HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)

Interim Report

2012

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Gao Jianguo *(Chairman)*
Mr. Li Baoqi *(Chief Executive Officer)*
Mr. Cheung Ka Fai
(resigned on 31 July, 2012)

Non-executive Director

Mr. Wu Jixian

Independent Non-executive Directors

Mr. Lam Hoy Lee, Laurie
Mr. Lau Ka Ho
Mr. To Wing Tim, Paddy

Audit Committee

Mr. Lam Hoy Lee, Laurie
Mr. Lau Ka Ho
Mr. To Wing Tim, Paddy

Company Secretary

Mr. Chang Chi Wai, Stanley
(appointed on 31 July 2012)
Mr. Cheung Ka Fai
(resigned on 31 July, 2012)

Company Solicitors

In Hong Kong

Chiu & Partners

In Bermuda

Appleby Spurling Hunter

Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

The Bank of East Asia Limited
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

Room 4205, 42th Floor
Far East Finance Center
16 Harcourt Road
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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 with comparative figures for the corresponding period of 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**653,468**	1,069,499
Cost of sales			
— Amortisation of other intangible assets		**(8,402)**	(21,756)
— Others		**(655,114)**	(867,362)
Gross (loss)/profit		**(10,048)**	180,381
Other income and gains		**7,254**	11,159
Selling and distribution costs		**(16,652)**	(51,212)
Administrative expenses		**(31,100)**	(37,448)
Loss arising from modification of convertible bonds		**(9,794)**	—
Fair value change on derivative financial instrument		**36,751**	—
Finance costs	*4*	**(28,730)**	(36,280)
(Loss)/profit before tax	*5*	**(52,319)**	66,600
Income tax credit/(expense)	*6*	**1,599**	(21,156)
(Loss)/profit for the period		**(50,720)**	45,444
Other comprehensive income for the period:			
Exchange differences arising on translation of foreign operation		**—**	30,477
		(50,720)	75,921
(Loss)/profit for the period attributable to:			
Owners of the parent		**(46,422)**	36,371
Non-controlling interests		**(4,298)**	9,073
		(50,720)	45,444
Total comprehensive (loss)/income for the period attributable to:			
Owners of the parent		**(46,422)**	63,800
Non-controlling interests		**(4,298)**	12,121
		(50,720)	75,921
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic			
— For (loss)/profit for the period	*7*	**(HK0.78 cents)**	HK0.61 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**At 30 June 2012 (Unaudited) *HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**1,348,349**	1,347,888
Goodwill		**388,544**	388,544
Other intangible asset		**269,030**	277,432
Available-for-sale investments		**4,660**	4,660
Total non-current assets		**2,010,583**	2,018,524
Current assets			
Inventories		**139,973**	179,515
Trade receivables	*10*	**131,332**	112,323
Prepayments, deposits and other receivables	*11*	**759,585**	331,678
Amount due from the Non-controlling Shareholder	*12*	**403,645**	311,621
Tax recoverable		**2,831**	—
Pledged deposits		**814,146**	121,951
Cash and cash equivalents		**46,287**	11,380
Total current assets		**2,297,799**	1,068,468
Current liabilities			
Trade and bills payables	*13*	**675,474**	479,463
Bills payables to the Non-controlling shareholder	*12*	**909,756**	—
Other payables and accruals	*14*	**283,369**	212,195
Tax payable		**—**	3,861
Interest-bearing bank and other borrowings	*15*	**300,252**	193,196
Convertible bonds	*16*	**192,660**	180,556
Promissory note	*17*	**222,452**	—
Derivative financial instrument	*16*	**—**	36,751
Total current liabilities		**2,583,963**	1,106,022

	Notes	At 30 June 2012 (Unaudited) HK$'000	At 31 December 2011 (Audited) HK$'000
Net current liabilities		**(286,164)**	(37,554)
Total assets less current liabilities		**1,724,419**	1,980,970
Non-current liabilities			
Amount due to the Non-controlling Shareholder		**19,201**	7,201
Deferred tax liabilities		**51,723**	53,198
Promissory note	*17*	**—**	216,836
Total non-current liabilities		**70,924**	277,235
Net assets		**1,653,495**	1,703,735
Equity			
Equity attributable to the owners of parent			
Issued share capital	*18*	**452,293**	452,293
Reserves		**1,053,178**	1,099,120
		1,505,471	1,551,413
Non-controlling interests		**148,024**	152,322
Total equity		**1,653,495**	1,703,735

