HUSCOKE RESOURCES HOLDINGS LIMITED
和嘉資源控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 704)
Website: http://www.huscoke.com

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2011 amounted to approximately HK$1,847.61 million (2010: HK$1,813.04 million), representing an increase of approximately 1.91% as compared with the preceding year.
- EBITDA for the year ended 31 December 2011 amounted to approximately HK$152.35 million (2010: HK$433.91 million), representing a decrease of approximately 64.89%.
- Net loss for the year ended 31 December 2011 amounted to approximately HK$483.32 million (2010: net profit of HK$194.60 million).
- No final dividend was proposed by the board of directors for the year ended 31 December 2011 (2010: a final dividend of HK0.5 cents per share).

The board of directors (the "Board") of Huscoke Resources Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011 with comparative figures for the corresponding year of 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	**2011** HK$'000	2010 HK$'000
Revenue	*3*	**1,847,609**	1,813,039
Cost of sales			
— Amortisation of other intangible asset		**(43,512)**	(43,512)
— Others		**(1,626,241)**	(1,346,922)
Gross profit		**177,856**	422,605
Other income and gains	*4*	**27,417**	19,846
Selling and distribution costs		**(92,972)**	(48,787)
Administrative expenses		**(87,068)**	(68,692)
Loss on early redemption of convertible bonds		**(3,353)**	—
Loss arising from modification of convertible bonds		**(17,272)**	—
Fair value change on derivative financial instrument		**(36,751)**	—
Impairment loss on goodwill		**(10,718)**	—
Impairment loss on other intangible asset		**(435,030)**	—
Finance costs	*6*	**(74,192)**	(42,712)
Profit/(loss) before tax	*5*	**(552,083)**	282,260
Income tax expense	*7*	**68,762**	(87,663)
PROFIT/(LOSS) FOR THE YEAR		**(483,321)**	194,597
Other comprehensive income/(loss) for the year:			
Fair value loss of available-for-sale investments		**(347)**	—
Exchange differences on translation of foreign operation		**46,654**	38,400
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(437,014)**	232,997

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Profit/(loss) for the year attributable to:			
Owners of the parent		**(488,020)**	167,859
Non-controlling interests		**4,699**	26,738
		(483,321)	194,597
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(446,378)**	202,419
Non-controlling interests		**9,364**	30,578
		(437,014)	232,997
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*9*		
Basic			
— For profit/(loss) for the year		**(HK8.16 cents)**	HK2.81 cents
Diluted			
— For profit/(loss) for the year		**(HK8.16 cents)**	HK2.81 cents

Details of the dividends proposed for the year are disclosed in note 8 to the financial results.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,347,888**	1,291,806
Goodwill		**388,544**	399,262
Other intangible asset		**277,432**	755,974
Available-for-sale investments		**4,660**	2,568
Total non-current assets		**2,018,524**	2,449,610
CURRENT ASSETS			
Inventories		**179,515**	171,711
Trade and bills receivables	*10*	**112,323**	280,019
Prepayments, deposits and other receivables	*11*	**331,678**	682,938
Amount due from the Non-controlling Shareholder		**311,621**	351,132
Equity investment at fair value through profit or loss		**—**	3,351
Pledged deposits		**121,951**	23,529
Cash and cash equivalents		**11,380**	16,977
Total current assets		**1,068,468**	1,529,657
CURRENT LIABILITIES			
Trade and bills payables	*12*	**479,463**	544,896
Other payables and accruals	*13*	**212,195**	216,564
Amount due to the Non-controlling Shareholder		**—**	13,501
Promissory notes		**—**	214,679
Tax payable		**3,861**	84,637
Interest-bearing bank and other borrowings		**193,196**	231,550
Convertible bonds		**180,556**	59,683
Derivative financial instrument		**36,751**	—
Total current liabilities		**1,106,022**	1,365,510
NET CURRENT ASSETS/(LIABILITIES)		**(37,554)**	164,147
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,980,970**	2,613,757

