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 2012

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2012 amounted to approximately HK$1,146,763,000 (2011: HK$1,847,609,000), representing a decrease of approximately 37.9% as compared with the preceding year.

- EBITDA decreased from HK$152,350,000 in 2011 to HK$12,837,000 for the year ended 31 December 2012.

- Net loss for the year ended 31 December 2012 amounted to approximately HK$398,782,000 (2011: HK$483,321,000).

- No final dividend was proposed by the board of directors for the year ended 31 December 2012 (2011: Nil).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	4	**1,146,763**	1,847,609
Cost of sales			
— Amortisation of other intangible asset		**(16,814)**	(43,512)
— Others		**(1,165,148)**	(1,626,241)
Gross profit/(loss)		**(35,199)**	177,856
Other income	4	**62,499**	27,417
Selling and distribution costs		**(41,517)**	(92,972)
Administrative expenses		**(79,975)**	(87,068)
Finance costs	6	**(63,285)**	(74,192)
Other operating expenses		**(11,925)**	—
Loss on early redemption of convertible bonds		—	(3,353)
Gain/(loss) arising from modification of convertible bonds		**23,226**	(17,272)
Fair value change on derivative financial instruments		**(44,300)**	(36,751)
Impairment loss on goodwill		—	(10,718)
Impairment loss on other intangible asset		**(260,618)**	(435,030)
Loss before tax	5	**(451,094)**	(552,083)
Income tax expense	7	**52,312**	68,762
LOSS FOR THE YEAR		**(398,782)**	(483,321)
Other comprehensive income/(loss) for the year:			
Fair value loss of available-for-sale investments		—	(347)
Exchange differences on translation of foreign operation		**15,237**	46,654
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(383,545)**	(437,014)

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Profit/(loss) for the year attributable to:			
Owners of the parent		**(390,303)**	(488,020)
Non-controlling interests		**(8,479)**	4,699
		(398,782)	(483,321)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(376,590)**	(446,378)
Non-controlling interests		**(6,955)**	9,364
		(383,545)	(437,014)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*8*		
Basic			
— For loss for the year		**(HK6.53 cents)**	(HK8.16 cents)
Diluted			
— For loss for the year		**(HK6.53 cents)**	(HK8.16 cents)

No final dividend was proposed by the directors for the year ended 31 December 2012 (2011: nil).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,335,534**	1,347,888
Goodwill		**388,544**	388,544
Other intangible asset		—	277,432
Available-for-sale investments		**4,688**	4,660
Total non-current assets		**1,728,766**	2,018,524
CURRENT ASSETS			
Inventories		**112,225**	179,515
Trade and bills receivables	*9*	**67,348**	112,323
Prepayments, deposits and other receivables	*10*	**405,197**	331,678
Amount due from the Non-controlling Shareholder		**74,351**	311,621
Tax recoverable		**7,946**	—
Pledged deposits	*11*	—	121,951
Cash and cash equivalents	*11*	**9,986**	11,380
Total current assets		**677,053**	1,068,468
CURRENT LIABILITIES			
Trade and bills payables	*12*	**261,342**	479,463
Other payables and accruals	*13*	**183,628**	212,195
Promissory notes		**231,171**	—
Tax payable		—	3,861
Interest-bearing bank and other borrowings		**128,833**	193,196
Convertible bonds		**205,789**	180,556
Derivative financial instruments		**46,025**	36,751
Total current liabilities		**1,056,788**	1,106,022
NET CURRENT LIABILITIES		**(379,735)**	(37,554)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,349,031**	1,980,970

	2012	2011
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Amount due to the Non-controlling Shareholder	**19,201**	7,201
Deferred tax liabilities	**9,100**	53,198
Promissory notes	**—**	216,836
Total non-current liabilities	**28,301**	277,235
Net assets	**1,320,730**	1,703,735
EQUITY		
Equity attributable to the owners of parent		
Issued share capital	**452,293**	452,293
Reserves	**723,070**	1,099,120
	1,175,363	1,551,413
Non-controlling interests	**145,367**	152,322
Total equity	**1,320,730**	1,703,735

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:

— coal-related ancillary business;

— coke production business; and

— coke trading business.

1.2 BASIC OF PREPARATION

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. They have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. 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").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PRESENTATION

The Group recorded a consolidated loss of HK$398,782,000 (2011: HK$483,321,000) for the year ended 31 December 2012. This included (i) an impairment loss on other intangible asset amounting to HK$260,618,000 (2011: HK$435,030,000); (ii) gain arising from modification of convertible bonds amounting to HK$23,226,000 (2011: loss of HK$17,272,000); (iii) fair value loss on derivative financial instruments of HK$44,300,000 (2011: HK$36,751,000); and (iv) other operating expenses of HK$11,925,000 (2011: Nil). These items had not affected the Group's operating cash flows.

