HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)

Interim Report 2013

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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

Tricor Secretaries Limited

In Bermuda

Butterfield Corporate Services Limited

Principal Office in Hong Kong

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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013 with comparative figures for the corresponding period of 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**502,595**	653,468
Cost of sales			
— Amortisation of other intangible assets		**—**	(8,402)
— Others		**(479,066)**	(655,114)
Gross profit/(loss)		**23,529**	(10,048)
Other income and gains		**8,703**	7,254
Selling and distribution costs		**(25,588)**	(16,652)
Administrative expenses		**(37,911)**	(31,100)
Gain on redemption of convertible bonds		**14,804**	—
Loss arising from modification of convertible bonds		**—**	(9,794)
Fair value change on derivative financial instrument		**46,025**	36,751
Finance costs	*4*	**(21,902)**	(28,730)
Profit/(loss) before tax	*5*	**7,660**	(52,319)
Income tax credit	*6*	**178**	1,599
Profit/(loss) for the period		**7,838**	(50,720)
Profit/(loss) for the period attributable to:			
Owners of the parent		**10,436**	(46,422)
Non-controlling interests		**(2,598)**	(4,298)
		7,838	(50,720)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic			
— For profit/(loss) for the period	*7*	**HK0.17 cents**	(HK0.78 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**7,838**	(50,720)
Other comprehensive income for the period:		
Item that may be reclassified to profit or loss		
— Exchange differences arising on translation of foreign operation	**22,278**	—
Total comprehensive income/(loss) for the period	**30,116**	(50,720)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the parent	**30,486**	(46,422)
Non-controlling interests	**(370)**	(4,298)
	30,116	(50,720)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**At 30 June 2013 (Unaudited) *HK$'000***	At 31 December 2012 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**1,311,071**	1,335,534
Goodwill		**388,544**	388,544
Available-for-sale investments		**4,732**	4,688
Total non-current assets		**1,704,347**	1,728,766
Current assets			
Inventories		**116,022**	112,225
Trade and bills receivables	*10*	**177,583**	67,348
Prepayments, deposits and other receivables	*11*	**276,577**	405,197
Amount due from the Non-controlling Shareholder	*12*	**66,356**	74,351
Tax recoverable		**7,946**	7,946
Cash and cash equivalents		**37,734**	9,986
Total current assets		**682,218**	677,053
Current liabilities			
Trade payables	*13*	**336,436**	261,342
Other payables and accruals	*14*	**549,527**	183,628
Interest-bearing bank and other borrowings	*15*	**121,633**	128,833
Promissory note	*16*	**—**	231,171
Convertible bonds	*17*	**—**	205,789
Derivative financial instrument	*17*	**—**	46,025
Total current liabilities		**1,007,596**	1,056,788
Net current liabilities		**(325,378)**	(379,735)
Total assets less current liabilities		**1,378,969**	1,349,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2013

	Notes	At 30 June 2013 (Unaudited) HK$'000	At 31 December 2012 (Audited) HK$'000
Non-current liabilities			
Amount due to the Non-controlling Shareholder	12	**19,201**	19,201
Deferred tax liabilities		**8,922**	9,100
Total non-current liabilities		**28,123**	28,301
Net assets		**1,350,846**	1,320,730
Equity			
Equity attributable to the owners of parent			
Issued share capital	18	**452,293**	452,293
Reserves		**753,556**	723,070
		1,205,849	1,175,363
Non-controlling interests		**144,997**	145,367
Total equity		**1,350,846**	1,320,730

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2013

	Attributable to owners of the parent												
	Share Capital	Share premium	Contributed surplus	Special reserve	Available for sale investment revaluation reserve	Share options reserve	Exchange fluctuation reserve	Capital redemption reserve	Convertible bonds reserve	Retained profits/ (acumulated losses)	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(note i)*	*HK$'000* *(note ii)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 30 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
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

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**246,619**	24,448
Net cash flows used in investing activities	**(4,838)**	(739,603)
Net cash flows (used in)/from financing activities	**(214,338)**	750,062
Net increase in cash and cash equivalents	**27,443**	34,907
Cash and cash equivalents at 1 January	**9,986**	11,380
Effect of foreign currency rate changes, net	**305**	—
Cash and cash equivalents at 30 June	**37,734**	46,287
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**37,734**	46,287

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2013 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 2012.

