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 2010

FINANCIAL SUMMARY

- Revenue from the continuing operations for the year ended 31 December 2010 amounted to approximately HK$1,813.04 million (2009: HK$998.38 million), representing an increase of approximately 81.60% as compared with the preceding year.

- Net profit for the year ended 31 December 2010 amounted to approximately HK$194.60 million (2009: HK$107.24 million), representing an increase of approximately 81.46%.

- The Board of Directors recommends the payment of a final dividend of HK0.5 cents per share for the year ended 31 December 2010 (2009: 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 2010 with comparative figures for the corresponding year of 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Revenue	3	**1,813,039**	998,376
Cost of sales		**(1,390,434)**	(844,920)
Gross profit		**422,605**	153,456
Other income and gains	4	**19,846**	30,397
Selling and distribution costs		**(48,787)**	(2,703)
Administrative expenses		**(68,692)**	(42,069)
Finance costs	5	**(42,712)**	(15,305)
Profit before tax	8	**282,260**	123,776
Income tax expense	6	**(87,663)**	(41,506)
Profit for the year from continuing operations		**194,597**	82,270
Discontinued operations			
Profit for the year from discontinued operations	7	**—**	24,968
Profit for the year		**194,597**	107,238
Other comprehensive income for the year:			
Exchange differences arising on translation of foreign operations		**38,400**	—
Total comprehensive income for the year		**232,997**	107,238

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the parent		**167,859**	93,736
Non-controlling interests		**26,738**	13,502
		194,597	107,238
Total comprehensive income attributable to:			
Owners of the parent		**202,419**	93,736
Non-controlling interests		**30,578**	13,502
		232,997	107,238
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*10*		
Basic			
— For profit for the year		**HK2.81 cents**	HK1.57 cents
— For profit from continuing operations		**HK2.81 cents**	HK1.15 cents
Diluted			
— For profit for the year		**HK2.81 cents**	HK1.57 cents
— For profit from continuing operations		**HK2.81 cents**	HK1.15 cents

Details of the dividend proposed for the year are disclosed in note 9 to the financial results.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2010

	Notes	**31 December 2010** **HK$'000**	31 December 2009 *HK$'000* (Restated)	1 January 2009 *HK$'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**1,291,806**	547,397	607,022
Prepaid land lease payments		**—**	1,942	6,256
Investment property		**—**	37,000	26,658
Goodwill		**399,262**	399,262	399,262
Other intangible asset		**755,974**	799,486	842,998
Available-for-sale investment		**2,568**	2,568	3,448
Retirement benefit scheme's assets		**—**	—	3,825
		2,449,610	1,787,655	1,889,469
CURRENT ASSETS				
Inventories		**171,711**	59,571	68,867
Trade and bills receivables	*11*	**280,019**	26,170	73,415
Prepayments, deposits and other receivables	*12*	**682,938**	562,687	492,506
Amount due from a non-controlling shareholder of a subsidiary		**351,132**	272,623	186,887
Prepaid land lease payments		**—**	77	185
Equity investment at fair value through profit or loss		**3,351**	3,334	3,243
Pledged deposits		**23,529**	—	936
Cash and cash equivalents		**16,977**	29,122	68,020
Total current assets		**1,529,657**	953,584	894,059
CURRENT LIABILITIES				
Trade and bill payables	*13*	**544,896**	123,579	115,558
Other payables and accruals	*14*	**216,564**	155,726	133,212
Amount due to a non-controlling shareholder of a subsidiary		**13,501**	—	18,955
Amount due to a director		**—**	—	12,000
Promissory notes		**214,679**	15,000	96,032
Tax payable		**84,637**	62,799	56,663
Interest-bearing bank borrowings		**231,550**	376,450	446,978
Convertible bonds		**59,683**	—	—
Total current liabilities		**1,365,510**	733,554	879,398
NET CURRENT ASSETS		**164,147**	220,030	14,661
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,613,757**	2,007,685	1,904,130