	Notes	**2011**	2010
		HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,980,970**	2,613,757
NON-CURRENT LIABILITIES			
Amount due to the Non-controlling Shareholder		**7,201**	—
Convertible bonds		**—**	119,367
Deferred tax liabilities		**53,198**	134,096
Promissory notes		**216,836**	198,466
Total non-current liabilities		**277,235**	451,929
Net assets		**1,703,735**	2,161,828
EQUITY			
Equity attributable to the owners of parent			
Issued share capital		**452,293**	434,293
Reserves		**1,099,120**	1,562,862
Proposed final dividends	*8*	**—**	21,715
		1,551,413	2,018,870
Non-controlling interests		**152,322**	142,958
Total equity		**1,703,735**	2,161,828

1. CORPORATE INFORMATION

Huscoke Resources Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business is Room 4205, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following activities:

— coke trading business;

— coal-related ancillary business; and

— coke production business.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2.1 BASIS OF PRESENTATION

The Group recorded a loss and total comprehensive loss attributable to the owners of the parent of HK$488.02 million and HK$446.38 million respectively for the year ended 31 December 2011 (2010: profit and total comprehensive income attributable to the owners of the parent of HK$167.86 million and HK$202.42 million, respectively). This is resulted, mainly from (i) loss on early redemption of convertible bonds amounting to HK$3.35 million, (ii) loss arising from modification of convertible bonds amounting to HK$17.27 million, (iii) fair value change in derivative financial instrument amounting to HK$36.75 million, (iv) an impairment loss on goodwill amounting to HK$10.72 million, and (v) an impairment loss on other intangible asset amounting to HK$435.03 million. These items are one-off in nature and had not affected the Group's operating cash flows.

The Group also recorded net current liabilities of HK$37.55 million at 31 December 2011 (2010: net current assets of HK$164.15 million). The deterioration in the net current position is partly due to the classification of the non-current portion of the convertible bonds issued in 2010 of HK$70.37 million and the classification of mortgage loan payable of HK$27.00 million (2010: HK$32.40 million) as current liabilities as at 31 December 2011.

As stated in the "Management Discussion and Analysis" section below, an event of default under the convertible bonds issued in 2010 occurred on 28 September 2011, which entitled PGI (as defined in the section of "CHANGE OF THE TERMS OF THE CONVERTIBLE BONDS") to request for early redemption of the bonds. On 30 December 2011, the Group and PGI entered into a Second PGI Amendment Agreement and the Second PGI Supplemental Deed pursuant to which PGI refrained from exercising the early redemption right, and certain other terms were amended. The Second

PGI Amendment Agreement and the Second PGI Supplemental Deed would become effective upon fulfillment of certain conditions including the approval of shareholders at a special general meeting. The approval of shareholders was obtained, and fulfillment of other conditions was achieved, on 28 February 2012, upon which the Second PGI Amendment Agreement and the Second PGI Supplemental Deed became effective. The bonds are then repayable on the original maturity date of 23 May 2013, and the portion in the amount of HK$70.37 million is reclassified as non current liability.

Due to the adoption of HK Interpretation 5, a portion of the Group's mortgage loan of HK$27.00 million 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.

If the effects of the above were considered, with other matters remained unchanged, the Group would have recorded net current assets of HK$59.82 million as at 31 December 2011.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year.

An analysis of revenue is as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sale of refined coal	**424,597**	1,033,419
Sale of electricity and heat	**72,430**	64,223
Sale of coke and by-products	**1,350,582**	715,397
	1,847,609	1,813,039

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

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

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

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

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

Segment assets exclude pledged deposits, cash and cash equivalents, equity investment at fair value through profit or loss, unallocated available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude the non-current amount due to the Non-controlling Shareholder, interest-bearing bank and other borrowings, promissory notes, convertible bonds, derivative financial instrument, deferred tax liabilities on properties for corporate use and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Segment revenues and results