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2012

	Attributable to owners of the parent												
	Share Capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Special reserve HK$'000 (note ii)	Available for sale investment revaluation reserve HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital redemption reserve HK$'000	Convertible bonds reserve HK$'000	Retained profits/ (acumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 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 arrangements	–	–	–	–	–	2,562	–	–	–	–	2,562	–	2,562
Dividend paid	–	–	–	–	–	–	–	–	–	(22,615)	(22,615)	–	(22,615)
At 30 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
At 1 January 2012	452,293	144,997	419,650	18,236	(347)	5,892	77,140	85	829,350	(395,883)	1,551,413	152,322	1,703,735
Loss for the period	–	–	–	–	–	–	–	–	–	(46,422)	(46,422)	(4,298)	(50,720)
Equity settled share option arrangement	–	–	–	–	–	480	–	–	–	–	480	–	480
At 30th June, 2012 (unaudited)	452,293	144,997	419,650	18,236	(347)	6,372	77,140	85	829,350	(442,305)	1,505,471	148,024	1,653,495

Notes:

(i) According to Section 40(1) of the Bermuda Companies Act 1981, the contributed surplus represents the excess of the value of shares converted upon conversion of the 2008 Convertible Bonds (as defined in note 16 to the financial statements) over the nominal amount of the ordinary shares issued.

(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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**24,448**	204,783
Net cash flows used in investing activities	**(739,603)**	(144,584)
Net cash flows from/(used in) financing activities	**750,062**	(37,010)
Net increase in cash and cash equivalents	**34,907**	23,189
Cash and cash equivalents at 1 January	**11,380**	16,977
Effect of foreign currency rate changes, net	**—**	1,053
Cash and cash equivalents at 30 June	**46,287**	41,219
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**46,287**	41,219

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2012 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 equity investment at fair value through profit or loss, certain available-for-sale investments and derivative financial instrument, which have been measured at fair value.

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 2011.

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 Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (HKFRSs") as of 1 January 2012, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

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

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

HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]

HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group 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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, sundry income, corporate administrative expenses, loss arising from modification of convertible bonds, fair value change on derivative financial instrument, unallocated finance costs and deferred tax on properties for corporate use are excluded from such measurement.

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

Six months ended 30 June 2012

	Trading of coke HK$'000	Coal related ancillary HK$'000	Coke production HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
Segment revenue					
— external sales	**—**	**164,485**	**488,983**	**—**	**653,468**
— intersegment sales	**—**	**287,700**	**—**	**(287,700)**	**—**
Other income and gains	**—**	**7,254**	**—**	**—**	**7,254**
Total	**—**	**459,439**	**488,983**	**(287,700)**	**660,722**
Segment results	**(7,020)**	**15,077**	**(48,199)**	**(2,877)**	**(43,019)**
Corporate administrative expenses					**(8,544)**
Loss arising from modification of convertible bonds					**(9,794)**
Fair value change on derivative financial instrument					**36,751**
Unallocated finance costs					**(26,202)**
Deferred tax credit on properties (for corporate)					**88**
Loss for the period					**(50,720)**

Six months ended 30 June 2011

	Trading of coke HK$'000	Coal related ancillary HK$'000	Coke production HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
Segment revenue					
— external sales	105,039	321,993	642,467	—	1,069,499
— intersegment sales	—	595,116	—	(595,116)	—
Other income and gains	3,463	7,941	—	—	11,404
Total	108,502	925,050	642,467	(595,116)	1,080,903
Segment results	360	107,817	6,536	(24,002)	90,711
Corporate administrative expenses					(14,750)
Unallocated finance costs					(30,588)
Deferred tax credit on properties (for corporate)					71
Profit for the period					45,444

4. Finance costs

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings, wholly repayable within five years	**9,157**	5,692
Interest on convertible bonds	**9,905**	20,001
Interest on promissory notes	**7,140**	10,587
Interest on discounted bills	**2,528**	—
	28,730	36,280

5. (Loss)/Profit before tax

(Loss)/Profit before tax has been arrived at after charging:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**55,354**	67,384

6. Income tax credit/(expense)

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax expenses		
Overprovision of Hong Kong profits tax in prior years	**—**	4,464
Overprovision of overseas tax in prior year	**124**	—
Overseas taxation	**—**	(29,281)
	124	(24,817)
Deferred income tax	**1,475**	3,661
	1,599	(21,156)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2011 and 2012 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. (Loss)/Earnings per share attributable to owners of the parent

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000/'000	*HK$'000/'000*
(Loss)/earnings for the purpose of basic (loss)/ earnings per share	**(46,422)**	36,371
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**5,977,926**	5,977,926

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 2012 (2011: Nil).

9. Property, plant and equipment

During the six months ended 30 June, 2012, the Group spent approximately HK$47,408,000 (six months ended 30 June, 2011: HK$45,000,000) on buildings and fixtures.

