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 2011

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 2011 with comparative figures for the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June **2011** **(Unaudited)** ***HK$'000***	 2010 (Unaudited) *HK$'000*
Revenue	*3*	**1,069,499**	817,154
Cost of sales			
— Amortisation of other intangible assets		**(21,756)**	(21,756)
— Others		**(867,362)**	(645,766)
Gross profit		**180,381**	149,632
Other income		**11,159**	3,401
Distribution costs		**(51,212)**	(1,894)
Administrative expenses		**(37,448)**	(27,355)
Gain on disposal of property, plant and equipment and prepaid lease payments		**—**	11
Finance costs	*4*	**(36,280)**	(6,847)
Profit before income tax	*5*	**66,600**	116,948
Income tax expense	*6*	**(21,156)**	(35,429)
Profit for the period		**45,444**	81,519
Other comprehensive income for the period:			
Exchange differences arising on translation of foreign operations		**30,477**	2,190
		75,921	83,709
Profit for the period attributable to:			
Owners of the parent		**36,371**	69,813
Non-controlling interests		**9,073**	11,706
		45,444	81,519

	Notes	For the six months ended 30 June **2011** **(Unaudited)** ***HK$'000***	 2010 (Unaudited) *HK$'000*
Total comprehensive income attributable to:			
Owners of the parent		**63,800**	71,784
Non-controlling interests		**12,121**	11,925
		75,921	83,709
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic			
— For profit for the period	*7*	**HK0.61 cents**	HK1.17 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	At 30 June 2011 (Unaudited) *HK$'000*	At 31 December 2010 (Audited) *HK$'000*
Non-current assets		
Property, plant and equipment	**1,319,783**	1,291,806
Available-for-sale investment	**2,568**	2,568
Goodwill	**399,262**	399,262
Other intangible asset	**734,218**	755,974
Other investments	**2,410**	—
	2,458,241	2,449,610
Current assets		
Inventories	**152,799**	171,711
Trade and bills receivables	**390,909**	280,019
Prepayments, deposits and other receivables	**399,320**	682,938
Amount due from the non-controlling shareholder	**483,126**	351,132
Equity investment at fair value through profit or loss	**3,351**	3,351
Pledged deposits	**120,482**	23,529
Cash and cash equivalents	**41,219**	16,977
	1,591,206	1,529,657
Current liabilities		
Trade and bills payables	**541,609**	544,896
Other payables and accruals	**270,743**	216,564
Convertible bonds	**89,297**	59,683
Promissory notes	**225,353**	214,679
Tax payable	**16,684**	84,637
Interest-bearing bank borrowings	**233,082**	231,550
Amount due to the non-controlling shareholder	**14,160**	13,501
	1,390,928	1,365,510
Net current assets	**200,278**	164,147
Total assets less current liabilities	**2,658,519**	2,613,757
Non-current liabilities		
Convertible Bonds	**(102,054)**	(119,367)
Deferred tax liabilities	**(130,435)**	(134,096)
Promissory notes	**(208,334)**	(198,466)
Total non-current liabilities	**(440,823)**	(451,929)
Net assets	**2,217,696**	2,161,828
Equity		
Issued share capital	**452,293**	434,293
Reserves	**1,610,324**	1,584,577
Equity attributable to equity holders of the Company	**2,062,617**	2,018,870
Non-controlling interests	**155,079**	142,958
Total equity	**2,217,696**	2,161,828

Notes:

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2011 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 financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair values.

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 2010.

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 Company's annual financial statements for the year ended 31 December 2010, except for the adoption of following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as of 1 January 2011, noted below:

HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 (Amendment)	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 (Amendment)	Amendment to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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

The Company has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these interim condensed financial statements.

HKAS 1 (Revised)	*Presentation of Financial Statements*[3]
HKAS 9 (2011)	*Employee Benefits*[4]
HKFRS 7 (Amendment)	Amendment to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKAS 12 (Amendment)	Amendment to HKAS 12 *Income Taxes— Deferred Tax: Recovery of Underlying Assets*[2]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Tentatively effective for annual periods beginning on or after 1 January 2015

The Company 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

Segment results represents the profit or loss by each segment without allocation of corporate administrative expenses, gain on disposal of property, plant and equipment and prepaid lease payment, interest on convertible bonds and interest on promissory notes. This is the measure reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Six months ended 30 June 2011