Year ended 31 December 2011

	Trading of coke *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue					
— external sales	**176,298**	**497,027**	**1,174,284**	**—**	**1,847,609**
— intersegment sales	**—**	**725,532**	**—**	**(725,532)**	**—**
Other income and gains	**5,855**	**12,182**	**—**	**—**	**18,037**
Total	**182,153**	**1,234,741**	**1,174,284**	**(725,532)**	**1,865,646**
Segment results	**(396,293)**	**41,708**	**22,842**	**(14,509)**	**(346,252)**
Interest income					**2,229**
Sundry income					**7,151**
Corporate administrative expenses					**(22,002)**
Loss on early redemption of convertible bonds					**(3,353)**
Loss arising from modification of convertible bonds					**(17,272)**
Fair value change on derivative financial instrument					**(36,751)**
Unallocated finance costs					**(67,241)**
Deferred tax credit on properties (for corporate)					**170**
Loss for the year					**(483,321)**

Year ended 31 December 2010

	Trading of coke HK$'000	Coal-related ancillary HK$'000	Coke production HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue						
— external sales	130,348	1,097,642	585,049	—	—	1,813,039
— intersegment sales	—	473,322	—	—	(473,322)	—
Other income and gains	7,750	11,833	—	246	—	19,829
Total	138,098	1,582,797	585,049	246	(473,322)	1,832,868
Segment results	(14,211)	251,618	26,174	246	(9,466)	254,361
Corporate administrative expenses						(22,886)
Gain on equity investment at fair value through profit or loss						17
Unallocated finance costs						(35,064)
Deferred tax charge on properties (for corporate)						(1,831)
Profit for the year						194,597

Segment assets and liabilities

31 December 2011

	Trading of coke *HK$'000*	**Coal-related ancillary** *HK$'000*	**Coke production** *HK$'000*	**Total** *HK$'000*
SEGMENT ASSETS				
Segment assets	**436,353**	**1,666,182**	**736,543**	**2,839,078**
Corporate and unallocated assets				**247,914**
Consolidated assets				**3,086,992**
SEGMENT LIABILITIES				
Segment liabilities	**127,257**	**467,518**	**144,193**	**738,968**
Corporate and unallocated liabilities				**644,289**
Consolidated liabilities				**1,383,257**

31 December 2010

	Trading of coke *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Segment assets	1,035,471	1,882,238	898,390	3,816,099
Corporate and unallocated assets				163,168
Consolidated assets				3,979,267
SEGMENT LIABILITIES				
Segment liabilities	396,847	569,389	196,508	1,162,744
Corporate and unallocated liabilities				654,695
Consolidated liabilities				1,817,439

Year ended 31 December 2011

	Trading of coke *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	—	100,604	4,974	105,578
Unallocated				—
				105,578
Impairment of goodwill	10,718	—	—	10,718
Unallocated				—
				10,718
Impairment of other intangible asset	435,030	—	—	435,030
Unallocated				—
				435,030
Amortisation of other intangible asset	43,512	—	—	43,512
Unallocated				—
				43,512
Depreciation	—	47,335	41,833	89,168
Unallocated				3,579
				92,747
Interest expense on bank and other borrowings	3,555	—	—	3,555
Unallocated				5,515
				9,070
Income tax expense/(credit)	(77,465)	8,620	4,718	(64,127)
Unallocated				(4,635)
				(68,762)

Year ended 31 December 2010

	Trading of coke *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	—	5,245	729,684	734,929
Unallocated				18,594
				753,523
Amortisation of other intangible asset	43,512	—	—	43,512
Unallocated				—
				43,512
Amortisation of prepared land lease payments	—	—	—	—
Unallocated				26
				26
Depreciation	—	43,004	17,223	60,227
Unallocated				5,196
				65,423
Interest expense on bank and other borrowings	7,085	—	—	7,085
Unallocated				563
				7,648
Income tax expense/(credit)	544	57,759	31,151	89,454
Unallocated				(1,791)
				87,663

Geographical information

(a) Revenue from external customers

The Group's revenue, expense, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations during the years ended 31 December 2011 and 2010. Therefore, no analysis by geographical region is presented.

The revenue information is based on the location of the customers.

(b) ***Non-current assets***

	2011 *HK$'000*	2010 *HK$'000*
Hong Kong	**389,013**	881,850
Mainland China	**1,624,851**	1,565,192
	2,013,864	2,447,042

The non-current assets information above is based on the location of assets and excludes financial instruments.