10. Trade receivables

		Group	
		At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	Notes	***HK$'000***	*HK$'000*
Trade receivables		**536,329**	425,296
Impairment		**(1,352)**	(1,352)
		534,977	423,944
Less: Trade receivables due from the Non-controlling Shareholder	*12*	**(403,645)**	(311,621)
		131,332	112,323

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 2012, approximately 75% (31 December 2011: 74%) and 7% (31 December 2011: 6%) 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. The Group does not hold any collateral nor other credit enhancement measures over its trade receivables balances. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Trade receivables due from the Non-controlling Shareholder are on similar credit terms to those offered to the major customers of the Group.

The carrying amounts of trade receivables approximate their fair values.

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

	Group	
	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	HK$'000	*HK$'000*
Within 3 months	**139,591**	387,557
3 to 4 months	**197,948**	7,106
Over 4 months	**197,438**	29,281
	534,977	423,944

11. Prepayments, deposits and other receivables

		Group	
		At 30 June 2012	At 31 December 2011
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
Prepayments, deposits and other receivables to others	*(i)*	**370,608**	172,757
Prepayments to the Non-controlling Shareholder	*12*	**141,507**	158,921
Other receivables due from the Non-controlling Shareholder	*12*	**247,470**	—
		759,585	331,678

Notes:

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

Other receivables included in the above balance 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.

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

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

		Group	
		At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	Notes	***HK$'000***	*HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 10)*	*(i)*	**403,645**	311,621
Prepayment to the Non-controlling Shareholder *(Note 11)*	*(ii)*	**141,507**	158,921
Other receivables due from the Non-controlling Shareholder *(Note 11)*	*(iii)*	**247,470**	—
Bills payable to the Non-controlling Shareholderr *(Note 13)*	*(iv)*	**(909,756)**	—
Promissory notes *(Note 17)*	*(v)*	**(222,452)**	—
Non-current			
Amount due to the Non-controlling Shareholder	*(vi)*	**(19,201)**	(7,201)
Promissory notes *(Note 17)*	*(v)*	**—**	(216,836)

Note:

(i) The balance is trade in nature and is unsecured, non-interest-bearing and repayable within the credit term of 120 days (31 December 2011: 120 days), which is similar to those granted to major trading customers of the Group.

(ii) Balance represented prepayments for purchase of coke for coke trading business. The balance is unsecured, non-interest-bearing and is to be settled with future purchases. For the period ended 30 June 2012, there was no purchase of coke for coke trading business 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 as 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, which ever is earlier.

(iii) The balance is unsecured, non-interest-bearing and represented advance to the Non-controlling shareholder which repayable on demand or within one year.

(iv) For the period end 30 June 2012, in order to secure the PRC banking facilities for issuing bills, the Group obtained cash advances from the Non-controlling Shareholder and pledged the deposit with the PRC banks. The Group repaid the cash advance with bills payable to the Non-controlling shareholder.

(v) The promissory notes were issued by the Group to the Non-controlling Shareholder in connection to the acquisition of the coke production assets in 2010, further details of the terms are disclosed in note 17 to the financial statements.

(vi) The balance represented advances from the Non-controlling Shareholder. The balance is unsecured, interest-free and not repayable within one year.

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

13. Trade and bills payables

		Group	
	Note	**At 30 June 2012 (Unaudited)** ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Trade payables		**431,571**	357,512
Bills payables		**1,153,659**	121,951
		1,585,230	479,463
Less: Bills payable to the Non-controlling Shareholder	*12*	**(909,756)**	—
		675,474	479,463

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

	Group	
	At 30 June 2012 (Unaudited) ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Within 3 month	**1,268,767**	283,009
3 to 4 months	**143,834**	17,515
Over 4 months	**172,629**	178,939
	1,585,230	479,463

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 At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Other payables and accrued charges	**182,391**	136,973
Advance received from a customer	**100,978**	75,222
	283,369	212,195

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. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	30 June 2012			31 December 2011		
	Effective contractual interest rate	**Maturity**	***HK$'000***	Effective contractual interest rate	Maturity	*HK$'000*
Mortgage loan	**1 month HIBOR + 1.25%**	**On demand**	**29,700**	1 month HIBOR + 1.25%	On demand	32,400
Other bank loan	**6.71%**	**On demand**	**231,707**	6.71%	On demand	121,951
Other borrowing	**10%**	**On demand**	**38,845**	10%	On demand	38,845
			300,252			193,196
Secured			**29,700**			32,400
Unsecured			**270,552**			160,796
			300,252			193,196
Carrying amounts repayable on demand or within one year			**300,252**			193,196

Notes:

(a) Except for the other bank loan of HK$231,707,000 (31 December 2011: HK$121,951,000) which is denominated in Renminbi, all bank, and other borrowings are denominated in Hong Kong dollars.