The Group also recorded net current liabilities of HK$379,735,000 as at 31 December 2012 (2011: HK$37,554,000) which include convertible bonds of HK$205,789,000, interest-bearing bank and other borrowings of HK$128,833,000 and promissory notes of HK$231,171,000. The deterioration in the net current liability position is due to the Group's borrowings, convertible bonds and promissory notes being due within the next 12 months from 31 December 2012.

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 subsequent to the year end:

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

(b) the Group has signed a letter of intent with an independent third party in respect of a two-year unsecured credit facility for the sole purpose of redemption of convertible bonds upon maturity on 23 May 2013;

(c) the Group has entered into an agreement with the holder of a promissory note and its affiliates pursuant to which the promissory note payable by the Group will be satisfied with trade related and other receivables due from, and prepayments paid to the noteholder and its affiliates upon maturity of the promissory note of 9 June 2013;

(d) 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 repayable after 31 May 2014; and

(e) 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.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

Other than as further explained below regarding the impact of amendments to HKFRS 7, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements to 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operation and financial position.

3. OPERATING SEGMENT INFORMATION

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 coke trading segment — purchases and sale of coke;

(b) the coal-related ancillary segment — washing of raw coal into refined coal for sale 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 sale, and the sale 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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, sundry income, corporate administrative expenses, gain/loss on early redemption and on modification of convertible bonds, fair value change on derivative financial instruments, unallocated finance costs and tax expenses/(credit) are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, 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 amount due to the Non-controlling Shareholder, interest-bearing bank and other borrowings, promissory notes, convertible bonds, derivative financial instruments, deferred tax liabilities 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 at cost plus a certain percentage of mark-up.

Segment revenue and results

Year ended 31 December 2012

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue					
— external sales	**14,699**	**285,349**	**846,715**	**—**	**1,146,763**
— intersegment sales	**—**	**441,966**	**—**	**(441,966)**	**—**
Other income	**—**	**55,278**	**—**	**—**	**55,278**
Total	**14,699**	**782,593**	**846,715**	**(441,966)**	**1,202,041**
Segment results	**(279,995)**	**67,038**	**(73,116)**	**(13,259)**	**(299,332)**
Interest income					**7,221**
Corporate administrative expenses					**(79,975)**
Gain arising from modification of convertible bonds					**23,226**
Fair value change on derivative financial instruments					**(44,300)**
Unallocated finance costs					**(57,934)**
Loss before tax					**(451,094)**
Income tax					**52,312**
Loss for the year					**(398,782)**

Year ended 31 December 2011

	Coke trading *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	5,855	12,182	—	—	18,037
Total	182,153	1,234,741	1,174,284	(725,532)	1,865,646
Segment results	(469,606)	79,121	55,216	(14,509)	(349,778)
Interest income					2,229
Sundry income					7,151
Corporate administrative expenses					(87,068)
Loss on early redemption of convertible bonds					(3,353)
Loss arising from modification of convertible bonds					(17,272)
Fair value change on derivative financial instruments					(36,751)
Unallocated finance costs					(67,241)
Loss before tax					(552,083)
Income tax					68,762
Loss for the year					(483,321)

Segment assets and liabilities

31 December 2012

	Coke trading *HK$'000*	**Coal-related ancillary** *HK$'000*	**Coke production** *HK$'000*	**Total** *HK$'000*
SEGMENT ASSETS				
Segment assets	**124,591**	**1,467,430**	**607,489**	**2,199,510**
Corporate and unallocated assets				**206,309**
Consolidated assets				**2,405,819**
SEGMENT LIABILITIES				
Segment liabilities	**73,999**	**264,079**	**102,713**	**440,791**
Corporate and unallocated liabilities				**644,298**
Consolidated liabilities				**1,085,089**

31 December 2011

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Segment assets	436,353	1,638,994	667,953	2,743,300
Corporate and unallocated assets				343,692
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

