HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)

2014
Interim Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Gao Jianguo *(Chairman)*
Mr. Li Baoqi *(Chief Executive Officer)*

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

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

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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Board") of Huscoke Resources Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2014 (the "Interim Period") with comparative figures for the corresponding period ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(note i)
Revenue	*3*	**370,634**	496,855
Cost of sales		**(429,367)**	(473,349)
Gross (loss)/profit		**(58,733)**	23,506
Other income		**27,739**	8,726
Selling and distribution costs		**(27,852)**	(25,588)
Administrative expenses		**(35,976)**	(37,638)
Finance costs	*4*	**(2,626)**	(21,902)
Other operating expenses		**(18,515)**	(273)
Impairment on items of property, plant and equipment		**(361,406)**	—
Impairment on goodwill		**(388,544)**	—
Gain on redemption of convertible bonds		**—**	14,804
Fair value change on derivative financial instruments		**—**	46,025
(Loss)/profit before tax	*5*	**(865,913)**	7,660
Income tax credit	*6*	**78**	178
(Loss)/profit for the period		**(865,835)**	7,838

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(note i)
(Loss)/profit for the period attributable to:			
Owners of the parent		**(818,152)**	10,436
Non-controlling interests		**(47,683)**	(2,598)
		(865,835)	7,838
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	7		
Basic			
— For (loss)/profit for the period		**(HK13.69 cents)**	HK0.17 cents

Note:

(i) Certain figures in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013 have been reclassified according to the audited consolidated statement of profit or loss for the year ended 31 December 2013 for better comparison.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(865,835)**	7,838
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss		
— Exchange differences arising on translation of foreign operation	**(20,398)**	22,278
Total comprehensive (loss)/income for the period	**(886,233)**	30,116
Total comprehensive (loss)/income for the period attributable to:		
Owners of the parent	**(836,510)**	30,486
Non-controlling interests	**(49,723)**	(370)
	(886,233)	30,116

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 (Unaudited) HK$'000	At 31 December 2013 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	9	**802,584**	1,241,941
Goodwill		**—**	388,544
Available-for-sale investments		**4,721**	4,765
Total non-current assets		**807,305**	1,635,250
Current assets			
Inventories		**111,783**	255,126
Trade and bills receivables	10	**172,229**	93,467
Prepayments, deposits and other receivables	11	**458,698**	442,677
Amount due from the Non-controlling Shareholder	12	**71,446**	71,037
Tax recoverable		**9,459**	17,630
Cash and cash equivalents		**22,664**	10,287
Total current assets		**846,279**	890,224
Current liabilities			
Trade payables	13	**506,743**	514,363
Other payables and accruals	14	**586,534**	569,623
Interest-bearing bank and other borrowings	15	**116,618**	113,062
Total current liabilities		**1,209,895**	1,197,048
Net current liabilities		**(363,616)**	(306,824)
Total assets less current liabilities		**443,689**	1,328,426

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2014

	Notes	At 30 June 2014 (Unaudited) HK$'000	At 31 December 2013 (Audited) HK$'000
Non-current liabilities			
Amount due to the Non-controlling Shareholder	12	**50,201**	42,301
Interest-bearing bank and other borrowings	15	**—**	6,326
Deferred tax liabilities		**8,844**	8,922
Total non-current liabilities		**59,045**	57,549
Net assets		**384,644**	1,270,877
Equity			
Equity attributable to the owners of parent			
Issued share capital	16	**452,293**	452,293
Reserves		**(159,553)**	676,957
		292,740	1,129,250
Non-controlling interests		**91,904**	141,627
Total equity		**384,644**	1,270,877

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2014

	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$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	452,293	144,997	419,650	18,236	(347)	4,151	90,853	85	829,350	(783,905)	1,175,363	145,367	1,320,730
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	10,436	10,436	(2,598)	7,838
Other comprehensive income for the year:													
Exchange differences on translation of foreign operation	–	–	–	–	–	–	20,050	–	–	–	20,050	2,228	22,278
At 30 June, 2013 (unaudited)	452,293	144,997	419,650	18,236	(347)	4,151	110,903	85	829,350	(773,469)	1,205,849	144,997	1,350,846
At 1 January 2014	452,293	144,997	419,650	18,236	(347)	4,151	126,505	85	829,350	(865,670)	1,129,250	141,627	1,270,877
Loss for the period	–	–	–	–	–	–	–	–	–	(818,152)	(818,152)	(47,683)	(865,835)
Other comprehensive income for the year:													
Exchange differences on translation of foreign operation	–	–	–	–	–	–	(18,358)	–	–	–	(18,358)	(2,040)	(20,398)
At 30 June, 2014 (unaudited)	452,293	144,997	419,650	18,236	(347)	4,151	108,147	85	829,350	1,683,822	292,740	91,904	384,644

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 17 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**20,119**	246,619
Net cash flows used in investing activities	**(3,650)**	(4,838)
Net cash flows (used in)/from financing activities	**(4,737)**	(214,338)
Net increase in cash and cash equivalents	**11,732**	27,443
Cash and cash equivalents at 1 January	**10,287**	9,986
Effect of foreign currency rate changes, net	**645**	305
Cash and cash equivalents at 30 June	**22,664**	37,734
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**22,664**	37,734

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2014 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 available-for-sale investments and derivative financial instruments, 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 2013.

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 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as of 1 January 2014, noted below:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

The adoption of these new and revised HKFRS and interpretations does not have significant financial effect and implication to the Group's accounting policies applied in these interim financial statements.