(b) The mortgage loan is secured by a mortgage over the Group's land and buildings situated in Hong Kong, which has a carrying value at 30 June 2012 of HK$108,378,000 (31 December 2011: HK$109,561,000). Due to the adoption of HK Interpretation 5, the Group's mortgage loan in the amount of HK$24,300,000 (31 December 2011: 27,000,000) 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 and other borrowings and analysed into bank loans repayable within one year or on demand.

(c) Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are HK$237,107,000 (31 December 2011: HK$127,351,000) payable within one year; HK$5,400,000 (31 December 2011: HK$5,400,000) payable in the second year; HK$16,200,000 (31 December 2011: HK$16,200,000) payable in the third to fifth years, inclusive and HK$2,700,000 (31 December 2011: HK$5,400,000) payable beyond five years. The other borrowing has no fixed term of repayment and is classified as "on demand".

16. CONVERTIBLE BONDS

2008 Convertible Bonds

The Company issued two tranches of zero coupon convertible bonds, each with a principal amount of HK$1,100,000,000, 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 5,500,000,000 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 2012, the 2008 Convertible Bonds with an aggregate carrying amount of nil (2011: HK$102,600,000) and principal amount of nil (2011: HK$72,000,000) were converted into nil (2011: 180,000,000) shares of the Company. Accordingly, nil (2011: HK$18,000,000) and nil (2011: HK$84,600,000) 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 2012 (31 December 2011: HK$829,350,000) were fully converted, it would result in the issue of 1,455,000,000 (31 December 2011: 1,455,000,000) additional ordinary shares of the Company, and HK$145,500,000 (31 December 2011: HK$145,500,000) would be transferred to the share capital account and the remaining HK$683,850,000 (31 December 2011: HK$683,850,000) would be transferred to the contributed surplus account from convertible bonds reserves.

2010 Convertible Bonds

On 24 May 2010, the Company issued HK$192,500,000, 8 per cent convertible bonds (the "2010 Convertible Bonds") to two independent third parties, Passion Giant Investment Limited ("PGI") in the amount of HK$154,000,000 and CSOP Asset Management Limited ("CSOP"), in the amount of HK$38,500,000. The 2010 Convertible Bonds mature on 23 May 2013. Interest is paid semi-annually in arrears in May and November of each year.

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 at the conversion price of HK$0.55 per share, 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 350,000,000 new shares of the Company.

Unless previously redeemed or converted or purchased and cancelled as provided in the respective subscription agreements, the 2010 Convertible Bonds will be redeemed on the maturity date at the principal amount plus 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 default 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.

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

On 25 May 2011, the 30 trading day average closing price of the Company's share was HK$0.384, which was less that 70% of the original conversion price of the 2010 Convertible Bonds of HK$0.55. This constituted an event of default. This allows the bondholders to request the Company to redeem the 2010 Convertible Bonds in full at a redemption price of 25% over the face value of the bonds.

On 29 June 2011, PGI gave confirmation that it would refrain from exercising the early redemption right and sanctioned the modification of the 2010 Convertible Bonds it held (the "PGI CB"), pursuant to which, and among other matters, the conversion price was adjusted from HK$0.55 to HK$0.30 per share. The other principle terms including the coupon rate, the default redemption premium and the redemption premium, the partial redemption option and the maturity date remained the same. Such modification of terms constituted a material modification and was accounted for as an extinguishment of the original PGI CB and an issue of a new PGI CB. The Company reassessed the fair value of the new PGI CB in light of the modification of terms set out above, whereby the fair value of the liability component was determined as HK$169,283,000, and fair values of the derivative financial liabilities relating to the partial redemption option and the default redemption option, together with the equity component, were immaterial. The net effect of the above is a recognition of loss of HK$17,272,000 charged to the income statement for that year and a transfer of HK$14,011,000 from the convertible bond reserves to retained earnings.

On 7 September 2011, the Company and CSOP came to an agreement to change the terms of the 2010 Convertible Bonds held by CSOP (the "CSOP CB") which allowed the Company to early redeem the CSOP CB at HK$45,872,000. The difference between the redemption value of the CSOP CB of HK$44,849,000 and its carrying value at the early redemption date of 7 September 2011 was a loss of HK$3,353,000, and had been charged to the income statement for that year. The corresponding equity component in the amount of HK$2,753,000 was transferred from the convertible bonds reserve to retained earnings.