Year ended 31 December 2012

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
OTHER SEGMENT INFORMATION				
Additions of property, plant and equipment	—	**74,938**	**1,727**	**76,665**
Unallocated				**4,795**
				81,460
Impairment of other intangible asset	**260,618**	—	—	**260,618**
Unallocated				—
				260,618
Amortisation of other intangible asset	**16,814**	—	—	**16,814**
Unallocated				—
				16,814
Depreciation	—	**53,261**	**40,306**	**93,567**
Unallocated				**8,573**
				102,140
Interest on bank and other borrowings	—	—	—	—
Unallocated				**15,794**
				15,794
Income tax	—	—	—	—
Unallocated				**(52,312)**
				(52,312)
Impairment of trade receivables	—	**(3,145)**	**(2,944)**	**(6,089)**
Unallocated				—
				(6,089)
Impairment of prepayments	—	**(5,836)**	—	**(5,836)**
Unallocated				—
				(5,836)

Year ended 31 December 2011

	Coke trading *HK$'000*	Coal-related ancillary *HK$'000*	Coke production *HK$'000*	Total *HK$'000*
OTHER SEGMENT INFORMATION				
Additions of property, plant and equipment	—	97,738	4,974	102,712
Unallocated				2,866
				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	—	45,273	38,989	84,262
Unallocated				8,485
				92,747
Interest on bank and other borrowings	3,555	—	—	3,555
Unallocated				5,515
				9,070
Income tax	—	—	—	—
Unallocated				(68,762)
				(68,762)

Geographical information

(a) Revenue from external customers

The Group's revenue, expenses, 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 2012 and 2011. Therefore, no analysis by geographical region is presented.

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

(b) Non-current assets

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**108,577**	389,013
Mainland China	**1,615,501**	1,624,851
	1,724,078	2,013,864

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

Information about major customers

Revenue of approximately HK$606,823,000 (2011: HK$789,859,000) 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$232,991,000 (2011: HK$475,759,000) 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. REVENUE AND OTHER INCOME

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 and other income is as follows:

	Note	2012 HK$'000	2011 HK$'000
Revenue			
Sale of refined coal		**184,966**	424,597
Sale of electricity and heat		**100,383**	72,430
Sale of coke and by-products		**861,414**	1,350,582
		1,146,763	1,847,609
Other income			
Interest income		**7,221**	2,229
Government subsidies		**55,278**	12,182
Reimbursement from the Non-controlling Shareholder	*(i)*	**—**	5,855
Sundry income		**—**	7,151
		62,499	27,417

Note:

(i) 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 for purchases for the Group's export trade. The prepayments and the export loan were fully settled in 2011.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**1,165,148**	1,626,241
Auditors' remuneration	**2,130**	2,000
Depreciation	**102,140**	92,747
Net foreign exchange losses	**—**	538
Operating lease payments in respect of leasehold interest in land and rented properties	**1,885**	1,368
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**60,995**	62,635
Equity-settled share option expense	**540**	2,560
Pension scheme contribution#	**11,906**	11,599
	73,441	76,794
Impairment of trade receivables*	**6,089**	1,335
Impairment of prepayments*	**5,836**	—
Write off of property, plant and equipment	**5,701**	—

* *The impairment of trade receivables and prepayments are included in " Other operating expenses" in the profit or loss.*

\# *As at 31 December 2012 and 2011, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.*

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012	2011
	HK$'000	*HK$'000*
Interest on bank and other borrowings repayable within five years	**15,794**	9,070
Interest on promissory notes	**11,874**	22,135
Interest on convertible bonds	**30,266**	39,590
Interest on discounted bills	**5,351**	3,397
	63,285	74,192

7. INCOME TAX EXPENSE

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.

	2012	2011
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Overprovision in prior years	—	(4,463)
Current – Elsewhere		
Charge for the year	—	16,505
Under/(over) provision in prior years	**(8,214)**	94
Deferred	**(44,098)**	(80,898)
Total tax credit for the year	**(52,312)**	(68,762)

A reconciliation of the tax applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2012

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Loss before tax	**(350,955)**		**(100,139)**		**(451,094)**	
Tax at the statutory tax rate	**(57,907)**	**(16.5)**	**(25,035)**	**(25.0)**	**(82,942)**	**(18.4)**
Expenses not deductible for tax	**11,576**	**3.3**	**11,759**	**11.7**	**23,335**	**5.2**
Overprovision in prior years	**—**	**—**	**(8,214)**	**(8.2)**	**(8,214)**	**(1.8)**
Tax losses not recognised	**2,233**	**0.6**	**13,276**	**13.3**	**15,509**	**3.4**
Tax credit at the Group's effective rate	**(44,098)**	**(12.6)**	**(8,214)**	**(8.2)**	**(52,312)**	**(11.6)**

