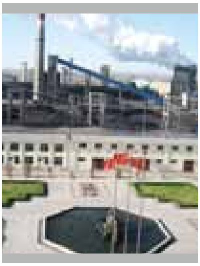
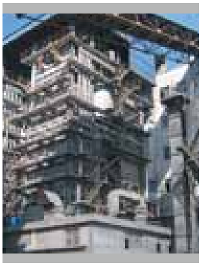
HUSCOKE RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 704)






2010

Interim Report

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CORPORATE INFORMATION

Board of directors

Mr. Cheung Ka Fai
Mr. Li Baoqi
Mr. Wu Jixian
Mr. Chim Kim Lun, Ricky
(resigned on 2nd September 2010)
Mr. Lam Hoy Lee, Laurie
(Independent Non-Executive Director)
Mr. To Wing Tim, Paddy
(Independent Non-Executive Director)
Mr. Wan Hon Keung
(Independent Non-Executive Director)

Audit committee

Mr. To Wing Tim, Paddy
Mr. Wan Hon Keung
Mr. Lam Hoy Lee, Laurie

Company secretary

Mr. Cheung Ka Fai

Company solicitors

In Hong Kong
Chiu & Partners

In Bermuda
Appleby Spurling Hunter

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

Share registrars and transfer office

In Hong Kong
Tricor Secretaries Limited

In Bermuda
Butterfield Corporate Services Limited

Principal office in Hong Kong

Room 4205, 42th Floor
Far East Finance Center
16 Harcourt Road
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Website: www.huscoke.com

Registered office

Room 4205, 42th Floor
Far East Finance Center
16 Harcourt Road
Admiralty, Hong Kong

INTERIM RESULTS

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

		For the six months ended 30th June,	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'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

	Notes	At 30th June, 2010 (Unaudited) HK$'000	At 31st December, 2009 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	9	**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	10	**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	11	**566,146**	279,305
Promissory notes	12	**—**	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

	Notes	At 30th June, 2010 (Unaudited) HK$'000	At 31st December, 2009 (Audited) HK$'000
Capital and reserves			
Share capital	13	**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	14	**170,307**	—
Deferred income tax liabilities		**135,854**	139,444
Bank borrowings		**35,100**	37,800
Promissory notes	12	**385,627**	—
		726,888	177,244
		2,737,803	2,045,485

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010

	Attributable to equity holders of the Company											
	Share capital	Share premium	Contributed surplus	Special reserve	Share options reserve	Translation reserve	Capital redemption reserve	Convertible bonds reserve	Retained profits (deficit)	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2009	181,293	144,997	747,600	18,236	–	591	85	2,501,400	(1,892,837)	1,701,365	58,878	**1,760,243**
Profit for the period	–	–	–	–	–	–	–	–	20,216	20,216	4,126	**24,342**
Total recognised income for the period	–	–	–	–	–	–	–	–	20,216	20,216	4,126	**24,342**
Conversion of Convertible bonds	500	2,800	–	–	–	–	–	(3,300)	–	–	–	**–**
At 30th June, 2009 (unaudited)	181,793	147,797	747,600	18,236	–	591	85	2,498,100	(1,872,621)	1,721,581	63,004	**1,784,585**
At 1st January 2010	**336,543**	**144,997**	**1,599,000**	**18,236**	**760**	**591**	**85**	**1,494,750**	**(1,799,101)**	**1,795,861**	**72,380**	**1,868,241**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**69,813**	**69,813**	**11,706**	**81,519**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**2,190**	**–**	**–**	**–**	**2,190**	**–**	**2,190**
Contributions from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,772**	**36,772**
Issuance of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,193**	**–**	**22,193**	**–**	**22,193**
Conversion of convertible bonds	**77,750**	**–**	**371,050**	**–**	**–**	**–**	**–**	**(448,800)**	**–**	**–**	**–**	**–**
At 30th June, 2010 (unaudited)	**414,293**	**144,997**	**1,970,050**	**18,236**	**760**	**2,781**	**85**	**1,068,143**	**(1,729,288)**	**1,890,057**	**120,858**	**2,010,915**

Notes:

(i) The contributed surplus represents the excess of fair value of convertible bonds issued as part of the consideration of acquisition of businesses over the nominal amount of the ordinary shares issued. Pursuant to section 40(1) of the Bermuda Companies Act, the excess of value of shares converted over the nominal value of the shares being issued by the Company is credited to a contributed surplus account.