On 28 September 2011, the 30 trading day average closing price of the Company's shares was HK$0.209, which was less than 70% of the adjusted conversion price of the PGI CB of HK$0.30. This constituted an event of default. After negotiation, the Company and PGI entered into an amendment agreement and supplemental deed (the "Second PGI Amendment Agreement and Second PGI Supplemental Deed") on 30 December 2011, pursuant to which, PGI gave confirmation that it would refrain from exercising the early redemption right and sanctioned the modifications of certain terms of the PGI CB, including i) the conversion price of HK$0.30 per share was to be adjusted to HK$0.22 per share, ii) the deletion of the event that "if, at any time, the average 30 consecutive trading days' closing price per share is less than 70% of the conversion price" from one of the events of default under the original Convertible Bond Agreement and iii) the addition of a new clause, "where the average closing price per share ("Relevant Average Price") for the period of 30 consecutive trading days ending on (and inclusive of) 31 December 2012 is less than the then prevailing conversion price (i.e. HK$0.22 per share or such other amount as may be adjusted in accordance with the other conditions set out therein), with effect from 31 December 2012, the conversion price shall be adjusted to such amount as is equal to the Relevant Average Price. For avoidance of doubt, where the Relevant Average Price is equal to or more than the then prevailing conversion price, the above adjustment shall not be made".

Moreover, under Bermuda Law, a company may not issue shares for a consideration price less than the par value of such shares. Where the conversion price adjustment would result in the conversion price being reduced so that on conversion shares shall fall to be issued at a discount to their nominal value, then the conversion price shall be adjusted to an amount equal to the nominal value of one share.

The Second PGI Amendment Agreement and the Second PGI Supplemental Deed were conditional as at 31 December 2011, subject to the fulfillment for certain conditions including the approval of shareholders at a special general meeting. Accordingly, the carrying value of the PGI CB of HK$180,556,000 was classified as current liability at 31 December 2011. Also, the Company recognised derivative financial instrument of HK$36,751,000, representing the fair value of the default redemption option on the PGI CB as at 31 December 2011.

Approval of shareholders for the Second PGI Amendment Agreement and the Second PGI Supplemental Deed was obtained, and fulfillment of other conditions, on 28 February 2012. The Company revalued the fair value of PGI CB in accordance with the terms contained in the Second PGI Amendment Agreement and the Second PGI Supplemental Deed, which was determined to be $190,350,000, and this resulted in HK$9,794,000 loss arising from modification of convertible bonds charged to the income statement of the period. Since PGI gave confirmation that it would refrain from exercising the early redemption right, relevant derivative financial liabilities of HK$36,751,000 (2011: nil) is fully released and is charged to the income statement of the period. The aforesaid net effect of the above is a recognition of gain of HK$26,957,000 charged to the income statement for the period.

The PGI CB 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$582,000,000 (31 December 2011: HK$462,000,000) and carrying amount of HK$829,350,000 (31 December 2011: HK$658,350,000) as at 30 June 2012.

As at 30 June 2012, the carrying value of the PGI CB of HK$192,660,000, classified as current liability, approximate its fair value.

17. PROMISSORY NOTES

	Group	
	At 30th June 2012 (Unaudited)	At 31st December 2011 (Audited)
	HK$'000	*HK$'000*
Carrying values	**222,452**	216,836
Current portion	**222,452**	—
Non current portion	**—**	216,836

On 10 June 2010, the Company issued two unsecured, interest-free 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 promissory notes is 5.4% per annum. One of the promissory notes matured on 9 December 2011 and was fully repaid. The remaining promissory note matures on 9 June 2013. The carrying value of the promissory notes approximate their fair value.

18. Share Capital

Shares

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (31 December 2011: 20,000,000,000) ordinary shares of HK$0.1 each	**2,000,000**	2,000,000
Issued and fully paid:		
4,522,926,292 (31 December 2011: 4,522,926,292) ordinary shares of HK$0.1 each	**452,293**	452,293

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

	Note	**Number of share in issue**	**Issued capital** *HK$'000*
At 1 January 2011		4,342,926,292	434,293
Issue of shares upon conversion of the 2008 Convertible Bonds	*(a)*	180,000,000	18,000
At 31 December 2011, 1 January 2012 and 30 June 2012		4,522,926,292	452,293

Note:

(a) During the period ended 30 June 2012, there is no (2011: 180,000,000) 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 nil (2011: HK$72,000,000) at a conversion price of HK$0.4 each (note 16).

19. SHARE OPTION SCHEME

The Company operated 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 remained in force for ten years till 31 May 2012.

The maximum number of unexercised share options 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$5,000,000, 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:

	2012 Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**0.510**	**35,700**
Granted during the period	**0.160**	**10,000**
Forfeited during the period	—	—
Exercised during the period	—	—
Lapsed during the period#	—	—
At 30 June	**0.433**	**45,700**

	2011 Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	0.623	17,500
Granted during the year	0.4	20,000
Forfeited during the year	—	—
Exercised during the year	—	—
Lapsed during the year#	0.4	(1,800)
At 31 December	0.510	35,700

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

2012

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
5,500	**0.50**	**27-02-09 to 26-02-14**
12,000	**0.68**	**11-01-10 to 10-01-15**
18,200	**0.40**	**27-01-11 to 26-01-16**
10,000	**0.16**	**06-01-12 to 05-01-17**
45,700		

2011

Number of options *'000*	Exercise price* *HK$* *per share*	Exercise period
5,500	0.5	27-02-09 to 26-02-14
12,000	0.68	11-01-10 to 10-01-15
18,200	0.4	27-01-11 to 26-01-16
35,700		

* 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.

