 | — |
| | | 3,463 | — |

Notes:

- (i) The transactions were conducted on basis mutually agreed by the respective parties, with reference to prevailing market rates or prices transacted with the Group's third parties customers/suppliers.
- (ii) The rental expense was charged based on the terms mutually agreed between the contractual parties.

(b) Outstanding balances with related parties

Details of the Group's balances with the Non-controlling Shareholder are disclosed in notes 10, 11 and 12 to the financial statements.

FINANCIAL HIGHLIGHT

For the six months ended 30 June 2011, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK\$1,069,499,000 (2010: HK\$817,154,000), representing an increase of around 30.88% compared to that of 2010. Gross profit margin has reduced from 18.31% to 16.87%.

EBITDA of the Group has decreased from HK\$188.11 million in 2010 to HK\$170.26 million in 2011. Profit attributable to the owners of the Company has decreased from HK\$69,813,000 to HK\$36,371,000. Decrease in both gross profit ratios and net profits was mainly due to the increase in the purchase cost of raw materials and the sharp increase in the finance costs during the review period.

BUSINESS REVIEW

In this review period, the Group continued to engage in three main areas. These are 1) Coke Trading, 2) Coal Related Ancillary Businesses which mainly include coal washing, using the by-products for heat and electricity generation and transportation services and 3) Coke Production.

Recently, the general price of the Group's raw materials, i.e. the raw coals, has been increased. According to the statistics made by the China Coking Industry Association, the general price of coking coal in the first half of 2011 has been increased by around 12.86% while the selling price of coke has just been increased by around 7.51%. The increasing material costs in the period was mainly contributed by the reduction of coal supplies due to the large consolidation exercise for all the coal mines in the Shanxi Province, the largest coking coal supplier in the PRC.

For the international market, the fluctuating world economy hit the rebounding demand of international coke. Generally speaking, the net proceeds received from the export market are still lower than those received in the domestic PRC market and thus, there is no export business happened in this review period.

During the review period, the amount of distribution costs have been increased from last corresponding period's HK\$1,894,000 to current period's HK\$51,212,000. The increase was mainly due to the change in product mix from last period's refined coals which are mainly supplied to nearby coking enterprises to current period's coke which are mainly supplied to those steel enterprises in other provinces of the PRC.

Another reason for the reduction in the net profits for the period is the increase in the finance costs from 2010's HK\$6,847,000 to current period's HK\$36,280,000. In order to finance the acquisition of the coking plant in 2010, the Group has issued two tranches of convertible notes in 24 May 2010 and two tranches of promissory notes in 14 June 2010. Although the promissory notes are interests free, according to the current Accounting Standards, the Group still needs to compute the imputed interests on these notes before its maturity dates. Both the interests of the convertible bonds and the imputed interests of the promissory notes have increased the finance costs of the period.

DISPOSAL OF A PROPERTY

In June 2011, the Group has signed a provisional agreement for the disposal of a property which constitutes a Discloseable Transaction under the rules of the Stock Exchange of Hong Kong Limited. According to this provisional agreement, the buyer has paid around HK\$8,900,000 as the first deposit and needs to pay the second deposit of another HK\$8,900,000 on or before 20 June 2011 but the buyer failed to comply with their obligation and refuse to complete the deal. Currently, the Group has applied to the court for the rescission of the said agreement, the forfeiture of the first received deposit and the reimbursement of all the cost incurred by the Group. Upto the date of this report, there is no settlement for the case.

CHANGE OF THE TERMS OF THE CONVERTIBLE BONDS

In 25 May 2011, the Company noticed that the average 30 consecutive trading day's closing price per share as at 20 May 2011 was less than 70% of the original conversion price which is a potential event of default under the original bonds conditions. On 29 June 2011, one of the convertible bonds holders of the Company, Passion Giant Investment Limited ("PGI") gave confirmation that it would refrain from exercising the early redemption right, and sanctioned the modifications of the PGI Bond Condition, pursuant to which (among other matters) the original conversion price (being HK\$0.55 per Conversion Share) is provided to be changed to the new conversion price (being HK\$0.30 per Conversion Share). We have sought the advice from both professional valuer and professional accountants and concluded that the change in the conversion price would not have any material impact on the financial statement of the Group. On 7 September 2011, CSOP Asset Management Limited ("CSOP") gave confirmation that it would sanction the modifications of the CSOP bond conditions as contemplated under the CSOP supplemental deed which included among others, a provision refraining CSOP from exercising the early redemption Right.