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 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (HKFRSs") as of 1 January 2013, noted below:

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements to 2009-2011 Cycles	Amendments to a number of HKFRSs issued in June 2012

2. **Principal accounting policies** *(continued)*

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 except for below:

HKFRS 10 "Consolidated Financial Statements" provides additional guidance on the determination of control. Under HKFRS 10, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has applied HKFRS 10 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

HKFRS 11 "Joint Arrangements" classifies joint arrangements as either joint operations or joint ventures. The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement and the existence of a separate legal vehicle is no longer a key factor. The Group has applied HKFRS 11 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

HKFRS 13 "Fair Value Measurements" defines fair value and provides a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting. The Group has applied the new fair value measurement and disclosure requirements prospectively in accordance with the standard. The Group has included the disclosures required in Note 22.

The following new or amended standards and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group:

- HKAS 32 (Amendment) — Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
- HKAS 36 (Amendment) — Recoverable Amount Disclosures for Non-financial Assets[1]
- HKFRS 7 and HKFRS 9 (Amendments) — Mandatory Effective Date and Transition Disclosures[2]
- HKFRS 9 — Financial Instruments[2]
- HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011) (Amendments) — Investment Entities[1]
- HK(IFRIC) Interpretation 21 — Levies[1]

[1] Changes effective for annual periods beginning on or after 1 January 2014
[2] Changes 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, 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.

3. Revenue *(continued)*

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	22,594	96,764	383,237	—	502,595
— intersegment sales	—	266,177	—	(266,177)	—
Other income and gains	—	8,694	—	—	8,694
Total	22,594	371,635	383,237	(266,177)	511,289
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

3. Revenue *(continued)*

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	(8,407)	15,133	(48,379)	(2,877)	(44,530)
Interest income					23
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					(26,225)
Loss before tax					(52,319)
Income tax credit					1,599
Loss for the period					(50,720)

4. Finance costs

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings, wholly repayable within five years	**2,971**	9,157
Interest on convertible bonds	**10,860**	9,905
Interest on promissory notes	**6,386**	7,140
Interest on discounted bills	**1,685**	2,528
	21,902	28,730

5. Profit/(Loss) before tax

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**51,172**	55,354

6. Income tax credit

	For the six months ended 30 June	
	2013	2012
	(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	**—**	124
Overseas taxation	**—**	—
	—	124
Deferred income tax	**178**	1,475
	178	1,599

6. Income tax credit *(continued)*

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2012 and 2013 as there is no assessable profit for the periods.

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

7. Earnings/(Loss) per share attributable to owners of the parent

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000/'000	*HK$'000/'000*
Earnings/(Loss) for the purpose of basic earnings/(loss) per share	**10,436**	(46,422)
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 2013 (2012: Nil).

9. Property, plant and equipment

During the six months ended 30 June, 2013, the Group spent approximately HK$4,838,000 (six months ended 30 June, 2012: HK$47,408,000) on buildings and fixtures.

10. Trade and bills receivables

	Notes	Group At 30 June 2013 (Unaudited) HK$'000	At 31 December 2012 (Audited) HK$'000
Trade receivables		**248,884**	146,689
Bills receivables		**2,511**	2,466
Impairment		**(7,456)**	(7,456)
		243,939	141,699
Less: Trade receivables due from the Non-controlling Shareholder	*12*	**(66,356)**	(74,351)
		177,583	67,348

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 2013, approximately 27% (31 December 2012: 52%) and 8% (31 December 2012: 10%) 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 2013 (Unaudited) HK$'000	At 31 December 2012 (Audited) HK$'000
Within 3 months	**98,022**	115,441
3 to 4 months	**32,533**	5,186
Over 4 months	**113,384**	21,072
	243,939	141,699

11. Prepayments, deposits and other receivables

	Notes	Group At 30 June 2013 (Unaudited) HK$'000	At 31 December 2012 (Audited) HK$'000
Other receivables from the Non-controlling Shareholder *(Note 12)*	*(i)*	**528**	168,844
Prepayments to the Non-controlling Shareholder *(Note 12)*	*(ii)*	**126,812**	124,591
Prepayments due from a related company	*(iii)*	**38,800**	34,421
Subtotal		**166,140**	327,856
Prepayments, deposits and other receivables to others	*(iv)*	**116,273**	83,177
Impairment		**(5,836)**	(5,836)
		276,577	405,197

Notes:

(i) Balance represented an advance to the Non-controlling Shareholder, which is unsecured, non-interest-bearing and repayable on demand.

(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.