	Notes	**31 December 2010** **HK$'000**	31 December 2009 *HK$'000* (Restated)	1 January 2009 *HK$'000* (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,613,757**	2,007,685	1,904,130
NON-CURRENT LIABILITIES				
Convertible bonds		**(119,367)**	—	—
Deferred tax liabilities		**(134,096)**	(139,444)	(143,887)
Promissory notes		**(198,466)**	—	—
Total non-current liabilities		**(451,929)**	(139,444)	(143,887)
Net assets		**2,161,828**	1,868,241	1,760,243
EQUITY				
Equity attributable to the owners of parent				
Issued capital		**434,293**	336,543	181,293
Reserves		**1,584,577**	1,459,318	1,520,072
		2,018,870	1,795,861	1,701,365
Non-controlling interests		**142,958**	72,380	58,878
Total equity		**2,161,828**	1,868,241	1,760,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

1. GENERAL AND BASIS OF PREPARATION

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

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

— coke trading business;
— coal related ancillary business; and
— coke production business.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009

HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009,* HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxe*s, HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong and Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	2010	2009
	HK$'000	*HK$'000*
Consolidated profit or loss for the year ended 31 December		
Decrease in amortisation of prepaid land lease payments	**(1,012)**	(668)
Increase in depreciation of property, plant and equipment	**1,012**	668
	—	—
Consolidated statement of financial position at 31 December		
Decrease in prepaid land lease payments, net	**(48,752)**	(49,764)
Increase in property, plant and equipment, net	**48,752**	49,764
	—	—
Consolidated statement of financial position at 1 January		
Decrease in prepaid land lease payments, net		(74,404)
Increase in property, plant and equipment, net		74,404
		—

(c) HK Interpretation 5 — Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause

In November 2010, the HKICPA issued HK Interpretation 5 *Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause*. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 *Presentation of Financial Statements*. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause giving the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Company has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously, such term loans were classified in accordance with the agreed repayment schedule unless the Company had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its right under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparative amount for the year ended 31 December 2009. The reclassification has had no effect on the reported profit or loss, total comprehensive income or equity for any period presented.

Effect of the adoption of HK Interpretation 5 on the consolidated statement of financial position is set out below:

	31 December 2010	31 December 2009	1 January 2009
	HK'000	*HK'000*	*HK'000*
Increase/(decrease) in			
Current liabilities			
Bank borrowings	**32,400**	37,800	49,518
Non-current liabilities			
Long term borrowings	**(32,400)**	(37,800)	(49,518)

3. REVENUE AND OPERATING SEGMENT INFORMATION

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

An analysis of revenue from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sale of refined coal	**1,033,419**	939,738
Sale of electricity and heat	**64,223**	58,047
Sale of coke and by-products	**715,397**	—
Rental income	**—**	591
	1,813,039	998,376

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

Continuing operations

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

(b) the coal-related ancillary business segment-washing of raw coal into refined coal for sales 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 coal by-products 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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that corporate administrative expense, fair value gains/(losses) from the Group's equity investment at fair value through profit or loss, gain on disposal of property, plant and equipment, interest expenses on promissory notes and convertible bonds and deferred taxation on properties for corporate use are excluded from such measurement.

Segment assets exclude assets related to discontinued operations, pledged deposits, cash and cash equivalents, equity investment at fair value through profit or loss, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude liabilities related to discontinued operations, interest-bearing bank borrowings, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

On 12 October 2009, the Group completed the disposal of two operating divisions, which engaged in trading of household products and manufacturing and sales of household products. For HKFRS 8 reporting purposes, on the basis of internal reports reviewed by the chief operating decision maker, these discontinued operations did not constitute separate operating segments.