2. Principal accounting policies *(continued)*

The following new or amended standards and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

HKFRS 9	*Financial Instruments*[2]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[2]
HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to HKFRSs issued in January 2014[1]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] No mandatory effective date yet determined but is available for adoption
[3] Effective for the first annual HKFRS financial statements for a period beginning on or after 1 January 2016

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.

3. **Revenue** *(continued)*

Business segments *(continued)*

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, corporate administrative expenses, gain on redemption of convertible bonds, loss arising from modification of convertible bonds, fair value change on derivative financial instrument, unallocated finance costs and income tax are excluded from such measurement.

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

For the six months ended 30 June 2014

	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	—	19,065	351,569	—	370,634
— intersegment sales	—	283,862	—	(283,862)	—
Other income and gains	23	27,715	—	—	27,738
Total	23	330,642	351,569	(283,862)	398,372
Segment results	(13,177)	(372,724)	(449,927)	8,516	(827,312)
Interest income					1
Corporate administrative expenses					(35,976)
Gain on redemption of convertible bonds					—
Fair value change on derivative financial instrument					—
Unallocated finance costs					(2,626)
Loss before tax					(865,913)
Income tax credit					78
Loss for the period					(865,835)

3. Revenue *(continued)*

For the six months ended 30 June 2013

	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	16,854	96,764	383,237	—	496,855
— intersegment sales	—	266,177	—	(266,177)	—
Other income and gains	23	8,694	—	—	8,717
Total	16,877	371,635	383,237	(266,177)	505,572
Segment results	4,197	33,892	(28,089)	(5,323)	4,677
Interest income					9
Corporate administrative expenses					(37,638)
Gain on redemption of convertible bonds					14,804
Fair value change on derivative financial instrument					46,025
Unallocated finance costs					(20,217)
Profit before tax					7,660
Income tax credit					178
Profit for the period					7,838

4. Finance costs

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings, wholly repayable within five years	**2,626**	2,971
Interest on convertible bonds	**—**	10,860
Interest on promissory notes	**—**	6,386
Interest on discounted bills	**—**	1,685
	2,626	21,902

5. (Loss)/Profit before tax

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**56,272**	51,172

6. Income tax credit

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax expenses		
Overprovision of Hong Kong profits tax in prior years	**—**	—
Overprovision of overseas tax in prior year	**—**	—
Overseas taxation	**—**	—
	—	—
Deferred income tax	**78**	178
	78	178

6. Income tax credit *(continued)*

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2013 and 2014 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)/earning per share amount is based on the loss for the period attributable to owners of the parent of HK$818,152,000 (2013: gain of HK$10,436,000), and the weighted average number of ordinary shares of 5,977,926,292 (2013: 5,977,926,292) in issue during the period, as adjusted to reflect the full conversion of the 2008 Convertible Bonds for ordinary shares of the Company during the period.

The 2008 Convertible Bonds shall be converted automatically into new shares of the Company at the date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of the basic and diluted loss per share amounts.

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. Moreover, the impact of those share options and convertible bonds outstanding had an anti-dilutive effect on the basic (loss)/earning per share amounts presented.

8. Interim dividend

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2014 (2013: Nil).

9. Property, plant and equipment

During the six months ended 30 June, 2014, the Group spent approximately HK$3,913,000 (six months ended 30 June 2013: HK$4,838,000) on buildings and fixtures.

10. Trade and bills receivables

	Group	
	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**255,486**	173,771
Bills receivables	**—**	2,544
Impairment	**(11,811)**	(11,811)
	243,675	164,504
Less: Trade receivables due from the Non-controlling Shareholder *(Note 12)*	**(71,446)**	(71,037)
	172,229	93,467

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 30 June 2014, approximately 29% (2013: 43%) and 12% (2013: 18%) of the Group's trade receivables were due from two customers, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Trade receivables due from the Non-controlling Shareholder of our Joint Venture in the PRC ("Non-controlling Shareholder") are on similar credit terms to those offered to the major customers of the Group. However, due to the cashflow difficulties of the Non-controlling Shareholder, the trade receivable due from the Non-controlling Shareholder had been overdue and as of 30 June 2014, HK$71,037,000 has an aging over 180 days.

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

10. Trade and bills receivables *(continued)*

An aged analysis of the trade and bills 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 2014 (Unaudited)	At 31 December 2013 (Audited)
	HK$'000	*HK$'000*
Within 3 months	**83,115**	155,873
3 to 4 months	**3,262**	635
Over 4 months	**157,298**	7,996
	243,675	164,504

11. Prepayments, deposits and other receivables

		Group	
		At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
	Notes	***HK$'000***	*HK$'000*
Other receivables from the Non-controlling Shareholder	*12*	**351,211**	381,465
Prepayments due from a related company	*(i)*	**28,339**	3,816
Subtotal		**379,550**	385,281
Prepayments, deposits and other receivables to other parties	*(ii)*	**82,434**	60,682
Impairment		**(3,286)**	(3,286)
		458,698	442,677

11. Prepayments, deposits and other receivables *(continued)*

Notes:

(i) Balance included (i) a prepayment of HK$28,339,000 (31 December 2013: HK$3,816,000) due from a related company, which is an associate of the Non-controlling Shareholder, for purchases of raw materials which is to be settled with future purchase.

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

The financial assets included in the above were neither past due nor impaired and 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 2014	At 31 December 2013
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 10)*	*(i)*	**71,446**	71,037
Other receivables from the Non-controlling Shareholder *(Note 11)*	*(ii)*	**351,211**	381,465
Non-current			
Amount due to the Non-controlling Shareholder	*(iii)*	**(50,201)**	(42,301)

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 2013: 120 days). Due to the cashflow difficulties of the Non-controlling Shareholder, the trade receivable due from the Non-controlling Shareholder had been overdue and as of 30 June 2014, HK$71,037,000 has an aging over 180 days.