(ii) The special reserve represents the difference between the nominal value of the shares of the subsidiaries at the date when the shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from operating activities	**148,988**	47,739
Net cash used in investing activities	**(223,300)**	(269)
Net cash generated from (used in) financing activities	**67,203**	(30,568)
Net (decrease) increase in cash and cash equivalents	**(7,109)**	16,902
Cash and cash equivalents at 1st January	**29,122**	68,956
Cash and cash equivalents at 30th June	**22,013**	85,858
Analysis of the balances of cash and cash equivalents		
Being:		
Bank balances and cash	**22,013**	85,858
	22,013	85,858

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 exist.

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 *HK$'000*	Coal-related ancillary business *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'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 (Unaudited) ***HK$'000***	2009 (Unaudited) *HK$'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	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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.

8. Interim dividend

The Board has resolved not to pay any interim dividend for the six months ended 30th June, 2010 (2009: Nil).

9. Property, plant and equipment

During the six months ended 30th June, 2010, the Group spent approximately HK$700 million (six months ended 30th June, 2009: HK$156,000) on acquisition of coke processing assets with annual capacity of 800,000 tones. The Group also disposed a property in the PRC with a consideration of around HK$15 million and resulted in a gain on disposal of HK$11,000.

10. Debtors, bills receivable and prepayments

	At 30th June, 2010 (Unaudited) *HK$'000*	At 31st December, 2009 (Audited) *HK$'000*
Trade debtors and bills receivable	**29,321**	26,170
Other debtors and prepayments	**22,252**	12,519
Advance payments to a minority shareholder of a subsidiary for purchases	**289,797**	387,297
Advance payments to suppliers	**350,026**	162,871
	691,396	588,857

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade debtors and bill receivable as at the reporting date:

	At 30th June, 2010 (Unaudited) *HK$'000*	At 31st December, 2009 (Audited) *HK$'000*
0 – 60 days	**17,075**	10,034
61 – 90 days	**8,889**	8,523
> 90 days	**3,357**	7,613
	29,321	26,170

11. Creditors, bills payable and accrued charges

	At 30th June, 2010 (Unaudited) *HK$'000*	At 31st December, 2009 (Audited) *HK$'000*
Trade creditors	**386,719**	123,579
Other creditors and accrued charges	**11,074**	33,149
Advance received from customers	**70,491**	69,804
Other taxes payable in PRC	**97,862**	52,773
	566,146	279,305

The following is an aged analysis of trade creditors and bills payable as at the reporting date:

	At 30th June, 2010 (Unaudited) *HK$'000*	At 31st December, 2009 (Audited) *HK$'000*
0 – 60 days	**40,413**	87,519
61 – 90 days	**191,788**	27,174
> 90 days	**154,518**	8,886
	386,719	123,579

12. Promissory notes

	HK$'000
Balance at 1st January, 2009	96,032
Imputed interest expenses	3,968
Repayment for the period	(85,000)
Balance at 31st December, 2009	15,000
Repayment for the period	(15,000)
Issued upon the acquisition of coke processing assets at fair value	384,542
Imputed interest expenses	1,085
Balance at 30th June, 2010	385,627

On 10th December 2009, the Group and a non-controlling shareholder of a subsidiary, entered into a sale and purchase agreement (the "Agreement") pursuant to which the subsidiary issued the two promissory notes, have principal amount of HK$218 million each on 15th June, 2010 with a maturity period of 18 months and 36 months respectively for the partial settlement of the consideration for the acquisitions of the coke processing assets. The promissory notes are unsecured and non-interest bearing.

The fair value, represented the present value of the promissory notes, is arrived based on the maturity period and an effective interest rate of 5% per annum.

13. Share capital

	Number of ordinary shares of HK$0.10 each		Nominal value	
	At 30th June, 2010 (Unaudited)	At 31st December 2009 (Audited)	**At 30th June, 2010 (Unaudited)**	At 31st December 2009 (Audited)
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning of the year	**20,000,000**	20,000,000	**20,000,000**	2,000,000
At end of the period/year	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning of the period/year	**3,365,426**	1,812,926	**336,543**	181,293
Conversion of convertible bonds *(note a)*	**777,500**	1,552,500	**77,750**	155,250
At end of the period/year	**4,142,926**	3,365,426	**414,293**	336,543

Notes:

(a) In this reporting period, the Company received notices of conversion from the holders of the Tranche 1 Bonds and Tranche 2 Bonds (as defined in note 14) exercising the right to convert the convertible bonds in the aggregate principal amount of HK$311,000,000 into 777,500,000 ordinary shares (31st December, 2009: HK$621,000,000 into 1,552,500,000 ordinary shares) of HK$0.10 each in the Company at the conversion price of HK$0.40 per share. These shares rank pari passu in all aspect with other shares in issue.