Group – 2011

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax	(604,368)		52,285		(552,083)	
Tax at the statutory tax rate	(99,719)	(16.5)	13,071	25.0	(86,648)	(15.7)
Income not subject to tax	(1,250)	(0.2)	—	—	(1,250)	(0.2)
Expenses not deductible for tax	17,742	2.9	3,434	6.6	21,176	3.8
Underprovision in prior years	(4,463)	(0.7)	94	0.2	(4,369)	(0.8)
Tax losses not recognised	2,329	0.4	—	—	2,329	0.4
Tax (credit)/charge at the Group's effective rate	(85,361)	(14.1)	16,599	31.8	(68,762)	(12.5)

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the parent of HK$390,303,000 (2011: HK$488,020,000), and the weighted average number of ordinary shares of 5,977,926,000 (2011: 5,977,926,000) in issue during the year, as adjusted to reflect the full conversion of the 2008 Convertible Bonds 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 loss per share amounts.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE AND BILLS RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables#	**146,689**	425,296
Bills receivables	**2,466**	—
Impairment	**(7,456)**	(1,352)
	141,699	423,944
Less: Trade receivables due from the Non-controlling Shareholder	**(74,351)**	(311,621)
	67,348	112,323

Included in the Group's trade receivables are amounts due from a subsidiary and associates of the Non-controlling Shareholder of HK$19,517,000 (2011: HK$750,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 31 December 2012, approximately 78% (2011: 74%) and 4% (2011: 6%) of the Group's trade receivables were due from two customers, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Trade receivables due from the Non-controlling Shareholder 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:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**115,441**	387,557
3 to 4 months	**5,186**	7,106
Over 4 months	**21,072**	29,281
	141,699	423,944

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

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**1,352**	—
Impairment losses recognised *(note 5)*	**6,089**	1,335
Exchange realignment	**15**	17
At 31 December	**7,456**	1,352

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$7,456,000 (2011: HK$1,352,000) with a carrying amount before provision of HK$7,456,000 (2011: HK$3,520,000).

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.

The 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:

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**120,134**	394,663
Less than 6 months past due	**14,879**	18,981
More than 6 months past due	**6,686**	10,300
	141,699	423,944

The Group's trade and bills receivables at the end of the reporting period that were neither past due nor impaired related 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 still considered fully recoverable.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Other receivables from Non-controlling Shareholder	*(i)*	**168,844**	—
Prepayments to the Non-controlling Shareholder	*(ii)*	**124,591**	158,921
Prepayments and other receivables due from a related company	*(iii)*	**34,421**	—
Subtotal		**327,856**	158,921
Prepayments, deposits and other receivables to others	*(iv)*	**83,177**	172,757
Impairment		**(5,836)**	—
		405,197	331,678

Notes:

(i) The balance represented advances to the Non-controlling Shareholder, which is unsecured, non-interest-bearing and repayable on demand.

(ii) The 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) The balance included (i) prepayment of HK$22,088,000 (2011:HK$70,624,000) due from a related company, an associate of the Non-controlling Shareholder, for purchases of raw materials for the coal-related ancillary and the coke production businesses; and (ii) advance to the related company of HK$12,333,000 (2011: Nil), 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 carrying amounts of deposits and other receivables approximate their fair values.

Movements in the provision for prepayments, deposits and other receivables are as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**—**	—
Impairment losses recognised *(note 5)*	**5,836**	—
At 31 December	**5,836**	—

Included in the above provision for prepayments is a provision for individually impaired prepayments of HK$5,836,000 (2011: Nil) with a carrying amount before provision of HK$6,082,000 (2011: Nil). The individually impaired prepayments relate to the portions of prepayments that were not expected to be recovered.

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

11. CASH AND CASH EQUIVALENTS, AND PLEDGED DEPOSITS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Cash and bank balances	**9,986**	11,380
Time deposits	**—**	121,951
	9,986	133,331
Less: Pledged time deposits for bills payables	**—**	(121,951)
Cash and cash equivalents	**9,986**	11,380

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$1,685,000 (2011: HK$122,408,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

12. TRADE AND BILLS PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables#	**261,342**	357,512
Bills payables	**—**	121,951
	261,342	479,463

Included in the trade and bills payables is a trade payable of HK$11,932,000 (2011: HK$24,078,000) due to an associate of the Non-controlling Shareholder that is repayable within 120 days, being credit terms similar to those offered by major creditors.

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:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**99,496**	283,009
3 to 4 months	**11,813**	17,515
Over 4 months	**150,033**	178,939
	261,342	479,463

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	
	2012	2011
	HK$'000	*HK$'000*
Other payables and accrued charges	**94,502**	136,973
Advance received from customers	**89,126**	75,222
	183,628	212,195

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.