(ii) The balance represented an advance to the Non-controlling shareholder. The balance is unsecured, non-interest-bearing and represented advance to the Non-controlling shareholder, which is repayable on demand.

(iii) The balance represented an advance from the Non-controlling Shareholder. The balance is unsecured, interest-free and not repayable within one year from the end of the reporting period.

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

13. Trade payables

	Group At 30 June 2014 (Unaudited) HK$'000	At 31 December 2013 (Audited) HK$'000
Trade payables due to other parties	**441,233**	470,157
Trade payables due to the Non-controlling Shareholder	**65,510**	44,206
	506,743	514,363

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

	Group At 30 June 2014 (Unaudited) HK$'000	At 31 December 2013 (Audited) HK$'000
Within 3 months	**89,639**	280,345
3 to 4 months	**20,388**	8,746
Over 4 months	**396,716**	225,272
	506,743	514,363

The trade payables are non-interest-bearing and are normally settled on 120-day terms.

The carrying amounts of trade payables approximate their fair values.

14. Other payables, accruals and deposit received

	Group	
	At 30 June 2014	At 31 December 2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Other payables and accrued charges	**155,268**	116,653
Advance received from customers	**211,266**	232,970
Deposit *(Note)* received from Kailuan	**220,000**	220,000
	586,534	569,623

Note:

A deposit was placed by Kailuan (Hong Kong) International Co. Ltd. ("Kailuan"), an independent third party, to the Group for the purchase of coke for a term of one year from 24 May 2013. As at 30 June 2014, the deposit was non-interest-bearing, and was secured by the following:

i) a pledge of 1,157,000,000 ordinary shares of the Company, as to 657,000,000 ordinary shares owned by Mr. Wu Jixian, a non-executive director and a substantial shareholder of the Company and as to 500,000,000 ordinary shares of the Company held by certain shareholders of the Company;

ii) a pledge by Mr. Wu Jixian of the Tranche 2 Bonds (as defined in note 17) with an aggregate outstanding principal amount of HK$582,000,000 and a carrying amount of HK$829,350,000 (which, if the convertible rights attached thereto are exercised in full, will be converted into 1,455,000,000 ordinary shares of the Company); and

iii) a second mortgage over the Group's land and buildings situated in Hong Kong, with a carrying value at 30 June 2014 of HK$103,645,000.

The deposit was repayable on or before 23 May 2014 and the Group had entered into a letter of intent with Kailuan for the extension of the deposit for a period of 6 months or 12 months upon its expiry on 23 May 2014.

On 10 September 2014, the Group entered into a Preliminary Sale & Purchase Agreement with an independent third party pursuant to which the Group has conditionally agreed to sell the Group's land and building covered by the second mortgage regarding the deposit and the part of the proceed from the disposal will be used to repay the HK$220,000,000 deposit from Kailuan.

In connection with the coke supply arrangement, the Group is subject to a penalty if it fails to deliver the agreed quantity of coke at Kailuan's specification on a quarterly basis. During the period, the compensation charged by Kailuan amounted to HK$13,200,000 (2013: Nil).

Further details of the deposit received are set out in the Company's announcement dated 23 May 2013, 29 May 2013, 23 May 2014 and 10 September 2014.

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

The carrying amounts of other payables, accruals and deposit received approximate their fair values.

15. Interest-bearing bank and other borrowings

Group

	30 June 2014			31 December 2013		
	Effective contractual interest rate	Maturity	*HK$'000*	Effective contractual interest rate	Maturity	*HK$'000*
Current						
Mortgage loan *(note b, c)*	1 month HIBOR + 2.45%	On demand	69,692	1 month HIBOR + 2.45%	On demand	71,904
Other bank loan *(note a)*	7.2%	2014	37,500	7.2%	2014	38,158
Other borrowing	10%	2015	6,326	—	—	—
Other borrowing	—	On demand	3,100	—	On demand	3,000
			116,618			113,062
Non-current						
Other borrowing	—	—	—	10%	2015	6,326
			—			6,326
			116,618			119,388
Secured			107,192			110,062
Unsecured			9,426			9,326
			116,618			119,388
Analysed into:						
Bank loans repayable						
Within one year or on demand			107,192			110,062
Other borrowings repayable						
On demand			9,426			3,000
In the second year			—			6,326
			9,426			9,326

Except for the other bank loan of HK$37,500,000 (31 December 2013: HK$38,158,000) which is denominated in Renminbi, all bank, and other borrowings are denominated in Hong Kong dollars.

15. Interest-bearing bank and other borrowings *(continued)*

Notes:

(a) The other bank loan is secured by a corporate guarantee from an independent third party.

(b) The mortgage loan is secured by a first mortgage over the Group's land and buildings situated in Hong Kong, which has a carrying value at 30 June 2014 of HK$103,645,000 (31 December 2013: HK$104,828,000). Due to the adoption of HK Interpretation 5, the Group's mortgage loan in the amount of HK$65,179,000 (31 December 2013: HK$67,409,000) containing a repayment on demand clause has been classified as a current liability. For the purpose of the above analysis, the mortgage 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 mortgage and other bank loans, the amounts repayable in respect of the mortgage and other bank loans are HK$4,503,000 (31 December 2013: HK$4,495,000) payable within one year; HK$4,620,000 (31 December 2013: HK$4,616,000 payable in the second year; HK$14,760,000 (31 December 2013: HK$14,608,000) payable in the third to fifth years, inclusive and HK$45,809,000 (31 December 2013: HK$48,185,000) payable beyond five years.

