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, 2009

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, 2009 with comparative figures for the corresponding period of 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30th June,	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**658,380**	448,770
Cost of sales			
— Others		**(586,246)**	(429,173)
— Amortisation of other intangible assets		**(21,756)**	—
Gross profit		**50,378**	19,597
Other income		**4,438**	3,460
Distribution costs		**(3,543)**	(3,786)
Administrative expenses		**(21,382)**	(25,045)
Change in fair value on investments		**42**	2
Gain on disposal of property, plant and equipment and prepaid lease payment		**11,234**	242
Finance costs	*4*	**(9,070)**	(8,367)
Profit (loss) before income tax	*5*	**32,097**	(13,897)
Income tax expense	*6*	**(7,755)**	(2,310)
Profit (loss) and total comprehensive income (expenses) for the period		**24,342**	(16,207)
Attributable to:			
Owners of the Company		**20,216**	(16,207)
Minority interests		**4,126**	—
		24,342	(16,207)
Basic earnings (loss) per share	*7*	**HK0.34 cents**	(HK3.21 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30th June, 2009 (Unaudited) *HK$'000*	At 31st December, 2008 (Audited) *HK$'000*
Non-current assets		
Property, plant and equipment	**510,112**	532,618
Prepaid lease payments	**67,773**	80,115
Investment properties	**26,658**	26,658
Available-for-sale investment	**3,448**	3,448
Goodwill	**399,262**	399,262
Retirement benefit scheme's assets	**3,825**	3,825
Other intangible asset	**821,242**	842,998
	1,832,320	1,888,924
Current assets		
Inventories	**37,305**	68,867
Debtors, bills receivable and prepayments	**574,238**	565,921
Amount due from a minority shareholder of a subsidiary	**275,774**	186,887
Prepaid lease payments	**730**	730
Short term bank deposits	**—**	13,569
Short term pledged bank deposits	**—**	936
Bank balances and cash	**85,858**	54,451
Investments held for trading	**3,285**	3,243
	977,190	894,604
Current liabilities		
Creditors, bills payable and accrued charges	**304,682**	248,770
Promissory notes	**98,412**	96,032
Income tax payable	**38,972**	56,663
Bank borrowings — due within one year	**359,101**	397,460
Amount due to minority shareholder of a subsidiary	**—**	18,955
Amount due to directors	**39,585**	12,000
	840,752	829,880
Net current assets	**136,438**	64,724
	1,968,758	1,953,648
Capital and reserves		
Share capital	**181,793**	181,293
Reserves	**1,539,788**	1,520,072
Equity attributable to equity holders of the Company	**1,721,581**	1,701,365
Minority interests	**63,004**	58,878
Total equity	**1,784,585**	1,760,243
Non-current liabilities		
Bank borrowings	**46,284**	49,518
Deferred income tax liabilities	**137,889**	143,887
	184,173	193,405
	1,968,758	1,953,648

Notes:

1. Basis of preparation

The unaudited condensed interim financial statements are 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 Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Principal accounting policies

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

A number of new or revised standards, amendments and interpretations are effective for the financial year beginning on 1st January, 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31st December, 2008. The condensed financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instrument issued in 2008
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operation segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 *Segment Reporting* required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment of HKFRS 5 as a part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendments)	Eligible Hedged Items[3]
HKFRS 1 (Amendment)	Additional exemptions for first time adoptor[4]
HKFRS 2 (Amendment)	Group cash-settled share based payment transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Effective annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st July, 2009.
4 Effective for annual periods beginning on or after 1st January, 2009.
5 Effective for transfers on or after 1st July, 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. 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 six months ended 30th June, 2009.