Segment revenues and results

Year ended 31 December 2010

	Continuing operations					
	Trading of coke *HK$'000*	**Coal related ancillary** *HK$'000*	**Coke production** *HK$'000*	**Others** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE						
Segment revenue						
— external sales	**130,348**	**1,097,642**	**585,049**	**—**	**—**	**1,813,039**
— intersegment sales	**—**	**473,322**	**—**	**—**	**(473,322)**	**—**
Other income and gains	**7,750**	**11,833**	**—**	**246**	**—**	**19,829**
Total	**138,098**	**1,582,797**	**585,049**	**246**	**(473,322)**	**1,832,868**
Segment results	**(14,211)**	**251,618**	**26,174**	**246**	**(9,466)**	**254,361**
Corporate administrative expenses						**(27,513)**
Gain on equity investment at fair value through profit or loss						**17**
Interest on convertible bonds						**(23,238)**
Interest on promissory notes						**(11,826)**
Deferred tax credit on properties (for corporate)						**2,796**
Profit for the year from continuing operations						**194,597**

Year ended 31 December 2009

	Continuing operations			
	Trading of coke *HK$'000*	Coal related ancillary *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE				
Segment revenue – external sales	—	997,785	591	998,376
Other income and gains	10,535	8,971	10,342	29,848
	10,535	1,006,756	10,933	1,028,224
RESULTS				
Segment results	(46,245)	135,017	9,800	98,572
Other income and gains				22
Corporate administrative expenses				(10,910)
Gain on equity investment at fair value through profit or loss				91
Gain on disposal of property, plant and equipment				436
Interest on promissory notes				(3,968)
Deferred tax charge on properties (for corporate)				(1,973)
Profit for the year from continuing operations				82,270

Segment assets and liabilities

As at 31 December 2010

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

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As at 31 December 2009

	Continuing operations			
	Trading of coke *HK$'000*	Coal ancillary *HK$'000*	Others *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Segment assets	1,208,915	1,363,927	37,848	2,610,690
Corporate and unallocated assets				130,549
Consolidated assets				2,741,239
SEGMENT LIABILITIES				
Segment liabilities	552,713	252,779	44,800	850,292
Corporate and unallocated liabilities				22,706
Consolidated liabilities				872,998

Year ended 31 December 2010

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

Year ended 31 December 2009

	Continuing operations			
	Trading of coke *HK$'000*	Coal related ancillary *HK$'000*	Others *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment (Restated)	—	24,488	—	24,488
Unallocated				487
				24,975
Amortisation of other intangible asset	43,512	—	—	43,512
Unallocated				—
				43,512
Depreciation (Restated)	—	39,336	594	39,930
Unallocated				2,254
				42,184
Gain on fair value change of investment properties	—	—	10,342	10,342
Unallocated				—
				10,342
Interest expense on bank borrowings	10,742	—	595	11,337
Unallocated				—
				11,337
Income tax (credit)/expenses	(7,179)	45,006	1,706	39,533
Unallocated				1,973
				41,506

Geographical information

(a) Revenue from external customers

The Group's revenue, expense, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations during the years ended 31 December 2010 and 2009. Therefore, no analysis by geographical region is presented.

The revenue information from continuing operations is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**881,850**	926,566
Mainland China	**1,565,192**	858,521
	2,447,042	1,785,087

The non-current assets information from continuing operations above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from continuing operations of approximately HK1,070,212,000 (2009: HK$934,911,000) was derived from sales in the coal related ancillary segments to a single customer, which is the non-controlling shareholder of a subsidiary of the Group.

Revenue from continuing operations of approximately HK$360,139,000 (2009: nil) was derived from sales in the coke production segment to a single customer, which is an independent third party of the Group.