16. Share Capital

Shares

	At 30 June 2014 (Unaudited) ***HK$'000***	At 31 December 2013 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (31 December 2013: 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 2013: 4,522,926,292) ordinary shares of HK$0.1 each	**452,293**	452,293

16. Share Capital *(continued)*

Shares *(continued)*

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

	Number of share in issue	Issued capital *HK$'000*
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	4,522,926,292	452,293

17. 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 dates 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 remains 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 of HK$0.1 each to be converted from the 2008 Convertible Bonds at a conversion price of HK$0.4 per share is 5,500,000,000.

The 2008 Convertible Bonds are considered equity instruments and are included in equity in the convertible bond reserve.

The fair value of the 2008 Convertible Bonds was determined by reference to the quoted market prices 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.

17. Convertible Bonds *(continued)*

The Tranche 1 Bonds were fully converted into shares of the Company in prior years. No conversion of the Tranche 2 Bonds was made during the years ended 31 December 2013 and 2012, and they had a carrying amount of HK$829,350,000 and a principal amount of HK$582,000,000 as at 31 December 2013 and 31 December 2012.

If the Tranche 2 Bonds were fully converted, it would result in the issue of 1,455,000,000 additional ordinary shares of the Company; HK$145,500,000 would be transferred to the share capital account and the remaining HK$683,850,000 would be transferred to the contributed surplus account from convertible bond reserve.

A supplemental deed was entered into between the Company and Mr. Wu Jixian on 31 July 2013 to extend maturity date of the Tranche 2 Bonds to 31 October 2018. The transaction was approved by an ordinary resolution of the Company's shareholders at the special general meeting held on 15 October 2013. Details of the extension of the maturity date of the Tranche 2 Bonds are set out in the Company's circular dated 19 September 2013.

18. Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The original scheme (the "2002 Scheme") became effective on 31 May 2002 and had expired on 31 May 2012. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 28 March 2013, a new share option scheme (the "2013 Scheme") is adopted.

Eligible participants of the 2002 Scheme and 2013 Scheme (the "Share Option Schemes") include the Company's directors and employees of the Group.

The maximum number of unexercised share options permitted to be granted under the Share Option Schemes was an amount equivalent, upon their exercise, to 10% of the total number of shares in issue as at the respective dates of approval of the Share Option Schemes. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Schemes 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.

18. Share Option Scheme *(continued)*

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 end of the exercise period.

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.

Under the 2002 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total of 26,600,000 shares as at 30 June 2014 (31 December 2013: 30,100,000 shares), representing approximately 0.59% of the issued share capital of the Company as at that date (31 December 2012: 0.66%). Following the expiry of the 2002 Scheme in May 2012, no further options may be granted under the 2002 Scheme. The outstanding options granted under the 2002 Scheme shall continue to be valid and subject to the provisions of the 2002 Scheme and Chapter 17 of the Listing Rules.

During the six months ended 30 June 2014, no options have been granted under the 2013 scheme. On 5 September 2014, 77,000,000 share options which are convertible into 77,000,000 ordinary shares of the Company exercisable at 0.131 with exercise period from 6 September 2014 to 5 September 2019 were granted to certain directors and employees under the 2013 scheme.

18. Share Option Scheme *(continued)*

The following share options were outstanding under the 2002 Scheme during the period/year:

	2014	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***
At 1 January	**0.425**	**30,100**
Expired during the period#	**0.5**	**(3,500)**
At 30 June	**0.41**	**26,600**

	2013	
	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	0.425	30,100
At 31 December	0.425	30,100

During the period ended 30 June 2014, 3,500,000 share options with a fair value of HK$483,350 were expired in accordance with terms of the 2002 Scheme.

18. Share Option Scheme *(continued)*

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

30 June 2014

Number of options *'000*	Number of options held by directors (In aggregate) *'000*	Number of options held by employees (In aggregate) *'000*	Exercise price* *HK$ per share*	Date of grant	Exercise period	Closing price of share before the date of grant
7,400	6,600	800	0.68	11-01-10	11-01-10 to 10-01-15	0.69
12,200	11,000	1,200	0.40	27-01-11	27-01-11 to 26-01-16	0.40
7,000	5,500	1,500	0.16	05-01-12	06-01-12 to 05-01-17	0.16
26,600						

31 December 2013

Number of options *'000*	Number of options held by directors (In aggregate) *'000*	Number of options held by employees (In aggregate) *'000*	Exercise price* *HK$ per share*	Date of grant	Exercise period	Closing price of share before the date of grant
3,500	3,300	200	0.50	27-02-09	27-02-09 to 26-02-14	0.50
7,400	6,600	800	0.68	11-01-10	11-01-10 to 10-01-15	0.69
12,200	11,000	1,200	0.40	27-01-11	27-01-11 to 26-01-16	0.40
7,000	5,500	1,500	0.16	05-01-12	06-01-12 to 05-01-17	0.16
30,100						

* 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 2014, 3,500,000 (2013: Nil) share options have expired in accordance with terms of the 2002 Scheme.

There was no share options granted during the period and the Group did not recognise a share option expense during the period.

18. Share Option Scheme *(continued)*

At the end of the reporting period, the Company had 26,600,000 share options outstanding under the 2002 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 26,600,000 additional ordinary shares of the Company and additional share capital of HK$2,660,000 and share premium of HK$8,372,000 (before issue expenses).