Information about major customers

Revenue of approximately HK$789,859,000 (2010: HK$360,139,000) was derived from sales in the coke production segment to a single customer, which is an independent third party of the Group.

Revenue of approximately HK$476,759,000 (2010: HK$1,070,210,000) was derived from sales in the coal-related ancillary segment and the coke production segment to a single customer, which is the Non-controlling Shareholder.

4. OTHER INCOME AND GAINS

	Notes	2011 *HK$'000*	2010 *HK$'000*
Other income			
Interest income		**2,229**	—
Government subsidies	*(i)*	**12,182**	10,818
Reimbursement from the Non-controlling Shareholder	*(ii)*	**5,855**	7,750
Sundry income		**7,151**	1,015
		27,417	19,583
Other gains			
Gain on equity investment at fair value through profit or loss		**—**	17
Gain on disposal of a subsidiary		**—**	246
		—	263
		27,417	19,846

Notes:

(i) 山西金岩和嘉能源有限公司(「金岩和嘉」), a 90%-owned subsidiary of the Group, is entitled to receive local government subsidies for the provision of heat in a city in Mainland China. The subsidies were recognised in income statement on the straight-line basis over the subsidy period.

(ii) The Group has an exclusive international right to handle the export business of coke for 金岩電力煤化工有限公司, the non-controlling shareholder holding a 9% interest in 金岩和嘉 (the "Non-controlling Shareholder"). The Non-controlling Shareholder agreed to reimburse the Group's interest expense on the export loan which the Group obtained to finance the prepayments made to it for the Group's export trade. The export loan was fully settled in 2011.

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2011	2010
	HK$'000	*HK$'000*
Auditors' remuneration	**2,000**	2,130
Cost of inventories sold	**1,626,241**	1,346,922
Depreciation	**92,747**	65,423
Amortisation of prepaid land lease payments	**—**	26
Net foreign exchange losses	**538**	60
Impairment of trade receivables	**1,335**	—
Operating lease payments in respect of leasehold interest in land and rented properties	**1,368**	817
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**62,635**	52,429
Equity-settled share option expense	**2,560**	2,802
Pension scheme contribution#	**11,599**	71
	76,794	55,302

\# *As at 31 December 2011 and 2010, the Group had no forfeited contributions from the pension schemes available to reduce its contribution to the pension schemes in future years.*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2011	2010
	HK$'000	*HK$'000*
Interest on bank and other borrowings repayable within five years	**9,070**	7,648
Interest on promissory notes	**22,135**	11,826
Interest on convertible bonds	**39,590**	23,238
Interest on discounted bills	**3,397**	—
	74,192	42,712

7. INCOME TAX

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2011	2010
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Charge for the year	**—**	—
Overprovision in prior years	**(4,463)**	(3,622)
Current — Elsewhere	**16,599**	96,633
Deferred	**(80,898)**	(5,348)
Total tax (credit)/charge for the year	**(68,762)**	87,663

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Proposed final dividends		
— Nil (2010: 0.5 cents) per ordinary share	**—**	21,715

Final dividends for the year ended 31 December 2010 approved at the annual general meeting on 1 June 2011 amounted to HK$22,615,000.

No final dividend was proposed by the directors for the year ended 31 December 2011.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the loss for the year attributable to owners of the parent of HK$488,020,000 (2010: profit of HK$167,859,000), and the weighted average number of ordinary shares of 5,977,926,000 (2010: 5,977,926,000) in issue during the year, as adjusted to reflect the full conversion of the convertible bonds issued in 2008 for ordinary shares of the Company during the year.