(iii) Balance included (i) a prepayment of HK$38,800,000 (31 December 2012: HK$22,088,000) due from a related company, which is an associate of the Non-controlling Shareholder, for purchases of raw materials for the coal-related ancillary and the coke production businesses; and (ii) an advance to the related company of Nil (31 December 2012: HK$12,333,000) which is unsecured, non-interest-bearing and repayable on demand.

(iv) 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

	Notes	Group **At 30 June 2013 (Unaudited)** ***HK$'000***	At 31 December 2012 (Audited) *HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 10)*	*(i)*	**66,356**	74,351
Prepayment to the Non-controlling Shareholder *(Note 11)*	*(ii)*	**126,812**	124,591
Other receivables from the Non-controlling Shareholder *(Note 11)*	*(iii)*	**528**	168,844
Promissory notes *(Note 16)*	*(iv)*	**—**	(231,171)
Non-current			
Amount due to the Non-controlling Shareholder	*(v)*	**(19,201)**	(19,201)

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 2012: 120 days), which is similar to those granted to major trading customers of the Group.

(ii) The balance is trade in nature, and is unsecured, non-interest-bearing and is to be settled with future purchases.

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

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

(iv) 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 16 to the financial statements.

(v) 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 2013 (Unaudited)	At 31 December 2012 (Audited)
	Note	***HK$'000***	*HK$'000*
Trade payables#		**336,436**	261,342

Included in the trade payables in a trade payable of HK$16,583,000 (31 December 2012: HK$11,932,000) due to an associate of the Non-controlling Shareholder that is repayable within 120 days, represents similar credit terms offered by major creditors.

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 2013 (Unaudited)	At 31 December 2012 (Audited)
	HK$'000	*HK$'000*
Within 3 month	**134,934**	99,496
3 to 4 months	**15,270**	11,813
Over 4 months	**186,232**	150,033
	336,436	261,342

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 2013 (Unaudited) HK$'000	At 31 December 2012 (Audited) HK$'000
Other payables and accrued charges	(i)	**153,998**	94,502
Advance received from customers		**175,529**	89,126
Prepayment received from Kailuan	(ii)	**220,000**	—
		549,527	183,628

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

(ii) On 22 May 2013, the Company, Kailuan (Hong Kong) International Co. Ltd. ("**Kailuan**"), and Mr. Wu Jixian ("**Mr. Wu**", a substantial shareholder of the Company) entered into an annual coke sales and purchase agreement ("**Agreement**"). Pursuant to the Agreement, Kailuan paid the Company HK$220 million as prepayment during the period. The amount is secured, interest free and is repayable on or before 23 May 2014. Further details of the Agreement are set out in the Company's announcement dated 23 May 2013

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

15. Interest-bearing bank and other borrowings

Group

	30 June 2013			31 December 2012		
	Effective contractual interest rate	Maturity	HK$'000	Effective contractual interest rate	Maturity	HK$'000
Mortgage loan	**1 month HIBOR + 2.45%**	**On demand**	**74,094**	1 month HIBOR + 2.45%	On demand	76,239
Other bank loan	**7.05%**	**On demand**	**37,660**	7.57%	On demand	37,000
Other borrowing	**—**	**On demand**	**9,879**	10%	On demand	15,594
			121,633			128,833
Secured			**74,094**			76,239
Unsecured			**47,539**			52,594
			121,633			128,833
Carrying amounts repayable on demand			**121,633**			128,833

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

Notes:

(a) Except for the other bank loan of HK$37,660,000 (31 December 2012: HK$37,000,000) 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 2013 of HK$106,012,000 (31 December 2012: HK$107,195,000). Due to the adoption of HK Interpretation 5, the Group's mortgage loan in the amount of HK$69,691,000 (31 December 2012: HK$71,863,000) 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$43,972,000 (31 December 2012: HK$41,376,000) payable within one year; HK$6,312,000 (31 December 2012: HK$4,498,000) payable in the second year; HK$18,936,000 (31 December 2012: HK$14,233,000) payable in the third to fifth years, inclusive and HK$42,534,000 (31 December 2012: HK$53,132,000) payable beyond five years.

(d) The other borrowing has no fixed term of repayment and on 15 March 2013 the lender of the other borrowing had agreed in writing not to demand repayment of the other borrowing before 31 May 2014.

16. Promissory Note

On 10 June 2010, the Company issued two unsecured, non-interest-bearing promissory notes with the principal amount of RMB191,740,000 (equivalent to HK$219,000,000 at 10 June 2010) 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 and was fully repaid on 9 December 2011.