As the date of this report, the Company had 26,600,000 share options outstanding under the 2002 Scheme and 77,000,000 share options outstanding under the 2013 scheme, which represented approximately 2.29% of the Company's shares in issue as at the date.

19. 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	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
With the Non-controlling Shareholder:			
Sales of refined coal	*(i)*	**—**	26,147
Sales of electricity	*(i)*	**411**	380
Sales of by-products	*(i)*	**—**	5,264
Purchases of coke	*(i)*	**—**	19,934
Purchases of refined coal	*(i)*	**62,316**	—
Rental expenses	*(ii)*	**628**	622
With a related company which is a subsidiary of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**4,713**	8,123
With related companies which are the associates of the Non-controlling Shareholder:			
Sales of electricity	*(i)*	**9,177**	10,708
Sales of coal gas	*(i)*	**68**	184
Purchases of raw coal	*(i)*	**12,269**	13,734

19. Related party transactions *(continued)*

(a) *(continued)*

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 14 to the financial statements.

(c) Commitments with a related party

On 30 May 2010, 金岩和嘉 entered into a 10-year operating lease arrangement ending 29 May 2020 with the Non-controlling Shareholder to lease the land for the Group's production plants. The total rental expenses paid to the Non-controlling Shareholder for the year are included in note (a) above. The total operating lease commitments due within one year, in the second to fifth years, and beyond the fifth years as at 30 June 2014 were approximately HK$1,255,000 (31 December 2013: HK$1,272,000), HK$5,020,000 (31 December 2013: HK$5,088,000) and HK$1,150,000 (31 December 2013: HK$1,802,000), respectively.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

	Group		
30 June 2014 **Financial assets**	**Loans and receivables** ***HK$'000***	**Available-for-sale financial assets** ***HK$'000***	**Total** ***HK$'000***
Available-for-sale investments	—	4,721	4,721
Trade and bills receivables	172,229	—	172,229
Financial assets included in prepayments, deposits and other receivables	353,900	—	353,900
Amount due from the Non-controlling Shareholder	71,446	—	71,446
Cash and cash equivalents	22,664	—	22,664
	620,239	4,721	624,960

20. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

30 June 2014 **Financial liabilities**	**Group** **Financial liabilities at amortised costs** ***HK$'000***	**Total** ***HK$'000***
Trade payables	**506,743**	**506,743**
Financial liabilities included in other payables and accruals	**335,445**	**335,445**
Interest-bearing bank and other borrowings	**116,618**	**116,618**
Amount due to the Non-controlling Shareholder	**50,201**	**50,201**
	1,009,007	**1,009,007**

31 December 2013 Financial assets	Group Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	—	4,765	4,765
Trade and bills receivables	93,467	—	93,467
Financial assets included in prepayments, deposits and other receivables	387,636	—	387,636
Amount due from the Non-controlling Shareholder	71,037	—	71,037
Cash and cash equivalents	10,287	—	10,287
	562,427	4,765	567,192

20. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

31 December 2013 Financial liabilities	Group Financial liabilities at amortised costs *HK$'000*	Total *HK$'000*
Trade payables	514,363	514,363
Financial liabilities included in other payables, accruals and deposits received	298,030	298,030
Interest-bearing bank and other borrowings	119,388	119,388
Amount due to the Non-controlling Shareholder	42,301	42,301
	974,082	974,082

21. FAIR VALUE HIERARCHY

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

21. FAIR VALUE HIERARCHY *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(continued)*

Asset measured at fair value:

Group

As at 30 June 2014 and 31 December 2013

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Available-for-sale investments	2,221	—	—	2,221

Liabilities measured at fair value:

During the six months ended 30 June 2014, there were no transfers between Level 1, Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair values of financial assets and liabilities carried at other than fair value

The Directors consider that the carrying amounts of financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 30 June 2014.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2014 (2013: Nil).

FINANCIAL HIGHLIGHT

For the six months ended 30 June 2014, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$370,634,000 (2013: HK$496,855,000), representing a decrease of around 25.4% compared to that of 2013. Gross profit margin has substantially reduced from positive 4.7% to negative 15.85%.

The Group recorded a consolidated net loss of HK$865,835,000 (2013: gain of HK$7,838,000) were mainly due to (i) the continuous decrease in the price of coke as a result of the depression in coke market, (ii) the high cost of production (iii) compensation charge by Kailuan of HK$13,200,000 (2013: Nil), (iv) impairment on items of property, plant and equipment of HK$361,406,000 (2013: Nil), (v) impairment on goodwill of HK$388,544,000 (2013: Nil); (vi) gain on redemption of convertible bonds: Nil (2013: HK$14,804,000) and (vi) fair value change on derivative financial instruments: Nil (2013: HK$46,025,000).

BUSINESS REVIEW

The coke market continued to be sluggish and there is no sign of recovery in the first half year of 2014 subsequent to 2013, one of the most challenging years to the Group.

China's economy entered an era of slow growth in recent years. With prolonged tightening policies on the property market, the demand of steel remained low for the whole year of 2013 till first half year of 2014, which led to the price reduction of our major product, coke, an ingredient in steel making process.

BUSINESS REVIEW *(continued)*

Coke trading segment

As part of the PRC Governmental measures to meet the December 2012 deadline set by the World Trade Organization to remove export restrictions on industrial materials, starting from early January 2013, coke exports are no longer restricted by quota (which was the previous regulatory regime) but are regulated by a regime of export licenses. In addition, coke export tax charged at the rate of 40% in the past has also been abolished. These factors reopened the Chinese coke export market. However, the international coke market is already oversaturated and throughout 2013 and the first half of 2014, the reopening of the Chinese coke export market, exacerbating the oversupply, thus pressuring prices further. These market conditions hindered the Group's attempt to restart the coke export business.