	Trading of coke	Coal related ancillary	Coke production	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
Segment revenue					
— external sales	**105,039**	**321,993**	**642,466**	—	**1,069,498**
— intersegment sales	—	**595,116**	—	**(595,116)**	—
Other income and gains	**3,463**	**7,941**	—	—	**11,404**
Total	**108,502**	**925,050**	**642,466**	**(595,116)**	**1,080,902**
Results					
Segment results before amortisation of other intangible assets	**22,116**	**107,817**	**6,536**	**(24,002)**	**112,467**
Amortisation of other intangible assets	**(21,756)**	—	—	—	**(21,756)**
Segment results	**360**	**107,817**	**6,536**	**(24,002)**	**90,711**
Corporate administrative expenses					**(14,679)**
Interest on convertible bonds					**(20,001)**
Interest on promissory notes					**(10,587)**
Profit for the period					**45,444**

Six months ended 30 June 2010

	Trading of coke *HK$'000*	Coal-related ancillary *HK$'000*	Consolidated *HK$'000*
Revenue			
External sales	—	817,154	817,154
Results			
Segment results before amortisation of other intangible assets	(6,684)	120,647	113,963
Amortisation of other intangible assets	(21,756)	—	(21,756)
Segment results	(28,440)	120,647	92,207
Corporate administrative expenses			(8,179)
Gain on disposal of property, plant and equipment and prepaid lease payment			11
Interest on convertible bonds			(1,435)
Interest on promissory notes			(1,085)
Profit for the period			81,519

4. **Finance costs**

	For the six months ended 30 June	
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Interest on bank borrowings, wholly repayable within five years	**5,692**	4,327
Interest on convertible bonds	**20,001**	1,435
Interest on promissory notes	**10,587**	1,085
	36,280	6,847

5. Profit before income tax

Profit before income tax has been arrived at after charging:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**67,384**	64,310

6. Income tax expense

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax expenses		
Overprovision of Hong Kong profits tax in prior years	**(4,464)**	—
Overseas taxation	**29,281**	39,019
	24,817	39,019
Deferred income tax	**(3,661)**	(3,590)
	21,156	35,429

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2010 and 2011 as there is no assessable profit for the periods.

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

7. **Earnings per share**

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share	**36,371**	69,813
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 2011 (2010: Nil).

FINANCIAL HIGHLIGHT

For the six months ended 30 June 2011, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$1,069,499,000 (2010: HK$817,154,000), representing an increase of around 30.88% compared to that of 2010. Gross profit margin has reduced from 18.31% to 16.87%.

EBITDA of the Group has decreased from HK$188.11 million in 2010 to HK$170.26 million in 2011. Profit attributable to the owners of the Company has decreased from HK$69,813,000 to HK$36,371,000. Decrease in both gross profit ratios and net profits was mainly due to the increase in the purchase cost of raw materials and the sharp increase in the finance costs during the review period.

BUSINESS REVIEW

In this review period, the Group continued to engage in three main areas. These are 1) Coke Trading, 2) Coal Related Ancillary Businesses which mainly include coal washing, using the by-products for heat and electricity generation and transportation services and 3) Coke Production.

Recently, the general price of the Group's raw materials, i.e. the raw coals, has been increased. According to the statistics made by the China Coking Industry Association, the general price of coking coal in the first half of 2011 has been increased by around 12.86% while the selling price of coke has just been increased by around 7.51%. The increasing material costs in the period was mainly contributed by the reduction of coal supplies due to the large consolidation exercise for all the coal mines in the Shanxi Province, the largest coking coal supplier in the PRC.

For the international market, the fluctuating world economy hit the rebounding demand of international coke. Generally speaking, the net proceeds received from the export market are still lower than those received in the domestic PRC market and thus, there is no export business happened in this review period.

During the review period, the amount of distribution costs have been increased from last corresponding period's HK$1,894,000 to current period's HK$51,212,000. The increase was mainly due to the change in product mix from last period's refined coals which are mainly supplied to nearby coking enterprises to current period's coke which are mainly supplied to those steel enterprises in other provinces of the PRC.

Another reason for the reduction in the net profits for the period is the increase in the finance costs from 2010's HK$6,847,000 to current period's HK$36,280,000. In order to finance the acquisition of the coking plant in 2010, the Group has issued two tranches of convertible notes in 24 May 2010 and two tranches of promissory notes in 14 June 2010. Although the promissory notes are interests free, according to the current Accounting Standards, the Group still needs to compute the imputed interests on these notes before its maturity dates. Both the interests of the convertible bonds and the imputed interests of the promissory notes have increased the finance costs of the period.

DISPOSAL OF A PROPERTY

In June 2011, the Group has signed a provisional agreement for the disposal of a property which constitutes a Discloseable Transaction under the rules of the Stock Exchange of Hong Kong Limited. According to this provisional agreement, the buyer has paid around HK$8,900,000 as the first deposit and needs to pay the second deposit of another HK$8,900,000 on or before 20 June 2011 but the buyer failed to comply with their obligation and refuse to complete the deal. Currently, the Group has applied to the court for the rescission of the said agreement, the forfeiture of the first received deposit and the reimbursement of all the cost incurred by the Group. Upto the date of this report, there is no settlement for the case.