The convertible bonds issued in 2008 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 basic and diluted earnings/(loss) per share.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the parent, adjusted to reflect the interest on the convertible bonds, fair value change on derivative financial instrument and loss arising from modification of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2011	2010
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to owners of the parent, used in the basic earnings/(loss) per share calculation:	**(488,020)**	167,859
Interest on convertible bonds	**39,590**	23,238
Fair value change on derivative financial instrument	**36,751**	—
Loss arising from modification of convertible bonds	**17,272**	—
Profit/(loss) attributable to owners of the parent (diluted)	**(394,407)**	191,097

	Number of shares	
	2011	2010
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**5,977,926**	5,977,926
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	74
Convertible bonds	**260,183***	204,167*
	6,238,109	6,182,167

* *Because the diluted earnings/(loss) per share amount increases/(decreases) when taking into account the convertible bonds issued in 2010, the convertible bonds issued in 2010 had an anti-dilutive effect on the basic earnings/(loss) per share for the year ended 31 December 2011 and 2010 and were ignored in the calculation of diluted earnings/(loss) per share. Therefore, diluted earnings/(loss) per share amounts are based on the loss for the year of HK$488,020,000 (2010: profit for the year of HK$167,859,000) and the weighted average number of ordinary shares (after effect of dilution) of 5,977,926,000 (2010: 5,978,000,000) in issue during the year.*

10. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**425,296**	574,092
Bills receivables	**—**	57,059
Impairment	**(1,352)**	—
	423,944	631,151
Less: Trade receivables due from the Non-controlling Shareholder	**(311,621)**	(351,132)
	112,323	280,019

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The directors consider that these arrangements enables the Group to limit its credit risk exposure. As at 31 December 2011, approximately 74% (2010: 56%) and 6% (2010: 33%) of the Group's trade receivables were due from two customers, and 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 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 are on similar credit terms to those offered to the major customers of the Group.

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

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**387,557**	489,178
3 to 4 months	**7,106**	106,620
Over 4 months	**29,281**	35,353
	423,944	631,151

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**—**	—
Impairment losses recognised *(note 5)*	**1,335**	—
Exchange realignment	**17**	—
At 31 December	**1,352**	—

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,352,000 (2010: Nil) with a carrying amount before provision of HK$3,520,000 (2010: Nil).

The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**394,663**	595,798
Less than 6 months past due	**18,981**	19,126
More than 6 months past due	**10,300**	16,227
	423,944	631,151

The Group's trade and bills receivables at the end of the reporting period which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Prepayments to the Non-controlling Shareholder	*(i)*	**158,921**	249,957
Prepayments, deposits and other receivables to others	*(ii)*	**172,757**	432,981
		331,678	682,938

Notes:

(i) 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.

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

Other receivables included in the above balance were neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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

12. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	**357,512**	521,366
Bills payables	**121,951**	23,530
	479,463	544,896

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**283,009**	298,751
3 to 4 months	**17,515**	71,031
Over 4 months	**178,939**	175,114
	479,463	544,896

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

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

13. OTHER PAYABLES AND ACCRUALS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Other payables and accrued charges	**136,973**	142,849
Advance received from customers	**75,222**	73,715
	212,195	216,564

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

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

14. EVENTS AFTER THE REPORTING PERIOD

On 20 February 2012, the Company held a special general meeting and passed the resolution that the Second PGI Amendment Agreement and Second PGI Supplemental Deed dated 30 December 2011 was approved. Further details are set out in the Company's circular dated 2 February 2012.

FINANCIAL HIGHLIGHT

During the year under review, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$1,847.61 million, representing an increase of 1.91% compared to that of 2010 (2010: HK$1,813.04 million). Gross profit margin has been reduced from 23.31% to 9.63%.

EBITDA of the Group has decreased from HK$433.91 million in 2010 to HK$152.35 million in 2011. Profit attributable to the owners of the Company has decreased from HK$167.86 million in 2010 to a loss of HK$488.02 million in 2011. Decrease in gross profit ratios was mainly due to the increases in the purchase cost of raw materials in 2011.

The net loss recorded in current year is resulted, mainly from (i) loss on early redemption of convertible bonds amounting to HK$3.35 million, (ii) loss arising from modification of convertible bonds amounting to HK$17.27 million, (iii) fair value change on derivative financial instrument amounting to HK$36.75 million, (iv) an impairment loss on goodwill amounting to HK$10.72 million, and (v) an impairment loss on other intangible asset amounting to HK$435.03 million. These items are one-off in nature and had not affected the Group's operating cash flows.