4. OTHER INCOME AND GAINS

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Other income			
Interest income on bank deposits		**—**	6
Subsidies from PRC government authorities	*(i)*	**10,818**	8,230
Reimbursement from non-controlling shareholder of a subsidiary	*(ii)*	**7,750**	10,535
Sundry income		**1,015**	757
		19,583	19,528
Other gains			
Gain on fair value change of investment property		**—**	10,342
Gain on disposal of items of property, plant and equipment		**—**	436
Gain on equity investment at fair value through profit or loss		**17**	91
Gain on disposal of a subsidiary		**246**	—
		263	10,869
		19,846	30,397

Notes:

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

(2) No coke was purchased from the minority shareholder of a subsidiary during the years ended 31 December 2010 and 2009 for the Group export trade. The non-controlling shareholder of a subsidiary agreed to reimburse the Group interest expense the Group made on export loans which were used to finance the advance payments paid to it for coke purchase.

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Interest on bank borrowings		
— wholly repayable within five years	**7,648**	11,337
Interest on convertible bonds	**23,238**	—
Interest on promissory notes	**11,826**	3,968
	42,712	15,305

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Current		
Hong Kong	**—**	—
Elsewhere	**96,633**	45,006
	96,633	45,006
Overprovision in prior years	**(3,622)**	—
	93,011	45,006
Deferred tax	**(5,348)**	(3,500)
Total tax charges for the year	**87,663**	41,506

7. DISCONTINUED OPERATIONS

	Note	2009 *HK$'000*
Profit from discontinued operations — the Frankie Group	*(i)*	24,968

(i) On 19 August 2009, the Group entered into a sale agreement to dispose of Frankie Dominion (Holdings) Limited and its subsidiaries (collectively known as the "Frankie Group") which carried out all of the Group's operations related to trading of household products and manufacturing and sales of household products. The disposal was effected in order to redeploy resources to other businesses of the Group. The disposal resulted in a gain on disposal of approximately HK$19,056,000 and was completed on 12 October 2009 which was the date control of the Frankie Group was passed to the acquirer.

	2009 *HK$'000*
Profit of the Frankie Group for the year	5,912
Gain on disposal of the Frankie Group	19,056
	24,968

The results of the Frankie Group for the year ended 31 December 2009, which have been included in the consolidated statement of comprehensive income, were as follows:

	2009 *HK$'000*
Revenue	268,425
Cost of sales	(242,210)
Other income	559
Selling and distribution costs	(2,788)
Administrative expenses	(17,220)
Finance costs	(854)
Profit before taxation	5,912
Taxation	—
Profit for the year from discontinued operations	5,912

Profit for the year ended 31 December 2009 from discontinued operations was arrived at after charging/(crediting):

	2009
	HK$'000
	(Restated)
Auditors' remuneration	200
Cost of inventories sold	242,210
Depreciation	791
Amortisation of prepaid lease payments	80
Gain on disposal of property, plant and equipment	(1)
Net foreign exchange loss	599
Operating lease payments in respect of rented properties	598
Interest expense on bank borrowings wholly repayable within five years	854
Interest income on bank deposits	(4)

The net cash flows incurred by the Frankie Group for the year ended 31 December 2009 were as follows:

	2009
	HK$'000
Operating activities	(5,385)
Investing activities	1,331
Financing activities	(12,964)
Net cash outflows	(17,018)
Earnings per share:	
Basic, from discontinued operations	HK0.42 cents
Diluted, from discontinued operations	HK0.42 cents

The calculations of basic and diluted earnings per share from discontinued operations for the year ended 31 December 2009 are based on:

Profit attributable to ordinary equity holders of the parent from discontinued operations	HK$24,968,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	5,977,926,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation	5,977,926,000

8. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Auditors' remuneration	**2,130**	1,280
Cost of inventories sold	**1,346,922**	801,408
Depreciation	**65,423**	42,107
Amortisation of other intangible asset*	**43,512**	43,512
Amortisation of prepaid lease payments	**26**	77
Gross rental income	**—**	(591)
Less: outgoing	**—**	112
Net rental income	**—**	(479)
Net foreign exchange loss	**60**	38
Operating lease payments in respect of leasehold interest in land and rented properties	**817**	545

* *The item is included in "Cost of sales" on the face of the consolidated statement of comprehensive income.*

9. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Proposed final dividend — HK0.5 cents (2009: nil) per ordinary share	**21,715**	—

The proposed final dividend for the year ended 31 December 2010 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Those financial results do not reflect the dividend payable.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the parent of HK$167,859,000 (2009: HK$93,736,000), and the weighted average number of ordinary shares of 5,977,926,000 (2009: 5,977,926,000) in issue during the year, as adjusted to reflect the full conversion of the convertible bonds issued in 2008 for ordinary shares of the Company during the year.