For the domestic coke market, due to the unfavorable local market condition, the coke trading business has been frozen in this review period.

As such, the Group did not record any coke trading revenue in this review period (2013: HK$16,854,000).

Coal-related ancillary segment

The coal-related ancillary segment related to the washing of raw coal into refined coal for sales and for further processing, and the sale of electricity and heat which are generated as the by-products during washing of raw coal.

External sales from the coal-related ancillary segment dropped from HK$96,764,000 in the first half of 2013 to HK$19,065,000 in the first half of 2014, representing 80.3% decrease. The decrease was mainly due to the sluggish coke market which led to reduction of the activities of our coal-related ancillary segment in the current review period. In addition, due to the sluggish market, the production of the Non-controlling Shareholder decreased, which lead to decrease in refined coal and electricity sales to the Non-controlling Shareholder from HK$26,527,000 in 2013 to HK$411,000 in the current review period.

BUSINESS REVIEW *(continued)*

Coal-related ancillary segment *(continued)*

Due to the continuous weak coal market and the gloomy market outlook, the Group had internally reviewed and assessed the carrying value of the Group's coal-related ancillary business segment assets and made impairment loss on goodwill amounting to HK$388,544,000 (2013: Nil). The impairment loss is a non-cash item which does not have any impact on the Group's operating cash flows. In view of the significant impairment loss on goodwill of the coal-related ancillary business segment, the Group will engage a professional valuer to assess the value of the Group's coal-ancillary business segment assets as soon as possible.

Coke production segment

Due to the weak coke price in 2014, the coke production segment recorded reduction in revenue from HK$383,237,000 in the first half of 2013 to HK$351,569,000 in the first half of 2014, representing approximately 8.3% decrease.

As a result of the continuous weak coke price and the high production cost, the Group had internally reviewed and assessed the carrying value of the Group's coke production facilities and made impairment loss on items of property, plant and equipment amounting to HK$361,406,000 (2013: Nil). The impairment loss is a non-cash item, which does not have any impact on the Group's operating cash flows for the six months ended 2014. In view of the significant impairment loss on the coke production segment assets, the Group will engage a professional valuer as soon as possible to assess the value of the Group's coke production facilities.

ANNUAL COKE SALES AND PURCHASE AGREEMENT

On 22 May 2013, the Company, Kailuan (Hong Kong) International Co. Ltd. ("Kailuan") and Mr. Wu Jixian ("Mr. Wu"), a substantial shareholder and non-executive Director of the Company, entered into an annual coke sale and purchase agreement ("Annual Coke S&P Agreement"). Under the Annual Coke S&P Agreement, the Group has agreed, among other terms, to supply 50,000 tonnes coke (subject to certain adjustment level) to Kailuan each month during the period from 24 May 2013 to 23 May 2014.

ANNUAL COKE SALES AND PURCHASE AGREEMENT *(continued)*

Total quantity to be sold by the Group to Kailuan would be around 600,000 tonnes during the agreement period. Should the quantity supplied falls short of the agreed supply of at least 50,000 tonnes +/-10% per month, the Group shall pay default liquidated damages to Kailuan at HK$44/tonne based on the supply shortage (calculated as 150,000 tonnes less actual supply).

Under the Annual Coke S&P Agreement, Kailuan has agreed to pay HK$220,000,000 to the Group as deposit, the deposit is interest free and is repayable on or before 23 May 2014. The Company used part of the HK$220,000,000 prepayment for the full and final settlement of the HK$154,000,000 8 per cent. Senior Unsubordinated and Secured Convertible Bonds issued by the Company to Passion Giant Investment Limited which matures on 23 May 2013, as well as repayment of other borrowings of around HK$9 million. The Group retained the remaining part as working capital of the Company.

The deposit was non-interest-bearing, repayable on or before 23 May 2014 and was secured by the following:

(i) a pledge of 1,157,000,000 shares of the Company, as to 657,000,000 shares owned by Mr. Wu Jixian, a non-executive director and a substantial shareholder of the Company and 500,000,000 shares of the Company held by certain shareholders of the Company;

(ii) a pledge by Mr. Wu Jixian of the convertible bonds issued in 2008 with an aggregate outstanding principal amount of HK$582,000,000 and a carrying amount of HK$829,350,000 (which, if the convertible rights attached thereto are exercised in full, will be convertible into 1,455,000,000 shares of the Company); and

(iii) a second mortgage over the Group's land and buildings situated in Hong Kong, with a carrying value at 30 June 2014 of HK$103,645,000.

Due to the weak coke market, there had not been any revenue recorded related to the Annual Coke S&P Agreement during the whole agreement period. The liquidated damage charged by Kailuan during the period was HK$13,200,000 (2013: Nil).

ANNUAL COKE SALES AND PURCHASE AGREEMENT *(continued)*

The Annual Coke S&P Agreement expired on 23 May 2014. The Company, Kailuan and Mr. Wu started the agreement extension negotiation and considering inviting new possible strategic investors, with revising terms. The negotiation of inviting new strategic investors is still in progress on the date of this report.

Further details of the Annual Coke S&P Agreement are set out in the Company's announcements dated 23 May 2013, 29 May 2013 and 23 May 2014.

CHARGES OVER ASSETS

As at 30 June 2014, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$103,645,000 (31 December 2013: HK$104,828,000) to secure a mortgage loan of the Group.