CHANGE OF THE TERMS OF THE CONVERTIBLE BONDS

In 25 May 2011, the Company noticed that the average 30 consecutive trading day's closing price per share as at 20 May 2011 was less than 70% of the original conversion price which is a potential event of default under the original bonds conditions. On 29 June 2011, one of the convertible bonds holders of the Company, Passion Giant Investment Limited ("PGI") gave confirmation that it would refrain from exercising the early redemption right, and sanctioned the modifications of the PGI Bond Condition, pursuant to which (among other matters) the original conversion price (being HK$0.55

per Conversion Share) is provided to be changed to the new conversion price (being HK$0.30 per Conversion Share). We have sought the advice from both professional valuer and professional accountants and concluded that the change in the conversion price would not have any material impact on the financial statement of the Group. Currently, the Group is still negotiating with CSOP Asset Management Limited ("CSOP") which holds the Company's convertible bonds with principal amount of HK$38,500,000. As the CSOP has not given up their early redemption right, we have grouped the amount due to CSOP as current liability in this announcement.

CHARGES OVER ASSETS

At as 30 June 2011, the Group pledged certain land and buildings and fixed deposits which have an aggregate carrying value of approximately HK$108.97 million and HK$120.48 million respectively (31 December 2010: HK$111.05 million and HK$23.53 million respectively) to secure general banking facilities granted to the Group.

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

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK$200.28 million and 1.14:1 as at 30 June 2011. In 31 December 2010, the amount was HK$164.15 million and 1.12:1. The improvement in current ratio is mainly due to the operating profit generated in this financial period.

The Group's bank balances and cash equivalents amounted to approximately HK$41.22 million (31 December 2010: approximately HK$16.98 million). In June 2011, the Group has raised a bank loan of around RMB100 million in the PRC. As at 30 June 2011, the Group had bank borrowings amounting to around HK$233.08 million (31 December 2010: HK$231.55 million). Around HK$78 million (31 December 2010: HK$193.75 million) of the bank borrowings was the structured trade finance for the coke export business and around HK$35.10 million (31 December 2010: HK$38.30 million) of the bank borrowings was the mortgaged loan for property located in Hong Kong. Also, in order to finance the acquisition of the coke processing assets in 2010, the Group has issued two tranches of convertible bonds amounting to HK$189.14 million to two independent third parties and two tranches of promissory notes amounting to HK$433.69 million to the non-controlling shareholders of the subsidiary (31 December 2010: amounting to HK$179.05 million and HK$413.15 million respectively).

EMPLOYEES AND REMUNERATION

As at 30 June 2011, the Group had approximately 1,724 employees (31 December 2010: approximately 1,835 employees). Less than 50 staffs are stationed in Hong Kong and the rests are PRC workers. The Group's staff costs amounted to approximately HK$26.02 million for the period ended 30 June 2011 and approximately HK$18.34 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 motivate individual performance. Up to the date of this announcement, there are 37,500,000 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 and negotiate with our targeted customers closely. Once the proceeds from the export market is higher than those from the domestic market, the Group will start to export coke again.

To reduce the risk of the rising raw material price, in August 2010, the Group has signed a memorandum of understanding ("**First MOU**") with Golden Rock Group ("**GRG**"), the non-controlling shareholding of our Joint Venture in the PRC. The First MOU was mainly related to the proposed acquisition of coal mines from GRG to Huscoke. During the review period, we have already employed an international competent person to estimate the resources according to the JORC code requirements. According to the valuation report prepared by the international competent person, as at 31 March 2011, the targeted coal mine has in-place resources of around 49.88 million tones and the values of this targeted mine is around RMB2,477 million. Currently, the mine is in the process of the Shanxi Province Government's Consolidation plan and we are performing the legal due diligence works on that targeted mine.

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. We are investigating the feasibility and possibility for Huscoke to invest and join the construction of the new plant. At the same time, we will negotiate with the financial institutions to see whether we can get adequate financing, including both debt and equity financing, to finance this project. We believe the new project can help Huscoke to greatly increase its production capacity and thus enjoy the economies of scale and more importantly, it is a faster way for Huscoke to engage in the coal chemical industry which can fully utilize the by-products generated in the coking process to manufacture valuable coal chemical products.

With the successful completion of the Group's integrated coke businesses and continued improvement in the market situation, management are optimistic in the prospects of the Group.

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 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2011 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 2011.

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 2011 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. Wu Jixian, Mr. Li Baoqi and Mr. Cheung Ka Fai 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
Acting Chairman

Hong Kong, 26 August 2011