14. Convertible bonds

Convertible bonds issued in 2008

The Company issued two tranches of zero coupon convertible bonds, each of which has principal amount of HK$1,100 million to Mr. Wu Jixian on 16th May, 2008 ("Tranche 1 Bonds") and 31st October, 2008 ("Tranche 2 Bonds") (collectively called "2008 Convertible Bonds") respectively, with maturity date on the fifth anniversary of the respective dates of issue for the partial settlement of the acquisitions of Pride Eagle Group and Joy Wisdom Group respectively.

The 2008 Convertible Bonds should accrue no interest and are freely transferable, provided that where the convertible bonds are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the bondholder) such transfer shall comply with the requirements under the Listing Rules and/ or requirements imposed by the Stock Exchange, if any.

The bondholder may at any time during the five years from the respective dates of issue convert the whole or part of the principal amount of the 2008 Convertible Bonds into new ordinary shares of the Company at the conversion price of HK$0.40 per share, provided that (i) no conversion rights attached to the 2008 Convertible Bonds may be exercised, to the extent that following such exercise, a holder of the 2008 Convertible Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued shares of the Company (or in such percentage of the issued share capital of the Company as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being level for triggering a mandatory general offer); and (ii) no holder of the convertible bonds shall exercise the conversion right attached to the convertible bonds held by such holders if immediately after such conversion, the public float of the shares fall below the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules as required by the Stock Exchange. The conversion price of HK$0.40 per share is subject to adjustment for consolidation, sub-division or re-classification of shares, capital reduction, rights issues and other events which have diluting effects on the issued share capital of the Company. Any convertible bonds which remain outstanding on the maturity date shall be converted automatically into the new share of the Company under the same terms as mentioned above.

The 2008 Convertible Bonds are equity instrument containing equity element only and are presented in equity heading "convertible bonds reserve".

The total number of ordinary shares to be converted from the 2008 Convertible Bonds is 5,500 million of HK$0.10 each. The fair value of 2008 Convertible Bonds are determined by reference to the quoted market price of the ordinary shares of the Company, being HK$0.66 and HK$0.57 for each ordinary share, at respective issuance dates of Tranche 1 Bonds and Tranche 2 Bonds.

The movement of the amount of the 2008 Convertible Bonds during the period is set out below:

	Carrying amount HK$'000	Principal amount HK$'000
At 1st January, 2009	2,501,400	1,666,000
Converted during the year	(1,006,650)	(621,000)
At 31st December, 2009	1,494,750	1,045,000
Converted during the period	(448,800)	(311,000)
At 30th June, 2010	1,045,950	734,000

At the time when the 2008 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. During the review period, 2008 Convertible Bonds with aggregate carrying amount of HK$448,800,000 (2009: HK$1,006,650,000) (principal amount of HK$311,000,000 (2009: HK$621,000,000)) were converted into 777,500,000 (2009: 1,552,500,000) number of the Company's shares. Accordingly, HK$77,750,000 (2009: HK$155,250,000) was transferred to share capital account while HK$371,050,000 (2009: HK$851,400,000) was transferred to contributed surplus account. If the remaining 2008 Convertible Bonds with an aggregate carrying amount of HK$1,045,950,000 (2009: HK$1,494,750,000) are fully converted into ordinary shares of the Company subsequently, HK$183,500,000 (2009: HK$261,250,000) will be transferred to the share capital account while the remaining HK$862,450,000 (2009: HK$1,233,500,000) will be transferred to the contributed surplus account.

Convertible bonds issued in 2010

On 24th May, 2010, the Company issued HK$192.50 million 8 per cent convertible bonds ("2010 Convertible Bonds") with maturity date on 23rd May, 2013.

The bondholder may at any time before the maturity date convert the whole or part of the principal amount of the 2010 Convertible Bonds into new ordinary shares of the Company at the conversion price of HK$0.55 per share, provided that any conversion of the 2010 Convertible Bonds does not trigger off a mandatory offer under Rules 26 of the Takeovers Code on the part of the Bondholders which exercise the Conversion Right and will not cause any shortfall in the public float of the Company so that it is unable to meet the requirement of a minimum float under the Listing Rules. Any conversion shall be made in amounts of not less than a whole multiple of HK$1.1 million and no fraction of a Share shall be issued on conversion.