FINANCIAL HIGHLIGHT

During the year under review, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$1,146,763,000, representing a decrease of 37.9% compared to that of 2011 (2011: HK$1,847,609,000). The Group suffered gross loss of 3.1% as compared to gross profit of 9.6% in 2011.

EBITDA of the Group decreased from HK$152,350,000 in 2011 to HK$12,837,000 for the year ended 31 December 2012. Net loss for the year ended 31 December 2012 was HK$398,782,000 (2011: HK$483,321,000).

The Group recorded a loss and total comprehensive loss attributable to the owners of the parent of HK$390,303,000 and HK$376,590,000, respectively, for the year ended 31 December 2012 (2011: HK$488,020,000 and HK$446,378,000, respectively). This included (i) an impairment loss on other intangible asset amounting to HK$260,618,000 (2011: HK$435,030,000); (ii) gain arising from modification of convertible bonds amounting to HK$23,226,000 (2011: loss of HK$17,272,000) (iii) fair value loss on derivative financial instruments of HK$44,300,000 (2011: HK$36,751,000); and (iv) other operating expenses of HK$11,925,000 (2011: Nil). These items had not affected the Group's operating cash flows.

The Group also recorded net current liabilities of HK$379,735,000 as at 31 December 2012 (2011: HK$37,554,000) which include convertible bonds of HK$205,789,000, interest-bearing bank and other borrowings of HK$128,833,000 and promissory notes of HK$231,171,000. The deterioration in the net current liability position is due to the Group's borrowings, convertible bonds and promissory notes due within the next 12 months from 31 December 2012.

BUSINESS REVIEW

2012 is another challenging year to the Group, with the total revenue dropped from HK$1,847,609,000 in 2011 to HK$1,146,763,000 in 2012, representing a 37.9% decrease. The Group recorded gross loss of HK$35,199,000 as compared with gross profit of HK$177,856,000 in 2011. Loss attributable to owners of the parent of HK$390,303,000 (2011: HK$488,020,000).

China's economy entered an era of slow growth in recent years with prolonged tightening policies on the property market, the steel demand remained low for the whole of 2012, which led to the low demand and price reduction of our major product, coke, an ingredient in steel making process. The gross loss position was also resulted from the PRC Governmental consolidation of coal mines in the Shanxi Province. Starting from March 2011, the Shanxi Provincial Government executed the consolidation of coal mines activities and some of the coal mines surrounding our production facilities have been closed for safety check and consolidation. Raw coal supplies in the region were seriously affected and we need to rely on coal mines in other regions with much higher transportation costs. These increased the purchase costs of raw materials.

Coke trading segment

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. However, due to the unfavorable market condition, the coke trading business has been frozen in 2012 and the revenue contributed by this segment was only HK$14,699,000 in the year (2011: HK$176,298,000).

Moreover, as part of the PRC Governmental measures to meet the December 2012 deadline set by the World Trade Organization to remove export restrictions on industrial materials, starting from early January 2013, coke exports are no longer restricted by quota (which was the previous regulatory regime), but are regulated by a regime of export licenses. In addition, coke export tax charged at the rate of 40% in the past has also been abolished. The revocation of the coke export quota system may induce open competition to such coke-export business. Due to this change in PRC's coke export trading policy and for prudence, the Group has made an one-off impairment loss on other intangible asset in relation to the export agency agreements amounting to HK$260,618,000 in the year (2011: HK$435,030,000). The impairment loss is a non-cash item, which does not have any impact on the Group's operating cash flows.

Coal-related ancillary segment

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

Due to the PRC Governmental consolidation of coal mines in the Shanxi Province since March 2011, many coal mines near our coal washing plants were closed for safety checks, this reduce the supplies of coals near our plant. Thus the Group need to rely on coal mines in other regions with much higher transportation costs. Moreover, due to the consolidation of mines, smaller mines are out of business and bigger mines usually has their own coal washing plants, so the Group need to purchase more refine coal rather than raw coal for coke production. This reduced the activities of our coal-related ancillary segment and led to reduction of revenue contributed by this segment from HK$497,027,000 in 2011 to HK$285,349,000 in the current year, representing 42.6% decrease.

Coke production segment

Due to the reduction of the coke price in 2012 and the high outsourced refined coal purchase price resulted from the above mentioned reasons, the Group intentionally lowered the coke production quantity this year. Thus the coke production segment also recorded reduced revenue from HK$1,174,284,000 in 2011 to HK$846,715,000 in 2012, representing 27.9% decrease.

The amount of selling and distribution costs have been reduced from 2011's HK$92,972,000 to 2012's HK$41,517,000. The reduction was in line with the drop in revenue.