During the review period, the Group entered into an agreement with the holder of the promissory note and its affiliates pursuant to which the remaining promissory note payable was satisfied with the trade and other receivables due from, and prepayments paid to, the noteholder and its affiliates upon maturity of the promissory note on 9 June 2013.

17. 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 ("Mr. Wu") 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 ("Automatic Conversion"). 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 under 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.

No conversion of 2008 Convertible Bonds was made during the period ended 30 June 2013 (year ended 31 December 2012: Nil).

If the remaining 2008 Convertible Bonds, i.e. Tranche 2 Bonds, with an aggregate carrying amount of HK$829,350,000 and a principal amount of HK$582,000,000 as at 30 June 2013 and 31 December 2012 were fully converted, it would result in the issue of 1,455,000,000 additional ordinary shares of the Company, and 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.

17. Convertible Bonds *(continued)*

Proposed amendments to the terms and conditions of the Tranche 2 Bonds originally matures on 31 October 2013

On 22 May 2013, the Group, Kailuan (Hong Kong) International Co. Ltd. ("Kailuan"), and Mr. Wu entered into an annual coke sales and purchase agreement ("Annual Coke S&P Agreement"). Pursuant to the Annual Coke S&P Agreement, Mr. Wu has agreed to pledge in favour of Kailuan the outstanding amount the Tranche 2 Bonds in order to secure (among other obligations) repayment by the Group to Kailuan of a prepayment in the sum of HK$220 million ("Kailuan Prepayment"). On 29 May 2013, Mr. Wu executed such pledge ("Bond Pledge") in favour of Kailuan. The Bond Pledge is expected to be released by Kailuan after the Group's repayment of the Kailuan Prepayment and the Group's performance of other obligations under the Annual Coke S&P Agreement.

As mentioned above, the Automatic Conversion of the Tranche 2 Bonds will occur upon 31 October 2013. When it so takes place, it will constitute a breach by Mr. Wu of the provisions under the Bond Pledge, in particular, Mr. Wu has undertaken (among others) he will not dispose of or otherwise deal with any of the Tranche 2 Bonds except as directed by or with the consent of Kailuan in writing.

In the light of the above, Mr. Wu requested the Company to extend the maturity date for the Tranche 2 Bonds to 31 October 2018. On 31 July 2013, the Company executed a Supplemental deed poll ("**Supplemental Deed**"), pursuant to which the maturity date of the Tranche 2 Bonds will be extended to 31 October 2018 ("**Maturity Date Extension**").

The Supplemental Deed was conditional and subject to the fulfillment of certain conditions including the approval of shareholders at a special general meeting. If any of the conditions are not fulfilled on or before 31 October 2013, the Supplemental Deed shall cease and terminate.

Further details of the Supplemental Deed are set out in the Group's announcement dated 31 July 2013.

2010 Convertible Bonds

	At 30 June 2013 (Unaudited) ***HK$'000***	At 31 December 2012 (Audited) *HK$'000*
Convertible bonds		
PGI CB (as defined below)	—	205,789
Derivative financial instruments	—	46,025

17. Convertible Bonds *(continued)*

2010 Convertible Bonds *(continued)*

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

The bondholders could, 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 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 would 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.

At issue dates of 24 May 2010, the 2010 Convertible Bonds are secured by the following:

(i) charge over all shares of Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, wholly-owned subsidiaries of the Group; and

(ii) a pledge by Mr. Wu of the Tranche 2 Bonds with a principal amount of HK$577,500,000 and carrying amount of HK$822,938,000.

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 shares 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 allowed the bondholders to request the Company to redeem the 2010 Convertible Bonds in full at a redeemed price of 25% over the face value of the bonds and the Company and CSOP came into an agreement to allow the Company to early redeem the CSOP CB at HK$45,873,000. The Company has fully redeemed the CSOP bonds in November 2011.

17. Convertible Bonds *(continued)*

2011 PGI Amendments and 2012 PGI Amendments

On 29 June 2011, PGI gave confirmation and entered into a supplemental deed (the "First PGI Supplemental Deed") that it would refrain from exercising the early redemption right and sanctioned the modification of the PGI CB it held, pursuant to which, and among other matters, the conversion price was adjusted from HK$0.55 to HK$0.30 per share.