Business segments

Segment results represents the profit or loss by each segment without allocation of finance costs. This is the measure reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Six months ended 30th June, 2009

	Trading — coke *HK$'000*	Coal-related ancillary business *HK$'000*	Trading — others *HK$'000*	Manufacturing — household products *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Revenue						
External sales	—	487,427	128,123	41,849	981	658,380
Results						
Segment results before amortisation of other intangible assets	(3,735)	55,013	6,545	902	372	59,097
Amortisation of other intangible assets	(21,756)	—	—	—	—	(21,756)
Segment results	(25,491)	55,013	6,545	902	372	37,341
Unallocated income and expenses						(7,408)
Gain on disposal of property, plant and equipment and prepaid lease payment						11,234
Finance costs						(9,070)
Profit before income tax						32,097
Income tax expense						(7,755)
Profit for the period						24,342

Six months ended 30th June, 2008

	Trading — coke *HK$'000*	Trading — others *HK$'000*	Manufacturing — household products *HK$'000*	Manufacturing — others *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	222,075	65,987	42,158	118,550	448,770
Results					
Segment results	15,793	5,764	5,382	(11,128)	15,811
Unallocated income and expenses					(21,343)
Change in fair value on investments held for trading					2
Finance costs					(8,367)
Loss before income tax					(13,897)
Income tax expense					(2,310)
Loss for the period					(16,207)

4. Finance costs

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**6,690**	2,485
Imputed interested expense on convertible bonds	**2,380**	5,882
	9,070	8,367

5. Profit (loss) before income tax

Profit (loss) before income tax has been arrived at after charging:

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**21,298**	5,730
Operating lease payments in respect of rented properties	**479**	6,543

6. Income tax expense

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax expenses		
Hong Kong profits tax	**—**	2,220
Overseas taxation	**13,753**	—
	13,753	2,220
Deferred income tax	**(5,998)**	90
	7,755	2,310

No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2009 as there is no assessable profit for the period.

Hong Kong profits tax has been calculated at the rate of 16.5% on the estimate assessable profit for the period.

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 (loss) per share

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

	For the six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic earnings (loss) per share	**20,216**	(16,207)
Number of shares		
Weighted average number of shares for the purpose of basic earnings (loss) per share	**5,977,926**	505,647

Diluted earnings (loss) per share for both periods are not shown as there are no potential ordinary shares subsist during both of the periods presented.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30th June, 2009 (2008: Nil).

BUSINESS REVIEW

In 2008, the Group has expanded its business to engage in the coal related businesses. With the contribution by the new coal related businesses, the Group has successfully turnaround its loss making position and recorded a net profit of around HK$24.34 million in current review period. Group's revenue for the six months ended 30th June, 2009 has been increased by 46.7% to approximately HK$658.38 million compared to that of 2008 of approximately HK$448.77 million. Around 74% of the revenue was contributed by the coal related businesses. The economic tsunami happened in late 2008 has strengthened the management's belief in the repositioning of the Group's businesses.

For the coke trading business, with the increase in the PRC export tax from 25% to 40% and the reduction in the production scale of foreign steel mills due to the economic tsunami in late 2008, the PRC coke export market has been frozen in the first half of 2009. No revenue has been contributed by this new segment. However, the quantities of export quota undertaken by the Group have been increased to around 570,000 tones which represented around 4.7% of all the quotas granted by the PRC government. The increase in the limited quota will increase the business opportunities after the coke export market re-opened.

The Group's revenue was mainly contributed by the coal-related ancillary businesses which involved coal washing and electricity and heat generation. Although the PRC coke export market has been frozen since late 2008, the domestic coke market was still active and the Group has sold its washed coals to those coke processing plants. In this review period, these businesses contributed around HK$487.43 million revenue and HK$55 million profit to the Group.

For the original household products, management has focus more on the trading side instead of the manufacturing side since under economic recession, manufacturing sector, which are more costs intensive, are more volatile comparing to trading sector in the household products. Revenue contributed from the trading segment has increased greatly by 94.16% to approximately HK$128.12 million representing around 19.5% of the Group's revenue. Under the bad economic climate, margins for both trading and manufacturing of household products have been reduced to around 5.1% and 2.2% respectively.

OVERALL GROSS PROFITS

Gross profit has been increased greatly from last corresponding period's HK$19.60 million to current period's HK$50.38 million. Although there was an amortization of other intangible assets amounting HK$21.76 million in this review period, with the contributions from the coal related businesses, gross profits ratio still improved from last corresponding period's 4.4% to current period's 7.7%.

FINANCE COSTS

Interest expense has increased slightly from HK$8.37 million to current period's HK$9.07 million.