The convertible bonds issued in 2008 shall be converted automatically into new shares of the Company at the date of maturity. Shares that are issuable solely after the passage of time are not contingently issuable shares and are included in the calculation of basic and diluted earnings per share.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation:		
From continuing operations	**167,859**	68,768
From a discontinued operations	**—**	24,968
	167,859	93,736
Attributable to:		
Continuing operations	**167,859**	68,768
Discontinued operations	**—**	24,968
	167,859	93,736

	Number of shares	
	2010	2009
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,977,926**	5,977,926
Effect of dilution – weighted average number of ordinary shares:		
Share options	**74**	—
	5,978,000*	5,977,926

* *Because the diluted earnings per share amount increases when taking into account convertible bonds issued in 2010, the convertible bonds issued in 2010 had an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2010 and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the year and the profit attributable to continuing operations of HK167,859,000, and the weighted average number of ordinary shares (after effect of dilution) of 5,978,000,000 in issue during the year.*

11. TRADE AND BILLS RECEIVABLE

		Group	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Trade receivable		**574,092**	281,748
Bill receivables		**57,059**	17,045
		631,151	298,793
Less: Trade receivable from a non-controlling shareholder of a subsidiary		**(351,132)**	(272,623)
		280,019	26,170

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. Advance deposits are required from certain customers. The directors consider that such arrangement enables the Group to limit its credit risk exposure. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. As approximately 56% (2009: 91%) of the Group's trade receivables was due from the Group's largest customer, there is a significant concentration risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on payment due date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**595,798**	298,793
More than 3 months past due	**35,353**	—
	631,151	298,793

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**—**	2,600
Amount written off as uncollectible	**—**	(2,600)
	—	—

Receivables that were neither past due nor impaired relate to a number of diversified 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 of the Company 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. The Group does not hold any collateral or other credit enhancements over these balances.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Other debtors and prepayments		**22,647**	12,519
Advance payments to non-controlling shareholder of a subsidiary	*(i)*	**249,957**	387,297
Advance payments to suppliers	*(ii)*	**410,334**	162,871
		682,938	562,687

As at 31 December 2010 and 2009, other debtors were neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(i) Advance payments are requested by the coke supplier, who is also the non-controlling shareholder of a subsidiary, for purchase of coke for export trading. The balances is unsecured, non-interest bearing and is to be settled with future purchases. For the year ended 31 December, 2010, there was no purchase of coke for export trading and the coke supplier had made partial refund of the advance payments upon request by the Group. In the opinion of the directors, the balances at 31 December 2010 will be settled with future purchases from the coke supplier or within one year upon request by the Group, whichever is earlier.

(ii) Advance payments are requested by the suppliers of raw materials for the coal-related ancillary and the coke businesses. The balances are unsecured, non-interest bearing and to be settled with future production purchases.

The carrying amounts of other debtors and advance payments approximate their fair values.

13. TRADE AND BILLS PAYABLES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade creditors	**521,366**	123,579
Bills payable	**23,530**	—
	544,896	123,579

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 1 month	**141,326**	35,369
1 to 2 months	**107,344**	52,150
2 to 3 months	**50,081**	27,174
Over 3 months	**246,145**	8,886
	544,896	123,579

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

14. OTHER PAYABLES AND ACCRUALS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Other creditors and accrued charges	**142,849**	85,922
Advance received from a customer	**73,715**	69,804
	216,564	155,726

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

FINANCIAL HIGHLIGHT

In 2010, with the continued expansion of the Group's coal-related businesses, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$1,813,039,000 (2009: HK$998,376,000), representing a great increase of around 81.60% compared to that of 2009. Gross profit margin has improved from around 15.37% to 23.31%.