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 but not limited to:

(i) the conversion price of HK$0.30 per share was to be adjusted to HK$0.22 per share;

(ii) the removal of the event of default that if, at any time, the average 30 consecutive trading days' closing price per share is less than 70% of the conversion price;

(iii) the reset of the conversion price, "where the average closing price per share for the period of 30 consecutive trading days ending on (and inclusive of) 31 December 2012 (the "Relevant Average Price") 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 equal to the Relevant Average Price, subject to a floor of nominal value of the Company's share. 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; and

(iv) an additional pledge of Tranche 2 Bonds having an aggregate outstanding principal amount of HK$120,000,000 and a carrying amount of HK$171,000,000 from Mr. Wu.

The redemption premium, the default redemption premium and maturity date remained the same.

Further details of the Second PGI Amendment Agreement and the Second PGI Supplemental Deed are set out in the Company's circular dated 2 February 2012.

17. Convertible Bonds *(continued)*

2011 PGI Amendments and 2012 PGI Amendments *(continued)*

The Second PGI Amendment Agreement and the Second PGI Supplemental Deed were conditional as at 30 December 2011, subject to the fulfilment of certain conditions including the approval of shareholders at a special general meeting. The approval of shareholders was obtained, and fulfilment of other conditions was achieved, on 28 February 2012.

The modification under the Second PGI Amendment Agreement and the Second PGI Supplemental Deed constituted a significant modification and was accounted for as an extinguishment of the original PGI CB and an issue of a new PGI CB. The Company reassessed at 28 February 2012 the fair values of the new PGI CB in light of the modification of terms set out above.

As at 31 December 2012, the Relevant Average Price was HK$0.076, and was less than the nominal value of the Company's share of HK$0.1 per share. The conversion price of the new PGI CB was reset to HK$0.1 with effect from close of business on 31 December 2012 pursuant to the Second PGI Amendment Agreement and Second PGI Supplemental Deed.

Moreover, on 31 December 2012, the Group had not complied with certain financial covenants stipulated in the terms of the 2012 PGI CB, in particular, the net assets of the Company based on the audited consolidated financial statements for the most recent financial year or the audited consolidated management account of the most recent quarter, i.e., 31 December 2012, were less than HK$1.5 billion. This constitutes an event of default under the PGI CB and this lead to some additional amount (on top of the normal interests accrued) would be payable by the Group to the bond holder.

The fair value of the liability component of the PGI CB at 31 December 2012 was HK$207,096,000. The fair value was calculated by discounting the future cash flows at the prevailing market interest rate at that date. Moreover, derivative financial instrument of HK$46,025,000 was recognized as at 31 December 2012, which represented the fair value of the options on the PGI CB at the date.

On 24 May 2013, the Group had come into an agreement with PGI to fully redeem the PGI CB on their maturity date and having regard to the final amount paid for the settlement of such bonds, HK$14,806,000 gain arising from redemption of convertible bond was recorded in this review period. Moreover, the derivative financial instruments liability made in connection with the bond as at 31 December 2012 was fully written-off, which resulted in the gain on the fair value change in derivative financial instrument amounting to HK$46,025,000 recorded for this review period.

18. Share Capital

Shares

	At 30 June 2013 (Unaudited) *HK$'000*	At 31 December 2012 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (31 December 2012: 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 2012: 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:

	Number of share in issue	Issued capital *HK$'000*
At 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	4,522,926,292	452,293

19. 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.

19. Share Option Scheme *(continued)*

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.

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 30,100,000 shares as at 30 June 2013 (31 December 2012: 30,100,000 shares), representing approximately 0.66% 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.

There was no options granted under the 2013 Scheme.

19. Share Option Scheme *(continued)*

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

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

	2012	
	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	0.510	35,700
Granted during the year	0.160	10,000
Lapsed during the year#	0.45	(15,600)
At 31 December	0.425	30,100

\# During the year ended 31 December 2012, 15,600,000 share options with a fair value of HK$2,281,000 lapsed upon cessation of employment of the participants in accordance with terms of the 2002 Scheme.

19. 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 2013 and 31 December 2012

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
3,500	0.50	27-02-09 to 26-02-14
7,400	0.68	11-01-10 to 10-01-15
12,200	0.40	27-01-11 to 26-01-16
7,000	0.16	06-01-12 to 05-01-17
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 2013, Nil (2012: 15,600,000) share options lapsed upon cessation of employment of participant 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. The fair value of the share options granted during the year ended 2012 was HK$540,000, HK$0.054 each which the Group recognised a share option expense of HK$540,000 during the year ended 31 December 2012.

