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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the "Board") of Huscoke Resources Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 with comparative figures for the corresponding period of 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

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

	Notes	For the six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000*
Total comprehensive (loss)/income for the period attributable to:			
Owners of the parent		**(46,422)**	63,800
Non-controlling interests		**(4,298)**	12,121
		(50,720)	75,921
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic			
— For (loss)/profit for the period	*7*	**(HK0.78 cents)**	HK0.61 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Non-current assets		
Property, plant and equipment	**1,348,349**	1,347,888
Goodwill	**388,544**	388,544
Other intangible asset	**269,030**	277,432
Available-for-sale investments	**4,660**	4,660
Total non-current assets	**2,010,583**	2,018,524
Current assets		
Inventories	**139,973**	179,515
Trade receivables	**131,332**	112,323
Prepayments, deposits and other receivables	**759,585**	331,678
Amount due from the Non-controlling Shareholder	**403,645**	311,621
Tax recoverable	**2,831**	—
Pledged deposits	**814,146**	121,951
Cash and cash equivalents	**46,287**	11,380
Total current assets	**2,297,799**	1,068,468
Current liabilities		
Trade and bills payables	**675,474**	479,463
Bills payables to the Non-controlling shareholder	**909,756**	—
Other payables and accruals	**283,369**	212,195
Tax payable	**—**	3,861
Interest-bearing bank and other borrowings	**300,252**	193,196
Convertible bonds	**192,660**	180,556
Promissory note	**222,452**	—
Derivative financial instrument	**—**	36,751
Total current liabilities	**2,583,963**	1,106,022
Net current liabilities	**(286,164)**	(37,554)
Total assets less current liabilities	**1,724,419**	1,980,970
Non-current liabilities		
Amount due to the Non-controlling Shareholder	**19,201**	7,201
Deferred tax liabilities	**51,723**	53,198
Promissory note	**—**	216,836
Total non-current liabilities	**70,924**	277,235
Net assets	**1,653,495**	1,703,735
Equity		
Equity attributable to the owners of parent		
Issued share capital	**452,293**	452,293
Reserves	**1,053,178**	1,099,120
	1,505,471	1,551,413
Non-controlling interests	**148,024**	152,322
Total equity	**1,653,495**	1,703,735

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34"). They have been prepared on the historical cost convention, except for equity investment at fair value through profit or loss, certain available-for-sale investments and derivative financial instrument, which have been measured at fair value.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2011.

2. Principal accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (HKFRSs") as of 1 January 2012, noted below:

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

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

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

HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

3. Revenue

Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the period.

Business segments

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

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

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

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

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

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

Six months ended 30 June 2012

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

Six months ended 30 June 2011

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

4. Finance costs

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

5. (Loss)/Profit before tax

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

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

6. Income tax credit/(expense)

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

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2011 and 2012 as there is no assessable profit for the periods.

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

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

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

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

Diluted earnings per share for both periods are not shown as there are no potential ordinary shares subsist during both of the periods presented. The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options nor the conversion of the convertible bonds as the exercise price of those options and the conversion prices of those convertible bonds are higher than the average market price for shares for the period.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2012 (2011: Nil).

FINANCIAL HIGHLIGHT

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

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

BUSINESS REVIEW

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

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

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

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

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

CHANGE OF THE TERMS OF THE CONVERTIBLE BONDS

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

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

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

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

CHARGES OVER ASSETS

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

EMPLOYEES AND REMUNERATION

As at 30 June 2012, the Group had approximately 1,800 employees (31 December 2011: approximately 1,700 employees). Less than 50 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$22.11 million for the period ended 30 June 2012 and approximately HK$26.02 million was recorded in last corresponding period.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward and motivate individual performance. Up to the date of this announcement, there are 30,100,000 share options granted under the share option scheme.

PROSPECTS

For the existing businesses, the Group will continue its efforts to control our cost of production and negotiate with more customers for Huscoke's coke. For the trading business, we expect that we will still focus on the domestic market first. However, we will monitor the international coke market. With the ruling from the World Trade Organization ("WTO") for the PRC Government unfairly restricting the export of nine materials, including coke, the PRC Government may consider to reduce the export tax on coke and once the export tax is reduce or cancel, we will consider to restart the export of coke with higher profit margin.

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

In September 2010, the Group has signed another memorandum of understanding ("Second MOU") with GRG for the construction of a new coking plant with annual capacity of 2 million tones. Up to the date of this 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 the interim financial statements for the six months ended 30 June 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2012 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all directors confirmed that they had complied with the required standard as set out in the Code during the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

PUBLICATION OF INTERIM REPORT

This 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 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are Mr. Gao Jianguo and Mr. Li Baoqi, Non-Executive Director is Mr. Wu Jixian and the Independent Non-Executive Directors are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.

By Order of the Board
Li Baoqi
Chief Executive Officer

Hong Kong, 28 August 2012