BUSINESS REVIEW

2011 is a difficult and challenging year to the Group. First of all, with the launch of the government's consolidation policy for all the coal mines in the Shanxi Province, the number of operating coal mines in the province reduced. Raw coal supplies in the region were affected and the prices of which have been increased. Under the government's plan, some coal mines near our factory have been closed for safety check and thus, the Group needs to rely on other mines with much higher transportation costs. All these increased our purchase costs of raw materials for the year 2011.

With the continuous depression in the PRC's steel industry, demand for coke, which is an ingredient in steel making process, has been reduced. The increase in the purchase costs of raw materials cannot be absorbed by the increase in the general price of coke and thus, gross profit ratios for the Group have been reduced during the year.

Coke trading also faced difficulties in 2011. After the economic crisis and the increase in the PRC export tax from 25% to 40% in late 2008, demand for the PRC's export coke was sharply reduced and the Group has turned to focus on the domestic market instead. With the deteriorating domestic market happened in 2011, revenue or profits generated from the trading business reduced and thus, based on the most updated information and for prudence, the Group has made an one-off impairment loss in both goodwill and other intangible asset amounting to around HK$10.72 million and HK$435.03 million respectively. The impairment loss is a non-cash item, which does not have any impact on the Group's liquidity as well as operations.

The amount of selling and distribution costs have been increased greatly from 2010's HK$48.79 million to 2011's HK$92.97 million. Such great increase is due to the full year operations in coke production in 2011 while in the first half of 2010, the Group has not completed the acquisition of the coking plant and most of the products of the Group were refined coals which were mainly sold to local nearby coking mills.

The amount of finance costs also increased greatly from 2010's around HK$42.71 million to 2011's HK$74.19 million. To finance the acquisition of coking plant, the Group has issued two tranches of convertible bonds and two tranches of promissory notes in May and June 2010 respectively. In 2011, the Group bears a full year of convertible bonds' interests and promissory notes' imputed interests, while in 2010, it was a partial year. This results in an increase in relative interest expenses in current year.

DISPOSAL OF A PROPERTY

In June 2011, the Group has signed a preliminary sale and purchase agreement ("Preliminary Agreement") for the disposal of a property which constituted a Discloseable Transaction under the rules of the Stock Exchange of Hong Kong Limited. According to the Preliminary Agreement, the purchaser has paid around HK$8.91 million as the first deposit and needs to pay the second deposit of another HK$8.91 million on or before 20 June 2011 but the purchaser failed to comply with their obligation and refuse to complete the deal. In December 2011, the purchaser and the Group has signed a deed of cancellation and the main terms of such deed are: 1) the Group has relieved the purchaser from all liabilities arising out and/or all further performance of the obligations under the Preliminary Agreement, 2) the initial deposit is forfeited by the purchaser to the Group and 3) the purchaser is the defaulting party under the Preliminary Agreement. Netting off all the costs incurred, the Group has recorded an other income amounting to around HK$5.62 million in 2011.

CHANGE OF THE TERMS OF THE CONVERTIBLE BONDS

On 24 May 2010, the Group has issued two tranches of convertible bonds to Passion Giant Investment Limited ("PGI") and CSOP Asset Management Limited ("CSOP") with face value of HK$154 million and HK$38.5 million respectively. Under the subscription agreements to these two bonds, the bondholder is entitled to request for an early redemption of the entire or any part of the principal amount if an event of default occurs. One of the events of default is that the average 30 consecutive trading days' closing price per share is less than 70% of the original conversion price. On 25 May 2011, the Company noticed that the average 30 consecutive trading days' closing price per share as at 20 May 2011 was less than 70% of the original conversion price. On 29 June 2011, PGI has given confirmation that it would refrain from exercising the early redemption right and sanctioned the modifications of the PGI Bond condition, pursuant to which (among other matters) the original conversion price was changed from HK$0.55 to HK$0.3 per share. On 7 September 2011, the Group first agreed with CSOP to change the terms by giving the Company's right to early redeem the CSOP bonds and on November 2011, the Group has fully redeemed the CSOP bonds.