EBITDA (Earnings before interests, tax, depreciation and amortisation) of the Group has increased from HK$224.78 million in 2009 to HK$433.93 million in 2010. Profit attributable to the owners of the parent has increased from HK$93,736,000 to HK$167,859,000, representing an increase of approximately 79.08%. Continued improvement in the gross profit ratios, EBITDA and profit attributable to the owners can be attributed to the Group's continued expansion in the coal related businesses and the vertical integration through the acquisition of a coking plant in 2010.

BUSINESS REVIEW

The Group's subsidiary in the PRC has obtained a new business license which extends its principal activities to include coke production business and the sale of coke in the PRC. In June 2010, the Group completed the acquisition of a coking plant with an annual production capacity of approximately 800,000 tonnes. With the completion of this acquisition, the Group becomes an integrated coke producer in the PRC. It can purchase raw coals from local mines, process it into refined coals and ultimately into coke through the coal washing and the coke production processes.

In 2010, Huscoke was mainly engaged in three 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.

In the first half of 2010, for coke export market, there was an indication that the international demand for PRC export coke resumed. However, due to the outbreak of a financial crisis in Europe, the recovering economy of the world was slowed and the demand for PRC's coke was immediately impacted. In an effort to reduce the reliance on the international market, management of the Group tried to develop the domestic coke market and in April 2010, the Group obtained approval from PRC authorities to trade coke in the PRC.

In coal related ancillary businesses, the external sales of refined coal in 2010 were reduced due to the use of refined coal as raw materials at the Group's recently acquired coking plant. Annualised production utilization rate in 2010 was around 85%. Being located in the Xiaoyi, Shanxi Province, the Group benefits from low transportation costs due to the large number of coal mines in the surrounding area. With an advanced coal washing facility with annual production capacity of 2.4 million tonnes, the Group has relatively better production efficiency rates and lower production costs in the coal washing process.

For coke production business, it was contributed by the newly acquired coking plant and the related coal chemicals production facilities. The annual production capacity of the plant is 800,000 tones. Contributions to the Group started in the third quarter of the year and revenue generated in this six month period was around HK$585.05 million. Most of the materials used in the coking plant have been supplied by our coal washing plant and this vertical integration of business has improved the Group's overall gross profits margin in 2010.

FINANCE COSTS

Finance costs in 2010 were approximately HK$42.71 million, an increase of around 179.07% from HK$15.31 million recorded in 2009. The increase was due to the issue of convertible bonds and of the two promissory notes during the year to finance the acquisition of the coking plant.

CHARGES OVER ASSETS

On 31 December 2010, the Group pledged certain land and buildings which have an aggregate carrying value of approximately HK$111.05 million (31 December 2009: HK$78.58 million) to secure banking facilities granted to the Group. As at 31 December 2009, the Group also pledged investment property with carrying value of approximately HK$37 million.

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 year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK$164.15 million and 1.12:1 as respectively of 31 December 2010. In 31 December 2009, the amount was HK$220.03 million and 1.30:1. The reduction in current ratio is mainly due to the issue of promissory notes and convertible bonds for the acquisition of a coking plant.

The Group's bank balances and cash equivalents amounted to approximately HK$16.98 million (31 December 2009: approximately HK$29.12 million). With the partial repayment of the bank borrowing during the year, bank borrowings has been reduced to current year's HK$231.55 million (31 December 2009: HK$376.45 million). Around HK$193.75 (31 December 2009: HK$333.25 million) of the bank borrowings was the structured trade finance for the coke export business and around HK$37.80 million (31 December 2009: HK$43.2 million) bank borrowings was the mortgaged loan for property located in Hong Kong. Also, in order to finance the acquisition of the coke production assets in the financial year, the Group has issued two tranches of convertible bonds amounting to HK$179.05 million to two independent third parties and two tranches of promissory notes amounting to HK$413.15 million to the non-controlling shareholders of the subsidiary (31 December 2009: only HK$15 million promissory note has been outstanding).