The amount of the secured bank borrowings outstanding as at 30 June 2014 was HK$69,692,000 (31 December 2013 was HK$71,904,000). The Group had no pledged deposit as at 30 June 2014 (31 December 2013: Nil).

The Group also entered into a second mortgage with Kailuan relating to the same land and buildings. Should the Group dispose of those land and buildings after obtaining written consent from Kailuan, the net proceed received after repayment of the mortgage loan for the property will be used for settlement of the amount due to Kailuan first.

On 10 September 2014, the Group entered into a Preliminary Sale & Purchase Agreement with an independent third party pursuant to which the Group has conditionally agreed to sell the Group's land and building covered by the second mortgage regarding the deposit and the part of the proceed from the disposal will be used to repay the HK$220,000,000 deposit from Kailuan.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reviewing period since 31 December 2013.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT *(continued)*

The Group's principal financial instruments comprise deposit received from Kailuan, and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, deposits and other receivables, amounts due from/to the Non-controlling Shareholder, cash and bank balances, trade and bills payables, and other payables, and accruals, which arise directly from its operations.

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

TREASURY POLICES

The Group adopts conservative treasury polices and has tight control over its cash management. The Group's cash and cash equivalents were mainly denominated in Hong Kong dollars, except for HK$21,760,000 (31 December 2013: HK$2,222,000) denominated in Renminbi. Moreover, except for the other bank loan of HK$37,500,,000 (31 December 2013: HK$38,158,000) which is denominated in Renminbi, all bank and other borrowings are denominated in Hong Kong dollars. Surplus cash is generally placed in banks as bank deposits.

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade and bills payables, other payables, accruals and deposit received, interest bearing bank and other borrowings, an amount due to the Non-controlling Shareholder, net of cash and cash equivalents. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratios as at 30 June 2014 was 80.9% (31 December 2013: 52%).

As at 30 June 2014, the equity attributable to owners of the parent amounted to HK$292,740,000 (31 December 2013 was 1,129,250,000). Taking into account of shares issued upon full conversion of 2008 Convertible Bonds, the equity attributable to owners of the parent per share was HK$0.05 per share (31 December 2013: HK$0.19 per share). Decrease in equity attributable to owners of the Company was mainly attributable to the loss incurred during the period.

The Group had not used any financial instruments for hedging purposes.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$363,616,000 (31 December 2013: HK$306,824,000) and 0.70 (31 December 2013: 0.74), respectively as at 30 June 2014, which include interest-bearing bank and other borrowings of HK$110,292,000 (31 December 2013: HK$113,062,000).

Due to the adoption of Hong Kong Interpretation 5 "Presentative of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause", the Group's mortgage loan of HK$65,179,000 (31 December 2013: HK$67,409,000) which is repayable beyond twelve months from the end of the reporting period in accordance with its original repayment schedule was classified as current liability because the loan terms contained a repayment on demand clause.

As at 30 June 2014, the Group's cash and bank balances amounted to HK$22,664,000 (31 December 2013: HK$10,287,000). As at 30 June 2014, the Group had bank and other borrowings (including both current and non-current portions) amounting to HK$116,618,000 (31 December 2013: HK$119,388,000).

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group is taking the following measures:

a) the Group had an available bank facility granted by a bank in the People's Republic of China ("PRC") of approximately HK$462,500,000 (equivalent to RMB370,000,000) as at 30 June 2014 for working capital purposes. Although the facility will expire in September 2014, the directors are of the opinion that the Group will be able to renew/refinance the bank facility upon its expiry;

b) the Company has entered into a letter of intent with Kailuan for the extension of a deposit received of HK$220,000,000 from Kailuan for a period of 6 months or 12 months upon its expiry on 23 May 2014;

c) On 10 September 2014, the Group entered into a Preliminary Sale & Purchase Agreement with an independent third party pursuant to which the Group has conditionally agreed to sell the Group's land and building covered by the second mortgage regarding the deposit and the part of the proceed from the disposal will be used to repay the HK$220,000,000 deposit from Kailuan; and

d) management has been endeavouring to improve the Group's operating results.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

EMPLOYEES AND REMUNERATION

As at 30 June 2014, the Group had approximately 1,650 employees (31 December 2013: approximately 1,850 employees). Less than 10 staffs were stationed in Hong Kong and the rest were PRC workers. The Group's staff costs amounted to approximately HK$31,781,000 for the period ended 30 June 2014 and approximately HK$31,054,000 was recorded in the corresponding period of 2013.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivated individual performance. Up to the date of this report, there are 26,600,000 share options outstanding under the share option scheme.

PROSPECTS

The Group had been facing challenges from the downturn in the coke industry in recent years and the situation is expected to remain for another one to two years. The environmental policies and excess capacity constraints will be the major factors affecting the development coke industry players in the future.

Excess capacity had been a serious problem for many industries in China, including the steel industry and coke industry. Since coke is an ingredient in steel making process, the problems faced by coke producers are much bigger. According to the goal set by the Hebei Province, annual capacity of steel will be reduced by 60 million tonnes of steel by 2017. The steel capacity cuts would have a great impact on the coke producers. Moreover, according to the data published on the 2013 Coking Industry Information Conference Cum 2014 Market Operation Seminar held by the China Coking Industry Association on 22 February 2014, China's coke production quantity grew by 8.1% in 2013. Limiting the coke production capacity and digesting the excess capacity are the major problems needed to be solved by the Chinese government.

Moreover, upon entering 2014, China has assumed the chairmanship of Asia-Pacific Economic Cooperation ("APEC") and will host throughout the year a series of APEC meetings and supporting events including the Economic Leaders' Meeting, Ministerial Meetings, Senior Officials' Meetings, and meetings among committees, sub-committees, and working groups across the APEC fora. It is expected the Chinese government will be putting more focus on environmental policies.