The conversion price will be adjusted in the event of an alteration of the capital restructure of the Company or upon the occurrence of certain adjustment events. These adjustment events include consolidation or sub-division, capitalization of profits or reserves, capital distribution, rights issue (whether in relation to shares, options, warrants or other rights to subscribe for or purchase any shares), issue of shares or grant of options, warrants or other rights to subscribe for or purchase any shares (or other securities carrying rights to convert into or exchange for shares) at less than 90% of the then current market price, modification of rights attached to securities carrying rights to convert into or exchange for shares so that following such modification the consideration per share receivable by the Company is less than the then current market price by 80%, the issue of shares wholly for cash at a price per Share which is less than 80% of the then current market price, the issue of shares for the acquisition of asset at a consideration (without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof) per share which is less than 80% the then current market price and offers of securities exchange.

Unless previously redeemed or converted or purchased and cancelled as provided in the respective subscription agreements, the Company is obliged to make any redemption, in cash, of the outstanding principal amount of the 2010 Convertible Bonds and the accrued and unpaid interest on the maturity date, together with such additional amount as premium such that the interest plus the said additional amount will be equivalent to a rate of return of 18% per annum.

Other details of the 2010 Convertible Bonds are set out in the Company's announcement dated 6th May, 2010.

On initial recognition, the fair value of the liability component of the 2010 Convertible Bonds is determined using the prevailing market interest of similar non-convertible debts at 12.16% per annum. The difference between the gross proceeds of the issue of the 2010 Convertible Bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the Convertible Notes into equity, is included in equity (convertible bonds reserve).

The 2010 Convertible Bonds recognised in the statement of financial position are calculated as follows:

	Total *HK$'000*
Face value of 2010 Convertible Bonds issued	192,500
Equity component	(22,193)
Liability component	170,307

The movement of the convertible bonds reserve during the period is set out below:

	HK$'000
At 1st January, 2009	2,501,400
Converted during the year	(1,006,650)
At 31st December, 2009	1,494,750
Insurance of 2010 Convertible Bonds	22,193
Conversion of 2008 Convertible Bonds	(448,800)
At 30th June, 2010	1,068,143

15. Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 31st May, 2002 for the primary purpose of providing incentives to director and eligible employees, and is effective for a period of 10 years commencing on the adoption date. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to the expiration of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the movements in share options granted under the Share Option Scheme during the six months ended 30th June 2010 are as follows:

Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding at 31/12/2009	Granted	Exercised/ Cancelled/ Lapsed	Outstanding at 30/06/2010
27/02/2009	27/02/2009-26/02/2014	0.50	5,500,000	—	—	5,500,000
11/01/2010	11/01/2010-10/01/2015	0.68	—	12,000,000	—	12,000,000
			5,500,000	12,000,000	—	17,500,000

16. Related party transactions

(a) During the review period, the Group entered into the following transaction with a related party:

	For the six months ended 30th June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of refined coal and electricity to a non-controlling shareholder of a subsidiary	**765,572**	473,959

Details of balances with related companies and a non-controlling shareholder of a subsidiary are set out in the condensed consolidated statement of financial position.

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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

Directors' and chief executives' interests in shares

As at 30th June, 2010, the interests of the directors and the chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the Shares

Name of Director	*Note*	Number of Shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	*(a)*	450,000,000	10.86
To Wing Tim, Paddy	*(b)*	660,000	0.02

Long positions in the underlying Shares

Name of Director	*Note*	Number of Shares held	Percentage of the Company's existing issued share capital (%)
Wu Jixian	*(a)*	2,290,400,000	55.28
Li Baoqi	*(c)*	4,500,000	0.11
Cheung Ka Fai	*(d)*	3,600,000	0.09

Note:

(a) As at 30th June, 2010, Mr. Wu Jixian, an executive Director, beneficially owned 450,000,000 Shares, he was also interested in convertible bonds in the aggregate principal amount of HK$734,000,000, which were convertible into 1,835,000,000 Shares. Mr. Wu was also entitled to share options to subscribe for a maximum of 5,400,000 Shares upon exercise of the options in full.

(b) Among the 660,000 Shares held by Mr. To Wing Tim, Paddy, an independent non-executive Director, 100,000 Shares were held by Mr. To as beneficial owner and 560,000 Shares held by Ms. Leung Yuet Mei, the spouse of Mr. To. Accordingly, Mr. To was deemed to be interested in the said 660,000 Shares under Part XV of the SFO.

(c) As at 30th June, 2010, Mr. Li Baoqi, an executive Director was entitled to share options to subscribe for a maximum of 4,500,000 Shares upon exercise of the options in full.

(d) As at 30th June, 2010, Mr. Cheung Ka Fai, an executive Director was entitled to share options to subscribe for a maximum of 3,600,000 Shares upon exercise of the options in full.

Save as disclosed above, as at 30th June, 2010, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

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.

By Order of the Board
Li Baoqi
Acting Chairman

Hong Kong, 24th September, 2010