On 28 September 2011, the average 30 consecutive trading days' closing price per share was less than 70% of the revised conversion price described above. Thus, the Group negotiated with PGI again and on 30 December 2011, the Group and PGI entered into the Second PGI Amendment Agreement and the Second PGI Supplemental Deed under which PGI refrain from exercising the early redemption right again and in return, the conversion price was further revised from HK$0.3 to HK$0.22 per share. For details of other amendments under the Second PGI Amendment Agreement, please kindly refer to the Group's circular dated 2 February 2012.

Since those conditions stated in the Second PGI Supplemental Deed can only be fulfilled on 28 February 2012 which is after 31 December 2011, according to the current accounting practice, we need to classify all the liabilities related to this bond as current liability and on 28 February 2012 when all the conditions are fulfilled, the bonds are repayable on the original maturity date of 23 May 2013 and the portion in the amount of HK$70.37 million is reclassified as non current liability.

CHARGES OVER ASSETS

As at 31 December 2011, the Group pledged certain land and buildings and fixed deposits which have an aggregate carrying value of approximately HK$109.56 million (2010: HK$111.05 million) and HK$121.95 million (31 December 2010: HK$23.53 million) to secure a mortgage loan and general banking facilities granted to the Group.

Also, shares of three of the subsidiaries, Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, have been pledged to secure the convertible bonds issued in 2010.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were approximately HK$37.55 million and 0.97:1 as at 31 December 2011. In 31 December 2010, there were net current assets and current ratio of approximately HK$164.15 million and 1.12:1. The deterioration in the net current position is partly due to the classification of the non-current portion of the convertible bonds issued in 2010 of HK$70.37 million as stated in the section of "CHANGE OF THE TERMS OF THE CONVERTIBLE BONDS" above and the classification of mortgage loan payable of HK$27.00 million (2010: HK$32.40 million) as current liabilities as at 31 December 2011. Due to the adoption of HK Interpretation 5, a portion of the Group's mortgage loan of HK$27.00 million 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. If we considered both effects stated above and assuming all the others figures unchanged, the Group would have net current assets and a current ratio of approximately HK$59.82 million and 1.06:1.

The Group's bank balances and cash equivalents amounted to approximately HK$11.38 million (31 December 2010: approximately HK$16.98 million). In 2011, the Group tries its best to reduce the gearing and has repaid lots of the debts. As at 31 December 2011, bank and other borrowings have been reduced to HK$193.20 million (31 December 2010: HK$231.55 million). All the HK$193.75 million structured trade finance for the coke export business recorded in 2010 has been fully repaid in 2011. Also, the Group has redeemed one of the convertible bonds issued to CSOP with face value of HK$38.50 million and has fully repaid the first tranch of the promissory notes amounting to around HK$233.83 million in December 2011.

EMPLOYEES AND REMUNERATION

As at 31 December 2011, the Group had approximately 1,700 employees (31 December 2010: 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$76.79 million for the year ended 31 December 2011 and approximately HK$55.30 million was recorded in last corresponding year.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward motivate individual performance. Up to the date of this announcement, there are 45,700,000 share options granted under the share option scheme.

PROSPECTS

For the existing businesses, the Group will continue its efforts to control our cost of production and negotiate with more customers for Huscoke's coke. The sharp increase in the purchase costs of raw materials due to the safety check of the coal mine under the consolidation plan in 2011 teaches Huscoke a lesson and re-confirm 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 Golden Rock Group ("GRG"), the non-controlling shareholding of our Joint Venture in the PRC, for the proposed acquisition of coal mines. At the date of this announcement, most of the due diligence works including the financial, technical or valuation, on the targeted coal mine has been completed. However, the mine is currently in the progress of consolidation and the legal status of which has not been finalized. Once the legal due diligence works completed, the Group will explore or investigate the possibilities for acquiring this coal mine. Management considered that if the Group can acquired 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 very beneficial for the Group's long term development. Currently, this First MOU has been extended to 30 June 2012.

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

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. It has reviewed this annual results for the year ended 31 December 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") for the year ended 31 December 2011.

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 year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2011 annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.huscoke.com).

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the Directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are Mr. Gao Jianguo, Mr. Li Baoqi and Mr. Cheung Ka Fai, 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
Executive Director

Hong Kong, 27 March, 2012