On the same date, the Company executed the CSOP supplemental deed, pursuant to which the CSOP bond conditions were amended by conferring the Company a right (subject to compliance with the applicable laws, regulations, rules and codes) to redeem, upon it giving an irrevocable prior notice in writing to CSOP and without the prior agreement of CSOP to redeem all (or any portion of the principal amount thereof which is HK\$1,100,000 or any integral multiple thereof) of the outstanding Bonds held by CSOP on a Business Day as specified in such notice. Under the CSOP supplemental deed, if such redemption right is exercised by the Company, the Company shall, in addition to the interest and principal amount of the Bonds, pay such amount to CSOP so that the total amount to be paid to CSOP in respect of the redemption amount shall be equal to a rate of return of 18 per cent. per annum (inclusive of the interest payment made) as at the date of such payment.

On 7 September 2011, the Company served irrevocable redemption notices to CSOP, pursuant to which the Company would redeem CSOP bonds in the principal amount of HK\$6,600,000 on 15 September 2011, and CSOP Bonds in the principal amount of HK\$31,900,000 on 15 November 2011. For details of the amendment, please refer to the Company's Announcement dated 7 September 2011.

CHARGES OVER ASSETS

At as 30 June 2011, the Group pledged certain land and buildings and fixed deposits which have an aggregate carrying value of approximately HK\$108.97 million and HK\$120.48 million respectively (31 December 2010: HK\$111.05 million and HK\$23.53 million respectively) to secure general banking facilities granted to the Group.

Also, shares of three of the subsidiaries, Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, have been pledged to secure the convertible bonds issued during the period.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK\$200.28 million and 1.14:1 as at 30 June 2011. In 31 December 2010, the amount was HK\$164.15 million and 1.12:1. The improvement in current ratio is mainly due to the operating profit generated in this financial period.

The Group's bank balances and cash equivalents amounted to approximately HK\$41.22 million (31 December 2010: approximately HK\$16.98 million). In June 2011, the Group has raised a bank loan of around RMB100 million in the PRC. As at 30 June 2011, the Group had bank borrowings amounting to around HK\$233.08 million (31 December 2010: HK\$231.55 million). Around HK\$78 million (31 December 2010: HK\$193.75 million) of the bank borrowings was the structured trade finance for the coke export business and around HK\$35.10 million (31 December 2010: HK\$38.30 million) of the bank borrowings was the mortgaged loan for property located in Hong Kong. Also, in order to finance the acquisition of the coke processing assets in 2010, the Group has issued two tranches of convertible bonds amounting to HK\$189.14 million to two independent third parties and two tranches of promissory notes amounting to HK\$433.69 million to the non-controlling shareholders of the subsidiary (31 December 2010: amounting to HK\$179.05 million and HK\$413.15 million respectively).

EMPLOYEES AND REMUNERATION

As at 30 June 2011, the Group had approximately 1,724 employees (31 December 2010: approximately 1,835 employees). Less than 50 staffs are stationed in Hong Kong and the rests are PRC workers. The Group's staff costs amounted to approximately HK\$26.02 million for the period ended 30 June 2011 and approximately HK\$18.34 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 37,500,000 share options granted under the share option scheme.

PROSPECTS

For the existing businesses, the Group will continue its efforts to control our cost of production and negotiate with more customers for Huscoke's coke. For the trading business, we expect that we will still focus on the domestic market first. However, we will monitor the international coke market and negotiate with our targeted customers closely. Once the proceeds from the export market is higher than those from the domestic market, the Group will start to export coke again.