CHARGES OVER ASSETS

Around HK$29.03 million (31st December, 2008: HK$32.54 million) of building, HK$60.56 million (31st December, 2008: HK$73.08 million) of prepaid lease payments, HK$26.66 million (31st December, 2008: HK$26.66 million) of investment properties and nil (31st December, 2008: HK$0.94 million) of bank deposit have been charged to secure banking facilities granted to various subsidiaries. Save as disclosed above, no other property, plant and equipment with any carrying value is pledged to any bank to secure banking facilities granted to subsidiaries.

As at 30th June, 2009, the Group has disposed one of its property and prepaid lease payment and the completion date for such disposal is in August 2009. Since both the risk and rewards have been transferred to the purchaser as at 30th June, 2009, we have recorded such disposal in current review period. For the related mortgage loan amounting to approximately HK$6.77 million, it has been wholly settled with the proceeds received in August 2009.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK$136.44 million and 1.16:1 as at 30th June, 2009. In 31st December, 2008, the amount was HK$64.72 million and 1.08:1. The improvement in current ratio is mainly due to the operating profit generated in this review period. Also, after the two acquisitions in 2008, there is no material capital investment in 2009.

The Group's bank balances and cash equivalents amounted to approximately HK$85.86 million (31st December, 2008: approximately HK$68.96 million). Bank borrowings amounted to approximately HK$446.98 million. Around HK$387.50 million of the bank borrowings was the structured trade finance for the coke export business and around HK$56 million bank borrowings was the mortgaged loan for various properties located in Hong Kong.

EMPLOYEES AND REMUNERATION

As at 30th June, 2009, the Group had approximately 1,229 employees (30th June, 2008: approximately 980 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$11.54 million for the period ended 30th June, 2009 and approximately HK$39.50 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 5,500,000 share options granted under the share option scheme.

MAJOR DISPOSAL AND CONNECTED TRANSACTION

On 19th August, 2009, the Group has signed a sale and purchase agreement with an associate of Mr. Lam Po Kwai, Frankie, the former director and chairman of the Group for the sales of all the interests of Frankie Dominion (B.V.I.) Company Limited, which is the holding company of various subsidiaries engaging in the trading and manufacturing of the household products. For more details, please refer to the Circular relating to the disposal dated 10th September, 2009.

Subject to the shareholder and the Stock Exchange of Hong Kong Limited's approval, the Group will dispose those subsidiaries engaging in the household products at its net assets value adjusting by the fair value of its properties. With the increase in the fair value of the properties, it is expected that there will be a gain on disposal of around HK$22.2 million for such disposal and after that, management will focus on the coal related businesses.

PROSPECTS

In order to stimulus the economies after the economic tsunami, overseas governments will surely increase their spending in infrastructure which will ultimately increase the demand for coke as the necessary ingredients in steel production. The PRC is a stable coke supplier, in terms of both quality and quantity, in the international market but such supplies are constrained by the PRC export quota system. With the limited supply and increasing demand coke, management expected that the price for international coke will ultimately increase. The current frozen situation is mainly due to the increase in the export tax from 25% to 40% at the time of economic recession. However, the situation will change with the continued improvement in the economies and the supply of coke will become inadequate. Demand for PRC Export Coke will be increased again.

To further increase the profitability of the Group, management will continue to investigate the possibilities for expanding the Group's capacity and for securing more coal as the raw materials for coal washing. The Group may consider undertaking some nearby coal mines in order to purchase coals at discounted prices or to acquire a coke processing plant to become an integrated coke producer and exporter. Management has restarted the negotiation for acquiring the coke processing plant which the Group has previously planned to acquire in May 2008 and has been cancelled in January 2009 due to the outbreak of the economic tsunami in late 2008. Management considers that both moves can enlarge the profits margin of the Group.

With the expected increase in steel production in countries like USA, Russia and Europe, demands for PRC's coke will surely be increased in the coming years. It supports our management's view and decision to engage in the coke related business. Overall, management believes the repositioning of the Group's business by disposing the loss making business and acquiring profits generated coke related business is a successful move for the Group's long term development and 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 30th June, 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30th June, 2009 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, 2009.

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 2009 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. Cheng Kwok Hing, Andy and the Independent Non-Executive Directors are Mr. Lam Hoy Lee, Laurie, Mr. Wan Hon Keung and Mr. Sun Tak Keung.

By Order of the Board
Li Baoqi
Acting Chairman

Hong Kong, 18th September, 2009