The fair value of equity-settled share options granted 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**
Dividend yield (%)	**—**
Expected volatility (%)	**67.645%**
Historical volatility (%)	**67.645%**
Risk-free interest rate (%)	**1.025%**
Expected life of options (year)	**5 years**
Weighted average share price (HK$ per share)	**HK$0.16**

19. Share Option Scheme *(continued)*

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 30,100,000 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 30,100,000 additional ordinary shares of the Company and additional share capital of HK$3,010,000 and share premium of HK$9,772,000 (before issue expenses).

As the date of this report, the Company had 30,100,000 share options outstanding under the 2002 Scheme, which represented approximately 0.67% of the Company's shares in issue as at the date.

20. Related party transactions

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

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
With the Non-controlling Shareholder:			
Sales of refined coal and electricity	*(i)*	**26,527**	85,708
Sales of by-products	*(i)*	**5,264**	11,144
Transportation income	*(i)*	**—**	5,603
Purchases of coke	*(i)*	**19,934**	—
Rental expenses	*(ii)*	**622**	610
With the related companies of the Non-controlling Shareholder*:			
Sales of electricity	*(i)*	**5,759**	2,479
Purchases of raw coal	*(i)*	**13,734**	—

* These related companies are either a subsidiary or associates of the Non-controlling Shareholder.

20. 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 16 to the financial statements.

21. 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 2013 **Financial assets**	**Loans and receivables** *HK$'000*	**Available-for-sale financial assets** *HK$'000*	**Total** *HK$'000*
Available-for-sale investments	**—**	**4,732**	**4,732**
Trade and bills receivables	**177,583**	**—**	**177,583**
Financial assets included in prepayments, deposits and other receivables	**10,117**	**—**	**10,117**
Amount due from the Non-controlling Shareholder	**66,356**	**—**	**66,356**
Cash and cash equivalents	**37,734**	**—**	**37,734**
	291,790	**4,732**	**296,522**

21. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

30 June 2013 **Financial liabilities**	**Group** **Financial liabilities at amortised costs** ***HK$'000***	**Total** ***HK$'000***
Trade and bills payables	**336,436**	**336,436**
Financial liabilities included in other payables and accruals	**96,388**	**96,388**
Interest-bearing bank and other borrowings	**121,633**	**121,633**
Amount due to the Non-controlling Shareholder	**19,201**	**19,201**
	573,658	**573,658**

31 December 2012 Financial assets	Group Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	—	4,688	4,688
Trade and bills receivables	67,348	—	67,348
Financial assets included in prepayments, deposits and other receivables	186,539	—	186,539
Amount due from the Non-controlling Shareholder	74,351	—	74,351
Cash and cash equivalents	9,986	—	9,986
	338,224	4,688	342,912

21. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2012 Financial liabilities	Group Financial liabilities at fair value through profit or loss - held for trading *HK$'000*	Financial liabilities at amortised costs *HK$'000*	Total *HK$'000*
Trade and bills payables	—	261,342	261,342
Financial liabilities included in other payables and accruals	—	73,463	73,463
Interest-bearing bank and other borrowings	—	128,833	128,833
Convertible bonds	—	205,789	205,789
Derivative financial instruments	46,025	—	46,025
Amount due to the Non-controlling Shareholder	—	19,201	19,201
Promissory notes	—	231,171	231,171
	46,025	919,799	965,824

22. 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)

22. 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 2013 and 31 December 2012

	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:

Group

As at 30 June 2013

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	**—**	**—**	**—**	**—**

As at 31 December 2012

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	—	46,025	—	46,025

During the six months ended 30 June 2013, 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 hierachy 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 2012 and 30 June 2013.

FINANCIAL HIGHLIGHT

For the six months ended 30 June 2013, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$502,595,000 (2012: HK$653,468,000), representing a decrease of around 23.1% compared to that of 2012. Gross profit margin has increased from negative 1.5% to positive 4.7%.

EBITDA of the Group has increased from HK$31,765,000 in 2012 to HK$80,734,000 in 2013. The Group recorded a gain attributable to owners of the parent of HK$10,436,000 (2012: loss of HK$46,422,000).

Increase in both gross profit margin and net profits was mainly due to the decrease in the purchase cost of raw materials, the written-off of the derivative financial instruments liability related to the HK$154 million 8 percent. Senior Unsubordinated and Secured Convertible Bonds issued to Passion Grant Investment Limited and the gain on the redemption of such bonds, having regard to the final amount paid in May 2013 for the settlement of such bonds.