\# During the period ended 30 June 2012, nil (2011: 1,800,000) share options lapsed upon ressation of employment of a participant in accordance with terms of the Scheme.

The fair value of the share options granted during the period was HK$480,000, HK$0.048 each (2011: HK$2,562,000, HK$0.128 each) which the Group recognised a share option expense of HK$480,000 (2011: HK$2,562,000) during the period ended 30 June 2012.

The fair value of equity-settled share options granted during 2012 and 2011 was estimated as at the date of grant, using a binomial 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	**6 January 2012**	27 January 2011
Dividend yield (%)	**—**	—
Expected volatility (%)	**65.56%**	67.27%
Historical volatility (%)	**65.56%**	67.27%
Risk-free interest rate (%)	**0.978%**	1.681%
Expected life of options (year)	**5 years**	5 years
Weighted average share price (HK$ per share)	**HK$0.16**	HK$0.4

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 45,700,000 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 45,700,000 additional ordinary shares of the Company and additional share capital of HK$4,570,000 and share premium of HK$15,220,000 (before issue expenses).

Subsequent to the end of the reporting period, on 31 July 2012, a total of 15,600,000 share options lapsed upon cessation of employment of participants in accordance with terms of the scheme. The weighted average exercise price of the share options lapsed are HK$0.45 per share.

As the date of this report, the Company had 30,100,000 share options outstanding under the Scheme, which represented approximately 0.67% 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:

	Notes	For the six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
With the Non-controlling Shareholder:			
Sales of refined coal and electricity	(i)	**85,708**	292,618
Sales of mid coal	(i)	**—**	5,883
Sales of coal by-products	(i)	**11,144**	24,451
Transportation income	(i)	**5,603**	4,564
Purchases of coke	(i)	**—**	57,253
Rental expenses	(ii)	**610**	602
Reimbursement of finance costs	(i)	**—**	3,463
With an associate of the Non-controlling Shareholder:			
Sales of electricity	(i)	**2,479**	3,145
Purchases of raw coal	(i)	**—**	112,861

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.

All of the transactions above do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in chapter 14A of the Exchange Listing Rules.

(b) ***Outstanding balances with related parties***

Details of the Group's balances with the Non-controlling Shareholder are disclosed in notes 10, 11, 12, 13 and 17 to the financial statements.

FINANCIAL HIGHLIGHT

For the six months ended 30 June 2012, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$653,468,000 (2011: HK$1,069,499,000), representing a decrease of around 38.90% compared to that of 2011. Gross profit margin has reduced from 16.87% to negative 1.54%.

EBITDA of the Group has decreased from HK$170,264,000 in 2011 to HK$31,765,000 in 2012. The Group recorded a loss attributable to owners of the parent of HK$46,422,000 (2011: profit of HK$36,371,000). Decrease in both gross profit margin and net profits was mainly due to the increase in the purchase cost of raw materials and the decrease of coke prices with the continuous depression in the PRC domestic steel market.

BUSINESS REVIEW

In this review period, the Group continued to engage in the coal related ancillary businesses and coke production business. However, due to the unfavorable market condition and the railway transportation arrangement, the coke trading business has been frozen in the first half of 2012. No revenue has been contributed by this segment. Nevertheless, the Group would extend efforts in the negotiation with our existing and new customers and source coke suppliers with better price, it is expected the Group will restart the coke trading business and the revenue generated from this segment will not be lower than HK$40 million in the second half of 2012.

With the European Debt Crisis and the deterioration in the PRC domestic steel market, Huscoke's major customers group, steel mills, faced lots of difficulties in the first half of 2012. They tried to reduce the production and thus, reduce the consumption of coke, which is an ingredient in steel manufacturing. Coke price has been reduced in this period. According to the statistics made by the PRC 聯合金屬網, the general coke price has been dropped by around RMB110-RMB250 per tone from January 2012 to June 2012.

Moreover, since PRC steel mills generally have a relatively high level of coke stock level, this further reduced the demand of coke. Poor demand of coke in the review period is one of the reason for the drops in both the revenue from last corresponding period's HK$1,069,499,000 to current period's HK$653,468,000 and turns the gross profits ratio from 2011's 16.87% to the gross loss position of 1.54%.

The gross loss position was also resulted from the PRC Governmental consolidation of coal mines in the Shanxi Province. Starting from March 2011, the Shanxi Provincial Government executed the consolidation of coal mines activities and some of the coal mines surrounding our production facilities have been closed for safety check and consolidation. Raw coal supplies in the region were seriously affected and we need to rely on coal mines in other regions with much higher transportation costs. These increased the purchase costs of raw materials.