The amount of finance costs also decreased from HK$74,192,000 in 2011 to HK$63,285,000. To finance the acquisition of coking plant, the Group has issued two tranches of convertible bonds to Passion Giant Investment Limited ("PGI") and CSOP Asset Management Limited ("CSOP") with face value of HK$154,000,000 and HK$38,500,000, respectively, on 24 May 2010 and two tranches of promissory notes to non-controlling shareholder with principal amount of RMB191,740,000 (approximately HK$219,000,000) each on 10 June 2010. In 2011, the Group bore a full year of convertible bonds' interests and promissory notes' imputed interests. As the Group had fully redeemed the CSOP convertible bond in November 2011 and one of the promissory notes matured on 9 December 2011 and was fully repaid, the interest expenses in current year decreased accordingly.

IMPAIRMENT OF OTHER INTANGIBLE ASSET

The Group had other intangible asset of HK$277,432,000 as of 31 December 2011 which relates to an export agency agreement entered into between a PRC coke supplier, which is the Non-controlling Shareholder, and Huscoke International Group Limited ("HIG"), a wholly-owned subsidiary of the Group incorporated in Hong Kong. The agreement entitled the Group to have an exclusive right to handle the export business of coke for the supplier. The agreement was effective for three years from the agreement date of 1 January 2007, and would continue to be effective if there is no change related to the contractual parties. The directors of the Company were of the opinion that the coke supplier would be able to obtain the export quota from the relevant PRC government authority for a period of not less than 20 years and has the ability to utilise the export quota, and that the Group would continue to maintain a relationship with the coke supplier such that HIG would continue to handle the export business of coke from the coke supplier for the 20-year duration. On 1 July 2010, a modified export agency agreement was entered into between the coke supplier and HIG, in which the coke supplier agreed to continue to grant HIG the exclusive right to handle the export business of coke from the supplier, and where the export quantity falls short of the export quota granted by the relevant PRC government authority, the difference would be supplied to HIG or its nominee for domestic sales in Mainland China. The modified export agency agreement is effective for three years from 1 July 2010, and will continue to be effective if there is no change to the contractual parties.

Taking into consideration market and competitive information, the Group had, in prior years, estimated the useful life of the other intangible asset to be 20 years, being the period over which the Group is expected to generate net cash flows. The discounted cash flow method, with cash flow projections covering 20 years, being the estimated period of the export agency agreement with the sole supplier, and a discount rate of 13.4% had been used to estimate the fair value of the intangible asset at date of acquisition. The intangible asset was to be amortised on the straight-line basis over the estimated useful life of 20 years.

Effective from 1 January 2013, the exports of coke are no longer regulated under the quota system by the relevant PRC government authority. Instead, export coke business is conducted through a regime of export licence which is not restricted to designated entities. In the opinion of the directors, the value to the exclusive right to handle export of coke stemmed from the relationship with the coke supplier has diminished as result of the deregulation. Following this regulatory change, the directors considered that the recoverable amount of the other intangible asset was minimal as at 31 December

2012. An impairment provision of HK$260,618,000 (2011: HK$435,030,000) for the other intangible asset has been recognised in profit or loss for the year ended 31 December 2012.

LOSSES RELATED TO 2010 CONVERTIBLE BONDS

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 ("PGI CB") and CSOP Asset Management Limited ("CSOP"), in the amount of HK$38,500,000 ("CSOP CB"). The 2010 Convertible Bonds mature on 23 May 2013. Interest is paid semi-annually in arrears in May and November of each year.

The bondholders may, at any time before the maturity date, convert in whole or in part the 2010 Convertible Bonds into ordinary shares of the Company at the conversion price of HK$0.55 per share, subject to adjustments. Upon full conversion of the 2010 Convertible Bonds, it would, under the present capital structure of the Company, result in the issue of 350,000,000 new shares of the Company.

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

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

The 2010 Convertible Bonds are secured by the following:

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

(ii) a pledge by Mr. Wu Jixian, a non-executive director and a substantial shareholder of the Company, of the zero coupon convertible bonds with a principal amount of HK$1,100,000,000 to Mr. Wu on 31 October 2008 ("Tranche 2 Bonds").

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.

2011 CSOP redemption

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

2011 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 2010 Convertible Bonds it held, pursuant to which, and among other matters, the conversion price was adjusted from HK$0.55 to HK$0.30 per share. The other principle terms including the coupon rate, the default redemption premium and the redemption premium, the partial redemption option and the maturity date remained the same. Such modification of terms constituted a material modification and was accounted for as an extinguishment of the original PGI CB and an issue of a new PGI CB. As at 29 June 2011, the carrying values of liability component and equity component of PGI CB were HK$152,011,000 and HK$14,011,000, respectively.

