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 30TH JUNE, 2010

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 30th June, 2010 with comparative figures for the corresponding period of 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30th June, 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Revenue	3	**817,154**	488,408
Cost of sales			
— Amortisation of other intangible assets		**(21,756)**	(21,756)
— Others		**(645,766)**	(432,801)
Gross profit		**149,632**	33,851
Other income		**3,401**	4,035
Distribution costs		**(1,894)**	(1,607)
Administrative expenses		**(27,355)**	(10,085)
Change in fair value on investments		**—**	42
Gain on disposal of property, plant and equipment and prepaid lease payments		**11**	11,234
Finance costs	4	**(6,847)**	(8,442)
Profit before income tax	5	**116,948**	29,028
Taxation	6	**(35,429)**	(7,755)
Profit for the period from continuing operations		**81,519**	21,273
Discontinued operations			
Profit for the period from discontinued operations		**—**	3,069
Profit for the period		**81,519**	24,342
Attributable to:			
Owners of the Company		**69,813**	20,216
Non-controlling interests		**11,706**	4,126
		81,519	24,342
Basic earnings per share	7	**HK1.17 cents**	HK0.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30th June, 2010 (Unaudited) *HK$'000*	At 31st December, 2009 (Audited) *HK$'000*
Non-current assets		
Property, plant and equipment	**1,201,836**	497,633
Prepaid lease payments	**49,147**	51,295
Investment properties	—	37,000
Available-for-sale investment	**2,774**	2,568
Goodwill	**399,262**	399,262
Other intangible asset	**777,730**	799,486
	2,430,749	1,787,244
Current assets		
Inventories	**99,703**	59,571
Debtors, bills receivable and prepayments	**691,396**	588,857
Amount due from a non-controlling shareholder of a subsidiary	**426,824**	272,623
Prepaid lease payments	**411**	488
Investments held for trading	**3,334**	3,334
Bank balances and cash	**22,013**	29,122
	1,243,681	953,995
Current liabilities		
Creditors, bills payable and accrued charges	**566,146**	279,305
Promissory notes	—	15,000
Tax payable	**55,732**	62,799
Bank borrowings — due within one year	**237,900**	338,650
Amount due to a non-controlling shareholder of a subsidiary	**76,849**	—
	936,627	695,754
Net current assets	**307,054**	258,241
	2,737,803	2,045,485
Capital and reserves		
Share capital	**414,293**	336,543
Reserves	**1,475,764**	1,459,318
Equity attributable to equity holders of the Company	**1,890,057**	1,795,861
Non-controlling interests	**120,858**	72,380
Total equity	**2,010,915**	1,868,241
Non-current liabilities		
Convertible Bonds	**170,307**	—
Deferred income tax liabilities	**135,854**	139,444
Bank borrowings	**35,100**	37,800
Promissory notes	**385,627**	—
	726,888	177,244
	2,737,803	2,045,485

Notes:

1. Basis of preparation

The condensed consolidated financial statement have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations, Hong Kong Financial Report Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost convention, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009 except as described below:

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKSA 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership in interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st February, 2010
3 Effective for annual periods beginning on or after 1st July, 2010
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 periods.

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 expense on convertible bonds, and imputed interest expense on promissory notes. This is the measure reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

In January 2010, the Group has re-allocated its investment property for internal use. Thus, for the six months ended 30th June, 2010, the segment of property investment did not existed.

Six months ended 30th June, 2010

	Trading — coke *HK$'000*	**Coal-related ancillary business** *HK$'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 expense on convertible bonds			**(1,435)**
Imputed interest expense on promissory notes			**(1,085)**
Profit for the period			**81,519**

Six months ended 30th June, 2009

	Continuing operations			
	Trading — coke	Coal-related ancillary business	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	—	487,427	981	488,408
Results				
Segment results before amortisation of other intangible assets	(8,069)	47,258	372	39,561
Amortisation of other intangible assets	(21,756)	—	—	(21,756)
Segment results	(29,825)	47,258	372	17,805
Corporate administrative expenses				(5,386)
Gain on disposal of property, plant and equipment and prepaid lease payment				11,234
Imputed interest expense on promissory notes				(2,380)
Profit for the period				21,273

4. Finance costs

	For the six months ended 30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**4,327**	6,062
Interest expense on convertible bonds	**1,435**	—
Imputed interest expense on promissory notes	**1,085**	2,380
	6,847	8,442

5. Profit before income tax

Profit before income tax has been arrived at after charging:

	For the six months ended 30th June, 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Depreciation and amortisation	**42,554**	42,477
Operating lease payments in respect of rented properties	**—**	38

6. Taxation

	For the six months ended 30th June, 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Current tax expenses		
Hong Kong profits tax	**—**	—
Overseas taxation	**39,019**	13,753
	39,019	13,753
Deferred income tax	**(3,590)**	(5,998)
	35,429	7,755

No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2009 and 2010 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 30th June, 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Earnings for the purpose of basic earnings per share	**69,813**	20,216
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 option 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 30th June, 2010 (2009: Nil).