During the review period, selling and distribution costs have been reduced from 2011's HK$51,212,000 to current period's HK$16,652,000. The reduction was generally in line with the dropped in revenue.

CHANGE OF THE TERMS OF THE CONVERTIBLE BONDS

On 24 May 2010, the Group has issued two tranches of convertible bonds to Passion Giant Investment Limited ("PGI") and CSOP Asset Management Limited ("CSOP") with face value of HK$154,000,000 and HK$38,500,000, respectively. The Group has fully redeemed the CSOP bonds in November 2011.

Under the subscription agreements to these two bonds, the bondholder is entitled to request for an early redemption of the entire or any part of the principal amount if an event of default occurs. One of the events of default is that the average 30 consecutive trading days' closing price per share is less than 70% of the conversion price.

On 25 May 2011 and 28 September 2011, the average 30 consecutive trading days' closing price per share was less than 70% of the original or revised conversion prices, respectively. On 29 June 2011, the conversion price has first be amended from HK$0.55 to HK$0.30 per share and on 30 December 2011, the Group and PGI has entered into the Second PGI Amendment Agreement and the Second PGI Supplemental Deed, under which PGI refrain from exercising the early redemption right and in return, the conversion price was further revised to HK$0.22 per share. All the conditions under the Second PGI Amendment Agreement and the Second PGI Supplemental Deed have been fulfilled on 28 February 2012. For details of the other amendments under the Second PGI Amendment Agreement and the Second PGI Supplemental Deed, please kindly refer to the Group's circular dated 2 February 2012.

With the execution of the Second PGI Supplemental Deed, the early redemption right stated above has been released, which resulted in a gain on the fair value change on derivative financial instrument amounting to HK$36,751,000 recorded for this review period. Also, with the modification of other terms of the convertible bonds, there is a loss amounting to around HK$9,794,000 record in this review period.

CHARGES OVER ASSETS

As at 30 June 2012, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$108,380,000 (31 December 2011: HK$109,560,000) to secure a mortgage loan and general banking facilities granted to the Group. Also, in order to secure the PRC banking facilities for issuing bills, the Group has pledged a deposit of around HK$814,146,000 (31 December 2011: HK$121,951,000).

Moreover, 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 in 2010.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$286,164,000 (31 December 2011: HK$37,554,000) and 0.89:1 (31 December 2011: 0.97:1) as at 30 June 2012. The increase in net current liabilities is mainly due to the inclusion of HK$222,452,000 promissory note in current liabilities as of 30 June 2012. The promissory note matures on 9 June 2013 and its balance of HK$216,836,000 was included in non-current liabilities as of 31 December 2011.

The Group's bank balances and cash equivalents amounted to HK$46,287,000 (31 December 2011: HK$11,380,000). In June 2012, the Group raised an additional Renminbi bank loan of RMB90,000,000 (approximately HK$109,756,000) in the PRC. As at 30 June 2012, the Group has bank and other borrowings amounting to HK$300,252,000 (31 December 2011: HK$193,196,000). During the review period, in order to secure the PRC banking facilities for issuing bills, the Group obtained cash advances from the Non-Controlling Shareholder and pledged the deposit with the PRC banks. The Group then issued bills payable for purchases as well as repayment of the cash advances from the Non-controlling shareholder. As June 2012, the Group has bills payable amounting to HK$1,153,659 (31 December 2011: HK$121,951,000), including bills payable to the Non-controlling Shareholder of HK$909,756,000 (31 December 2011: Nil).

EMPLOYEES AND REMUNERATION

As at 30 June 2012, the Group had approximately 1,800 employees (31 December 2011: approximately 1,700 employees). Less than 50 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$22.11 million for the period ended 30 June 2012 and approximately HK$26.02 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 and motivate individual performance. Up to the date of this report, there are 30,100,000 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. With the ruling from the World Trade Organization ("WTO") for the PRC Government unfairly restricting the export of nine materials, including coke, the PRC Government may consider to reduce the export tax on coke and once the export tax is reduce or cancel, we will consider to restart the export of coke with higher profit margin.

For the consolidation of coal mines in the Shanxi Province, it is expected that such activities to be gradually finished in the second half of 2012 and more coal mines in the region will be re-opened. Once those coal mines surrounding our PRC plant re-opened, we can purchase raw materials from them with lower transportation costs. Secondly, in August 2010, the Group has signed a non-legal binding memorandum of understandings ("First MOU") with Golden Rock Group ("GRG"), the non-controlling shareholder of our Joint Venture in the PRC, for the proposed acquisition of coal mines. If the targeted mine stated in the First MOU re-opened and has obtained all the required licenses, we will re-start to negotiate the First MOU again and investigate the possibilities for us to acquire the targeted mine in order to stabilize our purchase of coals in both volume and price.