To reduce the risk of the rising raw material price, in August 2010, the Group has signed a memorandum of understanding (“**First MOU**”) with Golden Rock Group (“**GRG**”), the non-controlling shareholding of our Joint Venture in the PRC. The First MOU was mainly related to the proposed acquisition of coal mines from GRG to Huscoke. During the review period, we have already employed an international competent person to estimate the resources according to the JORC code requirements. According to the valuation report prepared by the international competent person, as at 31 March 2011, the targeted coal mine has in-place resources of around 49.88 million tones and the values of this targeted mine is around RMB2,477 million. Currently, the mine is in the process of the Shanxi Province Government’s Consolidation plan and we are performing the legal due diligence works on that targeted mine.

In September 2010, the Group has signed another memorandum of understanding (“**Second MOU**”) with GRG for the construction of a new coking plant with annual capacity of 2 million tones. We are investigating the feasibility and possibility for Huscoke to invest and join the construction of the new plant. At the same time, we will negotiate with the financial institutions to see whether we can get adequate financing, including both debt and equity financing, to finance this project. We believe the new project can help Huscoke to greatly increase its production capacity and thus enjoy the economies of scale and more importantly, it is a faster way for Huscoke to engage in the coal chemical industry which can fully utilize the by-products generated in the coking process to manufacture valuable coal chemical products.

With the successful completion of the Group’s integrated coke businesses and continued improvement in the market situation, management are optimistic in the prospects 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 30 June 2011.

OTHER INFORMATION**DIRECTORS' INTERESTS**

As at 30 June 2011, the interests of the directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the Shares

| Name of Director | <i>Notes</i> | Number of shares held | Percentage of the Company's existing issued share capital (%) |
|-------------------------|--------------|------------------------------|----------------------------------------------------------------------|
| Wu Jixian | (a) | 657,000,000 | 14.53 |
| To Wing Tim Paddy | (b) | 1,160,000 | 0.03 |

Long positions in the underlying Shares

| Name of Director | <i>Notes</i> | Number of underlying shares held | Percentage of issued share capital (%) |
|-------------------------|--------------|-----------------------------------------|-----------------------------------------------|
| Wu Jixian | (a) | 1,466,400,000 | 32.42 |
| Li Baoqi | (c) | 9,500,000 | 0.21 |
| Cheung Ka Fai | (d) | 7,600,000 | 0.17 |

Short positions in the underlying Shares

| Name of Director | <i>Notes</i> | Number of underlying shares held | Percentage of issued share capital (%) |
|-------------------------|--------------|-----------------------------------------|-----------------------------------------------|
| Wu Jixian | (a) | 1,443,750,000 | 33.24 |

Notes:

- (a) As at 30 June 2011, Mr. Wu Jixian, an executive Director (redesignated to non-executive Director on 19 September 2011), beneficially owned 657,000,000 Shares, he was also interested in convertible bonds in the aggregate principal amount of HK\$582,000,000, which were convertible into 1,455,000,000 Shares. Mr. Wu was also entitled to share options to subscribe for a maximum of 11,400,000 Shares upon exercise of the options in full. To support the convertible bonds issued by the Company in May 2010, Mr. Wu has pledged his interests in convertible bonds in the aggregate principal amount of HK\$577,500,000, which were convertible into 1,443,750,000 Shares to the convertible bonds holders.
- (b) Among the 1,160,000 Shares held by Mr. To Wing Tim, Paddy, an independent non-executive Director, 300,000 Shares were held by Mr. To as beneficial owner and 860,000 Shares held by Ms. Leung Yuet Mei, the spouse of Mr. To. Accordingly, Mr. To was deemed to be interested in the said 860,000 Shares under Part XV of the SFO.
- (c) As at 31 December 2010, Mr. Li Baoqi, an executive Director was entitled to share options to subscribe for a maximum of 9,500,000 Shares upon exercise of the options in full.
- (d) As at 31 December 2010, Mr. Cheung Ka Fai, an executive Director was entitled to share options to subscribe for a maximum of 7,600,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 30 June 2011, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2011 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 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF INTERIM REPORT

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

The 2011 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

BOARD OF DIRECTORS

As at the date of this report, the Executive Directors of the Company are Mr. Gao Jianguo, Mr. Li Baoqi and Mr. Cheung Ka Fai, Non-Executive Director is Mr. Wu Jixian and the Independent Non-Executive Directors are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.

By Order of the Board
Li Baoqi
Chief Executive Officer

Hong Kong, 26 September 2011