BUSINESS REVIEW

Coke price rebounded near the year end of 2012 till February 2013, with the market expectation of better economic outlook after the 18th National Congress of the Communist Party of China. However, the economic stimulus expected to be introduced by the new government and the pace of speeding up the urbanization process did not meet the market expectations, which led to the decrease of the coke price since March 2013 and the coke price remained weak till June 2013. Moreover, the second quarter is usually a weaker quarter as compare to the fourth quarter for coke industry.

Following the abolition of the 40% coke export tax and the change of coke export regulation from export quota system to a regime of export license in 2013, the Group restarted the coke export business in this year, while the momentum pick up slowly and the Group only recorded HK$5,740,000 coke export revenue in the first half year of 2013. For the domestic coke trading business, the total revenue recorded was HK$16,854,000, represent 14.7% increase as compared to that of the second half of 2012 when we restarted this business. The Group would extend efforts in the negotiation with our existing and new customers and source coke suppliers with better price and hopefully the revenue generated from the coke trading segment will grow continuously in the second half year of 2013.

BUSINESS REVIEW *(continued)*

Revenue from the coal-related ancillary segment dropped from HK$164,485,000 in 2012 to HK$96,764,000 in the first half year 2013, representing 41.2% decrease. The decrease was mainly due to the decrease in sales of refined coal since more refined coal was used in the coke production process.

Poor demand of coke during the review period also led to the drops in revenue generated from the coke production segment from HK$488,983,000 in the first half year of 2012 to HK$383,237,000 in the first half year of 2013, representing 21.6% decrease. The decrease was both due to the decrease in coke price and the sales volume.

Although the Group suffered from weak coke demand and recorded decrease in revenue, benefited from the decrease in the purchase price of the major raw material, raw coal, the gross profit margin for had increased from negative 1.5% in 2012 to positive 4.7% in the first half year 2013.

ANNUAL COKE SALES AND PURCHASE AGREEMENT

On 22 May 2013, the Group, Kailuan (an independent third party) and Mr. Wu Jixian (a substantial shareholder and non-executive Director of the Group) 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, will 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.

Under the Annual Coke S&P Agreement, Kailuan has agreed to pay HK$220 million to the Group as prepayment, and Mr. Wu has agreed to pledge in favour of Kailuan (i) 657 million shares of the Company and (ii) convertible bonds in the aggregate principal amount of HK$582 million (which, if the convertible rights attaching thereto are exercise in full, will be convertible into 1,455 million shares of the Company), held by him.

The Group also entered into a second mortgage with Kailuan relating to the property held by the Group located at Units 4203, 4205, 4206 and 4208, 42nd Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Should the Group dispose the property held by the Group located at Units 4203, 4205, 4206 and 4208, 42nd Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong 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.

ANNUAL COKE SALES AND PURCHASE AGREEMENT *(continued)*

Moreover, in relation to the Annual Coke S&P Agreement, Mr. Wu and Mr. Li Baoqi (the Chief Executive Officer and a executive Director of the Group) also made certain undertakings to Kailuan.

Further details of the Annual Coke S&P Agreement are set out in the Company's announcement dated 23 May 2013.

Due to the weak coal market, upto the date of this report, there had not been any revenue recorded related to this Annual Coke S&P Agreement.

REDEMPTION OF THE CONVERTIBLE BONDS

On 24 May 2010, the Group has issued a HK$154 million 8 percent. Senior Unsubordinated and Secured Convertible Bonds to Passion Grant Investment Limited ("PGI CB"). Due to the occurrence of two events of defaults in 2011, the Group and PGI entered into entered into amendment agreements and supplemental deeds in 2011 ("PGI Amendments"). Further details of related to the PGI Amendments are set out in the Company's circular dated 2 February 2012.

The PGI Amendments were conditional as at 31 December 2011 and subject to the fulfilment for certain conditions including the approval of shareholders at a special general meeting. The approval of shareholders was obtained, and fulfilment of other conditions was achieved, on 28 February 2012. The modifications under the PGI Amendments constituted significant modifications and were accounted for as an extinguishment of original PGI CB and an issue of a new PGI CB.