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. Up to the date of this report, the Group has invested around RMB2 million in this project and there is no additional commitment for the Group in this stage. The construction works of the new plant has been started in 2011 and was wholly financed by GRG itself and the Group will assess its financial abilities and the prospects of the industry before joining the project.

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 2012.

OTHER INFORMATION

DIRECTORS' INTERESTS

As at 30 June 2012, the interests of the directors and the chief executives and their associates in the shares of the Company as recorded in the registered 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	*Notes*	**Number of shares held**	**Percentage of the Company's existing issued share capital (%)**
Gao Jianguo	*(a)*	28,062,000	0.62
Wu Jixian	*(b)*	657,000,000	14.53
To Wing Tim Paddy	*(c)*	1,160,000	0.03

Long positions in the underlying Shares

Name of Director	*Notes*	Number of underlying shares held	Percentage of issued share capital (%)
Gao Jianguo	*(a)*	3,000,000	0.07
Wu Jixian	*(b)*	1,466,400,000	32.42
Li Baoqi	*(d)*	12,000,000	0.27
Cheung Ka Fai	*(e)*	9,600,000	0.21

Short positions in the underlying Shares

Name of Director	*Notes*	Number of underlying shares held	Percentage of issued share capital (%)
Wu Jixian	*(b)*	1,455,000,000	32.17

Notes:

(a) As at 30 June 2012, Mr. Gao Jianguo, an executive Director, beneficially owned 25,062,000 Shares, he was also entitled to share options to subscribe for a maximum of 3,000,000 Shares upon exercise of the options in full.

(b) As at 30 June 2012, Mr. Wu Jixian, a non-executive Director, 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$582,000,000, which were convertible into 1,455,000,000 Shares to the convertible bonds holder.

(c) 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 1,160,000 Shares under Part XV of the SFO.

(d) As at 30 June 2012, Mr. Li Baoqi, an executive Director was entitled to share options to subscribe for a maximum of 12,000,000 Shares upon exercise of the options in full.

(e) As at 30 June 2012, Mr. Cheung Ka Fai, an executive Director was entitled to share options to subscribe for a maximum of 9,600,000 Shares upon exercise of the options in full. Mr. Cheung resigned as an executive Director on 31 July 2012 and his share options of 9,600,000 shares were lapsed on the date of his resignation.

Save as disclosed above, as at 30 June 2012, 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 registered 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 period 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the interests of the shareholders (excluding directors and the chief executives and their associates of the Company) as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Long positions in underlying shares

Name of shareholder	Nature of Interest	Number of underlying shares held	Approximate percentage of the issued share capital of the Company
Passion Giant Investment Limited ("**PGI**")	Beneficial owner *(Note 1)*	2,155,000,000	47.65%
CCB International Asset Management Limited ("**CCBIAML**")	Interest in controlled corporation *(Note 2)*	2,155,000,000	47.65%

Name of shareholder	Nature of Interest	Number of underlying shares held	Approximate percentage of the issued share capital of the Company
CCB International Assets Management (Cayman) Limited ("**CCBIAMCL**")	Interest in controlled corporation *(Note 2)*	2,155,000,000	47.65%
CCB International (Holdings) Limited ("**CCBIHL**")	Interest in controlled corporation *(Note 2)*	2,155,000,000	47.65%
CCB Financial Holdings Limited ("**CCBFHL**")	Interest in controlled corporation *(Note 2)*	2,155,000,000	47.65%
CCB International Group Holdings Limited ("**CCBIGHL**")	Interest in controlled corporation *(Note 2)*	2,155,000,000	47.65%
China Construction Bank Corporation ("**CCBC**")	Interest in controlled corporation *(Note 2)*	2,155,000,000	47.65%
Central Huijiu Investments Limited ("**CHIL**")	Interest in controlled corporation *(Note 2)*	2,155,000,000	47.65%

Notes:

1. As at 30 June 2012, PGI was interested in convertible bonds in the aggregate principle amount of HK$ 154,000,000, which were convertible into 700,000,000 shares. To secure these convertible bonds, the substantial shareholder of the Company, Mr. Wu Jixian, has pledged his interests in convertible bonds in the aggregate principle amount of HK$582,000,000 which were convertible into 1,455,000,000 shares.

2. CHIL owns 57.1% in CCBC which in turn owns 100% in CCBIGHL which in turn owns 100% in CCBFHL which in turn owns 100% in CCBIHL which in turn owns 100% in CCBIAMCL which in turn owns 100% in CCBIAML which in turn owns 100% in PGI.

Save as disclosed above and so far as is known to the Directors and the chief executive of the Company, as at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2012 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 2012.

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 2012 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 and Mr. Li Baoqi, 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, 7 September 2012