DIVIDENDS

The Directors recommend a final dividend for the year ended 31 December 2010 of HK0.5 cents per share (2009: Nil) to shareholders whose names appear on the Company's Register of Members on 31 May 2011. The final dividend is subject to approval of the shareholders in the forthcoming annual general meeting and is expected to be paid on or around 24 June 2011.

EMPLOYEES AND REMUNERATION

As at 31 December 2010, the Group had 1,835 employees (31 December 2009: 1,124 employees). Approximately, 1,825 employees are located in PRC. The Group's staff costs amounted to approximately HK$55.29 million for the year ended 31 December 2010 and approximately HK$30.51 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 individual performance. Up to the date of this announcement, there are 37,500,000 share options granted under the share option scheme.

PROSPECTS

The Group will continue its efforts to control its costs of production while negotiating with more customers for Huscoke's coke, especially in the domestic market. However, the international coke market will still be monitored closely and negotiations with our target customers will begin if demand in the international market rises. In early 2011, there have been serious flooding problems occurring in Australia, forcing many coal mines to close. Australia is currently the largest coking coal exporter in the international market and many coke producers around the world rely on Australian supplies. With the recent closing of these Australian coal mines, there has been a sharp decrease in the world supply of coking coal. This has led to a drastic increase in the contract price of exported coking coal from US$225 per tonne in the first quarter of 2011 to US$330 per tonne in the second quarter. Huscoke, as one of the largest coke exporters in the PRC coke market, will closely examine further developments in the international coke market and once the profit margin from international trade becomes greater than that derived from domestic sales, the Company will consider re-expanding its sales to the international market.

In August and September 2010, the Group signed two non-legally-binding memorandums of understanding ("**First MOU**" and "**Second MOU**," respectively) with the Golden Rock Group ("**GRG**"), a non-controlling shareholder of our Joint Venture in the PRC. The First MOU dealt with the proposed acquisition of coal mines from GRG. After the signing of the First MOU, the Group has engaged in the due-diligence on the targeted coal mine and has already employed an International Competent Person to estimate the available resources according to the JORC standards. The Group plans to further expand its business into coal mining which will 1) secure the raw material supplies for our coal washing plants and 2) reduce the costs of production significantly since over 90% of production costs come from raw material costs.

The Second MOU dealt with the proposed cooperation with GRG for the construction of a new coking plant with an annual capacity of 2 million tonnes. The Provincial Shanxi Government has announced that there will be a consolidation in the Coking Industry under which the provincial government is targeting a reduction in total coking capacity from the existing 150 million tonnes to 120 million tonnes by 2015. GRG has already obtained the approval from the provincial government to construct a new coking plant with an annual capacity of 2 million tonnes. In order to increase market share within the Shanxi province, Huscoke is considering the opportunity to cooperate with GRG for this new project and has already engaged international financial institutions as the arrangers for the proposed projects.

With the successful integration of the Group's coke businesses and an improving market conditions, the Management is optimistic regarding the future prospects of the Group.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 27 May 2011 to Tuesday, 31 May 2011 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to ascertain the right to attend the forthcoming annual general meeting, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 26 May 2011.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. It has reviewed this annual results for the year ended 31 December 2010.

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 2010.

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 2010.

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 2010 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 2010 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. Wu Jixian, Mr. Li Baoqi and Mr. Cheung Ka Fai, and the Independent Non-Executive Directors of the Company are Mr. Lam Hoy Lee, Laurie, Mr. Wan Hon Keung and Mr. To Wing Tim, Paddy.

By Order of the Board
Li Baoqi
Acting Chairman

Hong Kong, 29th March, 2011