On 31 December 2012, the Group had not complied with certain financial covenants stipulated in the terms of the PGI CB, in particular, "the net assets of the Company based on the audited consolidated financial statements for the most recent financial year or the audited consolidated management account of the most recent quarter, i.e. 31 December 2012, were less than HK$1.5 billion". Thus derivative financial instruments of HK$46,025,000 were recorded which represented the fair value of the options on the PGI CB as at 31 December 2012.

REDEMPTION OF THE CONVERTIBLE BONDS *(continued)*

The Group come into an agreement with PGI to fully redeem the PGI CB on their maturity date on 24 May 2013 and having regard to the final amount paid for the settlement of such bonds, HK$14,804,000 gain arising from redemption of convertible bond was recorded. Moreover, the derivative financial instruments liability related to the bond was fully written-off, which resulted in the gain on the fair value change in derivative financial instrument amounting to HK$46,025,000 recorded for this review period.

CHARGES OVER ASSETS

As at 30 June 2013, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$106,012,000 (31 December 2012: HK$107,195,000) to secure a mortgage loan and general banking facilities granted to the Group.

Moreover, the Group had entered into a second mortgage with Kailuan relating to those land and buildings to secure the HK$220,000,000 prepayment paid by Kailuan to the Group pursuant to the Annual Coke S&P Agreement between the Group and Kailuan.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$325,378,000 (31 December 2012: HK$379,735,000) and 0.68 (31 December 2012: 0.64) respectively as at 30 June 2013, which include convertible bonds of Nil (31 December 2012: HK$205,789,000), interest-bearing bank and other borrowings of HK$121,633,000 (31 December 2012: HK$128,833,000) and promissory notes of Nil (31 December 2012: HK$231,171,000). The decrease in net current liabilities is mainly due to the settlement of the promissory note, the redemption of the convertible bonds, and also the written off of the derivative financial instruments related to the convertible bonds during the review period.

Due to adoption of HK Interpretation 5, the Group's mortgage loan of HK$69,691,000 (31 December 2012: HK$71,863,000) 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.

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The Group's bank balances and cash equivalents amounted to HK$37,734,000 (31 December 2012: HK$9,986,000).

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

a) the Group entered into a bank facility letter for additional banking facilities totaling RMB200 million;

b) the settlement terms of other borrowing of HK$15,594,000 which was repayable on demand as at 31 December 2012 had been rescheduled, and is now not repayable before 31 May 2014; and

c) management has been implementing various strategies to improve the Group's operating performance.

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.

EMPLOYEES AND REMUNERATION

As at 30 June 2013, the Group had approximately 1,900 employees (31 December 2012: approximately 1,800 employees). Less than 10 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$31,054,000 for the period ended 30 June 2013 and approximately HK$22,110,000 was recorded in the 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 motivated 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 business, the Group will continue its efforts to control the cost of production and negotiate with more customers. With the removal of the 40% coke export tax and the change of coke export regulation from export quota system to a regime of export license in 2013, the Group's export trading business resumed this year and the Group sees opportunities and believes the market will pick up in the coming years.

Although the domestic coke market did not recovered as expected in the first half year of 2013, the Group still believe the favorable factors, including the speeding up of the urbanization by the PRC government, the RMB650 billion total fixed assets investment in the national railway system to be made, will help in the recovery of the coke market.

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 Huscoke 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 of our Joint Venture in the PRC ("GRG"), 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 GRG once the mine commences production again. Management considered that if the Group can acquire a nearby coal mine, it's 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 GRG. This Second MOU mainly related to the proposed cooperation with GRG 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 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 2013.

OTHER INFORMATION

DIRECTORS' INTERESTS

As at 30 June 2013, 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

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)*	1,466,400,000	32.42
Li Baoqi	*(d)*	12,000,000	0.27

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 2013, Mr. Gao Jianguo, an executive Director, beneficially owned 28,062,000 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 2013, 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 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 2013, 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.

Save as disclosed above, as at 30 June 2013, 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 2013, 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 Limied	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%

SUBSTANTIAL SHAREHOLDERS *(continued)*

Long positions in underlying shares *(continued)*

Notes:

(1) As at 30 June 2013, 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.

(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%.

Save as disclosed above and so far as is known to the Directors and the chief executive of the Company, as at 30 June 2013, 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 2013 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. Li Bao Qi, Mr. Wu Jixian, Mr. Lam Hoy Lee, Laurie, and Mr. Lau Ka Ho did not attend the special general meeting held on 28 March 2013. Despite the fact that the 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 and with the executive Directors.

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 2013.

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 2013 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, 19 September 2013