PROSPECTS *(continued)*

Since smaller coke production facilities are usually of less advance and environmentally friendly technology and lower efficiency, one of the works of the government is to close down small coke production plants. This also helps to solve the excess capacity problems. Thus, the coke producers will have to meet the size, energy consumption and environmental protection standards in order to stay in the industry. To tackle the challenges mentioned above, the management has been implementing various strategies to improve the Group's operating performance and also making investments to make the Group's production facilities comply with higher environmental standards using internal generated fund.

Furthermore, the sharp increase in the purchase costs of raw materials due to the safety check of the coal mine under the PRC Governmental consolidation of coal mines exercise in 2011 taught the Group a lesson and reconfirms the Group's strategy in developing the upstream business. In August 2010, the Group has signed a non-legal binding memorandum of understandings ("First MOU") with the Non-controlling Shareholder, for the proposed acquisition of coal mines. At the date of this report, most of the due diligence works including the financial, technical or valuation, on a targeted coal mine has been completed. The mine is currently in the progress of consolidation and had already obtained the business license. It is expected to resume production this year. The First MOU had been extended to 30 June 2012 and was expired subsequently. The Group planned to explore the possibilities for acquiring this mine again with Non-Controlling Shareholder once the mine commences production again. Management considered that if the Group can acquire a nearby coal mine, the coal supplies will be stable in both volume and price and also, we can enjoy the profit generated in coal mining, which is beneficial for the Group's long term development.

In September 2010, the Group has signed another non-legal binding memorandum of understandings ("Second MOU") with the Non-Controlling Shareholder. This Second MOU mainly related to the proposed cooperation with the Non-Controlling Shareholder for the construction of a new coking plant with annual capacity of 2 million tonnes. Up to the date of this report, the Group has invested around RMB2,000,000 in this project and there is no additional commitment for the Group at this stage. The construction works of the new plant has started in 2011 and expect to be finished in this year. It was wholly financed by the Non-Controlling Shareholder. The Group will assess the financial abilities and the prospects of the industry after the coking plant commence production and consider if the Group will join the project or not.

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 2014.

OTHER INFORMATION

DIRECTORS' INTERESTS

As at 30 June 2014, 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)*	25,062,000	0.55
Wu Jixian	*(b)*	657,000,000	14.53
To Wing Tim Paddy	*(c)*	1,160,000	0.03

DIRECTORS' INTERESTS *(continued)*

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)*	1,464,600,000	32.38
Li Baoqi	*(d)*	10,500,000	0.23

Short positions in the Shares

Name of Director	*Notes*	Number of underlying shares held	Percentage of issued share capital (%)
Wu Jixian	*(b)*	657,000,000	14.53

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 2014, 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 2014, 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 9,600,000 Shares upon exercise of the options in full. To guarantee the HK$220 million prepayment from Kailuan by the Company in relation to the annual coke sale and purchase agreement in May 2013, Mr. Wu has pledged his shares of 657,000,000 shares and 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 Kailuan.

DIRECTORS' INTERESTS *(continued)*

Notes: (continued)

(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 2014, Mr. Li Baoqi, an executive Director was entitled to share options to subscribe for a maximum of 10,500,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 30 June 2014, 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 2014, 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
Kailuan	Beneficial owner *(Note 1)*	2,842,000,000	62.84%
Kailuan (Group) Limited	Interest in controlled corporation *(Note 2)*	2,842,000,000	62.84%
Kailuan (Hong Kong) Co., Limited	Interest in controlled corporation *(Note 2)*	2,842,000,000	62.84%
Rontac Investment Company Limited	Interest in controlled corporation *(Note 2)*	2,842,000,000	62.84%
Rontac Resources Company Limited	Interest in controlled corporation *(Note 2)*	2,842,000,000	62.84%

Notes:

(1) As at 30 June 2014, Mr. Wu has pledged his interests in 657,000,000 Shares and interests in convertible bonds in the aggregate principle amount of HK$582,000,000 which were convertible into 1,455,000,000 Shares to Kailuan. Moreover, certain individual minority Shareholders have pledged their interests in 730,000,000 Shares in aggregate to Kailuan. On 16 September 2014, Kailuan agreed to release the pledge of 230,000,000 put options from 2 individual minority shareholders. Therefore, as at 16 September 2014, the number of underlying shares held by Kailuan will be 2,612,000,000, which represents approximately 57.75% of the issued share capital of the Company.

(2) Kailuan is owned by Kailuan (Hong Kong) Co., Limited as to 51% and Rontac Resources Company Limited as to 40% which Kailuan (Hong Kong) Co., Limited is owned by Kailuan (Group) Limited as to 51% and Rontac Resources Company Limited is owned by Rontac Investment Company Limited as to 33.33%.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Long positions in underlying shares *(continued)*

Save as disclosed above and so far as is known to the Directors and the chief executive of the Company, as at 30 June 2014, 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 2014 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors and the non-executive Director should attend the general meetings of the Company. However, due to other business commitment, Mr. Wu Jixian (non-executive Director), and Mr. Lau Ka Ho (independent non-executive Director) did not attend the annual general meeting held on 3 June 2014. Despite the fact that the mentioned Directors were not able to attend that general meeting, all directors were fully aware of the matters discussed and the corresponding resolutions through discussions among themselves.

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 2014.

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 2014 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, the non-Executive Director of the Company is Mr. Wu Jixian and the independent non-Executive Directors of the Company 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, 29 September 2014