The Company reassessed the fair value of the new PGI CB in light of the modification of terms set out above, whereby the fair value of the liability component was determined as HK$169,283,000, and fair values of the derivative financial liabilities relating to the partial redemption option and the default redemption option, together with the equity component, were immaterial. The net effect of the above is a recognition of loss of HK$17,272,000 charged to the profit or loss and a transfer of HK$14,011,000 from the convertible bond reserves to retained earnings.

2012 PGI Amendments

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 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 Tranch 2 Bonds having an aggregate outstanding principal amount of HK$120,000,000 and carrying amount of HK$171,000,000 as at 31 December 2012 from Mr. Wu Jixian, a non-executive director and a substantial shareholder of the Company.

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

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

The Second PGI Amendment Agreement and the Second PGI Supplemental Deed were conditional as at 31 December 2011, subject to the fulfilment for certain conditions including the approval of shareholders at a special general meeting. Accordingly, the carrying value of the PGI CB of HK$180,556,000 was classified as current liability at 31 December 2011. 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 original PGI CB and an issue of a new PGI CB. At 28 February 2012, the carrying value of liability component of PGI CB was HK$186,253,000. 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, where the fair value of the liability component was determined at HK$198,053,000 and fair value of the derivative financial liabilities relating to equity conversion option, partial redemption option and the default redemption option was determined at HK$6,408,000. These options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative financial instrument was recognised. The net effect of the above is a recognition of gain of HK$23,226,000 charged to the profit or loss.

As at 31 December 2012, the PGI CB is secured by the following:

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

(ii) a pledge by Mr. Wu Jixian, a non-executive director and substantial shareholder of the Company, of the Tranche 2 Bonds having an aggregate outstanding principal amount of HK$582,000,000 (2011: HK$462,000,000) and carrying amount of HK$829,350,000 (2011: HK$658,350,000).

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 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.

On 31 December 2012, the Group had not complied with certain financial covenants stipulated in the 2012 PGI Amendments, 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".

The derivative financial instruments of HK$46,025,000 at 31 December 2012 (2011: HK$36,751,000) represented the fair value of the options on the PGI CB at the end of the reporting period.

CHARGES OVER ASSETS

As at 31 December 2012, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$107,195,000 (31 December 2011: HK$109,561,000) to secure a mortgage loan and general banking facilities granted to the Group. The amount of bank borrowings outstanding at 31 December 2012 was HK$76,239,000. In order to secure the PRC banking facilities, the Group pledged a deposit of around HK$121,951,000 as at 31 December 2011. The Group had no pledged deposit as at 31 December 2012.

Moreover, shares of three of the subsidiaries, Rich Key Enterprises Limited, Joy Wisdom International Limited and Huscoke International Investment Limited, have been pledged to secure the PGI CB.

CAPITAL STRUCTURE

As at 31 December 2012, the equity attributable to owners of the Company amounted to HK$1,175,363,000, representing HK$0.20 per share (2011: HK$1,551,413,000, representing HK$0.26 per share). Decrease in equity attributable to owners of the Company was mainly attributable to the loss incurred during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$379,735,000 (31 December 2011:HK$37,554,000) and 0.63 (31 December 2011: 0.97) as at 31 December 2012, which include convertible bonds of HK$205,789,000, interest-bearing bank and other borrowings of HK$128,833,000 and promissory notes of HK$231,171,000. The deterioration in the net current liability position is due to the Group's borrowings, convertible bonds and promissory notes due within the next 12 months from 31 December 2012. The promissory note matures on 9 June 2013 and its balance of HK$216,836,000 was included in non-current liabilities as of 31 December 2011 and its balance of HK$231,171,000 was included in current liabilities as of 31 December 2012.

Due to adoption of HK Interpretation 5, the Group's mortgage loan of HK$71,863,000 (2011: HK$27,000,000) 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.

The Group's bank balances and cash equivalents amounted to HK$9,986,000 (31 December 2011: HK$11,380,000). As at 31 December 2012, the Group has bank and other borrowings amounting to HK$128,833,000 (31 December 2011: HK$193,196,000).

Moreover, during the first half of 2012, in order to secure the PRC banking facilities for issuing bills, the Group obtained cash advances from the Non-Controlling Shareholder and pledged the deposit with the PRC banks. The Group then issued bills payable for purchases as well as repayment of the cash advances from the Non-controlling shareholder. The bills payable and the cash advances related to this arrangement had been fully settled during the year. As of 31 December 2012, the bills payable amounting to Nil (31 December 2011: HK$121,951,000).