BUSINESS REVIEW

For the six months ended 30th June, 2010, Huscoke Resources Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately HK$817,154,000 (2009: HK$488,408,000), representing an increase of around 67.31% compared to last corresponding period. Gross profit margin has been greatly improved from around 6.93% to 18.31%. Improvement in the gross profit ratio is contributed by the gradual recovery of the coal related industry after the economic tsunami and the improvement in the utilization rate of the production facilities acquired in late 2008.

Profit attributable to the owners of the Company has been increased from HK$20,216,000 to HK$69,813,000, representing a great increase of approximately 245.34%. This sharply increase in profits has proven the success of the Group's repositioning to the coal related businesses.

The Group focused on the development of the coal related businesses in the review period. For the coke trading business, the Group's 90% owned subsidiary in the PRC has obtained the business license for the selling of coke in the PRC in June 2010 which means the Group can start the trading of coke in both domestic and export markets in the second half of the year. The management would extend our efforts in the negotiation with customers in both markets.

For the coal ancillary business, in this review period, with the gradual recovery of the Chinese economy, demand for coke and its raw material, refined coal, has been increased. Compared the price to last corresponding period, the prices for the Group's products have been increased by approximately 20%. With the single advanced production facility with annual production capacity of 2.4 million tones, the Group has relatively better production efficiency rate and thus lower production costs in the coal ancillary businesses compared to other producers in the region.

In June 2010, the Group has completed the acquisition of coking production facilities with annual capacity of 800,000 tones. It is the vertical integration of the Group's coal related businesses and after such acquisition, the Group becomes an integrated coke producer and exporter in the PRC. The Group can purchase different kinds of raw coals for coal washing and used its by-products for heat and electricity generation. The washed coals are used for coke production and using the by-products for coal chemicals production.

FINANCE COSTS

With the gradual repayment to the bank loan and the continued low interest rate in the market, interest expense has been reduced from HK$8.44 million to current period's HK$6.85 million.

CHARGES OVER ASSETS

As at 30th June, 2010, the Group pledged certain building and prepaid lease payments which have an aggregate carrying value of approximately HK$65.60 million (31st December, 2009: HK$28.81 million) and HK$49.56 million (31st December, 2009: 49.76 million) to secure general banking facilities granted to the Group. As at 31st 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$307.06 million and 1.33:1 as at 30th June, 2010. On 31st December, 2009, the amount was HK$258.24 million and 1.37:1. The slight reduction in the current ratio was mainly due to the acquisition cost for the coke processing assets due to a non-controlling shareholder of a subsidiary.

The Group's bank balances and cash equivalents amounted to approximately HK$22.01 million (31st December, 2009: approximately HK$29.12 million). With the partial repayment of the bank borrowing during the review period, bank borrowings has been reduced from 31st December, 2009's HK$376 million to current period's HK$273 million. Around HK$232.50 million (31st December, 2009: HK$333.25 million) of the bank borrowings was the structured trade finance for the coke export business and around HK$40.50 million (31st December, 2009: HK$43.25 million) bank borrowings was the mortgaged loan for the property located in Hong Kong. Also, in order to finance the acquisition of the coke processing assets in the review period, the Group has issued two tranches of convertible bonds amounting to HK$170.31 million to two independent third parties and two tranches of promissory notes amounting to HK$385.63 million to the non-controlling shareholders of the subsidiary (31st December, 2009: only HK$15 million promissory note has been outstanding).

EMPLOYEES AND REMUNERATION

As at 30th June, 2010, the Group had approximately 1,190 employees (31st December, 2009: approximately 1,124 employees). Less than 100 staffs are stationed in Hong Kong and the rest are PRC workers. The Group's staff costs amounted to approximately HK$18.34 million for the period ended 30th June, 2010 and approximately HK$11.54 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 17,500,000 share options granted under the share option scheme.

PROSPECTS

Compared to that of 2009, international demand for Chinese export coke has been increased. The Group will continue its efforts in communicating with overseas customers in the export of coke. With the success in obtaining the business license in the sales of coke in the PRC, the Group will extend its coke trading business into the domestic market and thus the reliance in the export market will be reduced.

As an integrated coke producer and exporter in the PRC, management will further investigate the possibilities for expanding the Group's capacity. Management are of the views that with larger production capacities, the Group can better utilize its by-products in the coking process for coal chemicals production. This move is welcomed by the Government since it relates to the using of by-products to generate useful resources.

Another direction for the Group is to move upwards to secure more raw materials by investing in coal mining or by signing some long term supply agreement with them. On 22nd August, 2010, the Group has signed an memorandum of undertaking ("MOU") with a non-controlling shareholder of the subsidiary ("Potential Seller") for the proposed acquisition of their coal mines in the Shanxi Province of the PRC. According to the MOU, the Group get the first priority to acquire those coking coal mines from the Potential Seller or from its controlling shareholders and the Group has started the due diligence works on such proposed acquisition. If the proposed acquisition can complete, the Group can integrate the profitable coal mining business into our production businesses. Being a fully integrated coke producer and one of the largest coke exporters in the PRC and getting the possibilities to engage in profitable coal mining business by directly investing in coal mining, management are full of confidence for the future 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 30th June, 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30th June, 2010 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 30th June, 2010.

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 2010 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, Mr. Chim Kim Lun, Ricky and Mr. Cheung Ka Fai and the Independent Non-Executive Directors 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, 27th August, 2010