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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>

PROPOSED CAPITAL REORGANISATION

The Board intends to put forward a proposed Capital Reorganisation for approval by Shareholders at the SGM, under which funds in the Contributed Surplus Account to the extent of approximately HK\$1,729 million will be utilised to eliminate the Accumulated Losses in the same amount.

A circular containing details of the Capital Reorganisation together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

BACKGROUND OF THE CAPITAL REORGANISATION

In 2008, the Group entered into and completed two very substantial acquisitions to develop the coal related businesses. The purchase price payable for these acquisitions was satisfied by, among other means, the Group's issue of convertible bonds. The aggregate principal amounts of the convertible bonds issued so far are HK\$2,200 million.

As disclosed in the Company's annual report 2008, according to the accounting standards then adopted by the Company, the value of these convertible bonds was measured at fair value (i.e. the relevant share price) at the date of completion of the respective acquisitions. This fair value adjustment increased both the cost of acquisition and the goodwill of these acquisitions. As a result of the economic tsunami in 2008, the Company recorded as at 31 December 2008 a HK\$1.87 billion impairment loss (being a one-off non-operating loss) for the said increased goodwill, which was brought forward as part of the Accumulated Losses.

As disclosed in the Company's annual report 2009, at the time when the convertible bonds are converted into ordinary shares of the Company, the nominal value of share capital issued upon conversion will be transferred from the convertible bonds reserve to the share capital account, while the difference between the fair value of the convertible bonds at their issuance dates and the nominal value of share capital issued will be transferred from the convertible bonds reserve to the Contributed Surplus Account.

For the financial year ended 31 December 2009, convertible bonds with aggregate carrying value of HK\$1,006,650,000 were converted into 1,552,500,000 shares in the Company. Accordingly, HK\$155,250,000 was transferred to the share capital account while HK\$851,400,000 was transferred to the Contributed Surplus Account. Similarly, in connection with the conversion of the said convertible bonds, HK\$747,600,000 was recorded in the Contributed Surplus Account for the year ended 31 December 2008, while HK\$371,050,000 was recorded for the six months ended 30 June 2010.

EFFECTS OF THE CAPITAL REORGANISATION

As at 30th June 2010, the Company recorded unaudited Accumulated Losses of approximately HK\$1,729 million. The unaudited balance of the Contributed Surplus Account of the Company amounted to approximately HK\$1,970 million as at 30th June 2010. The Directors put forward a proposal that funds in the Contributed Surplus Account to the extent of approximately HK\$1,729 million as at the Effective Date will be utilised to eliminate the Accumulated Losses in the same amount.

Other than the expenses incurred relating to the Capital Reorganisation, the implementation of the Capital Reorganisation will not, of itself, affect the Company's business operations and management or the interests of the Shareholders.

REASONS FOR THE CAPITAL REORGANISATION

The Company has unaudited Accumulated Losses of approximately HK\$1,729 million as at 30th June 2010.

The Company noted from its discussions with bankers and potential investors that the Accumulated Losses somehow affected the Group's ability to raise funds. The Board is of the view that the Capital Reorganisation will allow the Company to eliminate its Accumulated Losses, thus enabling a better appreciation of the financial position of the Company and its current businesses.

As advised by the Company's Bermuda legal advisers, subject to the conditions set out below, funds standing to the credit of the Contributed Surplus Account may be used to set off the Accumulated Losses. As both the funds in the Contributed Surplus Account and the Accumulated Losses arose from the issuance of the convertible bonds, the Company considers it appropriate to apply the funds in the Contributed Surplus Account to set off the Accumulated Losses.

CONDITIONS OF THE CAPITAL REORGANISATION

The Capital Reorganisation is conditional on:

1. the passing of the relevant special resolution(s) by the Shareholders to approve the proposed Capital Reorganisation at the SGM; and
2. compliance with section 54 of the Companies Act, which provides that a company shall not make a distribution out of contributed surplus, if there are reasonable grounds for believing that — (a) the company is, or would after payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company’s assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

GENERAL

A circular containing details regarding the Capital Reorganisation together with a notice convening the SGM to approve the Capital Reorganisation will be despatched to Shareholders as soon as practicable.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Accumulated Losses”	the entire balance in the accumulated loss account of the Company as at 30th June 2010
“Board”	the board of Directors
“Capital Reorganisation”	the application of funds in the Contributed Surplus Account to setoff the Accumulated Losses in the same amount
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	Huscoke Resources Holdings Limited 和嘉資源控股有限公司, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Contributed Surplus Account”	the contributed surplus account of the Company
“Directors”	the directors of the Company

“Effective Date”	the effective date of the Capital Reorganisation, being the business day immediately following the date of the SGM.
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SGM”	the special general meeting to be convened by the Company for considering, and if thought fit, approving, among other things, the Capital Reorganisation
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

By Order of the Board
Huscoke Resources Holdings Limited
Li Baoqi
Acting Chairman

Hong Kong, 27th September 2010

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.