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 subsequent to the year end:

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

(b) the Group has signed a letter of intent with an independent third party in respect of a two-year unsecured credit facility for the sole purpose of redemption of convertible bonds upon maturity on 23 May 2013;

(c) the Group has entered into an agreement with the holder of a promissory note and its affiliates pursuant to which the promissory note payable by the Group will be satisfied with trade related and other receivables due from, and prepayments paid to the noteholder and its affiliates upon maturity of the promissory note on 9 June 2013;

(d) 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 repayable after 31 May 2014; and

(e) 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 31 December 2012, the Group had approximately 1,800 employees (2011: approximately 1,700 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$73,441,000 for the year ended 31 December 2012 and approximately HK$76,794,000 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 motivated individual performance. Up to the date of this announcement, there are 30,100,000 share options granted under the share option scheme.

PROSPECTS

2012 is a challenging and difficult year to the Group. However, with the coke price rebounds near the year end of 2012 and 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 (details of which was mentioned in the paragraphs above), the Group sees opportunities and believes the market will pick up in the coming years. Following the abolition of the 40% coke export tax, it is expected that foreign customers will restart sourcing coke from the Group and our coke export trading business will resume this year.

Moreover, the domestic coke market is expected to be more favorable due to the following factors:

a) After the 18th National Congress of the Communist Party of China, the macroeconomic condition of China becomes clear and the central government has set the next year's economic policy, which lead to better economic outlook.

b) The steel demand is expected to increase due to the following factors:

    i. It is expected that the government will speed up the urbanization and the RMB40 trillion investments.

ii. In the National Railway Working Committee meeting held on 17 January 2013 pointed out that the total fixed assets investment in the national railway system will be RMB650 billion.

iii. The real estate market is recovering.

The above factors mean that the domestic steel market fundamentals have improved, which will surely benefit the coke industry.

c) Excess capacity is one of the biggest constraints restricting the development of domestic coke industry. On 1 October 2012, the State Ministry of Environmental Protection and the State General Administration of Quality Supervision, Inspection and Quarantine jointly issued the "Coke Chemical Industrial Pollutant Emission Standards"(《煉焦化學工業污染物排放標準》). It is believed this will speed up the elimination of small coke producers and accelerate the pace of the industry restructuring. Moreover, in order to adapt to the fast changing of the macro-economic and for energy saving, environmental protection and other requirements, the Ministry of Industry and Information Technology is considering modifying the "Coking Industry Access Conditions"(《焦化行業准入條件》). This will help to ease the competition in the coke market and also reduce the overcapacity of the coke production.

d) Many domestic small and medium-sized coal mines generally suspend production for rectification and safety checks, which lead to tighter resources of the coke market and lead to increases of coke prices should the coke demand increase.

e) The long lasting dual pricing system(煤炭價格雙軌制)and "Coal Ordering Conference"(煤炭訂貨會)was formally terminated and the domestic coal prices become fully market-oriented in 2013.

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 re-confirms 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 announcement, 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 licence. 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 commence 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 announcement, the Group has invested around RMB2 million 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.

REVIEW OF FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial results for the year ended 31 December 2012 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the Group's results for the year ended 31 December 2012 have been agreed with the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

EMPHASIS OF MATTER

Without qualifying their report, the auditors' report is likely to include a paragraph to draw the attention of the Company's shareholders to the notes to the consolidated financial statements. The Group incurred a consolidated net loss of HK$398,782,000 during the year ended 31 December 2012 and, as of that date, the Group's current liabilities exceeded its current assets by HK$379,735,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's financial statements have been prepared on a going concern basis, the validity of which depends on the Group's ability to source additional debt financing and refinance its existing indebtedness; and to improve its operations to generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future.

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 2012.

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, independent non-executive Directors Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Mr. Lau Ka Ho did not attend the special general meeting held on 20 February 2012. Also, the non-executive Director Mr. Wu Jixian did not attend the special general meeting held on 20 February 2012 and also the annual general meeting held on 1 June 2012 as he was not in Hong Kong in both dates. Despite the fact that the non-executive Directors and independent non-executive Directors were not able to attend those general meetings, all directors were fully aware of the matter 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 year ended 31 December 2012.

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 2012 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 2012 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 and Mr. Li Baoqi, the Non-Executive Director of the Company is Mr. Wu Jixian and the Independent Non-Executive Directors of the Company are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.

By Order of the Board
Li Baoqi
Executive Director

Hong Kong, 28 March, 2013